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Harbin Bank Co., Ltd.

哈爾濱銀行股份有限公司*

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

(Stock Code: 6138)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

The board of directors (the “**Board**”) of Harbin Bank Co., Ltd. (the “**Bank**”) is pleased to announce the unaudited consolidated interim results of the Bank and its subsidiaries (the “**Group**”) for the six months ended 30 June 2015. The content of this results announcement has been prepared in accordance with applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2015 have been reviewed by Ernst & Young in accordance with International Standard on Review Engagements. Such interim results have also been reviewed by the Board and the audit committee of the Bank. Unless otherwise stated, financial data of the Group are presented in Renminbi.

This results announcement is published on the websites of the Bank (www.hrbb.com.cn) and HKExnews (www.hkexnews.hk). The interim report of the Bank for the six months ended 30 June 2015 will be dispatched to shareholders of the Bank and will be available on the above websites in due course.

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

Harbin, the PRC, 24 August 2015

As at the date of this announcement, the board of directors of the Bank comprises Guo Zhiwen, Liu Zhuo and Zhang Qiguang, as executive directors; Zhang Taoxuan, Chen Danyang, Cui Luanyi, Qin Hongfu and Ma Baolin, as non-executive directors; Ma Yongqiang, Zhang Shengping, He Ping, Du Qingchun, Wan Kam To and Kong Siu Chee, as independent non-executive directors.

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

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The Company is not an authorized 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 authorized 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” or “Supervisory Board”	the board of supervisors of the Company
“CBRC”	the China Banking Regulatory Commission
“Chief Financial Officer”	the chief financial officer of the Company
“Company”, “Bank”, or “Group”	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 and, unless context indicates otherwise, all of its subsidiaries and branches
“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 issued by the Company in the PRC, which are subscribed for or credited as paid in Renminbi
“H Shares”	ordinary shares of a nominal value of RMB1.00 each in the capital of the Company, which are listed on the Hong Kong Stock Exchange
“Harbin Economic Development”	Harbin Economic Development and Investment Company
“Hong Kong Listing Rules” or “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 of the Hong Kong Listing Rules
“PBOC” or “Central Bank”	the People’s Bank of China
“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

Authorized Representatives for the Hong Kong Stock Exchange:

LIU Zhuo; SUN Feixia

Board Secretary:

SUN Feixia

Joint Company Secretaries:

SUN Feixia
NGAI Wai Fung

Telephone:

86-451-86779999

Facsimile:

86-451-86779888

Email:

ir@hrbb.com.cn

Registered Address:

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

Office and Mailing Address:

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

Principal Place of Business in Hong Kong:

18/F, Tesbury Centre, 28 Queen's Road East, Wanchai,
Hong Kong

Website for Publishing this Report:

www.hrbb.com.cn

Place where this Report is Available:

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

Place of Listing, Stock Name and Stock Code:

The Stock Exchange of Hong Kong Limited, HARBIN BANK,
06138

Registration Number of Corporate Business License:

230100100006877

Registration Number of Tax Certificate:

Dao Li Guo Shui Zi No. 230102127592111,
Hei Di Shui Zi No. 230102127046970

Finance Permit Institution Number:

B0306H223010001

Organization Code:

12759211-1

Date of Initial Registration:

25 July 1997

Initial Registration Authorities:

Administration for Industry and Commerce of Harbin,
Heilongjiang Province, PRC

Legal Advisers as to Laws of China:

Beijing Jun He Law Offices

Legal Advisers as to Laws of Hong Kong, China:

Linklaters

Auditors:

Ernst & Young, Certified Public Accountants

Hong Kong H Share Registrar and Transfer Office:

Computershare Hong Kong Investor Services Limited

Company Profile

Company Profile

The Bank was granted its finance permit to carry on financial business by the PBOC in February 1997, and obtained its corporate business license on 25 July 1997. Headquartered in Harbin, the Bank is an emerging city commercial bank in the northeast region of China in recent years. As of 30 June 2015, the Bank had established 17 branches in Tianjin, Chongqing, Dalian, Shenyang, Chengdu and Harbin, etc. and 24 village and township banks in 14 provinces and municipalities, including Beijing, Guangdong, Jiangsu, Jilin and Heilongjiang. The Bank, as a strategic investor, participated in equity investment of Guangdong Huaxing Bank and, as a controlling shareholder, promoted the establishment of Harbin Bank Financial Leasing Co., Ltd.. On 31 March 2014, the Bank was listed on the Hong Kong Stock Exchange and became the first listed city commercial bank operating in the northeast region of China. As of 30 June 2015, the Group had 338 branch outlets with branches and sub-branches across six administrative regions across China.

As of 30 June 2015, the Bank had total assets of RMB391,786.7 million, total loans and advances to customers of RMB153,151.5 million and total customer deposits of RMB258,228.6 million.

The Bank is ranked 5th in the local corporate banks group in the “GYROSCOPE evaluation system” on commercial banks’ steady development ability issued by the China Banking Association in the first half of 2015, as the top city commercial bank in northeastern China. The Bank is ranked 209th in the Top 1000 World Banks 2015 of *The Banker* of United Kingdom, thus rising 73 places from the previous ranking.

Company Profile

Major Subsidiaries

The major subsidiaries of the Bank as of 30 June 2015 are as follows:

Company Name	Place of incorporation/ registration and operations Location in the PRC	Nominal value of issued share/paid-up capital in RMB millions	Percentage ownership/ voting rights directly owned by the Bank (%)	Amount invested by the Bank in RMB millions	Company nature
Bayan Rongxing Village and Township Bank Co., Ltd.	Bayan, Heilongjiang	50	90.00	45	Village and Township Bank
Huining Huishi Village and Township Bank Co., Ltd.	Huining, Gansu	30	100.00	30	Village and Township Bank
Beijing Huairou Rongxing Village and Township Bank Co., Ltd.	Huairou, Beijing	100	90.00	90	Village and Township Bank
Yushu Rongxing Village and Township Bank Co., Ltd.	Yushu, Jilin	30	100.00	30	Village and Township Bank
Shenzhen Bao'an Rongxing Village and Township Bank Co., Ltd.	Bao'an, Shenzhen	200	70.00	140	Village and Township Bank
Yanshou Rongxing Village and Township Bank Co., Ltd.	Yanshou, Heilongjiang	30	100.00	30	Village and Township Bank
Chongqing Dadukou Rongxing Village and Township Bank Co., Ltd.	Dadukou, Chongqing	150	80.00	120	Village and Township Bank
Suining Anju Rongxing Village and Township Bank Co., Ltd.	Suining, Sichuan	80	75.00	60	Village and Township Bank
Huachuan Rongxing Village and Township Bank Co., Ltd.	Huachuan, Heilongjiang	50	98.00	49	Village and Township Bank
Baiquan Rongxing Village and Township Bank Co., Ltd.	Baiquan, Heilongjiang	30	100.00	30	Village and Township Bank
Yanshi Rongxing Village and Township Bank Co., Ltd.	Yanshi, Henan	30	100.00	30	Village and Township Bank
Leping Rongxing Village and Township Bank Co., Ltd.	Leping, Jiangxi	30	100.00	30	Village and Township Bank
Jiangsu Rudong Rongxing Village and Township Bank Co., Ltd.	Rudong, Jiangsu	100	80.00	80	Village and Township Bank
Honghu Rongxing Village and Township Bank Co., Ltd.	Honghu, Hubei	30	100.00	30	Village and Township Bank

Company Profile

Company Name	Place of incorporation/ registration and operations Location in the PRC	Nominal value of issued share/paid-up capital in RMB millions	Percentage ownership/ voting rights directly owned by the Bank (%)	Amount invested by the Bank in RMB millions	Company nature
Zhuzhou Rongxing Village and Township Bank Co., Ltd.	Zhuzhou, Hunan	50	80.00	40	Village and Township Bank
Chongqing Wulong Rongxing Village and Township Bank Co., Ltd.	Wulong, Chongqing	50	70.00	35	Village and Township Bank
Xinan Rongxing Village and Township Bank Co., Ltd.	Xinan, Henan	30	100.00	30	Village and Township Bank
Anyi Rongxing Village and Township Bank Co., Ltd.	Anyi, Jiangxi	30	100.00	30	Village and Township Bank
Yingcheng Rongxing Village and Township Bank Co., Ltd.	Yingcheng, Hubei	30	100.00	30	Village and Township Bank
Leiyang Rongxing Village and Township Bank Co., Ltd.	Leiyang, Hunan	50	100.00	50	Village and Township Bank
Hainan Baoting Rongxing Village and Township Bank Co., Ltd.	Baoting, Hainan	30	96.67	29	Village and Township Bank
Chongqing Shapingba Rongxing Village and Township Bank Co., Ltd.	Shapingba, Chongqing	100	80.00	80	Village and Township Bank
Hejian Ronghui Village and Township Bank Co., Ltd.	Hejian, Hebei	50	100.00	50	Village and Township Bank
Chongqing Youyang Rongxing Village and Township Bank Co., Ltd.	Youyang, Chongqing	60	100.00	60	Village and Township Bank
Harbin Bank Financial Leasing Co., Ltd.	Harbin, Heilongjiang	2,000	80.00	1,600	Financial Leasing

Summary of Accounting Data and Financial Indicators

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

	For the six months ended 30 June		For the year ended 31 December	
	2015	2014	2015 vs. 2014	2014
(In millions of RMB, except percentages)				
Results of operations			Rate of change	
Net interest income	4,451.7	4,099.2	8.60%	8,397.6
Net fee and commission income	945.8	831.8	13.71%	1,600.3
Operating income	5,513.9	5,031.8	9.58%	10,252.8
Operating expenses	(1,996.1)	(1,987.0)	0.46%	(4,433.3)
Impairment losses	(756.9)	(392.3)	92.94%	(709.2)
Profit before tax	2,784.5	2,663.9	4.53%	5,127.5
Net profit	2,132.0	1,994.1	6.92%	3,840.8
Net profit attributable to shareholders of the Bank	2,101.6	1,982.4	6.01%	3,806.6
For each share (RMB yuan)			Rate of change	
Net assets per share attributable to shareholders of the Bank	2.78	2.50	11.20%	2.69
Earnings per share	0.19	0.21	-9.52%	0.37
Profitability indicators			Changes	
Return on average total assets ⁽¹⁾	1.16%	1.20%	-0.04%	1.15%
Return on average equity ⁽²⁾	14.00%	16.77%	-2.77%	15.46%
Net interest spread ⁽³⁾	2.43%	2.44%	-0.01%	2.49%
Net interest margin ⁽⁴⁾	2.68%	2.60%	0.08%	2.71%
Net fee and commission income to operating income ratio	17.15%	16.53%	0.62%	15.61%
Cost-to-income ratio ⁽⁵⁾	28.18%	31.93%	-3.75%	35.04%

Summary of Accounting Data and Financial Indicators

	As of 30 June	As of 31 December	First half of 2015 vs. 2014
	2015	2014	2015 vs. 2014
Capital adequacy indicators ⁽⁶⁾			Changes
Core tier 1 capital adequacy ratio	12.02%	13.94%	-1.92%
Tier 1 capital adequacy ratio	12.02%	13.94%	-1.92%
Capital adequacy ratio	12.53%	14.64%	-2.11%
Total equity to total assets	7.97%	8.78%	-0.81%
Assets quality indicators			Changes
Non-performing loan ratio ⁽⁷⁾	1.36%	1.13%	0.23%
Impairment coverage ratio ⁽⁸⁾	163.15%	208.33%	-45.18%
Impairment losses on loans ⁽⁹⁾	2.21%	2.35%	-0.14%
Other indicators			
Loan-deposit ratio	59.31%	53.01%	6.30%
Scale indicators			Rate of change
Total assets	391,786.7	343,641.6	14.01%
Of which: total loans and advances to customers	153,151.5	123,930.3	23.58%
Total liabilities	360,567.1	313,479.0	15.02%
Of which: due to customers	258,228.6	233,793.8	10.45%
Share capital	10,995.6	10,995.6	0.00%
Equity attributable to shareholders of the Bank	30,522.6	29,530.3	3.36%
Non-controlling interests	696.9	632.3	10.22%
Total equity	31,219.5	30,162.6	3.50%

Notes:

- (1) The percentage of net profit for a period to the average balance of the total assets at the beginning and the end of the period.
- (2) The percentage of net profit attributable to the equity shareholders of the Bank for a period to the average balance of total equity attributable to equity holders of the parent company at the beginning and the end of the period.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest bearing liabilities, calculated based on the daily average of the interest-earning assets and interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets, calculated based on the daily average of the interest-earning assets.
- (5) Calculated with the operating cost after the business tax and surcharges and divided by the operating income.
- (6) Calculated pursuant to the new and old Capital Adequacy Measures, other related regulations of the PRC and PRC GAAP. The new Measures have been adopted for calculation of capital adequacy ratio since 2013, and the old Measures have ceased to be adopted by the Bank for such calculation since 2014.
- (7) Calculated with the total non-performing loans divided by the total loans to customers.
- (8) Calculated with the allowance for impairment loss divided by the total non-performing loans.
- (9) Calculated with the allowance for impairment loss on loan divided by the total loans to customers.

Management Discussion and Analysis

I. Past economic and environment and operation overview

(I) Past economic and financial environment

For the first half of 2015, the global economy was still under profound adjustment following the financial crisis. Affected by factors such as weak external demand, excessive production capacity and deleveraging, China's economy grew steadily but slowly within a reasonable range. For the first half of 2015, the gross domestic product (GDP) amounted to RMB29,686.8 billion, up 7.0% over the previous period, and the consumer price index (CPI) rose by 1.3% over the previous period. At the end of June, the balance of M2 was RMB133.34 trillion, up 11.8% over the previous period end; the balance of M1 was RMB35.61 trillion, up 4.3%; and the balance of M0 amounted to RMB5.86 trillion, up 2.9%. At the end of June, the balance of RMB loans amounted to RMB88.79 trillion, and the balance of RMB deposits amounted to RMB131.83 trillion. New RMB loans made in the first half of the year amounted to RMB6.56 trillion, up RMB537.1 billion over the previous period, and new RMB deposits amounted to RMB11.09 trillion, down RMB375.6 billion from the previous period. Social financing increment amount for the first half of 2015 was RMB8.81 trillion.

For the first half of 2015, in order to proactively adapt to the new normal economic development, Heilongjiang Province accelerated the implementation of "Five Major Plans" and carried out the 65 measures on promotion of the steady economic growth by Heilongjiang Province, thereby paving the way for stable economic growth. Taking advantage of the national strategic opportunities arising from accelerating the construction of the Longjiang terrestrial and maritime Silk Road of the "China-Mongolia-Russia Economic Corridor", Heilongjiang Province proactively strengthened the bilateral and multilateral cooperations to drive the economic and trade cooperations with Russia to a whole new high level. Meanwhile, Heilongjiang Province, by actively implementing the planning of the Central Committee of CPC and the State Council, promoted the development of "Internet Plus" from a strategic perspective, and taking into account the actual circumstances of the province, to fully develop the province's advantages and to strive for a new look on "Internet Plus" across the province, thus promoted innovations on entrepreneurship and gathered up new momentum for industrial structure adjustments and development transformations.

(II) Operation overview

For the first half of 2015, against the backdrop of China's slow domestic economic growth, accelerated market-oriented financial reform, emerging internet finance and intensified industry competition, the Bank proactively met challenges posed by such changes under the proper leadership of the Board and supervision of the Board of Supervisors. The Bank maintained a stable profitability as well as a sound asset quality by accelerating business transformation and innovative development, insisting on microcredit development strategy, maintaining a sound and diversified operations and strengthening risk management.

Management Discussion and Analysis

Stable profitability

For the first half of 2015, the Bank recorded a net profit attributable to equity holders of RMB2,101.6 million, up RMB119.2 million or 6.01% as compared with the same period last year, mainly due to the increase in net interest income as well as net fee and commission income. For the first half of 2015, the Bank recorded a net interest income of RMB4,451.7 million, up RMB352.5 million or 8.6% as compared with the same period last year, and net fee and commission income of RMB945.8 million, up RMB114.0 million or 13.7% as compared with the same period last year. The return on average total assets decreased to 1.16% as compared with 1.20% over the same period of 2014. The return on average equity was 14.00%, representing a decrease as compared with 16.77% over the same period of 2014.

Steady business development

As of 30 June 2015, the Bank had total assets of RMB391,786.7 million, up RMB48,145.1 million or 14.0% from the end of last year. The Bank's total loans and advances to customers amounted to RMB153,151.5 million, up RMB29,221.2 million or 23.6% from the end of last year. The Bank's total deposits from customers amounted to RMB258,228.6 million, up RMB24,434.8 million or 10.5% from the end of last year.

Stable asset quality

As of 30 June 2015, the Bank had a non-performing loans balance of RMB2,078.5 million, up RMB678.8 million or 48.5% from the end of last year. NPL ratio, impairment losses on loans ratio and impairment coverage ratio amounted to 1.36%, 2.21% and 163.15%, representing an increase by 0.23 percentage point, a decrease by 0.14 percentage point and a decrease by 45.18 percentage points from the end of last year, respectively.

Management Discussion and Analysis

II. Analysis on income statement

For the six months ended 30 June				
	2015	2014	Change in amount	Rate of change
(In millions of RMB, except percentages)				
Interest income	9,770.8	9,373.3	397.5	4.2%
Interest expense	(5,319.1)	(5,274.1)	(45.0)	0.9%
Net interest income	4,451.7	4,099.2	352.5	8.6%
Fee and commission income	1,016.5	904.0	112.5	12.4%
Fee and commission expense	(70.7)	(72.2)	1.5	-2.1%
Net fee and commission income	945.8	831.8	114.0	13.7%
Net trading income	92.8	118.8	(26.0)	-21.9%
Net gain on financial investments	2.2	(62.3)	64.5	-103.5%
Other operating income, net	21.4	44.3	(22.9)	-51.7%
Operating income	5,513.9	5,031.8	482.1	9.6%
Operating expenses	(1,996.1)	(1,987.0)	(9.1)	0.5%
Impairment losses:				
Loans and advances to customers	(606.4)	(392.3)	(214.1)	54.6%
Others	(150.5)	0.0	(150.5)	—
Operating profit	2,760.9	2,652.5	108.4	4.1%
Share of profits of an associate	23.6	11.4	12.2	107.0%
Profit before tax	2,784.5	2,663.9	120.6	4.5%
Income tax expense	(652.5)	(669.8)	17.3	-2.6%
Net profit	2,132.0	1,994.1	137.9	6.9%

For the first half of 2015, the Bank recorded a profit before tax of RMB2,784.5 million and a net profit of RMB2,132.0 million, representing an increase of 4.5% and 6.9%, respectively, as compared to the same period last year.

Management Discussion and Analysis

(i) Net interest income, net interest spread and net interest margin

For the first half of 2015, the Bank recorded a net interest income of RMB4,451.7 million, representing an increase of RMB352.5 million or 8.6% as compared to the same period last year. The increase in net interest income of RMB537.1 million was attributable to the expansion of the business scale, and the decrease of net interest income of RMB184.6 million was attributable to changes in yield or cost ratio. 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, and the average yield of these interest-earning assets and the average cost ratio of these interest-bearing liabilities.

	For the six months ended 30 June					
	2015			2014		
	Average balance ⁽⁶⁾	Interest income	Average yield	Average balance ⁽⁶⁾	Interest income	Average yield
(In millions of RMB, except percentages)						
Interest-earning assets						
Loans to customers	140,974.9	5,199.0	7.38%	116,259.7	4,533.3	7.80%
Investments in debt securities ⁽¹⁾	81,642.0	2,591.9	6.34%	74,655.2	2,340.0	6.27%
Cash and balances with						
Central Bank	44,126.8	319.2	1.44%	45,632.9	336.1	1.47%
Due from banks and						
other financial institutions ⁽²⁾	60,779.5	1,524.1	5.02%	78,611.7	2,163.9	5.51%
Long-term receivables	5,257.5	136.6	5.20%	—	—	—
Total interest-earning assets	332,780.7	9,770.8	5.87%	315,159.5	9,373.3	5.95%

Management Discussion and Analysis

For the six months ended 30 June

	2015			2014		
	Average balance ⁽⁶⁾	Interest expense	Average cost ratio	Average balance ⁽⁶⁾	Interest expense	Average cost ratio
(In millions of RMB, except percentages)						
Interest-bearing liabilities						
Due to customers	221,722.4	3,109.6	2.80%	214,050.6	2,737.4	2.56%
Due to banks ⁽³⁾	81,488.2	2,065.4	5.06%	82,011.9	2,436.9	5.94%
Debt securities issued	5,249.2	118.1	4.50%	3,500.0	86.2	4.93%
Due to central bank	1,591.7	26.0	3.26%	912.4	13.6	2.98%
Total interest-bearing liabilities	310,051.5	5,319.1	3.44%	300,474.9	5,274.1	3.51%
Net interest income		4,451.7			4,099.2	
Net interest spread⁽⁴⁾			2.43%			2.44%
Net interest margin⁽⁵⁾			2.68%			2.60%

Notes:

- (1) Include available-for-sale financial assets, held-to-maturity investments and investments in receivables.
- (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 reverse repurchase agreements and borrowing from banks and other financial and institutions.
- (4) Calculated as the difference between the average yield on total interest-earning assets and the average cost ratio on 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 average 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.

Management Discussion and Analysis

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 rates are measured by changes in the average rates of the Bank's interest-earning assets and interest-bearing liabilities. Effects of changes caused by both volumes and rates have been allocated to changes in interest rate.

	For the six months ended 30 June		
	2015 vs. 2014		
	Increase/(decrease) due to		Net increase/
	Volume ⁽¹⁾	Interest rate ⁽²⁾	(decrease) ⁽³⁾
(In millions of RMB)			
Interest-earning assets			
Loans to customers	961.7	(296.0)	665.7
Investments in debt securities	223.3	28.6	251.9
Balances with central bank	(10.3)	(6.6)	(16.9)
Due from banks and other financial institutions	(490.9)	(148.9)	(639.8)
Long-term receivables	(0.1)	136.7	136.6
Change in interest income	683.7	(286.2)	397.5
Interest-bearing liabilities			
Due to customers	106.1	266.1	372.2
Due to banks	(12.9)	(358.6)	(371.5)
Debt securities issued	43.2	(11.3)	31.9
Due to central bank	10.2	2.2	12.4
Change in interest expense	146.6	(101.6)	45.0

Notes:

- (1) Represents the average balance for the reporting period minus the average balance for the previous period, multiplied by the average yield/cost 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.

Management Discussion and Analysis

(II) Interest income

For the first half of 2015, the Bank's interest income increased by RMB397.5 million or 4.2% to RMB9,770.8 million as compared to the same period last year. The Bank's average balance of interest-earning assets increased by 5.6% from RMB315,159.5 million for the same period last year to RMB332,780.7 million for the first half of 2015 attributable to increases in the Bank's loans and advances to customers and investments in debt securities and long-term receivables. The average yield of the Bank's interest-earning assets decreased from 5.95% for the same period last year to 5.87% for the first half of 2015, which was primarily the result of a decline in yield of loans to customers and due from banks and other financial institutions for the first half of 2015.

1. Interest income from loans and advances to customers

For the first half of 2015, interest income from loans and advances to customers increased by RMB665.7 million or 14.7% to RMB5,199.0 million as compared to the same period last year, primarily as a result of a 21.3% increase in the average balance of loans and advances to customers with a 0.42% decrease in the average yield, among of which, increase in the average balance of loans and advances to customers was attributable to the Bank's efforts to develop the Bank's microcredit business, and increase in credits granted for better real economy, while the 0.42% decrease in the average yield was primarily due to the promotion of interest rate liberalization, increased market competition as well as a lower benchmark lending rate by PBOC.

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

	For the six months ended 30 June					
	2015			2014		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
(In millions of RMB, except percentages)						
Corporate loans	89,051.5	3,300.4	7.41%	71,406.6	2,693.8	7.54%
Personal loans	45,470.0	1,723.9	7.58%	41,720.4	1,726.5	8.28%
Discounted bills	6,453.4	174.7	5.41%	3,132.7	113.0	7.21%
Total loans and advances to customers	140,974.9	5,199.0	7.38%	116,259.7	4,533.3	7.80%

Management Discussion and Analysis

2. *Interest Income from Investments in Debt Securities*

For the first half of 2015, interest income from investments in debt securities increased by RMB251.9 million or 10.8% to RMB2,591.9 million as compared to the same period of last year, principally attributable to a 9.4% increase in the average balance of the Bank's investments in debt securities and a 0.07% increase in the average yield of the Bank's investments in debt securities. The increase in the average balance of the Bank's investments in debt securities was primarily attributable to an expanded and diversified investment portfolio as a result of increased capital sources from customers, while the increase in the average yield of the Bank's investments in debt securities was attributable to the Bank's strengthened management of the Bank's investment portfolio and timely allocation to financial bonds with higher yields and quality corporate bonds and an increase in the average balance of investments in receivables with a higher yield than other debt securities investments.

3. *Interest Income from Cash and Balances with Central Bank*

For the first half of 2015, interest income from cash and balances with Central Bank decreased by RMB16.9 million or 5.0% to RMB319.2 million as compared to the same period last year, primarily attributable to a reduced statutory deposit reserve ratio.

4. *Interest Income from amounts due from Banks and Other Financial Institutions*

For the first half of 2015, interest income from amounts due from banks and other financial institutions decreased by RMB639.8 million or 29.6% to RMB1,524.1 million as compared with the same period last year, primarily attributable to a 0.49% decrease in the average yield of the relevant assets, and a 22.7% decrease in the average balance of such assets. Such decrease was primarily attributable to more capital sources being applied to loans to customers and lesser application of such assets to investments in debt securities, whereas the decline in the average yield of the relevant assets was attributable to changes in market liquidity and structure of such assets.

5. *Interest Income from long-term receivables*

For the first half of 2015, interest income from long-term receivables amounted to RMB136.6 million, primarily attributable to income generated by Harbin Bank Financial Leasing Co., Ltd., a subsidiary of the Bank.

(III) Interest expense

For the first half of 2015, the Bank's interest expense increased by RMB45.0 million or 0.9% to RMB5,319.1 million as compared to the same period last year, primarily attributable to a 3.2% increase in the average balance of the interest-bearing liabilities from RMB300,474.9 million for the same period last year to RMB310,051.5 million for the first half of 2015 resulting from a significant increase in the Bank's customer deposits. The average cost ratio of interest-bearing liabilities decreased from 3.51% for the same period last year to 3.44% this year.

Management Discussion and Analysis

1. Interest Expense on Due to Customers

For the first half of 2015, the Bank's interest expense on due to customers increased by RMB372.2 million or 13.6% to RMB3,109.6 million as compared to the same period last year, primarily attributable to an increase in the average cost ratio of the Bank's due to customers from 2.56% for 2014 to 2.80% this year arising from the promotion of interest rate liberalization and increased market competition.

For the six months ended 30 June						
	2015			2014		
	Average Balance	Interest expense	Average cost ratio	Average Balance	Interest expense	Average cost ratio
(In millions of RMB, except percentages)						
Corporate deposits						
Demand	60,023.8	183.5	0.61%	61,616.6	198.1	0.64%
Time	83,762.0	1,890.2	4.51%	93,007.1	1,751.7	3.77%
Subtotal	143,785.8	2,073.7	2.88%	154,623.7	1,949.8	2.52%
Personal deposits						
Demand	26,615.3	57.9	0.44%	25,203.7	48.3	0.38%
Time	51,321.3	978.0	3.81%	34,223.2	739.3	4.32%
Subtotal	77,936.6	1,035.9	2.66%	59,426.9	787.6	2.65%
Total deposits from customers	221,722.4	3,109.6	2.80%	214,050.6	2,737.4	2.56%

2. Interest Expense on Due to Banks

For the first half of 2015, the Bank's interest expense on due to banks decreased by RMB371.5 million or 15.2% to RMB2,065.4 million as compared with the same period last year, primarily attributable to a 0.6% decrease in the average balance of relevant liabilities from RMB82,011.9 million for the same period in 2014 to RMB81,488.2 million for the first half of 2015, and a decline in the average cost ratio of the underlying liabilities from 5.94% for the same period last year to 5.06% for the first half of 2015. The average balance of the underlying liabilities increased mainly due to the Bank actively absorbed funds from other banks and broadened its sources of liabilities, taking full account the need to match assets and liabilities, while the drop in the average cost ratio of the underlying liabilities was mainly due to generally sufficient liquidity during the reporting period, a downward trend in interest rate, as well as the Bank's efforts to strengthen interbank liabilities and optimize bank liabilities structure.

3. Interest Expense on Debt Securities Issued

For the first half of 2015, the Bank's interest expense on debt securities issued amounted to RMB118.1 million.

Management Discussion and Analysis

(iv) Net Interest Spread and net Interest Margin

The Bank's net interest spread decreased from 2.44% for the same period last year to 2.43% this year, mainly attributable to the gradually smaller spread between loan and deposit rates in the banking sector resulting from the advance in the liberalization of interest rate. The Bank's net interest margin increased from 2.60% for the same period 2014 to 2.68% for the first half of 2015, mainly attributable to the higher proportion of interest-generating assets with high yields during the reporting period.

(v) Non-interest income

1. *Net fee and commission income*

For the first half of 2015, the Bank's net fee and commission income increased by RMB114.0 million or 13.7% to RMB945.8 million as compared with the same period last year, primarily due to the increase in the Bank's advisory and consulting fees, agency and custodian fees and bank card fees as a result of the development of the related businesses.

For the first half of 2015, the Bank's advisory and consultancy fee income reached RMB341.0 million, up RMB35.3 million or 11.5% as compared with the same period last year, mainly attributable to the expansion of the Bank's advisory and consultancy businesses, resulting in an increase in the number of the Bank's customers and a sustained growth in business volume.

The Bank realized an income of RMB35.5 million from settlement fees for the first half of 2015, down slightly as compared with the same period last year.

For the first half of 2015, the Bank's agency and custodian fee income was RMB488.2 million, up 10.4% or RMB45.8 million as compared with the same period last year, mainly as a result of the development of the Bank's trust fund custody business and wealth management business.

Management Discussion and Analysis

For the six months ended 30 June

	2015	2014	Change in amount	Rate of change
(In millions of RMB, except percentages)				
Fee and commission income	1,016.5	904.0	112.5	12.4%
Advisory and consultancy fee	341.0	305.7	35.3	11.5%
Settlement fee	35.5	42.0	(6.5)	-15.5%
Agency and custodian fee	488.2	442.4	45.8	10.4%
Of which: non-principal protected wealth management agency fee	236.7	201.5	35.2	17.5%
Bank card fee	122.3	86.5	35.8	41.4%
Others	29.5	27.4	2.1	7.7%
Fee and commission expense	(70.7)	(72.2)	1.5	-2.1%
Net fee and commission income	945.8	831.8	114.0	13.7%

For the first half of 2015, the Bank earned RMB122.3 million from bank card fee, up 41.4% or RMB35.8 million as compared with the same period last year, mainly attributable to the development and marketing of the Bank card business and a rise in the issuance and transaction volume of the Bank cards during the reporting period.

Other charges and commission generated income of RMB29.5 million, up 7.7% or RMB2.1 million as compared with the same period last year. The increase was mainly associated with the foreign exchange business.

2. Net trading income

For the first half of 2015, the Bank's net trading income decreased by RMB26.0 million or 21.9% to RMB92.8 million as compared with the same period last year, mainly attributable to the change in the conditions of the bond market.

3. Net gains on financial investments

For the first half of 2015, the Bank's net gains increased by RMB64.5 million or 103.5% to RMB2.2 million as compared with the same period last year, mainly attributable to fluctuations in bond markets and an increase in trading volumes of bonds.

4. Other operating income, net

For the first half of 2015, the Bank's other operating income decreased by RMB22.9 million or 51.7% to RMB21.4 million as compared with the same period last year, mainly due to the increase in foreign exchange loss for the year.

Management Discussion and Analysis

(vi) Operating expenses

For the first half of 2015, the Bank's operating expenses increased by RMB9.1 million or 0.5% to RMB1,996.1 million as compared with the same period last year.

	For the six months ended 30 June			
	2015	2014	Change in amount	Rate of change
(In millions of RMB, except percentages)				
Staff costs	773.2	827.5	(54.3)	-6.6%
Business tax and surcharges	442.4	380.4	62.0	16.3%
Depreciation and amortization	208.6	166.8	41.8	25.1%
Others	571.9	612.3	(40.4)	-6.6%
Total operating expenses	1,996.1	1,987.0	9.1	0.5%

Staff costs are the largest component of the Bank's operating expenses, representing 38.7% and 41.6% of the Bank's total operating expenses for the first half of 2015 and 2014, respectively.

Management Discussion and Analysis

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

For the six months ended 30 June				
	2015	2014	Change in amount	Rate of change
(In millions of RMB, except percentages)				
Staff costs				
Salaries, bonuses and allowances	594.5	673.9	(79.4)	-11.8%
Social insurance	89.6	74.5	15.1	20.3%
Housing fund	35.7	36.2	(0.5)	-1.4%
Staff benefits	46.7	32.0	14.7	45.9%
Labour's union expenditure and education costs	6.6	7.1	(0.5)	-7.0%
Early retirement benefits	0.1	3.8	(3.7)	-98.4%
Total	773.2	827.5	(54.3)	-6.6%

For the first half of 2015, the staff costs of the Bank were RMB773.2 million, down 6.6% or RMB54.3 million as compared with the same period last year, primarily attributable to the improved remuneration structure, and enhanced performance and results linked appraisal.

For the first half of 2015, the Bank had to pay business tax and surcharges of RMB442.4 million, up 16.3% or RMB62.0 million as compared with the same period last year, primarily attributable to the increase in interest income as well as income from fee and commission, and bond transactions.

For the first half of 2015, depreciation and amortization were RMB208.6 million, up 25.1% or RMB41.8 million as compared with the same period last year, primarily as a result of an expansion of the Bank's distribution network and an increase in the capital costs relating to operating properties.

For the first half of 2015, the Bank's other operating expenses were RMB571.9 million, down 6.6% or RMB40.4 million as compared with the same period last year, primarily attributable to better cost control and expenses management.

Management Discussion and Analysis

(vii) Impairment losses

For the first half of 2015, the Bank's impairment losses increased by RMB364.6 million or 92.9% to RMB756.9 million as compared with the same period last year, primarily attributable to an increase of the Bank's loans, impairment provision for assets on a prudent and active basis given the comprehensive consideration as to the uncertainties in economic environment, and pursuant to the relevant requirements of the regulatory authorities.

	For the six months ended 30 June			
	2015	2014	Change in amount	Rate of change
(In millions of RMB, except percentages)				
Loans and advances to customers	606.4	392.3	214.1	54.6%
Other assets	150.5	0.0	150.5	–
Total impairment losses for assets	756.9	392.3	364.6	92.9%

(viii) Income Tax Expenses

For the first half of 2015, the Bank's income tax decreased by RMB17.3 million or 2.6% to RMB652.5 million as compared to the same period last year, which was mainly due to the increase in non-taxable income from the government bonds of the Bank and interest income from microloans to farmers etc..

	For the six months ended 30 June			
	2015	2014	Change in amount	Rate of change
(In millions of RMB, except percentages)				
Current income tax expenses	714.7	791.6	(76.9)	-9.7%
Deferred income tax expenses	(62.2)	(121.8)	59.6	-48.9%
Effective income tax expenses	652.5	669.8	(17.3)	-2.6%

Management Discussion and Analysis

III. Analysis of key items of financial position

(i) Assets

As of 30 June 2015, the Bank's total assets increased by RMB48,145.1 million or 14.0% to RMB391,786.7 million from the end of last year. The increase was mainly attributable to the increase in the Bank's loans and advances to customers and investment securities and other financial assets.

	As of 30 June 2015		As of 31 December 2014	
	Amount	% of total	Amount	% of total
(In millions of RMB, except percentages)				
Loans and advances to customers, gross	153,151.5	39.1%	123,930.3	36.1%
Allowance for impairment losses on loans and advances to customers	(3,391.0)	-0.9%	(2,916.0)	-0.8%
Loans and advances to customers, net	149,760.5	38.2%	121,014.3	35.2%
Investment securities and other financial assets, net	97,603.2	24.9%	86,647.5	25.2%
Cash and balances with Central Bank	47,092.5	12.0%	53,871.0	15.7%
Due from banks and other financial institutions	17,830.2	4.6%	28,207.2	8.2%
Reverse repurchase agreements	57,114.1	14.6%	37,267.5	10.8%
Other assets	22,386.2	5.7%	16,634.1	4.8%
Total assets	391,786.7	100.0%	343,641.6	100.0%

Management Discussion and Analysis

1. Loans and advances to customers

As of 30 June 2015, the Bank's total loans and advances to customers increased by RMB29,221.2 million to RMB153,151.5 million, representing an increase of 23.6% as compared with the end of last year.

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

	As of 30 June 2015		As of 31 December 2014	
	Amount	% of total	Amount	% of total
(In millions of RMB, except percentages)				
Corporate loans	100,140.9	65.4%	79,898.5	64.5%
Personal loans	51,011.9	33.3%	43,227.7	34.9%
Discounted bills	1,998.7	1.3%	804.1	0.6%
Total loans and advances to customers	153,151.5	100.0%	123,930.3	100.0%

(1) Corporate loans

As of 30 June 2015, the Bank's corporate loans increased by RMB20,242.4 million to RMB100,140.9 million, representing an increase of 25.3% as compared with the end of last year, mainly due to the increase in the Bank's corporate loans (in particular, loans to small enterprises) in active response to the national policy on promoting the development of SMEs.

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

	As of 30 June 2015		As of 31 December 2014	
	Amount	% of total	Amount	% of total
(In millions of RMB, except percentages)				
Loans to small enterprises ¹	46,436.5	46.4%	37,609.2	47.1%
Other corporate loans excluding loans to Small Enterprises	53,704.4	53.6%	42,289.3	52.9%
Total corporate loans	100,140.9	100.0%	79,898.5	100.0%

Note:

- 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 five 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. For example, 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 five employees or generating less than RMB10 million in operating income in a year in the wholesale industry are also classified as micro enterprises.

Management Discussion and Analysis

As of 30 June 2015, the Bank's loans to small enterprises increased by RMB8,827.3 million to RMB46,436.5 million, representing an increase of 23.5% as compared with the end of last year. The increase in the Bank's loans to small enterprises was primarily due to the Bank's proactive development of microcredit business to respond to the national policy on promoting the development of SMEs. As of 30 June 2015 and 31 December 2014, the Bank's loans to small enterprises accounted for 46.4% and 47.1%, respectively, of the Bank's total corporate loans.

(2) Personal loans

As of 30 June 2015, the Bank's personal loans increased by RMB7,784.2 million to RMB51,011.9 million, representing an increase of 18.0% as compared with the end of last year. This increase was mainly attributable to the Bank's continued development of personal loans in response to the PRC government's policies to support financial institutions in developing financial services for SMEs and rural areas. The Bank's personal loans (including loans to small enterprise owners, personal consumption loans and loans to farmers) are an important component of the Bank's microcredit business, which increased accordingly under the Bank's strategy of focusing on the development of the Bank's microcredit business.

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

	As of 30 June 2015		As of 31 December 2014	
	Amount	% of total	Amount	% of total
(In millions of RMB, except percentages)				
Loans to small enterprise owners	16,265.2	31.9%	15,938.1	36.9%
Personal consumption loans	22,461.7	44.0%	17,819.6	41.2%
Loans to farmers	12,285.0	24.1%	9,470.0	21.9%
Total personal loans	51,011.9	100.0%	43,227.7	100.0%

As of 30 June 2015, loans to small enterprise owners, personal consumption loans and loans to farmers increased as compared with the end of last year, representing an increase of 2.1%, 26.1% and 29.7%, respectively.

Management Discussion and Analysis

2. Investment securities and other financial assets

As of 30 June 2015, the total of the Bank's investment securities and other financial assets was RMB97,803.1 million, representing an increase of RMB11,055.7 million or 12.7% as compared with the end of last year. The increase in such assets for the first half of 2015 was mainly due to the Bank's efforts to increase various types of investments, and continue the expansion of the Bank's capital operating channels, in order to improve the efficiency of the Bank's use of funds.

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

	As of 30 June 2015		As of 31 December 2014	
	Amount	% of total	Amount	% of total
(In millions of RMB, except percentages)				
Investments in receivables	58,856.3	60.2%	49,244.6	56.8%
Held-to-maturity investments	20,869.5	21.3%	19,655.7	22.7%
Available-for-sale financial assets	14,882.4	15.2%	15,934.6	18.4%
Financial assets held for trading	3,195.0	3.3%	1,912.6	2.2%
Total investment securities and other financial assets	97,803.2	100.0%	86,747.5	100.0%

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

	As of 30 June 2015		As of 31 December 2014	
	Amount	% of total	Amount	% of total
(In millions of RMB, except percentages)				
Debt investments:				
Bond investments	39,051.5	39.9%	37,598.7	43.3%
Debt instruments issued by financial institutions ⁽¹⁾	58,727.1	60.1%	49,124.2	56.7%
Subtotal	97,778.6	100.0%	86,722.9	100.0%
Equity investment	24.6	0.0%	24.6	0.0%
Total investment securities and other financial assets	97,803.2	100.0%	86,747.5	100.0%

Note:

(1) Includes fund trust plans and structured wealth management products.

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As of 30 June 2015, the Bank's investment in debt instruments issued by financial institutions was RMB58,727.1 million, representing an increase of RMB9,602.9 million or 19.5% as compared with the end of last year. As a percentage of total investment securities and other financial assets, such investments increased from 56.7% as of 31 December 2014 to 60.1% as of 30 June 2015. This increase was mainly due to higher investment by the Bank in equity instruments issued by financial institutions, which had higher returns compared with other investment products.

	As of 30 June 2015		As of 31 December 2014	
	Amount	% of total	Amount	% of total
(In millions of RMB, except percentages)				
Government bonds	2,965.8	7.6%	3,356.3	8.9%
Bonds issued by financial institutions	5,024.2	12.9%	1,458.1	3.9%
Corporate bonds	7,550.0	19.3%	8,089.5	21.5%
Bonds issued by policy banks	23,511.5	60.2%	24,694.8	65.7%
Total bond investments	39,051.5	100.0%	37,598.7	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 Central Bank, (ii) due from banks and other financial institutions and (iii) financial assets held under reverse repurchase agreements.

As of 30 June 2015, the Bank's cash and balances with Central Bank decreased by RMB6,778.5 million to RMB47,092.5 million, representing a decrease of 12.6% as compared with the end of last year.

As of 30 June 2015, the Bank's due from banks and other financial institutions decreased by RMB10,377.0 million to RMB17,830.2 million, representing a decrease of 36.8% as compared with the end of last year, mainly because the Bank moderately adjusted the scale of such assets based on the need to match assets and liabilities and the situation of market liquidity.

As of 30 June 2015, the Bank's financial assets held under reverse repurchase agreements increased by RMB19,846.6 million to RMB57,114.1 million, representing an increase of 53.3% as compared with the end of last year, mainly because the Bank adjusted the weight of such non-credit assets based on the capital and changes in liquidity in the market to ensure both liquidity and capital efficiency.

Management Discussion and Analysis

(ii) Liabilities

As of 30 June 2015, the Bank's total liabilities were RMB360,567.1 million, representing an increase of RMB47,088.1 million or 15.0% as compared with the end of last year.

	As of 30 June 2015		As of 31 December 2014	
	Amount	% of total	Amount	% of total
(In millions of RMB, except percentages)				
Due to customers	258,228.6	71.6%	233,793.8	74.7%
Due to banks ⁽¹⁾	67,964.0	18.8%	61,423.8	19.6%
Repurchase agreements	18,108.8	5.0%	6,002.5	1.9%
Debt securities issued	8,495.5	2.4%	4,498.2	1.4%
Due to central bank	919.5	0.3%	1,716.9	0.5%
Other liabilities ⁽²⁾	13,520.7	3.7%	6,043.7	1.9%
Total liabilities	360,567.1	100.0%	313,479.0	100.0%

Notes:

- (1) Due to banks also includes borrowing from banks and other financial institutions.
- (2) Other liabilities primarily consist of negative fair value of derivatives, income tax payable and other tax payable, interest payable, items in the process of clearance and settlement as well as staff salary payable.

1. Due to customers

As of 30 June 2015, the Bank's due to customers was RMB258,228.6 million, representing an increase of RMB24,434.8 million or 10.5% as compared with 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 of 30 June 2015		As of 31 December 2014	
	Amount	% of total	Amount	% of total
(In millions of RMB, except percentages)				
Corporate deposits				
Demand deposits	60,575.9	23.5%	77,546.0	33.2%
Time deposits	110,197.9	42.7%	79,663.2	34.1%
Subtotal	170,773.8	66.1%	157,209.2	67.3%
Personal deposits				
Demand deposits	34,215.2	13.2%	29,179.3	12.4%
Time deposits	53,239.6	20.6%	47,405.3	20.3%
Subtotal	87,454.8	33.9%	76,584.6	32.7%
Total due to customers	258,228.6	100.0%	233,793.8	100.0%

Management Discussion and Analysis

2. Due to banks

As of 30 June 2015, the amount due to banks was RMB67,964.0 million, representing an increase of RMB6,540.2 million or 10.6% as compared with the end of last year. This increase was primarily due to the Bank's active taking of liabilities from other banks and broadening of its sources of liabilities in order to increase return in response to the changes in market liquidity and the need to match assets and liabilities.

3. Repurchase amounts

As of 30 June 2015, the Bank's repurchase amounts were RMB18,108.8 million, representing an increase of RMB12,106.3 million or 201.7% as compared with the end of last year. The changes in the Bank's repurchase amounts reflected increase to the repurchase amounts based on market liquidity and the Bank's capital needs in view of the need to match assets and liabilities to better keep in line with the inter-bank assets business.

(iii) Shareholders' Equity

As of 30 June 2015, the Bank's shareholders' equity was RMB31,219.5 million, representing an increase of RMB1,056.9 million or 3.50% as compared with the end of last year. As of 30 June 2015, equity attributable to shareholders of the parent company was RMB30,522.6 million, representing an increase of RMB992.3 million or 3.36% as compared with the end of last year. The increase in shareholders' equity was mainly due to the increase of net profit.

	As of 30 June 2015		As of 31 December 2014	
	Amount	% of total	Amount	% of total
(In millions of RMB, except percentages)				
Share capital	10,995.6	35.2%	10,995.6	36.5%
Reserves	13,289.7	42.6%	13,047.6	43.2%
Retained profit	6,237.4	20.0%	5,487.1	18.2%
Equity attributable to equity holders of the Bank	30,522.6	97.8%	29,530.3	97.9%
Non-controlling interests	696.9	2.2%	632.3	2.1%
Total equity	31,219.5	100.0%	30,162.6	100.0%

Management Discussion and Analysis

IV. Off-balance Sheet Commitments

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

	As of 30 June 2015	As of 31 December 2014
	(In millions of RMB)	
Credit commitments:		
Bank bills acceptance	31,470.1	37,142.5
Issued letters of guarantee	6,564.1	5,302.5
Issued sight letters of credit	1,059.2	1,231.8
Credit limit of credit card	1,002.1	635.8
Subtotal	40,095.5	44,312.6
Capital expenditure commitments	1,442.1	1,687.1
Operating lease commitments	986.5	1,031.5
Treasury bond redemption commitments	2,563.0	2,220.0
Relief obligation under risk cooperative fund	180.0	180.0
Total	45,267.1	49,431.2

In addition, as of 30 June 2015, there was no material litigation in which either the Bank or subsidiaries of the Bank is a defendant. As of the reporting date, the Bank had no significant contingent liabilities. Details of off-balance sheet commitments contracts are disclosed in note "commitments and contingent liabilities" in financial statements.

V. Analysis on Loan Quality

During the reporting period, the Bank continued to strengthen credit risk management, improve credit investigation and credit approvals and strengthen post-loan management measures to increase the efforts on collection and disposal of non-performing loans, so that the loan quality was generally kept at a manageable level. However, the Bank faced an upward pressure on non-performing loans due to changes in the external business environment, economic slowdown and the increase in default due to difficulties in operations of SMEs. As of 30 June 2015, the balance of non-performing loans was RMB2,078.5 million. The non-performing loans ratio amounted to 1.36%, up 0.23% as compared with the end of last year.

Management Discussion and Analysis

(i) Distribution of loans by five-category loan classification

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

	As of 30 June 2015		As of 31 December 2014	
	Amount	% of total	Amount	% of total
(In millions of RMB, except percentages)				
Pass	147,926.1	96.6%	120,540.4	97.3%
Special mention	3,146.9	2.1%	1,990.2	1.6%
Substandard	1,595.5	1.0%	535.2	0.4%
Doubtful	208.9	0.1%	445.4	0.4%
Loss	274.1	0.2%	419.1	0.3%
Total loans to customers	153,151.5	100.0%	123,930.3	100.0%
Non-performing loans and				
NPL ratio ⁽¹⁾	2,078.5	1.36%	1,399.7	1.13%

Note:

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

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

Management Discussion and Analysis

(ii) The distribution of loans and non-performing loans by business line

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

	As of 30 June 2015			As of 31 December 2014		
	Loan amount	NPL amount	NPL ratio	Loan amount	NPL amount	NPL ratio
(In millions of RMB, except percentages)						
Corporate loans						
Loans to small enterprises	46,436.5	742.7	1.60%	37,609.2	448.9	1.19%
Other corporate loans excluding loans to small enterprises	53,704.4	250.9	0.47%	42,289.3	77.5	0.18%
Subtotal	100,140.9	993.6	0.99%	79,898.5	526.4	0.66%
Personal loans						
Loans to small enterprise owners	16,265.2	267.5	1.64%	15,938.1	109.1	0.68%
Personal consumption loans	22,461.7	221.7	0.99%	17,819.6	86.8	0.49%
Loans to farmers	12,285.0	595.7	4.85%	9,470.0	677.4	7.15%
Subtotal	51,011.9	1,084.9	2.13%	43,227.7	873.3	2.02%
Discounted bills	1,998.7	–	–	804.1	–	–
Total	153,151.5	2,078.5	1.36%	123,930.3	1,399.7	1.13%

In the first half of 2015, the Bank actively responded to the national policies by strengthening the adjustment of loans structure and continuing to develop microcredit business (corporate loans to small enterprises and personal loans). At the end of the reporting period, the NPL ratio of corporate loans rose by 0.33 percentage point to 0.99%, mainly due to an increase in non-performing corporate loans to small enterprises. The NPL ratio of personal loans increased by 0.11 percentage point to 2.13%, mainly due to the increase of non-performing loans by small enterprise owners.

Management Discussion and Analysis

(iii) The distribution of loans and non-performing loans classified by industry

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

	As of 30 June 2015				As of 31 December 2014			
	Loan amount	% of total	NPL amount	NPL ratio	Loan amount	% of total	NPL amount	NPL ratio
(In millions of RMB, except percentages)								
Agriculture, forestry, husbandry and fishery	4,394.0	2.9%	29.3	0.67%	3,563.6	2.9%	11.0	0.31%
Mining	409.6	0.3%	3.3	0.81%	371.9	0.3%	–	–
Manufacturing	13,189.0	8.6%	268.8	2.04%	11,582.6	9.3%	238.1	2.06%
Production and supply of electricity, gas and water	3,181.0	2.1%	–	–	2,125.2	1.7%	–	–
Construction	7,919.6	5.2%	–	–	5,895.5	4.8%	14.4	0.24%
Transportation, storage and postal services	3,132.6	2.0%	–	–	2,662.7	2.2%	–	–
Information transmission, computer services and software	578.1	0.4%	0.9	0.16%	584.6	0.5%	0.9	0.15%
Wholesale and services	35,249.0	22.9%	550.2	1.56%	28,378.9	22.9%	255.3	0.90%
Accommodations and Catering	2,715.6	1.8%	1.2	0.04%	2,571.6	2.1%	–	–
Finance	47.5	0.0%	–	–	44.0	0.0%	–	–
Real estate	8,917.4	5.8%	–	–	6,853.5	5.5%	2.9	0.04%
Rental and commercial services	13,747.5	9.0%	139.8	1.02%	11,620.4	9.4%	–	–
Scientific research, technical services and geological prospecting	345.2	0.2%	–	–	378.6	0.3%	3.8	1.00%
Water conservation, environment, public utility management and investment	4,112.0	2.7%	–	–	2,068.2	1.7%	–	–
Residential and other services	887.3	0.6%	–	–	430.0	0.3%	–	–
Education	391.4	0.3%	–	–	405.2	0.3%	–	–
Health, social security and social welfare	790.2	0.5%	–	–	235.3	0.2%	–	–
Culture, sports and entertainment	133.9	0.1%	–	–	126.7	0.1%	–	–
Public management and social organization	–	–	–	–	–	–	–	–
Total corporate loans	100,140.9	65.4%	993.6	0.99%	79,898.5	64.5%	526.4	0.66%
Total personal loans	51,011.9	33.3%	1,084.9	2.13%	43,227.7	34.9%	873.3	2.02%
Discounted bills	1,998.7	1.3%	–	–	804.1	0.6%	–	–
Total	153,151.5	100.0%	2,078.5	1.36%	123,930.3	100.0%	1,399.7	1.13%

Management Discussion and Analysis

As of 30 June 2015, the non-performing corporate loans of the Bank concentrated in the wholesale and services industry and the manufacturing industry, with NPL ratio of 1.56% and 2.04%, respectively.

(iv) The distribution of loans and non-performing loans by geographical region

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

	As of 30 June 2015				As of 31 December 2014			
	Loan amount	% of total	NPL amount	NPL ratio	Loan amount	% of total	NPL amount	NPL ratio
(In millions of RMB, except percentages)								
Heilongjiang region	71,225.3	46.5%	1,283.5	1.80%	61,960.3	50.0%	1,127.2	1.82%
Other northeast regions	28,820.3	18.8%	224.3	0.78%	22,515.2	18.2%	113.2	0.50%
Southwest region	36,182.6	23.6%	384.9	1.06%	27,074.3	21.8%	93.5	0.35%
Northern China	14,509.6	9.5%	139.2	0.96%	10,104.8	8.2%	47.5	0.47%
Other regions	2,413.7	1.6%	46.6	1.93%	2,275.7	1.8%	18.3	0.80%
Total	153,151.5	100.0%	2,078.5	1.36%	123,930.3	100.0%	1,399.7	1.13%

As of 30 June 2015, a majority of the Bank's non-performing loans was concentrated in the Heilongjiang region, primarily because the Bank's loans and advances to customers in the Heilongjiang region accounted for the largest portion of the Bank's total loans and advances.

Management Discussion and Analysis

(v) The distribution of loans and non-performing loans by collateral

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

	As of 30 June 2015				As of 31 December 2014			
	Amount	% of total	NPL amount	NPL ratio	Amount	% of total	NPL amount	NPL ratio
(In millions of RMB, except percentages)								
Unsecured loans	8,412.5	5.5%	134.5	1.60%	5,452.1	4.4%	73.3	1.34%
Guaranteed loans	47,786.6	31.2%	1,173.0	2.45%	46,219.0	37.3%	980.0	2.12%
Collateralized loans	73,707.0	48.1%	711.9	0.97%	61,378.4	49.5%	313.9	0.51%
Pledged loans	23,245.4	15.2%	59.1	0.25%	10,880.8	8.8%	32.5	0.30%
Total	153,151.5	100.0%	2,078.5	1.36%	123,930.3	100.0%	1,399.7	1.13%

(vi) Concentration of borrowers

As of 30 June 2015, 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 of 30 June 2015, the Bank's 10 largest single borrowers (excluding group borrowers) in terms of loan balance, none of which was a non-performing loan.

Industry		As of 30 June 2015		
		Loan balance	% of Total loans	% of Net capital
(In millions of RMB, except percentages)				
Borrower A	Wholesale and services	984.0	0.64%	3.03%
Borrower B	Real estate	746.7	0.49%	2.30%
Borrower C	Real estate	704.0	0.46%	2.17%
Borrower D	Wholesale and services	700.0	0.46%	2.16%
Borrower E	Real estate	650.0	0.42%	2.00%
Borrower F	Accommodation and catering	619.8	0.40%	1.91%
Borrower G	Leasing and business services	610.0	0.40%	1.88%
Borrower H	Power, gas and water production and supply	600.0	0.39%	1.85%
Borrower I	Water conservation, environment, public utility management and investment	600.0	0.39%	1.85%
Borrower J	Transportation, storage and postal services	600.0	0.39%	1.85%
Total		6,814.5	4.45%	20.99%

Management Discussion and Analysis

(vii) Overdue loans and advances to customers

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

	As of 30 June 2015		As of 31 December 2014	
	Amount	% of total	Amount	% of total
(In millions of RMB, except percentages)				
Current loans	147,667.5	96.4%	120,211.3	97.0%
Loans past due: ⁽¹⁾				
For 1 to 90 days	3,307.5	2.2%	2,011.7	1.6%
For 91 days to 1 year	1,370.7	0.9%	877.2	0.7%
For 1 year and above	805.8	0.5%	830.1	0.7%
Subtotal	5,484.0	3.6%	3,719.0	3.0%
Total loans to customers	153,151.5	100.0%	123,930.3	100.0%

As of 30 June 2015, the amount of overdue loans totaled RMB5,484.0 million, up RMB1,765.0 million as compared with the end of last year; the overdue loans accounted for 3.6% of the total loans, up 0.6% as compared with the end of last year. The increase in the overdue loans was mainly due to cash flow difficulties for several enterprises.

Note:

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

Management Discussion and Analysis

(viii) Movements of allowance for impairment losses on loans

The Bank adopts individual assessment and collective assessment on impairment loss on loans as of the dates of statement of financial position. The Bank takes prudence as its principle and makes provision for impairment in the full amount. As of 30 June 2015, impairment losses on loans amounted to RMB3,391.0 million, up RMB474.9 million as compared with the end of last year. The impairment losses on loans ratio was 2.21%, down 0.14 percentage point as compared with the end of last year.

Movements of allowance for impairment losses are as follows:

Items	As of 30 June 2015	As of 31 December 2014
(In millions of RMB)		
Balance at the beginning of the period	2,916.1	2,426.3
Exchange difference	0.0	0.3
Impairment loss:	606.4	567.1
Impairment allowances charged	611.8	571.0
Reversal of impairment allowances	(5.4)	(3.9)
Accreted interest on impaired loans	(35.9)	(45.0)
Write-off	(101.0)	(58.6)
Recoveries of loans and advances previously written off	5.4	26.0
Balance at the end of the period	3,391.0	2,916.1

VI. Segment Report

(i) Geographical segment report

The description of the geographical areas 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 Harbin Bank Financial Leasing Co., Ltd. and village and township banks operating within Heilongjiang Province;

Management Discussion and Analysis

Other northeast regions:	Branches in Dalian, Shenyang, as well as village and township banks operating in Northeastern China excluding the ones in Heilongjiang Province;
Southwest region:	Branches in Chengdu, Chongqing, as well as village and township banks operating mainly in Sichuan and Chongqing and located in Southwest China;
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					Total
	Heilongjiang region	Other Northeast regions	Southwest region	Northern China	Other regions	
	(In millions of RMB)					
For the six months ended						
30 June 2015						
Operating income	3,398.5	641.4	943.2	353.4	177.4	5,513.9
Operating expenses	1,336.5	204.3	275.0	115.0	65.3	1,996.1
Impairment losses	527.8	46.2	134.9	37.4	10.6	756.9
Operating profit	1,534.1	391.0	533.3	201.0	101.5	2,760.9
As of 30 June 2015						
Segment assets	249,997.4	39,463.4	73,053.0	22,894.1	6,378.8	391,786.7
Segment liabilities	231,312.3	38,968.6	62,006.6	22,812.8	5,466.8	360,567.1

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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			
	2015		2014	
	Amount	% of total	Amount	% of total
(In millions of RMB, except percentages)				
Heilongjiang region	3,398.5	61.7%	3,103.5	61.7%
Other Northeast regions	641.4	11.6%	476.8	9.5%
Southwest region	943.2	17.1%	919.2	18.3%
Northern China	353.4	6.4%	378.6	7.5%
Other regions	177.4	3.2%	153.7	3.1%
Total operating income	5,513.9	100.0%	5,031.8	100.0%

(ii) Business segment report

The table below sets out the Bank's operating income by business segments and their proportion to the Bank's total operating income for the periods as indicated:

	For the six months ended 30 June			
	2015		2014	
	Amount	% of total	Amount	% of total
(In millions of RMB, except percentages)				
Corporate banking business	2,638.2	47.8%	2,204.4	43.8%
Personal banking business	1,112.0	20.2%	1,435.0	28.5%
Treasury operations	1,725.9	31.3%	1,349.5	26.8%
Other businesses ⁽¹⁾	37.8	0.7%	42.9	0.9%
Total operating income	5,513.9	100.0%	5,031.8	100.0%

Note:

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

Management Discussion and Analysis

VII. Analysis on Capital Adequacy Ratio

The Group continued to optimize its business structure and strengthen capital management, and as of 30 June 2015, the capital adequacy ratio, tier 1 capital adequacy ratio and core tier 1 capital adequacy ratio were 12.53%, 12.02% and 12.02%, down 2.11%, 1.92% and 1.92%, respectively, as compared with the end of last year, which were in line with the requirements during the transition period provided in the Trial Measures for Capital Management of Commercial Banks issued by CBRC. The changes in capital adequacy ratio were mainly due to the increase in risk-weighted assets.

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

	As of 30 June 2015	As of 31 December 2014
(In millions of RMB, except percentages)		
Core capital	31,196.0	30,160.0
Core tier 1 capital deductibles item:		
Full deductibles items	(73.0)	(78.7)
Net core tier 1 capital	31,123.0	30,081.3
Net other tier 1 capital	0.0	0.0
Net tier 1 capital	31,123.0	30,081.3
Net tier 2 capital	1,312.5	1,516.3
Net capital	32,435.4	31,597.6
Credit risk-weighted assets	239,251.3	195,532.3
Market risk-weighted assets	3,333.3	3,990.1
Operational risk-weighted assets	16,301.5	16,301.5
Total risk-weighted assets	258,886.1	215,823.9
Core tier 1 capital adequacy ratio	12.02%	13.94%
Tier 1 capital adequacy ratio	12.02%	13.94%
Capital adequacy ratio	12.53%	14.64%

Management Discussion and Analysis

VIII. Business Operation

(i) Corporate banking business

For the first half of 2015, while responding positively to changes in macro economics and policy environment, the Bank actively promoted the steady development of the Bank's corporate banking business and comprehensively improved marketing capabilities and customer services, aiming to optimize business structure and improve contribution capacities. By leveraging the advantages of the Bank's cross-regional operating network, the number of corporate customers in northeastern regions, Tianjin, Chengdu and Chongqing demonstrated a growing trend. For the first half of 2015, the Bank's operating income from corporate banking business amounted to RMB2,638.2 million, accounting for 47.8% of the total operating income over the same period, representing a year-on-year increase of 19.7%. The Bank also proactively expanded its corporate customer groups through the advantages of the Bank's cross-regional operating network. As of 30 June 2015, the Bank had over 73,300 corporate customers, up 7.8% as compared with the same period last year.

1. Corporate deposits

The Bank provided demand and time deposits service to customers based on the statutory interest rate and the floating interest range, such deposits are mostly denominated in RMB and a small part denominated in foreign currencies. As of 30 June 2015, the Bank's total corporate deposits amounted to RMB170,773.8 million, representing an increase of RMB13,564.7 million or 8.63% from the same period last year.

2. Corporate loans

As of 30 June 2015, the balance of our corporate loans amounted to RMB100,140.9 million, representing an increase of RMB20,242.4 million or 25.3% over the end of last year. At the same time, the asset quality of corporate loans was overall controllable, with non-performing loans at RMB993.6 million and NPL ratio at 0.99%. The credit structure was constantly optimized and loan customer renewal rate was higher. In terms of the industry structure, as of 30 June 2015, the Bank's customers with corporate loans mainly concentrated in the wholesale and services industry, rental and commercial services, manufacturing, and real estate industries, respectively accounting for 35.2%, 13.7%, 13.2% and 8.9% of the Bank's corporate loans.

3. Corporate banking products

With regard to product management, the Bank insisted on innovation, constant optimization and improvement of its products, thereby further improving its corporate banking product system. Through rationalization of businesses and products, the Bank developed tailor-made products for customers according to their actual needs, and proactively explored guaranteed loans with risks controllable, thereby enriching product categories. Through business process optimization, the Bank shortened the time for low-risk business, such as banker's acceptance and bank guarantee, by way of simplified templates, delegated authority, special seal and express checkout.

Management Discussion and Analysis

4. *Customer management*

For the first half of 2015, the Bank further consolidated its customer base by comprehensively deepening customer management work. Based on comprehensive analysis on overall situations of its customer base, the Bank further defined customers' requirements and customer growth targets at different stages, and by leveraging the application and promotion of OCRM system, the Bank gradually built and improved a fully functional, unified and highly effective customer relationship management platform, and preliminarily realized customer hierarchical management, and effectively improved customer relationship and account managers' management efficiency. Customer base was further consolidated by comprehensively deepening customer management work, driving in-depth project collaboration and expanding cooperation between banks and the government, banks and banks as well as banks and insurance companies. CRM system construction achieved phased progress, preliminarily shifting from a static point system to a prolonged point system; customers management model divided by lines and products, separate management and unified pricing mechanisms was shifted to integrated management of customers and a customer pricing mechanism based on the customer's overall profit distribution.

5. *Optimization of team building and services*

For the first half of 2015, the Bank's team of account managers was progressively optimized, and the construction of a public finance school was actively promoted. Account manager training, which is based on the "Three Unifications", will be optimized in three aspects including, standardization – various standard courseware, electronization – audio/video conversion for all training, mobilization – reduced centralized training at the head office and by promoting the lecturer teams from the head office to deliver mobilized training in the branches, thereby further improving the competence and cohesiveness of our corporate business team.

Firstly, the Bank proactively promoted the interest rate liberalization regarding its corporate business by closely keeping pace with the market. In terms of debt business management, the Bank boldly adopted an innovative market-based deposit pricing and operation model. The Bank conducted comprehensive market-based pricing operation for the upper floating margin of term deposit rate by pricing it after negotiation and with reference to the customers' contribution. Such operation was in a critical period of implementation in the first half of this year, and remarkable effect had been achieved by granting of authority of pricing the interest rate to branches.

Secondly, efficiency of the corporate business management had improved. The Bank established a "first-time" customer-response business management mechanism, streamlined customer services process and achieved seamlessly connection between account managers and customers, and greatly enhanced the level of customer experience and customer services.

Management Discussion and Analysis

(ii) Personal banking

In the first half of 2015, adhering to the principle of customer-orientation, the Bank insisted in the combination of quality services and value enhancement. Through constantly optimizing personal product system and customer structure as well as enhancing network efficiency, the Bank's personal banking business attained a rapid development. In the first half of 2015, the operating income from the personal banking business (including international personal banking business) amounted to RMB1,112.0 million, accounting for 20.2% of the total operating income over the same period, representing a year-on-year decrease of 22.5%. As of 30 June 2015, the number of our personal customers reached 7.143 million, representing a year-on-year increase of 8.5%.

1. *Personal deposits*

The Bank proactively responds to interest rate liberalization. Pursuant to needs of the market and customers, the deposit interest rate pricing policy, and the capabilities of self-determined pricing and risk management were continuously improved. The Bank deeply promoted customer value enhancement, in order to realize customer hierarchical management. The Bank formulated differentiated marketing services system with regional characteristics and improved network efficiency through constant team building, promoting personal deposit business to a new level. As of 30 June 2015, the Bank's total personal deposits amounted to RMB87,454.8 million, up RMB10,870.2 million or 14.2% over last year end. The Bank's total personal deposits, annual increment and market share ran ahead of the peers in the Harbin region.

2. *Personal loans*

The Bank sets the goal of becoming a first-class domestic microcredit bank known worldwide; by sustaining its dominant position of the personal loans business, constantly optimizing its credit structure, developing new personal credit products and facilitating the adjustment of customer structure and product structure, the Bank achieved steady growth in personal loans, and was ranked a leading position in the Heilongjiang financial markets. Personal loans are an important part of the Bank's microcredit business, including loans to small enterprise owners, personal consumption loans and loans to farmers. As of 30 June 2015, the balance of our personal loans reached RMB51,011.9 million, accounting for 33.3% of our total loans to customers, of which loans to small enterprise owners, personal consumption loans and loans to farmers amounted to RMB16,265.2 million, RMB22,461.7 million and RMB12,285.0 million, respectively, and accounted for 31.9%, 44.0% and 24.1%, respectively, of our total personal loans.

3. *Bank cards*

As of 30 June 2015, the number of cards issued by the Bank saw a steady rise, and the total number of debit cards issued reached 8,484,400, of which 4,973,200 were valid cards, while the number of new cards issued during the first half of 2015 reached 1,008,700; and the total number of credit cards issued reached 165,200, of which 150,200 were valid cards, while the number of new cards issued during the first half of 2015 reached 10,100.

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Under the development principle of “Do’s and Don’ts and taking the road of characteristics”, bank card business is directed mainly at individual customers with consumption demands by providing them with bank card services. In line with the above principles, the Bank insisted on product innovation, strived to seek breakthroughs in consumer credit business of bank card products, continued to promote installment products, including flexible installments, free installments, car-oriented installments, parking-oriented installments, home decoration-oriented installments, expanded credit card spending financial domain, met the diversified consumer financing needs of premium customers. The self-receiving phone POS products researched and developed independently by the Bank had made the Bank more competitive. The Bank saw the overall promotion of financial IC card products as an opportunity to provide the urban residents with more favorable and convenient card services.

4. *Products and services*

During the reporting period, focusing on the needs of customers, the Bank constantly adhered to the goal of building up a high-quality wealth management bank and, strengthened innovation of products and services, in order to meet increasingly diversified wealth management needs of customers. Firstly, the Bank specifically rolled out 7-day periodic open-ended wealth management products, in order to meet customers’ needs in liquidity management. Secondly, the Bank further upgraded sales management system of wealth management business, optimized business process and improved services and management. Thirdly, the Bank deepened customer hierarchical services by launching Lilac Fortune VIP Card as exclusive wealth management product. Fourthly, the Bank also strengthened its cooperation with peers, according to market conditions, carried out targeted sales of fund distribution, and sales of insurance products as sales agent and sales of precious metals and other products to meet the diverse demands from customers.

(III) Treasury operations

In the first half of 2015, the PBOC continued to maintain an accommodative monetary policy by reducing reserve requirement ratio and interest rates successively. The Bank continued to strengthen the research on macroeconomic policies and market analysis, enabling it to accurately predict the timing of the policy changes, seize market opportunities, timely open positions and enjoy the benefits of favorable monetary policy in the first half year, thus ensured a steady growth of revenue from its treasury operations. For the first half of 2015, the operating income from our treasury operations (including international treasury operations) amounted to RMB1,725.9 million, accounting for 31.3% of our total operating revenue, and representing a year-on-year increase of 27.9%.

1. *Money Market Transactions*

During the reporting period, China maintained an overall accommodative monetary policy, interbank bond market yields were under great downward pressure, though the liquidity levels oscillated in stages from time to time. The market demonstrated a prominent bull trend in the early 2015, during which the Bank made steadily growth in income from investment and transaction by leveraging market opportunities and enhanced profitability by safeguarding liquidity and minimizing capital costs through reasonable capital duration arrangements.

Management Discussion and Analysis

As of 30 June 2015, the balance of our due from and placements with banks and other financial institutions and financial assets held under reserve repurchase agreements was RMB74,944.3 million, representing an increase of RMB9,469.0 million or 14.5% over the end of last year. As at the same date, the balance of our due to and placements from banks and other financial institutions and financial assets sold under reverse repurchase agreements was RMB86,072.8 million, representing an increase of RMB18,646.4 million or 27.7% from the end of last year.

2. *Investments in Securities and Other Financial Assets*

During the Reporting Period, the Bank paid a close attention to the changes in the economic environment and the bond market. Based on the forecast of market interest rates, the Bank achieved a better spread income through dynamically adjusting the positions in the trading accounts and seizing swing trading opportunities. Meanwhile, the Bank made suitable arrangements for investment opportunities, and realized sound investment and made timely profit. The Bank enhanced the terms of its deposits-taking to increase its funds available for investment; in order to make full use of various investment and to continuously expand the channels for the use of various funds, the Bank appropriately increased investment in bond instruments issued by financial institutions, with a view to enhancing its fund utilization rate.

As of 30 June 2015, the Bank's balances of securities investments and other financial assets amounted to RMB97,803.2 million, representing an increase of RMB11,055.7 million or 12.7% as compared to the end of last year. As of 30 June 2015, the total amount of the Bank's bond investments was RMB39,051.5 million, representing an increase of RMB1,452.8 million or 3.9% as compared to the end of last year. As of the same date, the total amount of the Bank's bond instruments issued by financial institutions was RMB58,727.1 million, representing a year-on-year increase of RMB9,602.9 million or 19.5%. Moreover, according to China Central Depository & Clearing Co., Ltd., the bonds traded by the Bank in the first half of 2015 amounted to RMB876.62 billion.

3. *Wealth Management Business*

In the first half of 2015, the Bank proactively responded to the targeting trends of the state's macro policies and was strictly in compliance with relevant requirements of the regulators. Adhering to the fundamental starting point of satisfying the needs of wealth management of customers and supporting the development of real economy, the Bank vigorously carried out innovations and continued to enhance its wealth management business.

During the first half of 2015, the Bank issued 332 tranches of wealth management products to its customers, and raised total funds of RMB67,248.9 million. As of 30 June 2015, the balance of wealth management products was RMB63,667.3 million, representing a year-on-year increase of 11.93%, of which non-principal protected wealth management products amounted to RMB43,224.2 million and principal protected wealth management products was RMB20,443.1 million.

In terms of assets allocation, the Bank controlled the investments in non-standard debt-based assets strictly in compliance with relevant regulations of the regulators. As of 30 June 2015, the balance of wealth management investments in non-standard debt-based assets was RMB9,656.2 million, representing approximately 15.17% of the balance of the Bank's wealth management products as of 30 June 2015 and 2.81% of the Bank's total assets as at the end of 2014, which were in compliance with the regulatory requirements.

Management Discussion and Analysis

(IV) Key featured businesses

1. Microcredit business

In the first half of 2015, the Bank continued to advance its micro-credit strategy by focusing on technology innovation and R&D. Leveraging the theme of “Mobile Finance Year”, the Bank insisted on exploration and bold innovation in the area of microcredit from a global perspective to facilitate the development of its specialized operating departments including the Microcredit Department and the Consumer Finance Department. As of 30 June 2015, the balance of the Bank’s microcredit loans reached RMB97,448.4 million, representing an increase of 20.5% from the end of last year and accounting for 63.6% of the Bank’s total loans to customers. In the first half of 2015, the interest income from the Bank’s microcredit business was RMB3,593.0 million, accounting for 69.1% of the total interest income from loans to customers.

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

	As at 30 June 2015		As at 31 December 2014	
	Amount	% of total	Amount	% of total
(In millions of RMB, except percentages)				
Corporate loans to small enterprises	46,436.5	47.7%	37,609.2	46.5%
Personal loans	51,011.9	52.3%	43,227.7	53.5%
Total amount of microcredit loans	97,448.4	100.0%	80,836.9	100.0%

(1) Small enterprise finance business

During the first half of 2015, focusing on the six major aspects of small enterprise finance business, namely “expediting process optimization, intensifying product consolidation, accelerating marketing driver, strengthening risk management, enhancing system construction and improving personnel training”, the Bank solidly and steadily implemented its various strategies on small enterprise finance business. As of 30 June 2015, the Bank had over 48,000 small enterprise customers, representing an increase of 12.9% over the beginning of the year. The balance of loans from small enterprise finance amounted to RMB62,701.7 million, representing an increase of 30.52% over the end of last year.

During the reporting period, the small enterprise finance business improved its overall service level by building upon mobile financing. Three self-service application channels for services were released, namely, the Bank’s portal website of the Bank, online banking and mobile banking, which not only enhanced customer experience but also dug quality customer resources by point-to-point transmission of information through direct connection to the systems. In the meantime, process optimization was accelerated and management standardization made steady progress. Moreover, the Bank placed emphasis on product upgrade and integration and formed a new small enterprise financial product series featuring three star products and four specialty products.

Management Discussion and Analysis

During the reporting period, the Bank kept in step with economic changes, conducted specialized risk investigation over small enterprise finance business and strictly controlled loan risks through various measures. The Bank proactively adjusted and optimized various loan structure and implemented daily management system for overdue loans and a supervision for the collection mechanism of amount due. As a result, the Bank's loans to small enterprises maintained a good quality.

(2) Rural finance business

In the first half of 2015, guided by the modern agriculture industry policy of China, the Bank continued to increase its support for new agriculture operation bodies, actively explored rural mobile finance business on the back of internet technology, increasingly strengthened rural financial products innovation, vigorously promoted industry-chain financial services model, optimized all business processes and further improved risk control capabilities. Hence, the Bank's market competitiveness was steadily enhanced. As of 30 June 2015, the Bank had 167,000 loan customers who are farmer, and the balance of loans to farmers was RMB12,285.0 million, representing an increase of 29.73% over the end of last year.

During the reporting period, grasping the strategic opportunities arising from the comprehensive supporting reforms of the two larges plains in Heilongjiang Province and the implementation of the plans for border areas development and opening, the Bank expanded its intensive operations in rural areas and doubled its efforts in financial support to agricultural modernization in reclamation areas, aiming to develop a new-type financial market for agricultural operating entities.

During the reporting period, the Bank actively explored new-type online loans to farmers business by taking the opportunity from the development of mobile finance and the application of mobile internet technology. It introduced and cooperated with third parties to launch a series of farmer loan products named “豐收e貸” (“Feng Shou e-Dai”) and attract customers through mobile platforms, which allowed the Bank to gain customers in areas without a branch. Furthermore, according to the characteristics of rural farming customers, the Bank further optimized its rural financial product system to satisfy financing needs of rural customers in multiple scenarios such as production, operation, living and consumption.

During the reporting period, the Bank constantly diversified its channels of rural financial service and built a new rural financial pattern. Under the steady progress of the “Farmer-assistance e-stations”, the management system of rural financing agencies' operation was established, covering the full chain of operation of agencies, transaction big-data and self-services. As of 30 June 2015, the Bank had over 1,600 “‘Just-for-you’ Farmer-assistance e-stations” and completed approximately 400,000 transactions of various types.

In April 2015, the Bank launched the new rural financing mobile phone banking, which gained recognition in rural areas with its diversified functions, user-friendliness, streamlined processes, customized credit service and other features. As of 30 June 2015, the Bank had 28,000 rural financing mobile phone banking customers and completed transactions of over RMB110 million (excluding loan applications and repayment). This mobile phone banking service together with the “‘Just-for-you’ Farmer-assistance e-stations” formed a new rural financing service system with “mobile banks at hand and e-stations nearby” and further enhanced the financial service capability of the Bank in this area.

Management Discussion and Analysis

During the reporting period, the Bank continued to strengthen risk management on loans to farmers by diversifying risk mitigation measures, strengthening post-loan management mechanisms and risk inspections both on and off site and strictly controlling loan quality with multiple measures, thereby further enhanced its abilities to control risk of loans to farmers.

During the reporting period, the “‘Just-for-you’ Farmer-assistance e-stations – agency mode” and land-management-right-backed loan products under “Property Loan Pass (地貸通)” were awarded the “Best Financial Innovation” and “Top 10 Financial Product Innovation (Public Sector)” respectively by the Chinese Banker, China, thus further enhancing the reputation of the Bank in the area of rural financing businesses.

(3) Micro-finance and consumer finance business

In terms of micro-finance, the Bank’s business department completed the model design of “Credit Factory” from an international perspective, changed the “Department Bank” into a “Procedural Bank” by establishing an operating structure with collective management and professional team and established branches in Harbin, Dalian, Shenyang, Tianjin and other regions. The Bank further deepened standard product innovation, expanded and diversified marketing channels, and enhanced its service quality and risk control by further strengthening quality control system and anti-fraud control matrix monitoring.

In order to explore consumer financing and to achieve the goal of expanding customer base, the Consumer Finance Business Department continued its dynamic promotion and strove to develop the market nationwide in the first half of 2015. As at the end of the reporting period, the Bank’s personal consumption loans amounted to RMB22,461.7 million, representing an increase of RMB4,642.1 million or 26.1% over the end of last year. The Bank had successfully launched consumer finance business in several cities over the country. The Consumer Finance Business Department granted personal consumption loans of RMB1,591 million, with a balance of RMB1,369 million, representing an increase of RMB1,311 million as compared to the beginning of the year, serving over 560,000 active customers.

The economic growth, accelerated urbanization and improved social security system of China will release huge demand for consumer credit and the room for growth in the consumer financing market will be enormous. Seizing this opportunity, the Bank will vigorously develop consumer financing products that benefit people’s livelihood, so as to meet the consumption needs of the people. Focusing on the rural consumer credit market and applying internet into inclusive finance by fully leveraging technologies relating to the internet and big-data, the Bank provides its quality consumer financing services to people with medium and low incomes.

Management Discussion and Analysis

(4) Internet finance business

Since the establishment of the Internet Finance Business Department, the Bank has made bold innovations and effective exploration in internet finance business. The Bank optimized and upgraded its existing POS loan into cash-flow loan, completed the development of cash-flow loan mobile terminal device which support online application, inquiry, repayment and other functions. It also strove to integrate the newly launched credit products such as education loan and home loan into daily lives through mobile internet to enable service at whenever time in wherever place. As of 30 June 2015, the Internet Finance Business Department received 18,432 customer applications from microcredit business, of which 3,106 ones were with existing loans. 4,960 loans were granted in total amounting to a principal of RMB730 million and a balance of RMB565 million. The Bank's internet finance business focused on the internet thinking and technologies and was positive towards establishing deep cooperative relationship with third-party payment services and online platforms with a massive number of users.

(5) Microcredit Know-how and Technology R&D and Exportation

In the first half of 2015, the Bank continued to advance its micro-credit strategy by focusing on technology innovation and R&D. Leveraging the theme of "Mobile Finance Year", the Bank made breakthroughs in key research topics of microcredit from a global perspective. In close collaboration with the Institute of Finance and Banking of Chinese Academy of Social Sciences, the Financial Consumer Protection Bureau of the People's Bank of China, China Microcredit Alliance (中國小額信貸聯盟) and U.S. MIX Market, the Bank initiated and successfully completed a report on "Bank Micro-credit Industry Standard Research" (銀行小額信貸行業標準研究).

The Bank is committed to promoting and facilitating the development of inclusive finance business, and continues to strengthen the promotion of micro-credit technology exportation. It pushed forward the Shanxi Yuncheng Rural Commercial Bank microcredit technology exportation project through long-distance and on-site instructions. The project reached the stage targets as agreed by the parties and the project was successfully completed in the end of June 2015.

2. Sino-Russia financial services

For the first half of 2015, centering on the key work requirements put forward by the State, provinces and municipalities with Russia, the Bank paid high attention to the development of Sino-Russia financial services by escalating it as a bank-wide strategy, and by leveraging the operational advantages of the Russia financial service department, achieved significant breakthroughs in Sino-Russia financial services in terms of market-making transactions in Ruble, cash exchange, cooperation with banks, cross-border financing and etc.. Such services gradually became the forefront of Sino-Russia financial services. Such efforts enriched the financial connotation of Heilongjiang as a bridgehead in Sino-Russia financial services, and facilitated Sino-Russia trade and investment.

The Bank focused on the synergetic development of both domestic and international businesses, and strived to provide customers with comprehensive financial services in RMB and foreign currencies. During the reporting period, the Bank's international settlements reached US\$1,320 million. A total of US\$440 million foreign currency loans and international trade financing were granted.

Management Discussion and Analysis

During the reporting period, the Bank accelerated the development speed of various Sino-Russia finance businesses, maintaining the leading position among domestic banks in Ruble market-making transactions and Ruble cash exchange. As of 30 June 2015, the Bank handled Ruble foreign exchange of RUB8,247 million and Ruble cash exchange of RUB1,402.7 million, and accumulated cross-border transactions in Ruble cash of RUB1,080 million, representing a year-on-year increase of 73%, enabling it to become the largest Sino-Russia cash transaction institution in China.

During the reporting period, the Bank commenced an in-depth cooperation with a number of Russian banks. As of 30 June 2015, the number of overseas agencies of the Bank reached 713, including 119 agencies in Russia, constituting the Bank as the bank with the largest number of Sino-Russia agencies and accounts in China. In addition, the Bank successfully entered into a cooperation agreement with VTB Bank, realizing money placements of RMB500 million, and inter-bank placements amounting to RMB1.5 billion from Sino-Russia finance business. Through the outstanding performance of the Bank in Sino-Russian financial services, the Bank was awarded the Best Regional Trade Finance Bank of China in 2015 by The Asian Banker.

(V) Information on controlling subsidiaries

1. *Village and township banks*

As of the end of the reporting period, the Bank had 24 controlling village and township banks, 29 village and township sub-branches, which were mainly located across seven administrative regions in northeast, northern, northwest, southwest, central south, south and east China. As of 30 June 2015, the total assets of the 24 village and township banks amounted to RMB14,797 million, of which the total amount of loans was RMB10,150 million, representing an increase of 7.33% as compared with the end of last year. The balance of deposit amounted to RMB9,789 million, representing a decrease of 16.86% as compared with the end of last year. Net profit amounted to RMB161 million, representing an increase of 45.05% as compared with the same period in 2014.

The village and township banks invested and established by the Bank had thoroughly implemented the overall strategy of the Group, Centering on the “four adherences” i.e. adhering to localization, lower stream expansion, specialized operation and serving the “three rural” and small and micro enterprises, the Bank, based on the characteristics of village and township banks at different development stages, gradually formulated a culture, philosophy, management mode and working procedure for its village and township banks.

2. *Harbin Bank Financial Leasing Co., Ltd.*

Harbin Bank Financial Leasing Co., Ltd. has been committed to a development path based on “professional, unique and market-oriented” services, specialising in agriculture and strict adherence to risk control since its establishment on 12 June 2014. As of 30 June 2015, total assets of Harbin Bank Financial Leasing Co., Ltd. amounted to RMB10,883 million, leasing investment accumulated to RMB9,257 million and net profit amounted to RMB64.74 million, respectively.

Management Discussion and Analysis

Going forward, Harbin Bank Financial Leasing Co., Ltd. will remain steadfast in its agricultural strategy to deep plough into the agricultural and machinery markets and agricultural equipment leasing business. It will also proactively develop financial leasing in areas of information technology, new-type energy and transportation. Characterized by agricultural equipment leasing and aiming for value creation, it will build a financial leasing service model and a business platform which are relevant, equipped with advanced technologies, standardized and efficient to enhance efficiency in the agriculture industry of China, facilitate the nation's harmonious social development, serve the real economy and the people and fulfill reasonable expectations of its customers, shareholders and staff. By moving along the development path based on characteristics and differentiation, it will strive to become a first-class financial leasing company in China with "scientific governance structure, outstanding professional characteristics, flexible systems, high financial returns and quality assets".

(VI) Distribution Channels

1. *Physical Network*

Operating outlet network is the Bank's main business channel. As of 30 June 2015, the Group had a total of 338 branch outlets, including: 17 branches, 266 sub-branches, one branch-level financial service center for small enterprises, one financial leasing company and 24 village and township banks and their 29 sub-branches. In the first half of 2015, newly established sub-branches included five sub-branches, namely Qiqihar Keshan sub-branch, Jiamusi Songhua River sub-branch, Dalian Pulandian sub-branch, Shenyang Shenbei sub-branch and Chongqing Shuitianlu Community sub-branch, respectively.

2. *Electronic Banking*

Focusing on the establishment of basic electronic banking platforms and being customer-oriented, the Bank will improve customer experience and form a workflow and service model integrating online and offline to change formats of product marketing and facilitate the rapid growth of electronic banking. During the reporting period, the replacement rate of business transactions through the Bank's electronic banking reached 67.77%, up 10 percentage points over the end of 2014.

(1) **Self-service terminals**

The Bank provided various convenient services to customers through self-service terminals, including deposit and withdrawal, account inquiry, bill payment, passcode changing and transfer services. It set promoting self-service terminals as a key measure to improve offline banking, and introduced various self-service terminals with card collection machines and a new generation of inquiry machines. As of 30 June 2015, the Bank had 873 self-service terminals, including 371 automatic withdrawal machines, 341 ATMs, 160 multi-media inquiry machines and two card collection machines.

(2) **Online banking**

The Bank continuously optimized and upgraded its online banking and introduction of new functions. As of 30 June 2015, a total of 775,146 customers opened their online banking accounts, representing an increase of 45.73% over the same period of last year, of which corporate online banking customers amounted to 41,841, representing an increase of 6.35% over the same period of last year. Personal online banking customers amounted to 733,305, representing an increase of 48.88% over the same period of last year.

Management Discussion and Analysis

(3) Phone banking

The Bank provided 24-hour services to customers through the unified national customer service hotline 95537. Such services include account inquiries, verbal report of loss, bill payment, transfer, credit card, operator inquiry and outgoing calls. Up to 30 June 2015, the customer service center recorded a total of 1,250,000 business calls.

(4) Mobile banking

Following closely the developments in mobile banking, the Bank released new terminal device featuring fingerprint logon, visual account analysis, intelligent transfer, QR code instant payment and other functions, satisfying customers' diverse demand for mobile services.

(5) WeChat banking

In addition to basic business functions, WeChat banking launched a series of interaction activities for users and released more diversified functions for purchase of wealth management products, banking direct-sales and other purposes. Self-initiated inquiries from users amounted to 14,520,000 times and inquiries prompted by WeChat amounted to over 2,870,000 times. RMB800 million sales were recorded from WeChat banking in a single week, which became a significant platform to gain customers, interact with them and sell innovative products.

(VII) Information Technology

In the first half of 2015, the Bank continued its work on information technology establishment and achieved good results in the establishment of major application systems, supports for business innovation and development, establishment of infrastructures and technology management, providing more comprehensive and effective IT support for business development of the Bank.

1. *Further enhancing system operation efficiency*

The Bank's system operated smoothly overall during the reporting period. In order to safeguard the smooth operation of its system, the Bank improved the ability of its system to operate smoothly by focusing on strengthening the management of production system management, infrastructure establishment and team building. The Bank also improved the operation stability of its system and reduced cost by taking various measures including strengthening monitoring of key application system and further optimizing system structure. The Bank continued to improve the support ability of information technology to product innovation and customer services.

Management Discussion and Analysis

2. *Orderly advancing the implementation of IT projects*

Orderly implementation of IT planning projects. 14 deferred projects last year including mobile services platform and rural finance operation agency system were put into operation. Three annual planning projects including mobile phone banking were put into operation phase by phase. Projects including new generation finance system, mobile OA, mobile loan and online loan were in progress. Of which, mobile phone banking client realized account inquiry, transfer, payWave, wealth management, graphical interface, member management and other functions, which currently are in trail operation. Mobile banking services platform project mainly realized two main business functions, i.e. wealth product marketing and debit card issuance, and the marketing functions of product introduction, which together serve to provide convenient banking services for customers. Pilot marketing work has been finished in 19 outlets in 17 branches, and hall mobile marketing will be introduced throughout the whole bank.

3. *Technology management results.*

In 2014, the supervisory rating of the Bank's information technology obtained good results with a rating of 2B, being ranked third among commercial city banks. The Bank further enhanced its information technology management. During the reporting period, the Bank further adjusted and optimized technology internal functions, gradually transferred itself from management to services type, further improved its services consciousness and technology services level. The Bank carried out revision work on technology internal system through revising 10 first-grade systems, adding three first-grade systems, further enhanced its technology system. Through further strengthening information project construction outsource management, the Bank finished the formulation of the process and standard of management and evaluation of outsource contractors, which enhanced the Bank's management of outsource contractors.

(VIII) Staff and human resource management

1. *Staff information*

As at 30 June 2015, the Bank had 7,201 employees, among which 804 were headquarters staff, accounting for 11.17% of the total. The average age of employees of the Bank is 32.7, 2,998 employees are between 26 and 30 years old, accounting for 41.63%. 1,359 employees are between 31 and 35 years old, accounting for 18.87%. In terms of education level, 81.62% employees have bachelor degrees or above. As at 30 June 2015, the subsidiaries of the Bank had 935 employees.

2. *Human resources management overall information*

The Bank has along been promoting the strategy of building up the Bank's talent, and on human resources development and management. During the first half year of 2015, in respect of human resources selection and introduction, the Bank carried out recruitment work by organically combining internal recruitment and external recruitment according to its annual plan and satisfied organization development needs by adopting flexible employment methods.

In terms of human resources allocation and reservation, the Bank focused on career development planning for its staff. Through competitive selection and promotion and rotation, the Bank enriched work content for its staff and stimulated work passion. Through management post competitive assessment and testing, the Bank strengthened cadre team management and improved the talented person echelon structure.

Management Discussion and Analysis

In respect of human resources cultivation and development, the Bank continued to its promote professional manager cultivation plan, 100 talents cultivation plan and summer internship training program, and conducted research and interviews to innovate and improve the training schemes. Meanwhile, the Bank focused on staff training effectiveness, reasonable division and selection of training groups and improved training coverage rate. In the first half of the year, departments at all levels of the Bank implemented 28 internal trainings, and 24 external trainings for selected staff, with the total number of staff receiving training amounted to 3,320 men-time, and the total training hours amounted to 214.

In respect of human resources risk identification and prevention, the Bank put great emphasis on risk identification and prevention, and through home visits, daily talking, violation report and avoidance of relatives involvement, the Bank carried out staff behavior investigation, guided and reviewed relevant work including staff behavior investigation, rotation and the implementation of “four systems” at different levels of the Bank, and finished examination and rectification work of “one consolidation and two containments” conducted by regulatory authorities.

In the first half of 2015, the Bank relied on the development of big data and electronic commerce, being customer-oriented and through establishing a “learning organization”, further improved the knowledge and skills of the staff, continuously optimized personnel structure, enhanced utility and competence by providing dynamic support and intelligence guarantee for rapid development of the Bank. The Bank promoted life learning, continued to improve organization culture and integrate training resources according to the business development needs, further optimized training projects by focusing on both quantity and quality, established knowledge management sharing platform, improved self-learning training system, enhanced the performance of both individual and organization and escorted for career development of the staff.

The Bank has successfully established a broadband salary management system with diversified composition, standardized management and systematic implementation and adopted a market-oriented and diversified management by region in order to scientifically and effectively motivates the Bank’s employees and ensures the smooth implementation of the Bank’s strategic development. The Bank’s remuneration package comprises fixed remuneration, short-term incentive, long-term incentive and welfare income, differentiated combination of remuneration elements for different groups. Meanwhile, in terms of remuneration payment, the Bank strictly complies with the regulatory requirements by implementing deferred payment and locked-up stage payments for senior management as well as employees holding positions with significant influence in order to tie job duties with risk management responsibilities.

The Bank pays the 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 for the period from the internal retirement date to the statutory retirement age.

Management Discussion and Analysis

In accordance with the Labor Law of the People's Republic of China and relevant requirements of the State and local governments, the Bank provides various social insurances and other benefits to employees, such as basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance, maternity insurance, housing provident fund, accidental injury insurance as well as male/female welfare insurance, and also sets up a benefit society across the Bank. Basic pension insurance, basic medical insurance, unemployment insurance and housing provident fund are contributed by the Bank and employees at a certain proportion in accordance with the relevant local requirements. The social insurance premiums payable by employees are paid by the Bank on behalf of them.

IX. Risk Management

During the first half of 2015, the Bank actively followed the changes in new normal of the financial market while grasping the work theme of "Mobile Financial Year". Adhering to the risk management objective of "returning to traditional concept, customer strategy first, enhancing risk management sensitivity", centering value enhancement and being customers-focused, the Bank changed its concept of preventing and controlling risks to operating risks and creating value from risks. The Bank continued to promote the implementation of the new capital accord, and deepened the establishment of the comprehensive risk management and assessment system. Moreover, the Bank has been optimizing its internal rating system, improving data management and enhancing its risk pricing ability, thereby enhancing the promptness, sensitivity and strength of risk management works.

(I) Credit Risk

Credit risk refers to the Bank's risk of economic losses caused by a debtor or a counter-party failing to fulfill 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 executed a unified risk appetite in credit risk management and controlled risk within an acceptable level, in order to achieve a higher risk return and realize the identification, measurement, monitoring and control of credit risk.

In early this year, the Bank formulated the 2015 major risk management policies, which fully analyzed external macroeconomic trend as well as internal and external risk characteristics, and took full account of the regional economic characteristics and business development strategy of various branches based on the Bank's development strategies, risk management capability, external changes and requirements for value return for shareholders, in order to transmit the overall risk appetite to the lower level. The Bank clarified its credit risk management policy by focusing on the establishment of procedural limit indicators, highlighting a negative list of various aspects such as industry, mitigation and product, reflecting differentiation, emphasizing the balance between capital, risk and return, for the purpose of maximizing risk-adjusted rate of return on capital (RAROC). The Bank adjusts its credit risk management policy based on changes in external macroeconomic policy and economic environment.

Management Discussion and Analysis

During the reporting period, the Bank further improved the authorization management system. Adhering to the principle of “moderate decentralization and strengthening supervision”, the Bank further optimized the existing two-dimension matrix authority mode on risk mitigation and customers’ rating, which fully reflected the customer strategy first objective. Based on various factors such as historical statistics of branches, results of regional assessment, results of assessment on risk management capability of branches, business development strategy and risk appetite of senior management, the Bank determined the authorisations to be given to a branch according to the principle of capital utilization.

During the reporting period, taking the opportunity arising from implementing the Basel Accords, the Bank completed the development and the internal rating system for retail and non-retail operations and the risk value assessment system for collateral, which are proposed to be launched officially in the early part of the second half of the year. To ensure smooth implementation and application of internal verification results, the Bank commenced the promotional works on the implementation of results of internal rating for retail and non-retail operations. Moreover, the Bank promoted the specific application and implementation of all core applications such as approval, authorization, policy and report under the standards for internal rating system of the New Basel Accords, as well as some advanced applications. Meanwhile, in order to ensure smooth implementation of internal verification results in compliance with relevant standards and requirements, the Bank completed key supporting works in relation to business operation mode, system and rule, system upgrade, as well as training and promotion before the official launch of the internal rating system. Some of the internal verification results were applied on a trial basis in some of the Bank’s operations and management procedures, reflecting a better risk verification ability and operation compatibility. The Bank facilitated the establishment of risk value assessment system for collaterals with testing works completed. The system is expected to be launched officially in the early part of the second half of 2015. The Bank will also continue to facilitate the trial works on internal risk value assessment for collaterals.

During the reporting period, the Bank further optimized and enhanced its risk monitoring and alert system. The customer risk alert system was officially launched, thereby realizing online tracking and monitoring of risk indicators. The monitoring results will be classified in accordance with the levels of risk exposure and be reported to branches, thus achieving the pre-alerting and system monitoring of risk indicators. The Bank established weekly risk monitoring system, which promptly traced and reported the risk exposure of the Bank. Meanwhile, the Bank monitored various risk indicators and issued alerts promptly through third party information platform, such as internet, external risk alert platform and commercial registration platform. Upon the official launch of risk data mart, the Bank can thoroughly collect various risk statistics and capture the comprehensive view of the risk faced by the Bank. At the same time, the Bank met the requirements of internal rating system establishment, model verification and risk weighted assets (RWA) measurement. The establishment and application of the above risk monitoring measures, risk management tools and systems have further enhanced the Bank’s credit risk management.

Management Discussion and Analysis

(II) Liquidity Risk

Liquidity risk refers to the risk of the Bank failing to acquire sufficient funds at reasonable cost in time in order to pay the due debt, fulfill other payment obligations and meet the capital requirements for normal operation.

The Assets and Liabilities Management Committee of the Bank is responsible for formulating liquidity risk management policies and strategies, and reviewing the major problems arising from liquidity management activities. The Bank has established an overall liquidity risk management system to comprehensively manage liquidity risks. It has also set up comprehensive liquidity risk limit system, which monitors and controls the execution of limits at a prescribed frequency.

During the reporting period, the Bank further applied the result of implementation projects under the Basel Accords. It has deepened and widened the level of liquidity risk monitor, enhanced online risk display platform projects and conducted frequent comprehensive monitor on liquidity risks in various aspects, such as monitoring indicators, inspection on liquidity structure, monitoring indicators for collaterals and monetary market condition. This has enhanced the Bank's management standard on liquidity risk. The Bank adopted liquidity risk stress testing by combining maturity gap analysis with cash flow analysis, and established a quick liquidity risk emergency system across various departments. Meanwhile, during the daily management of liquidity risks, the Bank will make adjustments and updates based on the changes in regulatory policies and external operating environment. It has also formulated special emergency proposal as to prevent liquidity risks arising from the launch of deposit insurance system.

(III) Market Risk

Market risk refers to the risk of loss in the Bank's on- and off-balance sheet businesses as a result of adverse changes in market prices (interest rates, exchange rates, and stock and commodity prices).

The market risks currently faced by the Bank are interest rate risk and exchange rate risk. The Bank's objective of market risk management is to maximize risk-adjusted revenue while limiting the potential losses arising from market risk within a reasonably acceptable level based on the Bank-wide risk appetite.

1. Interest Rate Risk

Interest rate risk mainly consists of bank account interest rate risk and trading account interest rate risk. Interest rate risk mainly consists of bank account interest rate risk and trading account interest rate risk.

Trading account interest rate risk refers to the risk of loss in the Bank's on- and off-balance sheet businesses under the Bank's trading account as a result of adverse changes in interest rates.

The interest rate risk associated with the Bank's trading accounts exists mainly in the trading businesses, including bond trading and derivative trading. For the management of interest rate risk of trading accounts, the Bank defined the classification standards for trading accounts and bank accounts, reevaluate the market value of assets under the Bank's trading accounts on a daily basis, set rating caps, stop-loss limits and risk limits, and monitor and control them by frequency.

Management Discussion and Analysis

During the reporting period, the Bank adopted the OPRICS RISK system, which was launched during the year, to measure the interest rate risk exposure of trading accounts by conducting duration analysis, sensitivity analysis, risk price analysis on bond trading, thereby analyzing the Bank's RMB trading thoroughly.

2. *Exchange rate risk analysis*

Exchange rate risk refers to the risk of loss in our on- and off-balance sheet businesses as a result of adverse changes in exchange rates. Our exchange rate risk exists mainly in our foreign currency-related trading and non-trading businesses, including foreign currency loans, foreign currency deposits, proprietary foreign exchange trading and foreign exchange settlement on behalf of customers. The Bank sets transaction caps, stop-loss limits and exposure limits to manage exchange rate risk arising from our foreign exchange business.

In order to conduct foreign exchange businesses more effectively, the Bank's foreign exchange trading center moved to Shanghai early this year. Leveraging on its regional advantages and real-time monitor over market changes, the Bank enhanced its profitability in foreign exchange self-operation transactions. Meanwhile, for foreign exchange settlement, the Bank has designated officers responsible for monitoring the foreign exchange market and implemented large position advance reporting system. Large foreign exchange settlement will be settled on a real time basis. This can ensure profits while controlling exchange rate risk effectively. During the reporting period, the Bank proactively conducted comprehensive measurement over foreign exchange transactions through OPRICS RISK system measure model, thereby enhancing the Bank's ability in managing foreign exchange transaction risks.

(IV) Operational Risk

Operational risk refers to the risk of loss arising from flawed internal procedures, and loss caused by staff, IT systems, and external events. Operational risk includes legal risk, but excludes strategic risk and reputation risk.

The Bank's manages operational risk at the frontline, second line and third line separately and independently. Under a unified operational risk appetite, the Bank uses a standardized operational risk management system for daily risk management to establish a full set of operational risk management systems, covering relevant corporate governance structures, policies and systems, management tools, measurement methods and IT system, which would effectively prevent occurrence of events of high operational risk.

Management Discussion and Analysis

During the reporting period, taking the opportunity arising from the implementation of the Basel Accords, the Bank continued to promote the application of three major management tools, namely self-assessment on risks and control, key risk indicators and loss data collection. It also conducted optimization and testing on operational risk management and information system, and continued to facilitate online trial application, thereby establishing solid foundation for bank-wide application and enhancing the automation and management efficiency of operational risk management. Automated internal control was incorporated into routine work, and fixed-point internal control procedures were conducted in the Banks systems, thereby tracing and controlling operational risks. By strengthening operation management and supervision, and enforcing real-time alert on counter services through the counter service risk alert system, the Bank has effectively controlled the occurrence of operation risk in its counter services. In addition, the Bank has included outsourcing risk management into its comprehensive risk management system and formulated the “Outsourcing Risk Management Policy of Harbin Bank”, which prevented outsourcing risks. Following the mobile internet trend, the Bank’s work in technology focused on five aspects, namely mobile online application, technology innovation, megadata, information security and technology governance. The Bank also promoted technology upgrade and transformation, facilitated business innovation through technology innovation, and enhanced the support of information technology for various works. By fully enhancing the level of continuous business management, the Bank’s key information systems on core businesses maintained a 100% stable operation rate. By monitoring and controlling the whole network and system on a real-time basis, the Bank ensured safe operation of its systems. By strengthening key information system emergency management, the Bank achieved a 100% completion rate in its key information system emergency scenario exercises. In addition, various branches had conducted different types and content-rich emergency scenario exercises. Meanwhile, the improving emergency system can ensure the sustainable operation of the Bank’s key operations.

(V) Anti-money Laundering Management

During the first half of 2015, the Bank proactively facilitated the comprehensive trial works on large-sum anti-money laundering transactions and suspicious transactions, aiming to prevent risk exposure. The operation efficiency was enhanced by defining own monitoring rules, upgrading anti-money laundering detection system and improving anti-money laundering system. The Bank put greater efforts on promoting the implementation of the requirements of the People’s Bank of China in customer identification and customer risk rating. It also enhanced efforts on assessment of working quality and efficiency. In addition, the Bank organized regular bank-wide anti-money laundering trainings and anti-money laundering month campaign, thereby enhancing staff’s awareness on anti-money laundering and the overall management standard over anti-money laundering, which effectively prevent relevant risk exposures.

Management Discussion and Analysis

X. Internal Control and Internal Audit

(I) Internal Control

In accordance with laws and regulations on implementing requirements of internal control normative system for enterprises including the Basic Internal Control Norms for Enterprises and its relevant guidelines jointly issued by five ministries and commissions including the Ministry of Finance, CSRC, National Audit Office, CBRC, China Insurance Regulatory Commission and the Guidelines for Internal Control of Commercial Banks issued by the CBRC in 2014, together with relevant requirements of the Hong Kong Stock Exchange, the Bank has established an internal control system covering five major aspects of internal environment, risk assessment, control activities, information and communication, and internal supervision. This provides a comprehensive process control over various operation management activities of the Bank. The Bank has established an internal control governance and organizational structure with reasonable division of duties, well-defined terms of reference and clear reporting relationship between departments, under which, the Board as the decision-making body of the Bank is responsible for the creation, development 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 organizations 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 departments are responsible for the supervision and evaluation of the internal control system of the Bank.

During the reporting period, the Bank implemented a series of works on improving and optimizing internal control. This primarily included: firstly, the Bank strengthened its system establishment. Based on regulatory requirements and existing business development, the Bank promptly replenished, amended and abolished its systems, and standardized and guided the commencement of various businesses; the Bank also optimized systematic rating system, strengthened the establishment of horizontal and vertical information exchange channel under systems, as well as accelerated the optimization of procedures for system establishment. Secondly, the Bank continued to work on the establishment of automatic internal control, and incorporated the rationalized and optimized internal control points into its key information systems. Through strengthening the automation rate of internal control at different processes, the Bank further realized the automation and normalization of the control system in the first layer of defense so as to implement the result of internal control system establishment under informationization. Thirdly, the Bank conducted several rounds of special inspections on illegal operation, crime commitment and compliance of retail lending business, thereby strengthening the internal control as to prevent such violations. The Bank actively inspected problematic issues, and proactively facilitated relevant rectification. Fourthly, the Bank discovered its insufficiencies through targeted self-assessment and special inspections, thereby strengthening control to ensure stable operation. Fifthly, the Bank organized self-inspection on anti-money laundering. Working together with the People's Bank of China on the anti-money laundering inspection, the Bank standardized the report of anti-money laundering data. It also proactively commenced anti-money laundering promotional campaign, which effectively prevented illegal anti-money laundering. Sixthly, the Bank continuously organized trainings and seminars for various businesses, thereby improving the quality of its staff and their ability to perform internal control duties.

Management Discussion and Analysis

(II) Internal Audit

During the reporting period, the Internal Audit Department of the Bank continued to strengthen the supervision and inspection on “key areas/regions, operations and projects” under the principle of “run the Bank strictly”. It organized and implemented a comprehensive audit on branches and sub-branches, Village and Township Banks, audit review of the terms of office of the management, key projects special audit and information technology projects tracing audit. In addition, it assessed the effectiveness of internal control and risk management on the Bank and Village and Township Banks through implementation of a comprehensive and continuous supervision on IT-supported operations via off-site auditing system. The Board and the senior management emphasized on the audit findings and transformation of audit results, actively promoted problem rectification and process improvement, supervised the effective duty performance of the units under auditing, so as to improve the Bank’s risk prevention and control.

XI. Prospects

For the second half of 2015, the global economy will still be in a period of profound adjustments following the financial crisis. Overall recovery will be moderate, and lacking in growth momentum. A remarkable improvement on the weak recovery trend is hardly to be seen in a short term. With the continuous implementation of policy on achieving a stable growth, loosening of capital restriction and lower base data in last year, domestic economy is expected to remain stable and achieve minor growth. Meanwhile, the acceleration of financial market reform and interest rate liberalization will further facilitate financial disintermediation, thus intensifying industry competition. In the second half of 2015, adhering to the philosophy of “centering the needs of customers”, the Bank will gather and lead all staff across the Bank to strengthen the working requirements on “energetic, creative, execution, responsiveness and self-control” and duly perform its obligations while making innovation, striving to carry out transformation and innovation in the second half year and achieving new results for its operations and development.

Changes in Share Capital and Information on Shareholders

I. Share Capital

The Bank was listed on the Hong Kong Stock Exchange on 31 March 2014, upon an issuance of 2,748,700,000 H Shares in total. After completion of the issuance, the total share capital of the Bank increased to 10,995,599,553 Shares, with a registered capital of RMB10,995,599,553.

II. Statement of Changes in Shares

								Unit: Shares	
		1 January 2015		Increase/decrease during the reporting period (+/-)				30 June 2015	
		Number	Percentage	Private placement	New shares issued	Bonus issue	Others	Subtotal	Number Percentage
Domestic shares									
1. Non-listed shares held by corporations		7,889,497,752	71.75%	0	0	0	0	0	7,889,497,752 71.75%
Including: (1) Shares held by state-owned enterprises		2,194,789,800	19.96%	0	0	0	0	0	2,194,789,800 19.96%
(2) Shares held by private enterprise		5,694,707,952	51.79%	0	0	0	0	0	5,694,707,952 51.79%
2. Non-listed shares held by natural persons		82,531,801	0.75%	0	0	0	0	0	82,531,801 0.75%
H Shares									
3. Overseas listed foreign shares		3,023,570,000	27.50%	0	0	0	0	0	3,023,570,000 27.50%
Total number of shares		10,995,599,553	100%	0	0	0	0	0	10,995,599,553 100%

Note: Non-overseas listed shares of the Bank were held by 31 state-owned corporate shareholders, including Harbin Economic Development, the Finance Bureau of A'cheng, Harbin (哈爾濱市阿城區財政局), the Finance Bureau of Daoli, Harbin (哈爾濱市道里區財政局), etc..

Changes in Share Capital and Information on Shareholders

III. Shareholdings of Shareholders

As at the end of the reporting period, the Bank had a total of 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 (%)	Number of shares pledged	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%	232,529,915	Non-overseas listed shares
5	Heilongjiang Tiandi Yuanyuan Network Technology Company Limited	Private enterprise	572,253,048	5.20%	80,000,000	Non-overseas listed shares
6	Heilongjiang Tuokai Economic and Trading Company Limited	Private enterprise	522,447,109	4.75%	321,390,597	Non-overseas listed shares
7	Heilongjiang Tongda Investment Co., Ltd.	Private enterprise	358,578,793	3.26%	–	Non-overseas listed shares
8	Harbin Jubang Investment Co., Ltd.	Private enterprise	301,170,095	2.74%	201,170,095	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

Note: The above shareholding percentage of non-overseas listed shares is calculated based on the total share capital of the Bank of 10,995,599,553 shares as at 30 June 2015. In addition, as of 30 June 2015, the above pledged or frozen shares held by the shareholders are subject to pledge only and not judicial moratorium.

Substantial Interests and Short Positions

As at 30 June 2015, the interests and short positions of substantial shareholders (within the meaning of the SFO), other than directors and supervisors, in the shares and underlying shares of the Bank as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Changes in Share Capital and Information on Shareholders

Domestic Shares

Name of shareholder	Capacity held	Number of domestic shares held (long position)	Percentage of issued domestic share capital of the Bank	Percentage of total issued share capital of the Bank
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 and is our only substantial shareholder (as defined under the Hong Kong Listing Rules).
2. Harbin Kechuang Xingye Investment Company Limited is owned as to 93.92% by Tianjin Wenhua Tianhai Industrial Company Limited (天津文華天海實業有限公司), which is owned as to 50% and 47.3% by Baotou Ronghui Trading Company Limited (包頭市榮慧貿易有限責任公司) and Hangzhou Jiela Trading Company Limited (杭州傑拉貿易有限公司), respectively. Baotou Ronghui Trading Company Limited (包頭市榮慧貿易有限責任公司) is owned as to 98.22% by Jinan Kangze Commercial and Trading Company Limited (濟南康澤商貿有限公司), which is in turn owned as to 62.5% and 37.5% by two natural persons, Tan Ran (譚然) and Zhang Yanyong (張衍勇), 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.
3. Heilongjiang Keruan Software Technologies Company Limited is owned as to 95.83% by Dalian Yujiixin Technology Company Limited (大連宇嘉信科技有限責任公司), which in turn is owned as to 60% and 40% by two natural persons, 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.
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, 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.
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 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.
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責任公司), which in turn is owned as to 87.5% by Beijing Jieshentiancheng 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 natural person Guan Wu (管武). 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.

Changes in Share Capital and Information on Shareholders

H Shares

Name of shareholder	Capacity	Number of H shares held (long position)	Percentage of issued H share capital of the Bank	Percentage of total issued share capital of the Bank
Fubon Financial Holding Co., Ltd.	Interest of controlled corporation ¹	773,124,000	25.57%	7.03%
CITIC Capital Holdings Limited	Interest of controlled corporations 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 Bank through its controlled corporation, Fubon Life Insurance Company Limited.
2. CITIC Capital Holdings Limited held the interests in the relevant number of shares through its controlled corporations.

Save as disclosed above, as at 30 June 2015, none of other persons had any interests or short positions in the Company or its associated corporations as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange.

IV. Substantial Shareholders of the Bank

As at the end of the reporting period, Harbin Economic Development, Fubon Life Insurance Company Limited, Harbin Kechuang Xingye Investment Company Limited, Heilongjiang Keruan Software Technologies Company Limited, Heilongjiang Xinyongsheng Trading Company Limited, and Heilongjiang Tiandi Yuanyuan Network Technology Company Limited held 2,160,507,748 domestic shares, 773,124,000 H shares, 720,262,554 domestic shares, 719,816,019 domestic shares, 639,804,806 domestic shares and 572,253,048 domestic shares of the Bank respectively, representing approximately 19.65%, 7.03%, 6.55%, 6.55%, 5.82% and 5.20%, respectively, of the total share capital of the Bank, and are substantial shareholders holding more than 5% of the total share capital of the Bank.

Save as the aforesaid shareholders, there are no other corporate shareholders holding 5% or more of the total share capital of the Bank.

As at the end of the reporting period, Harbin Economic Development was the substantial shareholder holding more than 10% of the shares (as defined under the Listing Rules) of the Bank.

As at 30 June 2015, Harbin Economic Development, the single largest shareholder of the Bank, held 19.65% of the total issued shares of the Bank. According to the Business License (Registration No.: 230100100001678) issued by Harbin Administration of Industry and Commerce 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 owned by the whole people, with the Harbin Municipal Finance Bureau as its sole shareholder.

Changes in Share Capital and Information on Shareholders

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

As at 30 June 2015, 312,529,915 Shares of two shareholders each holding more than 5% of the Company were pledged.

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 IV. "Substantial Shareholders of the Bank" above for particulars of shareholders with shareholding of 5% or more of the Company as at 30 June 2015.

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

The Company or any of its subsidiaries did not purchase, sell or redeem any listed securities of the Company for the six months ended 30 June 2015.

Directors, Supervisors and Senior Management

Directors of the Bank

During the six months ended 30 June 2015, the directors of the Bank comprised of:

Name	Age	Position
Guo Zhiwen	48	Chairman of the Board, Executive Director and secretary to the Communist Party Committee
Liu Zhuo	51	Vice Chairman of the Board and Executive Director
Gao Shuzhen (resigned on 30 June 2015)	51	Executive Director, President
Zhang Qiguang (elected on 30 June 2015)	42	Executive Director, President
Zhang Taoxuan	53	Non-Executive Director
Chen Danyang	42	Non-Executive Director
Cui Luanyi	35	Non-Executive Director
Qin Hongfu	37	Non-Executive Director
Ma Baolin (elected on 30 June 2015)	53	Non-Executive Director
Ma Yongqiang	39	Independent Non-Executive Director
Zhang Shengping	49	Independent Non-Executive Director
He Ping	50	Independent Non-Executive Director
Du Qingchun	44	Independent Non-Executive Director
Wan Kam To	62	Independent Non-Executive Director
Kong Siu Chee	68	Independent Non-Executive Director

The term of office of all Directors of the fifth session of the Board of the Bank had expired in April 2015. The Directors of the fifth session of the Board included Mr. Guo Zhiwen, Mr. Liu Zhuo, Ms. Gao Shuzhen, Mr. Zhang Taoxuan, Mr. Chen Danyang, Mr. Cui Luanyi, Mr. Qin Hongfu, Mr. Ma Yongqiang, Mr. Zhang Shengping, Mr. He Ping, Mr. Du Qingchun, Mr. Wan Kam To and Mr. Kong Siu Chee. According to the requirements of the PRC Company Law, upon the expiry of the term of a session of the board without appointing a new session within time or upon the retirement or resignation of director(s) resulting in the board falling below the required quorum, existing directors shall continue to serve as director until new directors are elected. Hence, all directors of the fifth session of the Board continued to serve as directors until the members of the sixth session of the Board assumed office.

At the 2014 annual general meeting of the Bank on 30 June 2015, it has been approved that the sixth session of the Board comprises a total of 14 Directors, including three executive Directors, namely Mr. Guo Zhiwen (chairman of the Board and secretary to the Communist Party Committee), Mr. Liu Zhuo (vice chairman of the Board), Mr. Zhang Qiguang (president); five non-executive Directors, namely Mr. Zhang Taoxuan, Mr. Chen Danyang, Mr. Cui Luanyi, Mr. Qin Hongfu and Mr. Ma Baolin; and six independent non-executive Directors, namely Mr. Ma Yongqiang, Mr. Zhang Shengping, Mr. He Ping, Mr. Du Qingchun, Mr. Wan Kam To and Mr. Kong Siu Chee.

The qualification to the directorship of Mr. Zhang Qiguang and Mr. Ma Baolin had been approved by Heilongjiang Supervision Administration of the CBRC. Members of the sixth session of the Board will take office for three years from the date of the 2014 annual general meeting at which the directors were elected.

Directors, Supervisors and Senior Management

Supervisors of the Bank

During the six months ended 30 June 2015, the supervisors of the Bank comprised of:

Name	Age	Position
Zhang Bin (ceased to hold office on 30 June 2015)	56	Chairman of the Board of Supervisors and Employee Representative Supervisor
Gao Shuzhen (appointed on 30 June 2015)	51	Chairman of the Board of Supervisors and Employee Representative Supervisor
Cheng Yun (ceased to hold office on 30 June 2015)	51	Vice-Chairman of the Board of Supervisors, Employee Representative Supervisor
Wang Ying	43	Employee Representative Supervisor
Chen Yutao (ceased to hold office on 30 June 2015)	40	Employee Representative Supervisor
Yang Dazhi (appointed on 30 June 2015)	38	Employee Representative Supervisor
Lu Yujuan	30	Shareholders Representative Supervisor
Bai Fan	40	External Supervisor
Wang Jiheng	50	External Supervisor
Meng Rongfang	49	External Supervisor

The term of office of all Supervisors of the fifth session of the Board of Supervisors of the Bank had expired in April 2015. The Supervisors of the fifth session of the Board of Supervisors included Mr. Zhang Bin, Ms. Cheng Yun, Ms. Wang Ying, Mr. Chen Yutao, Ms. Lu Yujuan, Ms. Bai Fan, Mr. Wang Jiheng and Ms. Meng Rongfang. According to the requirements of the PRC Company Law, upon the expiry of the term of a session of the supervisory board without appointing a new session within time or upon the retirement or resignation of supervisor(s) resulting in the supervisory board falling below the required quorum, the existing Supervisors shall continue to serve as Supervisor until new supervisors are elected. Hence, all Supervisors of the fifth session of the Board of Supervisors continued to serve as Supervisors until the members of the sixth session of the Board of Supervisors assumed office.

At the fourth employee representatives' meeting held on 25 June 2015 and the 2014 annual general meeting of the Bank on 30 June 2015, the sixth session of the board of supervisors of the Bank comprises a total of seven supervisors, including one shareholder representative supervisor, namely Ms. Lu Yujuan; three external supervisors, namely Mr. Wang Jiheng, Ms. Bai Fan and Ms. Meng Rongfang; and three employee representative supervisors, namely Ms. Gao Shuzhen (chairman of the Board of Supervisors), Ms. Wang Ying and Mr. Yang Dazhi, were considered and approved. Members of the sixth session of the Board of Supervisors will take office for three years from the date of the 2014 annual general meeting.

Senior management of the Bank

As approved at the first meeting of the sixth session of the Board on 30 June 2015, the members of senior management include: Mr. Zhang Qiguang (president and the chief finance officer), Mr. Lv Tianjun (vice president and the chief risk officer), Mr. Lu Weidong (vice president and the chief information officer), Mr. Xu Shaoguang (chief credit approval officer), Mr. Wang Haibin (vice president), Ms. Sun Jiawei (vice president) and Mr. Liu Yang (assistant to the president).

Directors, Supervisors and Senior Management

The qualification to the positions of Mr. Zhang Qiguang had been approved by Heilongjiang Supervision Administration of the CBRC, while the qualifications to the positions of Mr. Wang Haibin, Ms. Sun Jiawei and Mr. Liu Yang are subject to approval by Heilongjiang Supervision Administration of the CBRC.

Joint Company Secretaries and Secretary to the Board

Ms. Sun Feixia and Mr. Ngai Wai Fung were appointed as joint company secretaries of the Bank in January 2014. Ms. Sun Feixia was the secretary to the Board of the Bank, her qualification as the secretary to the Board was approved by Heilongjiang Supervision Administration of the CBRC on 19 January 2015.

As approved at the first meeting of the sixth session of the Board held on 30 June 2015, Ms. Sun Feixia was reappointed as the secretary to the sixth session of the Board and a joint company secretary, effective from date of the resolution of the Board until the expiry of the term of office of the sixth session of the Board.

Securities Transactions by Directors and Supervisors

The Bank has adopted a code of conduct regarding securities transactions by Directors and Supervisors and relevant employees on terms no less exacting than the required standards as set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules. Having made specific enquiries, all Directors and Supervisors of the Bank confirmed that they had complied with the aforesaid code during the reporting period.

Interests and Short Positions of Directors, Supervisors and Chief Executives in Shares, Underlying Shares and Debentures of the Bank or its Associated Corporations

During the reporting period, the Directors, Supervisors and President and their respective associates did not hold interests or short positions of any Shares, relevant shares or debentures of the Bank or associated corporations (as defined in the SFO) which were required to be registered in the register pursuant to section 352 of the SFO or to be disclosed to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code.

Important Events

I. Corporate Governance

During the reporting period, the Bank continued to 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 Banking Law of the People's Republic of China as well as the Listing Rules, with due consideration given to the actual conditions of the Bank.

Reform of the organization structure

In order to strengthen the management of business, the Financial Planning Department was renamed to the Financial and Accounting Department. The Asset and Liability Management Department originally subordinated to the Financial Planning Department was upgraded to a Tier 1 department, whereas Electric Banking Department was renamed to the Mobile Financing Department (see "Organization Chart" for details).

Corporate Governance Code

During the reporting period, the Bank had been observing and complying with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Bank had purchased Directors' Liability Insurance and published documents and information required to be disclosed on the websites of the Bank and the Hong Kong Stock Exchange. Meanwhile, the Bank had been observing and complying with most of the recommended best practices set out in the aforementioned code.

II. Debt Securities Issuance

(I) Issuance of bonds during the reporting period

During the reporting period, the Bank issued the 2015 first tranche of the "agriculture, rural areas and farmers" special financial bonds of RMB4.0 billion, detailed as follows:

According to the resolutions of the 14th meeting of the fifth session of the Board on 10 September 2013 and the 2013 second extraordinary general meeting of the Bank on 16 September 2013, the Board and the Shareholders' general meeting approved the issuance of the "agriculture, rural areas and farmers" special financial bonds of not more than RMB10.0 billion.

According to the "Approval for Harbin Bank to Issue 'Agriculture, Rural Areas and Farmers' Special Financial Bonds" issued by the CBRC (Yin Jian Fu [2014] No. 615) on 12 September 2014 and the "Administrative Approval Decision of the People's Bank of China" (Banking Market License [2014] No. 241) issued by the PBOC on 5 December 2014, the issuance of financial bonds of not more than RMB6.0 billion by the Bank in the interbank market was approved. The Company obtained the consent and permission from the CBRC and the PBOC for the issuance of the 2015 first tranche of the financial bonds on 26 May 2015.

The issuing size of the 2015 first tranche of the financial bonds of Harbin Bank Co., Ltd. is RMB4.0 billion with a term of three years, a fixed coupon rate of 4.20% accrued annually and a short name as "15 Harbin Bank 01" (bond code: 1520022).

Important Events

II. Debt Securities Issuance *(Continued)*

(II) Previous Issuance

1. *Financial Bonds in 2012*

According to the resolutions of the 31st meeting of the fourth session of the Board on 8 August 2011 and the 2011 first extraordinary general meeting of shareholders' on 25 August 2011, the Board and the Shareholders' general meeting approved the Proposal on the issue of Financial Bonds by Harbin Bank that the Bank is approved to issue ordinary (non-subordinated) financial bonds of RMB2.5 billion in the interbank market of China by way of public issuance.

According to the "Approval for Issue of Financial Bonds by Harbin Bank" issued by the CBRC (Yin Jian Fu [2011] No. 570) on 15 December 2011 and the "Administrative Approval Decision of the People's Bank of China" issued by the PBOC (Banking Market License [2012] No. 19) on 21 March 2012, the Bank obtained the consent and permission from the CBRC and the PBOC for the issuance of the financial bonds.

According to the "2012 Financial Bonds Offering Circular of Harbin Bank Co., Ltd." prepared in May 2012, terms of the bond issuance were as follows: the issuing size was no more than RMB2.5 billion; the variety was financial bonds of commercial banks with a maturity period of five years; the coupon rate was a fixed interest rate; the final coupon rate was determined by book-building and centralized allocation and was fixed during the bond duration; simple interest accrued annually with no compound interest and no further interest after maturity; and its short name was "12 Harbin Bank Financial Bonds" (bond code: 1220008).

2. *Financial Bonds in 2014*

According to the resolutions of the 14th meeting of the fifth session of the Board on 10 September 2013 and the 2013 second extraordinary general meeting of the Bank on 16 September 2013, the Board and the Shareholders' general meeting approved the issuance of "agriculture, rural areas and farmers" special financial bonds of not more than RMB10.0 billion.

According to the "Approval for Issue of 'Agriculture, Rural Areas and Farmers' Special Financial Bonds by Harbin Bank" issued by the CBRC (Yin Jian Fu [2014] No. 615) on 12 September 2014 and the "Administrative Approval Decision of the People's Bank of China" (Banking Market License [2014] No. 241) issued by the PBOC on 5 December 2014, the issuance of financial bonds of not more than RMB6.0 billion by the Bank in the interbank market was approved. The Company obtained the consent and permission from the CBRC and the PBOC for the issuance of the 2014 first tranche of the financial bonds on 15 December 2014.

The issuing size of the 2014 first tranche of the financial bonds of Harbin Bank Co., Ltd. was RMB2.0 billion with a term of three years, a fixed coupon rate of 4.60% accrued annually and a short name as "14 Harbin Bank 01" (bond code: 11420045).

Important Events

III. Proposed A Share Offering

As approved at the 2015 first extraordinary general meeting, the first domestic shareholders' class meeting and the first H shareholders' class meeting of the Bank held on 30 June 2015, the Bank proposed to issue not more than 3,666,000,000 A shares with nominal value of RMB1.00 each, representing approximately 25% of the total number of enlarged shares of the Bank upon completion of the A share offering. The number of shares of the actual issuance will be determined by the Board as authorized by the general meeting and after consultation with the regulatory authorities, and according to the Company's capital requirements and the market conditions after negotiations with the sponsor(s). The Bank will disclose further information and progress of the A share offering in due course.

IV. Material Connected Transactions

The Bank had no significant connected transactions with connected persons as at the end of the reporting period.

V. Material Legal Proceedings and Arbitrations

As at the end of the reporting period, pending legal proceedings in which the Bank was involved as a defendant or a third party amounted to RMB72.872 million. The Bank takes the view that it would not have any material impact on the Bank's operating activities. During the reporting period, there were no material legal proceedings or arbitrations which had material impact on the operating activities of the Bank.

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

During the reporting period, the Bank and all its Directors, Supervisors and senior management had no record of being subject to investigations, administrative penalties or criticisms by the CSRC or public censures by the Hong Kong Stock Exchange, or penalties by relevant regulatory bodies that posed significant impact on the Bank's operation.

VII. Performance of Undertakings by the Bank and Shareholders Holding 5% or More of the Shares

During the reporting period, neither the Bank nor its shareholders holding 5% or more of the total shares in issue of the Bank gave any undertakings.

VIII. Material Contracts and Their Performance

During the reporting period, the Bank had no material contracts to be performed.

IX. The Audit Review

The Bank's consolidated interim financial statements for the first half of 2015 prepared in accordance with International Financial Reporting Standards had been reviewed by Ernst & Young, who had issued an unqualified review opinion.

The Bank's 2015 interim report had been reviewed by the Audit Committee of the Board and the Board.

X. Implementation of Share Incentive Scheme during the Reporting Period

During the reporting period, the Bank had not implemented any share incentive scheme.

Important Events

XI. Appointment and Dismissal of Auditors

The appointment of Ernst & Young as the auditors of the Bank for the year 2015 was considered and approved at the 2014 annual general meeting of the Bank held on 30 June 2015.

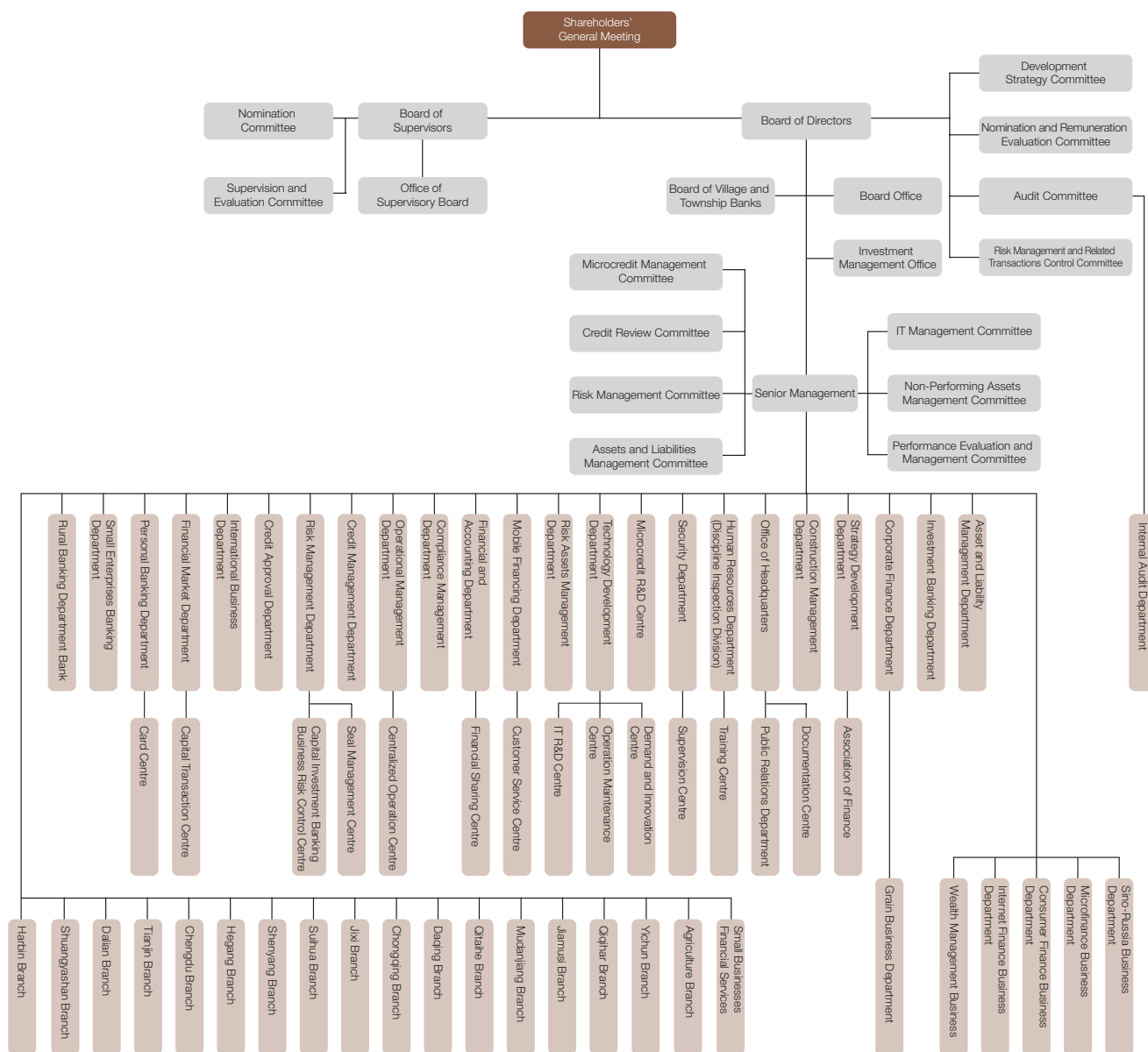
XII. Material Acquisition and Disposal of Assets and Merger of Enterprise

During the reporting period, the Bank had no material acquisition or disposal of assets, or merger of enterprises.

XIII. Profit Distribution during the Reporting Period

The 2014 profit distribution plan of the Bank was considered and approved at the 2014 annual general meeting held on 30 June 2015. A dividend of RMB1.03 per 10 Shares (inclusive of tax) will be paid on 28 August 2015. The Bank had not distributed any and did not intend to distribute any interim dividend for the period ended 30 June 2015.

Organization Chart



Financial Statements

- I. Report on Review of Interim Financial Information
- II. Unaudited condensed consolidated Interim Financial Statements (Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows)
- III. Notes to the 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.

(Established in the People's Republic of China with limited liability)

Introduction

We have reviewed the accompanying interim financial information set out on pages 77 to 148, 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 2015 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

24 August 2015

Condensed Consolidated Income Statement

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2015	2014
		Unaudited	Unaudited
Interest income	4	9,770,792	9,373,263
Interest expense	4	(5,319,114)	(5,274,050)
NET INTEREST INCOME	4	4,451,678	4,099,213
Fee and commission income	5	1,016,549	904,002
Fee and commission expense	5	(70,733)	(72,221)
NET FEE AND COMMISSION INCOME	5	945,816	831,781
Net trading income	6	92,843	118,800
Net gain/(loss) on financial investments	7	2,165	(62,266)
Other operating income, net	8	21,426	44,272
OPERATING INCOME		5,513,928	5,031,800
Operating expenses	9	(1,996,110)	(1,986,984)
Impairment losses on:			
Loans and advances to customers	17	(606,390)	(392,303)
Other		(150,550)	–
OPERATING PROFIT		2,760,878	2,652,513
Share of profits of an associate		23,641	11,351
PROFIT BEFORE TAX		2,784,519	2,663,864
Income tax expense	10	(652,509)	(669,737)
PROFIT FOR THE PERIOD		2,132,010	1,994,127
Attributable to:			
Equity holders of the Bank		2,101,582	1,982,370
Non-controlling interests		30,428	11,757
		2,132,010	1,994,127
EARNINGS PER SHARE (RMB yuan)			
Basic and diluted	12	0.19	0.21

Details of the dividends declared and paid or proposed are disclosed in note 11 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 2015

(Amount in thousands of RMB, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2015	2014
Profit for the period		Unaudited 2,132,010	Unaudited 1,994,127
Other comprehensive income (after tax, net):			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Net gain on available-for-sale financial assets	33	20,975	40,670
Share of other comprehensive income of an associate	33	3,599	44,642
Subtotal of other comprehensive income for the period		24,574	85,312
Total comprehensive income for the period		2,156,584	2,079,439
Total comprehensive income attributable to:			
Equity holders of the Bank		2,126,156	2,067,682
Non-controlling interests		30,428	11,757
		2,156,584	2,079,439

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

Condensed Consolidated Statement of Financial Position

AS AT 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

	Note	As at 30 June 2015	As at 31 December 2014
		Unaudited	Audited
ASSETS			
Cash and balances with the central bank	13	47,092,492	53,871,038
Due from banks and other financial institutions	14	17,830,182	28,207,243
Financial assets held for trading	15	3,194,948	1,912,551
Reverse repurchase agreements	16	57,114,086	37,267,471
Loans and advances to customers	17	149,760,542	121,014,264
Derivative financial assets	18	3,323	–
Financial investments	19	94,408,231	84,734,900
Finance lease receivables	20	9,164,875	4,160,425
Investment in an associate	21	1,072,732	1,045,492
Property and equipment	22	8,247,468	7,952,212
Deferred income tax assets	23	515,608	460,372
Other assets	24	3,382,198	3,015,650
TOTAL ASSETS		391,786,685	343,641,618
LIABILITIES			
Due to the central bank		919,489	1,716,910
Borrowings from banks and other financial institutions	25	7,497,276	3,400,000
Due to banks	26	60,466,737	58,023,841
Derivative financial liabilities	18	2,653	600
Repurchase agreements	27	18,108,801	6,002,521
Due to customers	28	258,228,601	233,793,794
Income tax payable		353,741	492,497
Debt securities issued	29	8,495,495	4,498,190
Other liabilities	30	6,494,354	5,550,644
TOTAL LIABILITIES		360,567,147	313,478,997
EQUITY			
Equity attributable to equity holders of the Bank			
Issued share capital	31	10,995,600	10,995,600
Reserves	32	13,289,654	13,047,620
Retained profits		6,237,390	5,487,055
		30,522,644	29,530,275
Non-controlling interests		696,894	632,346
TOTAL EQUITY		31,219,538	30,162,621
TOTAL EQUITY AND LIABILITIES		391,786,685	343,641,618

The financial statements were approved and authorised for issue by the Board of Directors on 24 August 2015.

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

Guo Zhiwen

Chairman

Zhang Qiguang

Chief Financial Officer

Yang Dazhi

General Manager of
Finance and Accounting Department

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

	Unaudited										
	Attributable to equity holders of the Bank										
	Reserves							Retained profits	Total	Non-controlling interests	Total equity
	Issued share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Other reserves	Subtotal				
Balance as at 1 January 2015	10,995,600	7,639,362	1,547,372	3,845,356	1,882	13,648	13,047,620	5,487,055	29,530,275	632,346	30,162,621
Profit for the period	-	-	-	-	-	-	-	2,101,582	2,101,582	30,428	2,132,010
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Change in fair value of available-for-sale financial assets, net of tax	-	-	-	-	20,975	-	20,975	-	20,975	-	20,975
Share of other comprehensive income of an associate	-	-	-	-	-	3,599	3,599	-	3,599	-	3,599
Total comprehensive income	-	-	-	-	20,975	3,599	24,574	2,101,582	2,126,156	30,428	2,156,584
Capital contributed by owners	-	-	-	-	-	-	-	-	-	32,880	32,880
Dividends – 2014 final (note 11)	-	-	-	-	-	-	-	(1,132,547)	(1,132,547)	-	(1,132,547)
Appropriation to general reserve (i)	-	-	-	218,700	-	-	218,700	(218,700)	-	-	-
Other	-	-	-	-	-	(1,240)	(1,240)	-	(1,240)	1,240	-
Balance as at 30 June 2015	10,995,600	7,639,362	1,547,372	4,064,056	22,857	16,007	13,289,654	6,237,390	30,522,644	696,894	31,219,538

(i) Includes the appropriation made by subsidiaries in the amount of RMB11,689 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 2015

(Amount in thousands of RMB, unless otherwise stated)

	Unaudited										
	Attributable to equity holders of the Bank										
	Reserves							Retained profits	Total	Non- controlling interests	Total equity
	Issued share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Other reserves	Subtotal				
Balance as at 1 January 2014	8,246,900	4,222,379	1,190,017	2,270,338	(182,060)	(50,739)	7,449,935	4,030,707	19,727,542	199,745	19,927,287
Profit for the period	–	–	–	–	–	–	–	1,982,370	1,982,370	11,757	1,994,127
Other comprehensive income											
Change in fair value of available-for-sale financial assets, net of tax	–	–	–	–	40,670	–	40,670	–	40,670	–	40,670
Share of other comprehensive income of an associate	–	–	–	–	–	44,642	44,642	–	44,642	–	44,642
Total comprehensive income	–	–	–	–	40,670	44,642	85,312	1,982,370	2,067,682	11,757	2,079,439
Capital contributed by owners	2,748,700	3,416,983	–	–	–	–	3,416,983	–	6,165,683	400,000	6,565,683
Dividends – 2013 final (note 11)	–	–	–	–	–	–	–	(417,833)	(417,833)	–	(417,833)
Appropriation to general reserve (i)	–	–	–	1,568,202	–	–	1,568,202	(1,568,202)	–	–	–
Balance as at 30 June 2014	10,995,600	7,639,362	1,190,017	3,838,540	(141,390)	(6,097)	12,520,432	4,027,042	27,543,074	611,502	28,154,576

(i) Includes the appropriation made by subsidiaries in the amount of RMB5,292 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 2015

(Amount in thousands of RMB, unless otherwise stated)

	Audited										
	Attributable to equity holders of the parent company										
	Reserves							Retained profits	Total	Non-controlling interests	Total equity
	Issued share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Other reserves	Subtotal				
Balance as at 1 January 2014	8,246,900	4,222,379	1,190,017	2,270,338	(182,060)	(50,739)	7,449,935	4,030,707	19,727,542	199,745	19,927,287
Profit for the year	-	-	-	-	-	-	-	3,806,554	3,806,554	34,218	3,840,772
Other comprehensive income											
– Change in fair value of available-for-sale investments, net of tax	-	-	-	-	183,942	-	183,942	-	183,942	-	183,942
– Share of other comprehensive income of an associate	-	-	-	-	-	64,387	64,387	-	64,387	-	64,387
Total comprehensive income	-	-	-	-	183,942	64,387	248,329	3,806,554	4,054,883	34,218	4,089,101
Capital contributed by owners	2,748,700	3,416,983	-	-	-	-	3,416,983	-	6,165,683	400,000	6,565,683
Dividends – 2013 final (note 11)	-	-	-	-	-	-	-	(417,833)	(417,833)	(1,617)	(419,450)
Appropriation to surplus reserve	-	-	357,355	-	-	-	357,355	(357,355)	-	-	-
Appropriation to general reserve (i)	-	-	-	1,575,018	-	-	1,575,018	(1,575,018)	-	-	-
Balance as at 31 December											
2014	10,995,600	7,639,362	1,547,372	3,845,356	1,882	13,648	13,047,620	5,487,055	29,530,275	632,346	30,162,621

(i) Includes the appropriation made by subsidiaries in the amount of RMB12,106 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 2015

(Amount in thousands of RMB, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2015	2014
		Unaudited	Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,784,519	2,663,864
Adjustments for:			
Share of profits of an associate		(23,641)	(11,351)
Depreciation and amortisation	9	208,613	166,838
Net trading gain	6	(92,843)	(118,800)
Dividend revenue		(798)	–
Interest income on financial investments		(2,591,906)	(2,340,028)
Impairment loss on loans and advances to customers		606,390	392,303
Impairment losses on other assets		150,550	–
Unrealised foreign exchange (gain)/loss		2,880	(10,014)
Interest expense on issuance of bonds	4	118,084	86,161
Accreted interest on impaired loans	17	(35,873)	(20,982)
Net loss/(gain) on disposal of available-for-sale financial assets	7	(1,367)	62,266
Net gain on disposal of property and equipment		(1,550)	–
		1,123,058	870,257
Net decrease/(increase) in operating assets:			
Due from the central bank		1,589,854	(2,238,803)
Due from banks and other financial institutions		3,868,540	4,440,254
Reverse repurchase agreements		(35,481,898)	(3,697,015)
Loans and advances to customers		(29,316,795)	(13,753,982)
Finance lease receivables		(5,055,000)	–
Other assets		(413,520)	(475,376)
		(64,808,819)	(15,724,922)
Net increase/(decrease) in operating liabilities:			
Due to the central bank		(797,421)	823,613
Borrowings from banks and other financial institutions		4,097,276	–
Due to banks		846,258	14,555,368
Repurchase agreements		12,106,280	(14,974,589)
Due to customers		26,031,445	11,087,724
Other liabilities		4,327	1,592,221
		42,288,165	13,084,337
Net cash flows used in operating activities before tax		(21,397,596)	(1,770,328)
Income tax paid		(846,500)	(647,167)
Net cash flows used in operating activities		(22,244,096)	(2,417,495)

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 2015

(Amount in thousands of RMB, unless otherwise stated)

	Note	For the six month period ended 30 June	
		2015	2014
		Unaudited	Unaudited
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment		(492,793)	(300,818)
Proceeds from disposal of property and equipment		34,566	289,403
Cash paid for investments		(91,850,723)	(98,712,805)
Proceeds from sale and redemption of investments		80,820,802	91,631,148
Proceeds from distribution of dividends and bonuses		798	–
Return on investments		2,499,016	2,117,888
Net cash flows used in investing activities		(8,988,334)	(4,975,184)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		–	6,306,373
Capital injection by non-controlling shareholders		32,880	400,000
Proceeds from issuance of other debt securities		4,000,000	–
Interest paid on debt securities		(116,850)	(113,750)
Dividends paid on ordinary shares		(3,380)	(1,969)
Net cash flows from financing activities		3,912,650	6,590,654
NET DECREASE IN CASH AND CASH EQUIVALENTS		(27,319,780)	(802,025)
Cash and cash equivalents at beginning of the period		47,182,813	53,558,236
Effect of exchange rate changes on cash and cash equivalents		(12,716)	(8,741)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	34	19,850,317	52,747,470
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
INCLUDE:			
Interest received		7,342,683	6,813,732
Interest paid		(5,797,116)	(4,382,955)

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

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

1. Corporate Information and group structure

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

The Bank obtained its finance permit No. B0306H223010001 from the China Banking Regulatory Commission ("CBRC") of the PRC. The Bank obtained its business license No. 230100100006877 from the State Administration for Industry and Commerce ("SAIC"). 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 and payment and settlement services, as well as other banking services approved by the CBRC.

The subsidiaries of the Bank as at 30 June 2015 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	90.00	45,000	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	100,000	90.00	90,000	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	200,000	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	120,000	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
Baiquan Rongxing Village and Township Bank Co., Ltd.	Baiquan, Heilongjiang	30,000	100.00	30,000	Village and township bank

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(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
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	100,000	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	50,000	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	30,000	100.00	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	30,000	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 Rongxing Village and Township Bank Co., Ltd.	Youyang, Chongqing	60,000	100.00	60,000	Village and township bank
Harbin Bank Financial Leasing Co., Ltd.	Harbin, Heilongjiang	2,000,000	80.00	1,600,000	Leasing company

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(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 2015 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 2014.

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 2014.

Standards, amendments and interpretations effective in 2015

On 1 January 2015, the Group adopted the following new standards, amendments and interpretations.

IAS 19 Amendments	<i>A Defined Benefit Plan: Employee Benefits</i>
Annual Improvements to IFRSs	
2010-2012 Cycle and 2011-2013 Cycle	
(issued in December 2013)	

IAS 19 Amendments – A Defined Benefit Plan: Employee Benefits.

IAS 19 Amendments requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

The Group adopted Annual Improvements to IFRSs 2010-2012 cycle and 2011-2013 cycle in 2015:

IFRS 2 Share-Based Payment

This amendment is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions.

IFRS 3 Business Combinations

The amendments of IFRSs 2010-2012 cycle is clarified that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). The amendments of IFRSs 2011-2013 cycle is clarified that IFRS 3 does not apply to the accounting for the formation of any joint arrangement. The amendments are applied prospectively.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarified that: (1) An entity must disclose the judgments made by management in applying the aggregation criteria, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are “similar”. (2) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

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

Standards, amendments and interpretations effective in 2015 *(Continued)*

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 – Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination.

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.

Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2015

		Effective for annual Periods beginning on or after
IFRS 9	Financial Instruments	1 January 2018
IAS 27 Amendments	Equity Method in Separate Financial Statements	1 January 2016
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 10, IFRS 12 and IAS 28 Amendments	Investment Entities: Applying the Consolidation Exception	1 January 2016
IAS 1 Amendments	Disclosure Initiative	1 January 2016
Annual Improvements to IFRSs 2012-2014 Cycle (issued in September 2014)		1 January 2016
IFRS 11 Amendments	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IAS 16 and IAS 38 Amendments	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016

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

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

3. Critical accounting estimates and judgments in applying accounting policies

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 2014.

4. NET INTEREST INCOME

	For the six month period ended 30 June	
	2015	2014
Interest income on:		
Loans and advances to customers	5,199,081	4,533,332
– Corporate loans and advances	3,300,404	2,693,803
– Personal loans	1,723,906	1,726,512
– Discounted bills	174,771	113,017
Reverse repurchase agreements	1,012,014	1,437,057
Available-for-sale financial assets	307,922	337,874
Held-to-maturity financial investments	467,604	384,199
Receivables	1,816,380	1,617,955
Due from the central bank	319,150	336,050
Due from banks and other financial institutions	512,050	726,796
Finance lease receivables	136,591	–
Subtotal	9,770,792	9,373,263
Interest expense on:		
Due to customers	(3,109,553)	(2,737,415)
Repurchase agreements	(210,879)	(343,157)
Deposits from banks	(1,739,132)	(2,093,684)
Debt securities issued	(118,084)	(86,161)
Due to the central bank	(26,027)	(13,633)
Due to other financial institutions	(115,439)	–
Subtotal	(5,319,114)	(5,274,050)
Net interest income	4,451,678	4,099,213
Including: interest income on impaired loans	35,873	20,982

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

5. Net fee and commission income

	For the six month period ended 30 June	
	2015	2014
FEE AND COMMISSION INCOME:		
Advisory and consulting fees	340,965	305,707
Settlement and clearing fees	35,522	41,981
Agency and custodian fees	488,243	442,367
Including: non-guaranteed wealth management products fees	236,696	201,530
Bank card fees	122,261	86,461
Others	29,558	27,486
Subtotal	1,016,549	904,002
FEE AND COMMISSION EXPENSE:		
Settlement and clearing fees	(7,140)	(8,531)
Agency fees	(6,914)	(3,044)
Bank card fees	(45,993)	(38,149)
Others	(10,686)	(22,497)
Subtotal	(70,733)	(72,221)
NET FEE AND COMMISSION INCOME	945,816	831,781

6. Net trading income

	For the six month period ended 30 June	
	2015	2014
Debt securities	91,573	119,650
Others	1,270	(850)
Total	92,843	118,800

The above amounts mainly include gains and losses arising from the purchase and sale of, interest income on, and changes in the fair value of financial assets held for trading, and changes in the fair value of derivative financial instruments.

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

7. Net gain/(loss) on financial investments

	For the six month period ended 30 June	
	2015	2014
Dividends from available-for-sale equity investments	798	–
Gain/(loss) on disposal of available-for-sale financial assets, net	1,367	(62,266)
Total	2,165	(62,266)

8. Other operating income, net

	For the six month period ended 30 June	
	2015	2014
Gain/(loss) from foreign exchange, net	(15,595)	1,273
Leasing income	1,702	1,301
Government grants and subsidies	22,870	34,943
Penalties and compensation	21	1
Others	12,428	6,754
Total	21,426	44,272

9. Operating expenses

	For the six month period ended 30 June	
	2015	2014
Staff costs:		
Salaries, bonuses and allowances	592,260	673,951
Social insurance	89,602	74,470
Housing fund	35,792	36,169
Staff benefits	46,736	32,029
Labor union expenditure and education costs	6,593	7,121
Early retirement benefits	2,264	3,786
Subtotal	773,247	827,526
General and administrative expenses	241,526	297,450
Business tax and surcharges	442,387	380,399
Depreciation and amortisation	208,613	166,838
Leasing expense	147,271	128,211
Auditors' remunerations	1,900	1,392
Others	181,166	185,168
Total	1,996,110	1,986,984

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

10. Income tax expense

(a) Income tax

	For the six month period ended 30 June	
	2015	2014
Current income tax	714,737	791,530
Deferred income tax	(62,228)	(121,793)
	652,509	669,737

(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%. 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	
	2015	2014
Profit before tax	2,784,519	2,663,864
Tax at the PRC statutory income tax rate	696,130	665,966
Items not deductible for tax purpose (i)	25,187	9,927
Non-taxable income (ii)	(43,860)	(16,900)
Underprovision/(overprovision) in respect of prior years	(19,038)	13,582
Profits attributable from an associate	(5,910)	(2,838)
Tax expense at the Group's effective income tax rate	652,509	669,737

Notes: (i) Non-deductible items mainly represent non-deductible expenses.

(ii) The non-taxable income mainly represents interest income arising from the PRC government bonds, which is exempted from income tax under Chinese tax regulations.

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

11. Dividends

	For the six month period ended 30 June	
	2015	2014
Dividends on ordinary shares declared and paid or proposed:		
Final dividend for 2014: RMB0.103 per share**		
(2013: RMB0.038 per share*)	1,132,547	417,833

(*): Based on the total number of shares after the new issuance on 31 March 2014 at RMB0.038 per share, distributed in cash.

(**): A cash dividend of RMB0.103 per share in respect of the profits for the year ended 31 December 2014 based on the number of shares was approved by the equity holders of the Bank at the Annual General Meeting held on 30 June 2015. As at 30 June 2015, none of such dividend was distributed. The undistributed portion was recorded in other liabilities (Note 30) as at 30 June 2015.

12. Earnings per share

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

	For the six month period ended 30 June	
	2015	2014
Earnings:		
Profit attributable to equity holders of the Bank	2,101,582	1,982,370
Shares:		
Weighted average number of ordinary shares		
in issue (in thousands)	10,995,600	9,621,250
Basic and diluted earnings per share (in RMB yuan)	0.19	0.21

The basic earnings per share amount was computed by dividing the profit attributable to ordinary equity holders of the Bank 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 2015 (For the six month period ended 30 June 2014: Nil).

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

13. Cash and balances with the central bank

	Group	
	30 June 2015	31 December 2014
Cash and unrestricted balances with the central bank:		
Cash on hand	725,147	1,065,082
Mandatory reserves with the central bank (i)	34,606,349	36,184,313
Surplus reserves with the central bank (ii)	11,737,818	16,586,575
Fiscal deposits with the PBOC	23,178	35,068
Total	47,092,492	53,871,038

(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 2015 and 31 December 2014, 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 PBOC include funds for the purpose of cash settlement and other kinds of unrestricted deposits.

14. Due from banks and other financial institutions

	Group	
	30 June 2015	31 December 2014
Deposits with banks and other financial institutions:		
Banks operating in Mainland China	13,291,948	24,366,180
Other financial institutions operating in Mainland China	–	2,000
Banks operating outside Mainland China	1,714,631	365,310
	15,006,579	24,733,490
Less: Allowance for impairment losses	–	–
	15,006,579	24,733,490
Placements with banks and other financial institutions:		
Banks operating in Mainland China	23,603	1,121,077
Other financial institutions operating in Mainland China	1,300,000	800,000
Banks operating outside Mainland China	1,500,000	1,552,676
	2,823,603	3,473,753
Less: Allowance for impairment losses	–	–
	2,823,603	3,473,753
	17,830,182	28,207,243

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

15. Financial assets held for trading

	Group	
	30 June 2015	31 December 2014
Debt securities	3,194,948	1,912,551
Debt securities analysed into:		
Listed in Mainland China	3,194,948	1,912,551

16. Reverse repurchase agreements

	Group	
	30 June 2015	31 December 2014
Reverse repurchase agreements analysed by counterparty:		
Banks	57,114,086	37,267,471
	57,114,086	37,267,471
Reverse repurchase agreements analysed by collateral:		
Securities	–	690,000
Bills	56,064,086	30,827,471
Trust beneficial rights	1,050,000	5,750,000
	57,114,086	37,267,471

As part of the reverse repurchase agreements, the Group has received securities that it is allowed to sell or repledge in the absence of default by their owners. At 30 June 2015, the Group had not received any such securities (31 December 2014: RMB699 million). As at 30 June 2015, none of these securities have been repledged under repurchase agreements (31 December 2014: Nil). The Group received notes with a fair value of approximately RMB781 million as at 30 June 2015 (31 December 2014: RMB1,095 million). As at 30 June 2015, none of these note securities with a fair value have been repledged under repurchase agreements (31 December 2014: Nil). The Group has an obligation to return the securities to its counterparties. If the collateral received declines in value, the Group may, in certain circumstances, require additional collateral.

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

17. Loans and advances to customers

	Group	
	30 June 2015	31 December 2014
Corporate loans and advances	100,140,898	79,898,554
Personal loans	51,011,870	43,227,683
Discounted bills	1,998,741	804,098
	153,151,509	123,930,335
Less: Allowance for impairment	(3,390,967)	(2,916,071)
	149,760,542	121,014,264

Movements of allowance for impairment losses during the year/period are as follows:

Group

	Individually assessed	Collectively assessed	Total
As at 1 January 2014	79,224	2,347,082	2,426,306
Exchange difference	300	5	305
Impairment loss:	180,809	386,306	567,115
Impairment allowances charged	184,651	386,306	570,957
Reversal of impairment allowances	(3,842)	–	(3,842)
Accreted interest on impaired loans	(19,876)	(25,162)	(45,038)
Write-offs	(9,467)	(49,118)	(58,585)
Recoveries of loans and advances previously written off	–	25,968	25,968
At 31 December 2014 and 1 January 2015	230,990	2,685,081	2,916,071
Exchange difference	3	2	5
Impairment loss:	106,843	499,547	606,390
Impairment allowances charged	112,214	499,547	611,761
Reversal of impairment allowances	(5,371)	–	(5,371)
Accreted interest on impaired loans (note 4)	(18,023)	(17,850)	(35,873)
Write-offs	(4,120)	(96,891)	(101,011)
Recoveries of loans and advances previously written off	–	5,385	5,385
As at 30 June 2015	315,693	3,075,274	3,390,967

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

17. Loans and advances to customers (Continued)

	Group	
	30 June 2015	31 December 2014
Loans and advances:		
Unimpaired loans and advances (i)	151,073,031	122,530,607
Impaired loans and advances to customers (ii)		
Individually assessed	993,592	526,393
Collectively assessed	1,084,886	873,335
	153,151,509	123,930,335
Less: Allowance for impairment losses		
Unimpaired loans and advances (i)	2,628,705	2,107,081
Impaired loans and advances to customers (ii)		
Individually assessed	315,693	230,990
Collectively assessed	446,569	578,000
	3,390,967	2,916,071
Net loans and advances:		
Unimpaired loans and advances (i)	148,444,326	120,423,526
Impaired loans and advances to customers (ii)		
Individually assessed	677,899	295,403
Collectively assessed	638,317	295,335
	149,760,542	121,014,264
Percentage of impaired loans and advances	1.36%	1.13%

(i) Unimpaired loans and advances should be collectively assessed for impairment.

(ii) Impaired loans and advances to customers include those with objective evidence of impairment.

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

18. Derivative financial instruments

The Group enters into foreign currency exchange rate and interest rate related derivative financial instruments for trading, asset and liability management 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 market 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			31 December		
	Contract/ nominal amount	Fair value		Contract/ nominal amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Interest rate swap	–	–	–	467,205	–	600
Foreign exchange forwards	906,434	3,323	2,127	–	–	–
Foreign exchange swap	634,126	–	526	–	–	–
	1,540,560	3,323	2,653	467,205	–	600

19. Financial investments

	Group	
	30 June	31 December
	2015	2014
Receivables (a)	58,856,330	49,244,609
Held-to-maturity investments (b)	20,869,490	19,655,690
Available-for-sale financial assets (c)	14,882,411	15,934,601
Subtotal	94,608,231	84,834,900
Less: Allowance for impairment losses	(200,000)	(100,000)
Net balance	94,408,231	84,734,900

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

19. Financial investments (Continued)

(a) Receivables

The receivables are unlisted and stated at amortised cost and comprise the following:

	Group	
	30 June 2015	31 December 2014
Certificate treasury bonds	129,252	120,368
Wealth management products issued by other financial institutions (i)	37,562,314	24,254,625
Trust fund plans (ii)	21,164,764	24,869,616
Subtotal	58,856,330	49,244,609
Less: Allowance for impairment losses	(200,000)	(100,000)
Net balance	58,656,330	49,144,609

(i) Wealth management products issued by other financial institutions are fixed term products. These include investments in trust beneficiary rights and trust loans.

(ii) The trust fund plans are purchased from trust companies, with no active market quotes, definite period lengths, interest rate is fixed or determinable. These include investments in trust loans and trust beneficiary rights.

(b) Held-to-maturity investments

Held-to-maturity investments are stated at amortised cost and comprise the following:

	Group	
	30 June 2015	31 December 2014
Debt securities analysed into:		
Listed in Mainland China	20,869,490	19,655,690

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

19. Financial investments *(Continued)*

(c) Available-for-sale financial assets

Available-for-sale financial assets comprise the following:

	Group	
	30 June 2015	31 December 2014
Debt securities analysed into:		
Listed in Mainland China	13,735,791	15,237,981
Unlisted:		
Equity investments at cost (i)	24,620	24,620
Wealth management products	1,100,000	650,000
Others	22,000	22,000
	14,882,411	15,934,601
Market value of listed debt securities	13,735,791	15,237,981

- (i) Certain available-for-sale unlisted equity investments which do not have any quoted market prices and whose fair values cannot be measured reliably are stated at cost less any impairment losses. There is no active market for these investments and it is the Group's intention to dispose of them as opportunities arise.

20. Finance lease receivables

	Group	
	30 June 2015	31 December 2014
Financial lease receivables	10,272,593	4,845,522
Less: unearned finance lease income	(1,015,144)	(643,073)
Present value of minimum finance lease receivables	9,257,449	4,202,449
Less: allowance for impairment losses	(92,574)	(42,024)
Including: collective assessment	(92,574)	(42,024)
Net balance	9,164,875	4,160,425

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

20. Finance lease receivables (Continued)

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

	Group					
	30 June			31 December		
	2015			2014		
	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	4,355,754	(427,752)	3,928,002	1,228,041	(241,192)	986,849
1 year to 2 years	1,947,063	(273,371)	1,673,692	1,134,065	(178,809)	955,256
2 years to 3 years	1,684,726	(178,705)	1,506,021	976,318	(120,688)	855,630
3 years to 5 years	2,148,337	(130,732)	2,017,605	1,405,919	(98,429)	1,307,490
More than 5 years	136,713	(4,584)	132,129	101,179	(3,955)	97,224
	10,272,593	(1,015,144)	9,257,449	4,845,522	(643,073)	4,202,449

21. Investment in an associate

	Group	
	30 June	31 December
	2015	2014
Investment in an associate	1,072,732	1,045,492

Details of the Group's associate are as follows:

Name	Percentage of equity/ voting rights		Place of registration	Principal activities
	30 June	31 December		
	2015	2014		
	%	%		
Unlisted investments directly held:				
Guangdong Huaxing Bank Company Limited ("Huaxing Bank")	16	16	Guangdong, PRC	Commercial Banking

Note: Though the Group controls 16% of the voting rights of Huaxing Bank, it is the second largest shareholder of Huaxing Bank and holds the position of a director, and is thus capable of exerting significant influence on the operating and financial decisions of the investee. Accordingly, the Group has classified it as an associate.

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

21. Investment in an associate (Continued)

The following table illustrates the summarised financial information of the Group's associate:

	30 June 2015	31 December 2014
Assets	82,002,898	68,283,646
Liabilities	(76,548,324)	(62,999,321)
Net assets	5,454,574	5,284,325
Proportion of the Group's ownership	16%	16%
Share of the net assets	872,732	845,492
Goodwill on acquisition	200,000	200,000
Carrying amount of the investment	1,072,732	1,045,492

	For the six month period ended 30 June	
	2015	2014
Revenue	775,691	1,119,971
Continuing operation profit	189,895	93,541
Non continuing operation profit after tax	598	747
Profit for the period	147,756	70,944
Group's share of profit	23,641	11,351
Total comprehensive income	170,249	349,955
Dividends received	—	—

The financial information above was extracted from the financial statements of the associate.

As at 30 June 2015, contingent liabilities of the associate mainly include bank acceptances, guarantees issued and sight letter of credit. For the six month period ended 30 June 2015, the associate had no significant contingent liabilities and capital commitments (For the six month period ended 30 June 2014: Nil).

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

22. Property and equipment

Group

	Properties and buildings	Construction in progress	Leasehold improve- ments	Office equipment	Motor vehicles	Operating lease fixed assets	Total
Cost:							
At 1 January 2014	2,515,913	4,340,722	267,931	966,033	67,555	–	8,158,154
Additions	151,393	498,455	127,237	193,900	7,659	294,317	1,272,961
CIP transfers	164,134	(223,563)	–	59,429	–	–	–
Disposals	(39)	(341,883)	(14)	(5,824)	(43)	–	(347,803)
At 31 December 2014 and 1 January 2015	2,831,401	4,273,731	395,154	1,213,538	75,171	294,317	9,083,312
Additions	17,577	440,792	27,120	27,059	1,513	–	514,061
CIP transfers	233,211	(359,049)	–	94,687	–	–	(31,151)
Disposals	(1,137)	(1,214)	–	(22)	–	–	(2,373)
At 30 June 2015	3,081,052	4,354,260	422,274	1,335,262	76,684	294,317	9,563,849
Accumulated depreciation:							
At 1 January 2014	285,383	–	109,901	412,375	35,553	–	843,212
Depreciation charge for the year	79,646	–	56,765	144,065	11,266	–	291,742
Disposals	(37)	–	(14)	(3,762)	(41)	–	(3,854)
At 31 December 2014 and 1 January 2015	364,992	–	166,652	552,678	46,778	–	1,131,100
Depreciation charge for the period	41,992	–	37,831	93,075	5,901	6,990	185,789
Disposals	(487)	–	–	(21)	–	–	(508)
At 30 June 2015	406,497	–	204,483	645,732	52,679	6,990	1,316,381
Net carrying amount:							
At 31 December 2014	2,466,409	4,273,731	228,502	660,860	28,393	294,317	7,952,212
At 30 June 2015	2,674,555	4,354,260	217,791	689,530	24,005	287,327	8,247,468

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

22. Property and equipment *(Continued)*

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

	Group	
	30 June 2015	31 December 2014
Held in China:		
Over 50 years	202,499	202,908
10 to 50 years	2,433,299	2,224,435
Less than 10 years	38,757	39,066
	2,674,555	2,466,409

As at 30 June 2015, the application for the titles for the Group's properties and buildings with an aggregate net carrying value of RMB361 million (31 December 2014: RMB302 million) was still in progress. Management was 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.

As at 30 June 2015, the carrying value transferred from construction in progress to other assets of the Group was RMB31,151 thousand (31 December 2014: Nil).

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

23. Deferred income tax assets and liabilities

(a) Analysed by nature

Group

	30 June 2015		31 December 2014	
	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	2,025,052	506,263	1,673,063	418,266
Change in fair value of derivatives	—	—	600	150
Salaries, bonuses, allowances and subsidies payable	30,546	7,636	39,109	9,777
Deferred revenue	59,228	14,807	147,609	36,902
Subtotal	2,114,826	528,706	1,860,381	465,095
Deferred income tax liabilities:				
Change in fair value of derivatives	(670)	(167)	—	—
Change in fair value of available-for-sale financial assets	(30,475)	(7,619)	(2,508)	(627)
Change in fair value of held for trading financial assets	(21,247)	(5,312)	(16,386)	(4,096)
Subtotal	(52,392)	(13,098)	(18,894)	(4,723)
Net deferred income tax	2,062,434	515,608	1,841,487	460,372

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

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

(b) Movements in deferred income tax

Group

	At 1 January 2015	Total gains/ (losses) recorded in profit or loss	Total gains/ (losses) recorded in other comprehensive income	At 30 June 2015
Deferred income tax assets:				
Allowance for impairment losses	418,266	87,997	–	506,263
Changes in fair value of derivatives	150	(150)	–	–
Salaries, bonuses, allowances and subsidies payable	9,777	(2,141)	–	7,636
Deferred revenue	36,902	(22,095)	–	14,807
Subtotal	465,095	63,611	–	528,706
Deferred income tax liabilities:				
Change in fair value of available-for-sale financial assets	(627)	–	(6,992)	(7,619)
Changes in fair value of derivatives	–	(167)	–	(167)
Change in fair value of held- for- trading financial assets	(4,096)	(1,216)	–	(5,312)
Subtotal	(4,723)	(1,383)	(6,992)	(13,098)
Total	460,372	62,228	(6,992)	515,608

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

23. Deferred income tax assets and liabilities (Continued)

(b) Movements in deferred income tax (Continued)

	At 1 January 2014	Total gains/ (losses) recorded in profit or loss	Total gains/ (losses) recorded in other comprehensive income	At 31 December 2014
Deferred income tax assets:				
Allowance for impairment losses	249,694	168,572	–	418,266
Change in fair value of available-for-sale financial assets	60,687	–	(60,687)	–
Change in fair value of held-for-trading financial assets	9,910	(9,910)	–	–
Changes in fair value of derivatives	–	150	–	150
Salaries, bonuses, allowances and subsidies payable	9,982	(205)	–	9,777
Deferred revenue	–	36,902	–	36,902
Deductible tax losses	3,582	(3,582)	–	–
Subtotal	333,855	191,927	(60,687)	465,095
Deferred income tax liabilities:				
Change in fair value of available-for-sale financial assets	–	–	(627)	(627)
Change in fair value of held-for-trading financial assets	–	(4,096)	–	(4,096)
Subtotal	–	(4,096)	(627)	(4,723)
Total	333,855	187,831	(61,314)	460,372

As at 30 June 2015, the Group did not have significant unrecognised deferred income tax assets and liabilities (31 December 2014: Nil).

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

24. Other assets

	Group	
	30 June 2015	31 December 2014
Interest receivable (a)	2,431,253	2,414,052
Land use rights (b)	805	822
Advance payments	267,566	212,465
Settlement and clearing accounts	459,018	160,700
Reposessed assets (c)	640	43,363
Intangible assets (d)	73,019	78,719
Other receivables	137,600	105,208
Others	12,297	321
	3,382,198	3,015,650

(a) Interest receivable

	Group	
	30 June 2015	31 December 2014
Banks and other financial institution	70,595	254,902
Reverse repurchase agreements	302,545	299,496
Loans and advances to customers	953,561	936,100
Bonds and other investments	1,104,552	923,554
	2,431,253	2,414,052

As at 30 June 2015 and 31 December 2014, all interest receivables are due within one year.

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

(b) Land use rights

	Group	
	30 June 2015	31 December 2014
Located in Mainland China		
10-50 years	805	822

24. Other assets (Continued)

(c) Repossessed assets

	Group	
	30 June 2015	31 December 2014
Buildings	640	43,363
Subtotal	640	43,363
Less: Allowance for impairment losses	–	–
	640	43,363

(d) Intangible assets

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

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

25. Borrowings from banks and other financial institutions

	Group	
	30 June 2015	31 December 2014
Unsecured borrowings	7,497,276	2,900,000
Pledged borrowings	–	500,000
	7,497,276	3,400,000

As at 30 June 2015, the pledged borrowings of RMB500 million were secured by the finance lease receivables of RMB557 million. There was no remaining credit limit under these pledged borrowings.

26. Due to banks

	Group	
	30 June 2015	31 December 2014
Deposits:		
Banks operating in Mainland China	59,341,726	54,602,695
Banks operating outside Mainland China	15,797	8,842
	59,357,523	54,611,537
Placements:		
Banks operating in Mainland China	870,085	3,359,767
Banks operating outside Mainland China	239,129	52,537
	1,109,214	3,412,304
	60,466,737	58,023,841

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

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

27. Repurchase agreements

Repurchase agreements comprise the repurchase of bonds and bills.

	Group	
	30 June 2015	31 December 2014
Repurchase agreements analysed by counterparty:		
Banks	18,108,801	6,002,521
Repurchase agreements analysed by collateral:		
Bonds	17,018,800	6,002,521
Bills	1,090,001	—
	18,108,801	6,002,521

28. Due to customers

	Group	
	30 June 2015	31 December 2014
Demand deposits:		
Corporate customers	60,575,895	77,546,011
Personal customers	34,215,172	29,179,343
	94,791,067	106,725,354
Time deposits:		
Corporate customers	110,197,921	79,663,146
Personal customers	53,239,613	47,405,294
	163,437,534	127,068,440
	258,228,601	233,793,794

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

29. Debt securities issued

	Group	
	30 June 2015	31 December 2014
Financial bonds issued	8,495,495	4,498,190

As approved by the PBOC and the CBRC, the Bank issued financial bonds through the open market in 2012, 2014 and 2015. These financial bonds were traded in the inter-bank bond market. The Bank has not had any defaults of principal or interest or other breaches with respect to the financial bonds during the period (2014: 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)
12 Harbin Bank financial bonds	15 May 2012	100	4.55%	16 May 2012	16 May 2017	2,500 million
14 Harbin Bank01	15 December 2014	100	4.60%	17 December 2014	17 December 2017	2,000 million
15 Harbin Bank01	28 May 2015	100	4.20%	28 May 2015	27 May 2018	4,000 million

30. Other liabilities

	Group	
	30 June 2015	31 December 2014
Interest payable (a)	2,892,911	3,485,068
Wealth management products payable	12,032	7,409
Settlement and clearing accounts	503,762	242,969
Account payable from agency services	425,275	312,434
Salaries, bonuses, allowances and subsidies payable (b)	236,983	453,842
Sundry tax payables	241,579	217,473
Deferred revenue (c)	49,630	144,096
Dividends payable	1,178,410	49,243
Accrued expenses	16,790	120,760
Lease guarantee fee	552,573	274,780
Other payables	384,409	242,570
	6,494,354	5,550,644

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

30. Other liabilities (Continued)

(a) Interest payable

	Group	
	30 June 2015	31 December 2014
Deposits of banks	569,660	962,836
Borrowings from banks	211	18,327
Due to customers	2,231,298	2,425,686
Repurchase agreements	12,354	2,760
Bonds payable	79,388	75,459
	2,892,911	3,485,068

(b) Salaries, bonuses, allowances and subsidies payable

	Group	
	30 June 2015	31 December 2014
Salaries, bonuses and allowances	198,348	415,350
Social insurance	6,545	5,249
Housing fund	3,414	3,739
Employee benefits	346	172
Labour union expenditure and education costs	15,533	14,451
Early retirement benefits	12,797	14,881
	236,983	453,842

Notes to the Condensed Consolidated Interim Financial Information

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(Amount in thousands of RMB, unless otherwise stated)

30. Other liabilities (Continued)

(c) Deferred revenue

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

	Group	
	30 June 2015	31 December 2014
Intermediary services	40,976	79,142
Reverse repurchase agreements	7,182	64,734
Others	1,472	220
	49,630	144,096

31. Share capital

	Bank			
	2015		2014	
	Number of shares (thousands)	Nominal value (thousands)	Number of shares (thousands)	Nominal value (thousands)
Opening balance	10,995,600	10,995,600	8,246,900	8,246,900
Shares issued (a)	–	–	2,748,700	2,748,700
As at 30 June 2015/31 December 2014	10,995,600	10,995,600	10,995,600	10,995,600

- (a) In March 2014, 2,748,700 thousand ordinary shares with par value of RMB1 were issued at HK\$2.90 per share in an initial public offering on the Main Board of The Stock Exchange of Hong Kong Limited. The premium arising from the issuance of new shares was recorded in capital reserve account. Ernst & Young Hua Ming Certified Public Accountants (LLP) Shanghai Branch has verified the capital injection and issued the capital verification report (Ernst & Young Hua Ming 2014 Yanzi No.60715519_B01) on 28 May 2014.

Notes to the Condensed Consolidated Interim Financial Information

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(Amount in thousands of RMB, unless otherwise stated)

32. Reserves

(a) Capital reserve

Capital reserve mainly includes share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserve

(i) *Statutory surplus reserve*

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 such capitalisation is not less than 25% of the registered capital immediately before capitalisation.

(ii) *Discretionary surplus reserve*

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under PRC GAAP 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.

(c) General reserve

From 1 July 2012, the Bank is required by the Ministry of Finance ("MOF") to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1.5% of the year end balance of its risk assets.

Upon approval of the equity holders of the Bank at the 2014 Annual General Meeting held on 30 June 2015, the Bank made appropriation to the general reserve amounting to RMB207,011 thousand (2014: RMB1,562,912 thousand).

(d) Investment revaluation reserve

The investment revaluation reserve records the fair value changes of available-for-sale financial assets.

(e) Other reserves

Other reserves represent reserves of subsidiaries and share of reserves of an associate other than the items listed above.

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

33. Components of other comprehensive income

	Group	
	For the six month period ended 30 June	
	2015	2014
Available-for-sale financial assets:		
Changes in fair value recorded in other comprehensive income	25,376	43,806
Less: Transfer to the income statement arising from disposal	(2,591)	(10,421)
Income tax effect	(6,992)	(13,557)
	20,975	40,670
Share of other comprehensive income of an associate	3,599	44,642
	24,574	85,312

34. Analysis of balances of cash and cash equivalents

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

	Group	
	30 June	30 June
	2015	2014
Cash on hand (note 13)	725,147	770,585
Balances with central bank (note 13)	11,737,818	15,451,964
Due from banks and other financial institutions	5,493,173	12,631,801
Reverse repurchase agreements	1,894,179	23,893,120
	19,850,317	52,747,470

Notes to the Condensed Consolidated Interim Financial Information

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(Amount in thousands of RMB, unless otherwise stated)

35. Commitments and contingent liabilities

(a) Capital commitments

The Group had capital commitments as follows:

	Group	
	30 June 2015	31 December 2014
Authorised, but not contracted	20,858	1,627
Contracted, but not provided	1,421,222	1,685,439
	1,442,080	1,687,066

(b) Operating lease commitments

Operating lease commitments – Lessee

Under irrevocable operating lease contracts, the minimum lease payments that should be paid by the Group in the future are summarised as follows:

	Group	
	30 June 2015	31 December 2014
Within one year	231,576	235,530
After one year but not more than five years	496,847	512,060
After five years	258,089	283,941
	986,512	1,031,531

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(Amount in thousands of RMB, unless otherwise stated)

35. Commitments and contingent liabilities *(Continued)*

(c) 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 loan commitments and undrawn credit card limit are under the assumption that the amounts will be fully advanced. The amounts for bank 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 2015	31 December 2014
Bank acceptances	31,470,078	37,142,540
Guarantees issued	6,564,082	5,302,537
Sight letters of credit	1,059,237	1,231,767
Undrawn credit card limit	1,002,075	635,773
	40,095,472	44,312,617

(d) Legal proceedings

As at 30 June 2015, there were no significant legal proceedings outstanding against the Bank and its subsidiaries (31 December 2014: Nil).

(e) 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, in which 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 2015, the Bank had underwritten and sold bonds with an accumulated amount of RMB2,563 million (31 December 2014: RMB2,220 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.

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

35. Commitments and contingent liabilities *(Continued)*

(f) Risk fund rescue obligation

Since 31 December 2012, the Bank has been a member of the Asia Financial Cooperation Association ("AFCA"), which has established a risk fund divided into equal shares. The price per share equalled to RMB100 million as at the fund establishment date. The Bank subscribed for 2 shares with 10% cash and 90% cooperative obligation. This means the Bank has the obligation to provide support to the AFCA members through certain methods such as placement within the limit of RMB180 million.

(g) 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 2015, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB21,394 million (31 December 2014: RMB11,522 million).

36. Interests of 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:

Structured entities sponsored by the Group

When conducting wealth management businesses, the Group established various structured entities to provide customers with specialised investment opportunities within narrow and well-defined objectives. As at 30 June 2015, the balance of the unconsolidated wealth management products issued by the Group amounted to RMB43,224 million (31 December 2014: RMB46,318 million). For the six month period ended 30 June 2015, fee and commission income includes commission and custodian fee and management fee income from wealth management business that amounted to RMB236,696 thousand (For the six month period ended 30 June 2014: RMB280,705 thousand).

During the six month period ended 30 June 2015, the Group did not provide any financing to the unconsolidated wealth management products (For the six month period ended 30 June 2014: Nil).

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

36. Interests of unconsolidated structured entities *(Continued)*

Structured entities sponsored by other financial institutions

As at 30 June 2015, the interests held by the Group in the structured entities sponsored by other financial institutions through direct investments are set out below:

	As at 30 June 2015			
	Available-for-sale financial assets	Receivables	Total	Maximum exposure to loss
Fund	22,000	–	22,000	22,000
Wealth management products	1,100,000	–	1,100,000	1,100,000
Investment trusts and asset management plans	–	58,527,078	58,527,078	58,727,078

	As at 31 December 2014			
	Available-for-sale financial assets	Receivables	Total	Maximum exposure to loss
Fund	22,000	–	22,000	22,000
Wealth management products	650,000	–	650,000	650,000
Investment trusts and asset management plans	–	49,024,241	49,024,241	49,124,241

37. Fiduciary activities

	Group	
	30 June 2015	31 December 2014
Designated funds	16,026,590	15,659,920
Designated loans	16,026,590	15,659,920

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.

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

The Group provides custody, trust and asset management services to third parties. Those assets held in a fiduciary capacity are not included in the Group's consolidated statement of financial position. Revenue from such activities is included in net fee and commission income set out in note 5 above.

Notes to the Condensed Consolidated Interim Financial Information

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(Amount in thousands of RMB, unless otherwise stated)

38. Related party disclosures

(a) Significant related party disclosures

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

Name	Share percentage in the Bank	
	30 June 2015	31 December 2014
	%	%
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 Xinyongsheng 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.

(b) Related party transactions

(i) Transactions between the Bank and the major shareholders

	30 June 2015	31 December 2014
Balances at end of the period/year:		
Deposits	687	474

	For the six month period ended 30 June	
	2015	2014
Transactions during the period:		
Interest expense on deposits	10	11
Interest rate during the period is as follows:	%	%
Deposits	0.39	0.39

Notes to the Condensed Consolidated Interim Financial Information

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(Amount in thousands of RMB, unless otherwise stated)

38. Related party disclosures *(Continued)*

(b) Related party transactions *(Continued)*

(ii) *Transactions between the Bank and subsidiaries*

There are various related party transactions that occur between the Bank and its subsidiaries. These transactions are equitable and follow regular business procedures. The material balances and transactions with subsidiaries have been eliminated in full in the consolidated financial information. In the opinion of management, the transactions between the Bank and its subsidiaries have no significant impact on profit or loss.

(c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and executive officers.

(i) *Transactions between the Bank and key management personnel*

	30 June 2015	31 December 2014
Balances at end of the period/year:		
Loans	17,743	9,210
Deposits	9,466	6,129

	For the six month period ended 30 June	
	2015	2014
Transactions during the period:		
Interest income on loans	225	301
Interest expense on deposits	20	27
Interest rate ranges during the period are as follows:	%	%
Loans	4.35-7.13	4.59-6.55
Deposits	0.39-5.13	0.39-5.00

Notes to the Condensed Consolidated Interim Financial Information

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(Amount in thousands of RMB, unless otherwise stated)

39. Segment information

(a) Operating segments

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

Corporate banking

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

Personal banking

The personal banking segment covers the provision of financial products and services to individual customers. The products and services include deposits, bank cards and credit cards, personal loans and collateral loans, and personal wealth management services.

Treasury operations

The treasury operations segment covers money market placements, investments and repurchasing, foreign exchange transactions, for the Group's own accounts or on behalf of customers.

Others

This segment represents businesses other than corporate banking, personal banking and treasury banking, whose assets, liabilities, income and expenses cannot be directly attributable to or cannot be allocated to a segment on a reasonable basis.

Notes to the Condensed Consolidated Interim Financial Information

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(Amount in thousands of RMB, unless otherwise stated)

39. Segment information (Continued)

(a) Operating segments (Continued)

	Corporate banking	Personal banking	Treasury operations	Others	Total
<u>Six months ended 30 June 2015</u>					
External net interest income	1,875,083	636,774	1,939,821	–	4,451,678
Internal net interest income/(expense)	638,071	395,010	(1,033,081)	–	–
Net fee and commission income	140,686	80,170	724,960	–	945,816
Other income, net (i)	(15,595)	–	94,210	37,819	116,434
Operating income	2,638,245	1,111,954	1,725,910	37,819	5,513,928
Operating expenses	(911,227)	(467,707)	(593,556)	(23,620)	(1,996,110)
Impairment losses on:					
Loans and advances to customers	(404,413)	(201,977)	–	–	(606,390)
Other	(50,550)	–	(100,000)	–	(150,550)
Operating profit	1,272,055	442,270	1,032,354	14,199	2,760,878
Share of profits of an associate	–	–	–	23,641	23,641
Profit before tax	1,272,055	442,270	1,032,354	37,840	2,784,519
Income tax expense					(652,509)
Profit for the period					2,132,010
Other segment information:					
Depreciation and amortisation	83,904	43,066	80,470	1,173	208,613
Capital expenditure	198,202	101,731	190,088	2,772	492,793
<u>As at 30 June 2015</u>					
Segment assets	144,988,411	65,756,071	179,423,484	1,618,719	391,786,685
Segment liabilities	173,795,037	88,196,091	96,835,991	1,740,028	360,567,147
Other segment information:					
Credit commitments	39,093,397	1,002,075	180,000	–	40,275,472

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

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

39. Segment information (Continued)

(a) Operating segments (Continued)

	Corporate banking	Personal banking	Treasury operations	Others	Total
<u>Six months ended 30 June 2014</u>					
External net interest income	910,355	881,469	2,307,389	–	4,099,213
Internal net interest income/(expense)	1,121,072	484,144	(1,605,216)	–	–
Net fee and commission income	171,668	69,363	590,750	–	831,781
Other income, net (i)	1,273	–	56,534	42,999	100,806
Operating income	2,204,368	1,434,976	1,349,457	42,999	5,031,800
Operating expenses	(883,098)	(495,233)	(598,752)	(9,901)	(1,986,984)
Impairment losses on:					
Loans and advances to customers	(187,235)	(205,068)	–	–	(392,303)
Operating profit	1,134,035	734,675	750,705	33,098	2,652,513
Share of profits of an associate	–	–	–	11,351	11,351
Profit before tax	1,134,035	734,675	750,705	44,449	2,663,864
Income tax expense					(669,737)
Profit for the period					1,994,127
Other segment information:					
Depreciation and amortisation	66,530	37,310	62,304	694	166,838
Capital expenditure	119,958	67,272	112,337	1,251	300,818
<u>As at 30 June 2014</u>					
Segment assets	97,848,760	75,250,114	169,078,367	1,965,249	344,142,490
Segment liabilities	162,514,015	80,156,788	72,142,299	1,174,812	315,987,914
Other segment information:					
Credit commitments	42,910,998	816,410	180,000	–	43,907,408

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

Notes to the Condensed Consolidated Interim Financial Information

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(Amount in thousands of RMB, unless otherwise stated)

39. 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 as well as village and township banks operating within Heilongjiang Province.
Northeastern China:	Including Dalian, Shenyang, as well as village and township banks operating in Northeastern China excluding those in Heilongjiang Province.
Southwestern China:	Chengdu, Chongqing, as well as village and township banks operating in Southwestern China and mainly located in Sichuan and Chongqing.
Northern China:	Tianjin as well as village and township banks operating in Northern China and mainly located in Beijing and Tianjin.
Other regions:	Village and township banks operating in regions other than those listed above.

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

39. Segment information (Continued)

(b) Geographical information (Continued)

	Mainland China					Total
	Heilongjiang region	Northeastern China	Southwestern China	Northern China	Other regions	
<u>Six months ended 30 June 2015</u>						
External net interest income	2,520,928	550,962	951,311	264,318	164,159	4,451,678
Internal net interest income/(expense)	140,803	(23,762)	(102,383)	(14,658)	–	–
Net fee and commission income	634,995	113,419	84,212	101,596	11,594	945,816
Other income, net (i)	101,751	812	10,101	2,125	1,645	116,434
Operating income	3,398,477	641,431	943,241	353,381	177,398	5,513,928
Operating expenses	(1,336,528)	(204,250)	(275,037)	(114,991)	(65,304)	(1,996,110)
Impairment losses on:						
Loans and advances to customers	(377,342)	(46,194)	(134,909)	(37,378)	(10,567)	(606,390)
Other	(150,550)	–	–	–	–	(150,550)
Operating profit	1,534,057	390,987	533,295	201,012	101,527	2,760,878
Share of profits of an associate	23,641	–	–	–	–	23,641
Profit before tax	1,557,698	390,987	533,295	201,012	101,527	2,784,519
Income tax expense						(652,509)
Profit for the period						2,132,010
Other segment information:						
Depreciation and amortisation	156,593	11,689	27,806	5,288	7,237	208,613
Capital expenditure	305,685	57,058	83,111	31,285	15,654	492,793
<u>As at 30 June 2015</u>						
Segment assets	249,997,484	39,463,364	73,052,991	22,894,081	6,378,765	391,786,685
Segment liabilities	231,312,344	38,968,607	62,006,599	22,812,828	5,466,769	360,567,147
Other segment information:						
Credit commitments	3,216,395	11,179,060	11,641,484	7,690,609	6,547,924	40,275,472

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

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FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

39. Segment information (Continued)

(b) Geographical information (Continued)

	Mainland China					
	Heilongjiang region	Northeastern China	Southwestern China	Northern China	Other regions	Total
<u>Six months ended 30 June 2014</u>						
External net interest income	2,552,928	304,228	809,023	308,224	124,810	4,099,213
Internal net interest income/(expense)	(23,412)	90,565	(65,410)	(3,887)	2,144	–
Net fee and commission income	506,131	78,386	166,604	72,255	8,405	831,781
Other income, net (i)	67,813	3,649	9,012	2,030	18,302	100,806
Operating income	3,103,460	476,828	919,229	378,622	153,661	5,031,800
Operating expenses	(1,323,555)	(201,851)	(289,967)	(102,416)	(69,195)	(1,986,984)
Impairment losses on:						
Loans and advances to customers	(252,370)	(36,791)	(54,266)	(34,499)	(14,377)	(392,303)
Operating profit	1,527,535	238,186	574,996	241,707	70,089	2,652,513
Share of profits of an associate	11,351	–	–	–	–	11,351
Profit before tax	1,538,886	238,186	574,996	241,707	70,089	2,663,864
Income tax expense						(669,737)
Profit for the period						1,994,127
Other segment information:						
Depreciation and amortisation	110,163	16,260	25,944	7,539	6,932	166,838
Capital expenditure	187,222	28,451	54,512	22,514	8,119	300,818
<u>As at 30 June 2014</u>						
Segment assets	207,710,653	50,017,999	64,006,116	16,624,879	5,782,843	344,142,490
Segment liabilities	178,873,821	51,394,354	63,910,942	16,808,292	5,000,505	315,987,914
Other segment information:						
Credit commitments	3,032,380	13,912,280	16,654,434	7,196,969	3,111,345	43,907,408

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

Notes to the Condensed Consolidated Interim Financial Information

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(Amount in thousands of RMB, unless otherwise stated)

40. Financial instruments risk management

(a) Credit risk

(i) *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 2015	31 December 2014
Balances with central bank	46,367,345	52,805,956
Due from banks and other financial institutions	17,830,182	28,207,243
Financial assets held for trading	3,194,948	1,912,551
Derivative financial assets	3,323	–
Reverse repurchase agreements	57,114,086	37,267,471
Loans and advances to customers	149,760,542	121,014,264
Financial investments		
– Receivables	58,656,330	49,144,609
– Held-to-maturity investments	20,869,490	19,655,690
– Available-for-sale financial assets	14,857,791	15,909,981
Finance lease receivables	9,164,875	4,160,425
Others	3,027,871	2,679,960
	380,846,783	332,758,150
Credit commitments	40,275,472	44,492,617
Total maximum credit risk exposure	421,122,255	377,250,767

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FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

40. Financial instruments risk management *(Continued)*

(a) Credit risk *(Continued)*

(ii) Risk concentrations

By industry distribution

The credit risk exposures of the Group mainly comprise loans and advances to customers and investments in securities. Details of the composition of the Group's investments in debt securities are set out in note 40(a)(iv) to the financial information. The composition of the Group's gross loans and advances to customers by industry is analysed as follows:

	Group	
	30 June 2015	31 December 2014
Agriculture, forestry, animal husbandry and fishing	4,394,007	3,563,557
Mining	409,627	371,936
Manufacturing	13,189,032	11,582,629
Production and supply of electricity, gas and water	3,180,952	2,125,184
Construction	7,919,632	5,895,534
Transportation, storage and postal services	3,132,551	2,662,710
Information transmission, computer services and software	578,096	584,636
Commercial trade	35,249,095	28,378,893
Lodging and catering	2,715,565	2,571,630
Finance	47,520	44,000
Real estate	8,917,392	6,853,450
Leasing and commercial services	13,747,486	11,620,355
Scientific research, technological services and geological prospecting	345,172	378,621
Water, environment and public utility management and investment industry	4,112,009	2,068,208
Resident services and other services	887,334	430,036
Education	391,376	405,175
Health, social security and social welfare	790,152	235,300
Culture, sports and entertainment	133,900	126,700
Subtotal for corporate loans and advances	100,140,898	79,898,554
Personal loans:		
Personal business	16,265,154	15,938,045
Personal consumption	22,461,704	17,819,589
Loans to farmers	12,285,012	9,470,049
Subtotal for personal loans	51,011,870	43,227,683
Discounted bills	1,998,741	804,098
Total for loans and advances to customers	153,151,509	123,930,335

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(Amount in thousands of RMB, unless otherwise stated)

40. Financial instruments risk management (Continued)

(a) Credit risk (Continued)

(iii) Loans and advances to customers

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

	Group	
	30 June 2015	31 December 2014
Neither past due nor impaired	147,651,225	120,200,665
Past due but not impaired	3,421,806	2,329,942
Impaired	2,078,478	1,399,728
	153,151,509	123,930,335
Less: Allowance for impairment losses		
Collectively assessed	(3,075,274)	(2,685,081)
Individually assessed	(315,693)	(230,990)
	(3,390,967)	(2,916,071)
	149,760,542	121,014,264

Neither past due nor impaired

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.

The following table presents the types of loans and advances to customers which are neither past due nor impaired as at the end of the reporting period:

Group

	30 June 2015		
	Pass	Special mention	Total
Unsecured loans	8,021,253	176,375	8,197,628
Guaranteed loans	45,009,653	108,549	45,118,202
Loans secured by mortgages	70,715,007	662,315	71,377,322
Pledged loans	22,957,893	180	22,958,073
	146,703,806	947,419	147,651,225

	31 December 2014		
	Pass	Special mention	Total
Unsecured loans	5,291,243	2,248	5,293,491
Guaranteed loans	43,976,202	215,814	44,192,016
Loans secured by mortgages	59,600,002	553,419	60,153,421
Pledged loans	10,535,919	25,818	10,561,737
	119,403,366	797,299	120,200,665

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(Amount in thousands of RMB, unless otherwise stated)

40. Financial instruments risk management (Continued)

(a) Credit risk (Continued)

(iii) 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:

Group

	30 June 2015		
	Corporate loans and advances	Personal loans	Total
Past due for:			
Less than one month	1,143,886	223,444	1,367,330
One to two months	902,766	167,107	1,069,873
Two to three months	740,633	120,492	861,125
Over three months	123,478	–	123,478
	2,910,763	511,043	3,421,806
Fair value of collateral held	4,572,697	782,721	5,355,418

	31 December 2014		
	Corporate loans and advances	Personal loans	Total
Past due for:			
Less than one month	892,112	95,518	987,630
One to two months	359,215	60,977	420,192
Two to three months	575,936	25,083	601,019
Over three months	224,958	96,143	321,101
	2,052,221	277,721	2,329,942
Fair value of collateral held	3,346,698	342,560	3,799,258

Impaired

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

The fair values of collateral that the Group holds relating to loans individually determined to be impaired as at 30 June 2015 amounted to RMB1,485,398 thousand (31 December 2014: RMB624,823 thousand). The collateral mainly consists of land, buildings, equipment and others.

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(Amount in thousands of RMB, unless otherwise stated)

40. Financial instruments risk management (Continued)

(a) Credit risk (Continued)

(iv) Financial lease receivables

	Group	
	30 June 2015	31 December 2014
The lease amount		
Neither past due nor impaired	9,257,449	4,202,449
Less: Allowance for impairment losses	(92,574)	(42,024)
Net amount	9,164,875	4,160,425

(v) Debt securities

The credit risk of debt securities mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities by different types of issuers are generally subject to different degrees of credit risk.

The following tables present an analysis of the Group's total credit risk exposures of debt securities by types of issuers and investments:

Group

	30 June 2015				
	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held- for-trading	Total
Neither past due nor impaired					
Government and the central bank	129,252	1,495,469	907,411	433,713	2,965,845
Policy banks	–	14,302,769	9,394,217	363,766	24,060,752
Banks and other financial institutions	37,562,314	2,342,950	1,122,000	–	41,027,264
Corporate entities	20,948,270	2,728,302	3,434,163	2,397,469	29,508,204
Subtotal	58,639,836	20,869,490	14,857,791	3,194,948	97,562,065
Impaired					
Corporate entities	216,494	–	–	–	216,494
Subtotal	216,494	–	–	–	216,494
Less: Allowance of impairment losses	(200,000)	–	–	–	(200,000)
Total	58,656,330	20,869,490	14,857,791	3,194,948	97,578,559

Notes to the Condensed Consolidated Interim Financial Information

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(Amount in thousands of RMB, unless otherwise stated)

40. Financial instruments risk management (Continued)

(a) Credit risk (Continued)

(v) Debt securities (Continued)

Group (Continued)

	31 December 2014				
	Receivables	Held-to-maturity investments	Available-for-sale financial assets	Financial assets held-for-trading	Total
Neither past due nor impaired					
Government and the central bank	120,368	1,494,479	1,093,771	647,720	3,356,338
Policy banks	–	14,436,671	8,656,406	400,548	23,493,625
Banks and other financial institutions	24,224,625	1,208,966	672,000	–	26,105,591
Corporate entities	24,675,083	2,515,574	5,487,804	864,283	33,542,744
Subtotal	49,020,076	19,655,690	15,909,981	1,912,551	86,498,298
Past due but not impaired					
Corporate entities	224,533	–	–	–	224,533
Subtotal	224,533	–	–	–	224,533
Less: Allowance of impairment losses	(100,000)	–	–	–	(100,000)
Total	49,144,609	19,655,690	15,909,981	1,912,551	86,622,831

Notes to the Condensed Consolidated Interim Financial Information

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(Amount in thousands of RMB, unless otherwise stated)

40. Financial instruments 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 2015

	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with central bank	-	12,462,965	-	-	-	-	-	34,629,527	47,092,492
Due from banks and other financial institutions (*)	-	4,233,879	30,626,489	632,178	39,140,551	1,352,806	-	-	75,985,903
Financial assets held for trading	-	-	468,619	624,009	1,473,261	416,185	427,873	-	3,409,947
Derivative financial assets	-	-	381,009	58,930	1,103,944	-	-	-	1,543,883
Loans and advances to customers (**)	2,674,979	11,345	10,232,611	15,667,898	70,765,324	38,803,770	40,811,909	3,725,754	182,693,590
Financial investments	-	-	5,806,993	17,672,635	20,368,883	46,017,891	21,011,960	38,494	110,916,856
Finance lease receivables	-	-	63,045	356,043	3,937,105	5,780,241	136,159	-	10,272,593
Other financial assets	-	459,122	37,615	2,935	38,664	44,802	13,480	-	596,618
Total financial assets	2,674,979	17,167,311	47,616,381	35,014,628	136,827,732	92,415,695	62,401,381	38,393,775	432,511,882
Financial liabilities:									
Due to central bank	-	-	36,319	277,964	569,185	72,800	-	-	956,268
Borrowings from banks and other financial institutions	-	-	35,551	1,803,504	4,578,973	1,519,527	-	-	7,937,555
Due to banks (***)	-	42,932,721	22,203,097	8,457,134	5,578,313	220,170	-	-	79,391,435
Derivative financial liabilities	-	-	380,748	58,874	1,103,591	-	-	-	1,543,213
Due to customers	-	103,137,610	19,169,501	19,427,124	89,006,207	32,967,547	3,065,708	-	266,773,697
Debt securities issued	-	-	31,743	62,462	359,956	9,050,421	-	-	9,504,582
Other financial liabilities	-	1,085,240	43,378	51,927	133,238	580,849	209	-	1,894,841
Total financial liabilities	-	147,155,571	41,900,337	30,138,989	101,329,463	44,411,314	3,065,917	-	368,001,591

(*) Includes reverse repurchase agreements.

(**) Undated loans and advances to customers which are impaired or not impaired but overdue for more than one month are included.

(***) Includes repurchase agreements.

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(Amount in thousands of RMB, unless otherwise stated)

40. Financial instruments risk management (Continued)

(b) Liquidity risk (Continued)

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

Group (Continued)
31 December 2014

	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with central bank	-	17,651,657	-	-	-	-	-	36,219,381	53,871,038
Due from banks and other financial institutions (*)	-	1,664,013	9,820,874	21,503,375	32,091,176	1,744,836	-	-	66,824,274
Financial assets held for trading	-	-	158,820	492,848	576,810	582,352	271,697	-	2,082,327
Loans and advances to customers (**)	1,615,114	-	11,497,578	12,552,653	53,581,400	30,879,935	38,036,188	2,226,977	150,389,845
Financial investments	124,533	-	5,662,834	8,087,161	29,262,478	34,816,288	23,071,078	22,000	101,046,372
Finance lease receivables	-	-	22,403	205,095	1,000,543	3,516,301	101,180	-	4,845,522
Other financial assets	-	160,804	15,597	28,292	37,528	14,767	8,920	-	265,908
Total financial assets	1,739,647	19,476,474	27,177,906	42,869,424	116,549,935	71,554,479	61,489,063	38,468,358	379,325,286
Financial liabilities:									
Due to central bank	-	-	55,247	309,013	1,380,637	-	-	-	1,744,897
Borrowings from banks and other financial institutions	-	-	16,477	929,105	2,564,426	-	-	-	3,510,008
Due to banks (***)	-	114,021	10,276,082	23,216,035	27,459,811	5,147,719	-	-	66,213,668
Derivative financial liabilities	-	-	-	428	172	-	-	-	600
Due to customers	-	134,371,372	10,302,676	20,087,374	42,743,631	30,847,924	6,032,224	-	244,385,201
Debt securities issued	-	-	17,475	33,258	230,476	4,835,358	-	-	5,116,567
Other financial liabilities	-	561,950	15,243	87,144	142,562	344,065	49,958	-	1,200,922
Total financial liabilities	-	135,047,343	20,683,200	44,662,357	74,521,715	41,175,066	6,082,182	-	322,171,863

(*) Includes reverse repurchase agreements.

(**) Undated loans and advances to customers which are impaired or not impaired but overdue for more than one month are included.

(***) Includes repurchase agreements.

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

40. Financial instruments risk management (Continued)

(b) Liquidity risk (Continued)

(ii) Analysis of credit commitments by contractual expiry date

Management expects that not all of the commitments will be drawn before the expiry of the commitments.

Group

	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
30 June 2015								
Credit commitments	1,006,234	5,241,867	4,970,779	10,435,037	875,798	17,565,757	180,000	40,275,472
31 December 2014								
Credit commitments	635,773	8,406,712	13,857,244	20,699,497	713,391	-	180,000	44,492,617

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

40. Financial instruments 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 contains 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 risk including comprising trading book and banking book risks.

(i) Currency risk

The Group conducts its 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 calculates 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 year 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.

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

40. Financial instruments risk management *(Continued)*

(c) Market risk *(Continued)*

(i) Currency risk *(Continued)*

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.

Group

Currency	Change in rate	Effect on profit before tax	
		30 June 2015	31 December 2014
USD	-1%	26,461	(13,708)
HKD	-1%	(1,015)	(7,340)
RUB	-1%	(3,031)	(333)

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.

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

40. Financial instruments 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 2015

	RMB	USD (equivalent to RMB)	HKD (equivalent to RMB)	RUB (equivalent to RMB)	Others (equivalent to RMB)	Total
Financial assets:						
Cash and balances with the central bank	46,946,882	82,363	1,513	57,234	4,500	47,092,492
Due from banks and other financial institutions	15,984,914	1,460,918	145,627	138,834	99,889	17,830,182
Financial assets held for trading	3,194,948	-	-	-	-	3,194,948
Derivative financial assets	-	3,323	-	-	-	3,323
Reverse repurchase agreements	57,114,086	-	-	-	-	57,114,086
Loans and advances to customers	147,679,154	1,842,247	-	-	239,141	149,760,542
Financial investments	94,383,611	-	-	-	-	94,383,611
Finance lease receivables	9,164,875	-	-	-	-	9,164,875
Other financial assets	3,017,469	10,399	-	-	3	3,027,871
Total financial assets	377,485,939	3,399,250	147,140	196,068	343,533	381,571,930
Financial liabilities:						
Due to the central bank	919,489	-	-	-	-	919,489
Borrowings from other financial institutions	7,497,276	-	-	-	-	7,497,276
Due to banks	59,347,524	875,471	-	743	242,999	60,466,737
Derivative financial liabilities	-	2,623	-	-	30	2,653
Repurchase agreements	18,108,801	-	-	-	-	18,108,801
Due to customers	257,200,976	919,607	1,253	20,756	86,009	258,228,601
Debt securities issued	8,495,495	-	-	-	-	8,495,495
Other financial liabilities	4,706,524	9,444	45,815	68	25,901	4,787,752
Total financial liabilities	356,276,085	1,807,145	47,068	21,567	354,939	358,506,804
Net position	21,209,854	1,592,105	100,072	174,501	(11,406)	23,065,126
Credit commitments	39,873,768	386,279	-	-	15,425	40,275,472

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

40. Financial instruments 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 2014

	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	RUB (RMB equivalent)	Others (RMB equivalent)	Total
Financial assets:						
Cash and balances with central bank	53,792,262	52,102	1,436	-	25,238	53,871,038
Due from banks and other financial institutions	26,866,868	405,578	824,373	28,374	82,050	28,207,243
Financial assets held for trading	1,912,551	-	-	-	-	1,912,551
Reverse repurchase agreements	37,267,471	-	-	-	-	37,267,471
Loans and advances to customers	119,501,155	1,513,109	-	-	-	121,014,264
Financial investments	84,710,280	-	-	-	-	84,710,280
Finance lease receivables	4,160,425	-	-	-	-	4,160,425
Other financial assets	2,673,165	6,687	105	-	3	2,679,960
Total financial assets	330,884,177	1,977,476	825,914	28,374	107,291	333,823,232
Financial liabilities:						
Due to central bank	1,716,910	-	-	-	-	1,716,910
Borrowings from banks and other institutions	3,400,000	-	-	-	-	3,400,000
Due to banks	57,603,609	419,811	-	384	37	58,023,841
Derivative financial liabilities	600	-	-	-	-	600
Repurchase agreements	6,002,521	-	-	-	-	6,002,521
Due to customers	233,009,019	687,351	1,308	13,604	82,512	233,793,794
Debt securities issued	4,498,190	-	-	-	-	4,498,190
Other financial liabilities	4,551,367	12,140	90,616	-	31,867	4,685,990
Total financial liabilities	310,782,216	1,119,302	91,924	13,988	114,416	312,121,846
Net position	20,101,961	858,174	733,990	14,386	(7,125)	21,701,386
Credit commitments	43,971,081	512,664	-	-	8,872	44,492,617

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

40. Financial instruments risk management (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk

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

Group

30 June 2015

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest- bearing	Total
Financial assets:						
Cash and balances with central bank	46,367,345	-	-	-	725,147	47,092,492
Due from banks and other financial institutions	6,608,982	9,921,200	1,300,000	-	-	17,830,182
Financial assets held for trading	1,171,292	1,282,130	345,620	395,906	-	3,194,948
Derivative financial assets	-	-	-	-	3,323	3,323
Reverse repurchase agreements	28,397,758	28,716,328	-	-	-	57,114,086
Loans and advances to customers	29,117,270	108,330,773	5,177,317	1,288,695	5,846,487	149,760,542
Financial investments	25,805,671	17,214,784	34,246,050	17,078,612	38,494	94,383,611
Finance lease receivables	9,164,875	-	-	-	-	9,164,875
Other financial assets	-	-	-	-	3,027,871	3,027,871
Total financial assets	146,633,193	165,465,215	41,068,987	18,763,213	9,641,322	381,571,930
Financial liabilities:						
Due to central bank	302,195	547,294	70,000	-	-	919,489
Borrowings from other financial institutions	1,740,000	4,430,000	1,327,276	-	-	7,497,276
Due to banks	40,250,506	18,366,231	1,850,000	-	-	60,466,737
Derivative financial liabilities	-	-	-	-	2,653	2,653
Repurchase agreements	18,108,801	-	-	-	-	18,108,801
Due to customers	133,107,018	75,190,199	41,126,078	8,466,080	339,226	258,228,601
Debt securities issued	-	-	8,495,495	-	-	8,495,495
Other financial liabilities	-	-	-	-	4,787,752	4,787,752
Total financial liabilities	193,508,520	98,533,724	52,868,849	8,466,080	5,129,631	358,506,804
Total interest sensitivity gap	(46,875,327)	66,931,491	(11,799,862)	10,297,133	N/A	N/A

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

40. Financial instruments risk management (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

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

Group (Continued)

31 December 2014

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest- bearing	Total
Financial assets:						
Cash and balances with central bank	52,805,956	-	-	-	1,065,082	53,871,038
Due from banks and other financial institutions	15,366,710	12,040,533	800,000	-	-	28,207,243
Financial assets held for trading	799,889	529,451	324,316	258,895	-	1,912,551
Reverse repurchase agreements	16,926,332	19,441,139	900,000	-	-	37,267,471
Loans and advances to customers	32,807,701	81,099,778	2,891,520	724,657	3,490,607	121,014,264
Financial investments	24,383,980	24,975,108	20,773,223	13,423,847	154,122	83,710,280
Finance lease receivables	4,160,425	-	-	-	-	4,160,425
Other financial assets	-	-	-	-	2,679,960	2,679,960
Total financial assets	147,250,993	138,086,009	25,689,059	14,407,399	7,389,771	332,823,231
Financial liabilities:						
Due to central bank	351,012	1,365,898	-	-	-	1,716,910
Borrowings from other financial institutions	3,400,000	-	-	-	-	3,400,000
Due to banks	24,846,698	28,327,143	4,850,000	-	-	58,023,841
Derivative financial liabilities	-	-	-	-	600	600
Repurchase agreements	6,002,521	-	-	-	-	6,002,521
Due to customers	164,676,695	38,406,246	24,620,212	6,001,084	89,557	233,793,794
Debt securities issued	-	-	4,498,190	-	-	4,498,190
Other financial liabilities	-	-	-	-	4,685,990	4,685,990
Total financial liabilities	199,276,926	68,099,287	33,968,402	6,001,084	4,776,147	312,121,846
Total interest sensitivity gap	(52,025,933)	69,986,722	(8,279,343)	8,406,315	N/A	N/A

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

40. Financial instruments risk management *(Continued)*

(d) Capital management

The Group's objectives on 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 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 CBRC. The required information is filed with the 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 complied in full with all its externally imposed capital requirements. The requirements pursuant to these regulations may have significant differences comparing 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 "Trial Measures for Capital Management of Commercial Banks" and will continue to promote the content of this disclosure. The CBRC requires that a commercial bank maintains 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%.

- (i) Pursuant to the Administrative Measures of Capital Adequacy Ratios of Commercial Banks issued by the CBRC, reserves include the valid portion of capital reserve and retained profits, surplus reserve and general reserve.
- (ii) Pursuant to the Notice on Specifying the Calculating Method of General Provisions for Loan Impairment issued by the CBRC, the general provisions for loan impairment included in supplementary capital should not exceed 1% of the total loan balance since the second quarter of 2010.
- (iii) Pursuant to the Administrative Measures of Capital Adequacy Ratios of Commercial Banks issued by the CBRC, 100% and 50% costs of investment in unconsolidated equity investments were deducted when calculating the net capital base and net core capital base, respectively.

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

40. Financial instruments risk management (Continued)

(d) Capital management (Continued)

	Group	
	30 June 2015	31 December 2014
Core capital		
Qualified part of share capital	10,995,600	10,995,600
Qualified part of capital reserve	7,635,378	7,636,614
Surplus reserve and general reserves	5,611,428	5,392,728
Retained earnings	6,237,390	5,487,055
Qualified part of non-controlling interests	696,894	632,346
Other	19,286	15,681
Core tier 1 capital deductible items:		
Fully deductible items	(73,019)	(78,719)
Net core tier 1 capital	31,122,957	30,081,305
Net other tier 1 capital	–	–
Net tier 1 capital	31,122,957	30,081,305
Net tier 2 capital	1,312,489	1,516,343
Net capital	32,435,446	31,597,648
Total risk-weighted assets	258,886,129	215,823,886
Core tier 1 capital adequacy ratio	12.02%	13.94%
Tier 1 capital adequacy ratio	12.02%	13.94%
Capital adequacy ratio	12.53%	14.64%

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

41. Fair Value of Financial Instruments

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing 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.

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

Group

30 June 2015

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value</u>				
Derivative financial assets	–	3,323	–	3,323
Financial assets held for trading				
Debt securities	–	3,194,948	–	3,194,948
Available-for-sale financial assets				
Debt securities	–	13,735,791	–	13,735,791
Wealth management products	–	1,100,000	–	1,100,000
Funds	–	22,000	–	22,000
	–	14,857,791	–	14,857,791
Total financial assets	–	18,056,062	–	18,056,062
<u>Financial liabilities measured at fair value</u>				
Derivative financial liabilities	–	2,653	–	2,653
<u>Financial assets disclosed at fair value</u>				
Receivables	–	58,681,375	–	58,681,375
Held-to-maturity investments	–	22,175,058	–	22,175,058
	–	80,857,133	–	80,857,133
<u>Financial liabilities disclosed at fair value</u>				
Financial bonds	–	8,536,582	–	8,536,582

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

41. Fair Value of Financial Instruments (Continued)

Determination of fair value and fair value hierarchy (Continued)

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

31 December 2014

	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value</u>				
Financial assets held for trading				
Debt securities	–	1,912,551	–	1,912,551
Available-for-sale financial assets				
Debt securities	–	15,237,981	–	15,237,981
Wealth management products	–	650,000	–	650,000
Others	–	22,000	–	22,000
	–	15,909,981	–	15,909,981
	–	17,822,532	–	17,822,532
<u>Financial assets measured at fair value</u>				
Derivative financial liabilities	–	600	–	600
<u>Financial assets disclosed at fair value</u>				
Receivables	–	49,139,387	–	49,139,387
Held-to-maturity investments	–	20,853,714	–	20,853,714
	–	69,993,101	–	69,993,101
<u>Financial liabilities disclosed at fair value</u>				
Financial bonds	–	4,470,065	–	4,470,065

Financial assets held for trading, available-for-sale financial assets 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.

Notes to the Condensed Consolidated Interim Financial Information

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2015

(Amount in thousands of RMB, unless otherwise stated)

41. Fair Value of Financial Instruments *(Continued)*

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

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) The receivables are not quoted in an active market. In the absence of any other relevant observable market, the fair values of receivables are estimated on the basis of pricing models or discounted cash flows.
- (ii) The fair values of held-to-maturity investments, financial bonds 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 central bank	Due to 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 to customers	Repurchase agreements
Finance lease receivables	Due to customers
Other financial assets	Other financial liabilities

42 COMPARATIVE AMOUNTS

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

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 24 August 2015.

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 2015	31 December 2014
RMB current assets to RMB current liabilities	41.78%	43.12%
Foreign currency current assets to foreign currency current liabilities	59.98%	125.65%

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

(b) Currency concentrations

	USD	EUR	HKD	Others	Total
30 June 2015					
Spot assets	3,399,250	19,288	147,140	520,313	4,085,991
Spot liabilities	(1,807,145)	(1,167)	(47,068)	(42,374,708)	(44,230,088)
Net position	1,592,105	18,121	100,072	(41,854,395)	(40,144,097)
31 December 2014					
Spot assets	1,968,483	5,806	824,542	104,621	2,903,452
Spot liabilities	(1,119,302)	(255)	(91,924)	(128,149)	(1,339,630)
Net position	849,181	5,551	732,618	(23,528)	1,563,822

Unaudited Supplementary Financial Information

(Amount in thousands of RMB, unless otherwise stated)

(c) Cross-border claims

The Group is principally engaged in business operations within Mainland China, and considers all claims on third parties outside Mainland China as cross-border claims.

Cross-border claims include amounts due from banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of cross-border claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	30 June 2015	31 December 2014
Due from banks and other financial institutions		
Asia Pacific excluding Mainland China	154,403	200,876
– of which attributed to Hong Kong	153,069	199,431
Europe	161,031	38,250
North America	1,399,197	126,184
Total	1,714,631	365,310

(d) Loans and advances to customers

(i) Overdue loans and advances to customers

	30 June 2015	31 December 2014
Amounts for overdue loans and advances to customers		
Between 3 and 6 months	108,316	161,344
Between 6 and 12 months	1,262,400	715,857
Over 12 months	805,782	830,121
As a percentage of the total gross loans and advances to customers		
Between 3 and 6 months	0.07%	0.13%
Between 6 and 12 months	0.82%	0.58%
Over 12 months	0.53%	0.67%
	1.42%	1.38%

Unaudited Supplementary Financial Information

(Amount in thousands of RMB, unless otherwise stated)

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

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

	30 June 2015	31 December 2014
Amount for overdue loans and advances to customers		
Heilongjiang region	1,876,841	1,767,398
Northeastern China	952,240	672,096
Southwest China	1,974,872	806,870
Northern China	599,622	453,139
Other region	80,389	19,497
	5,483,964	3,719,000

(e) Overdue from banks and other financial institutions

As at 30 June 2015, there are no overdue accounts from banks and other financial institutions in respect of principal or interest (31 December 2014: Nil).

(f) Overdue placements with banks and other financial institutions

As at 30 June 2015, there are no overdue placements with banks and other financial institutions in respect of principal or interest (31 December 2014: Nil).

(g) Exposures to Mainland China non-bank entities

	30 June 2015	31 December 2014
On-balance sheet exposure	158,924,752	125,015,095
Off-balance sheet exposure	40,275,472	44,492,617
Individually assessed allowance for impairment losses	315,693	230,990

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 Review Report with Accounting Firms' Seals and Certified Public Accountants' Signatures and Seals
- III. Full text of Interim Report Autographed by Directors of the Company
- IV. Articles of Association of the Company