

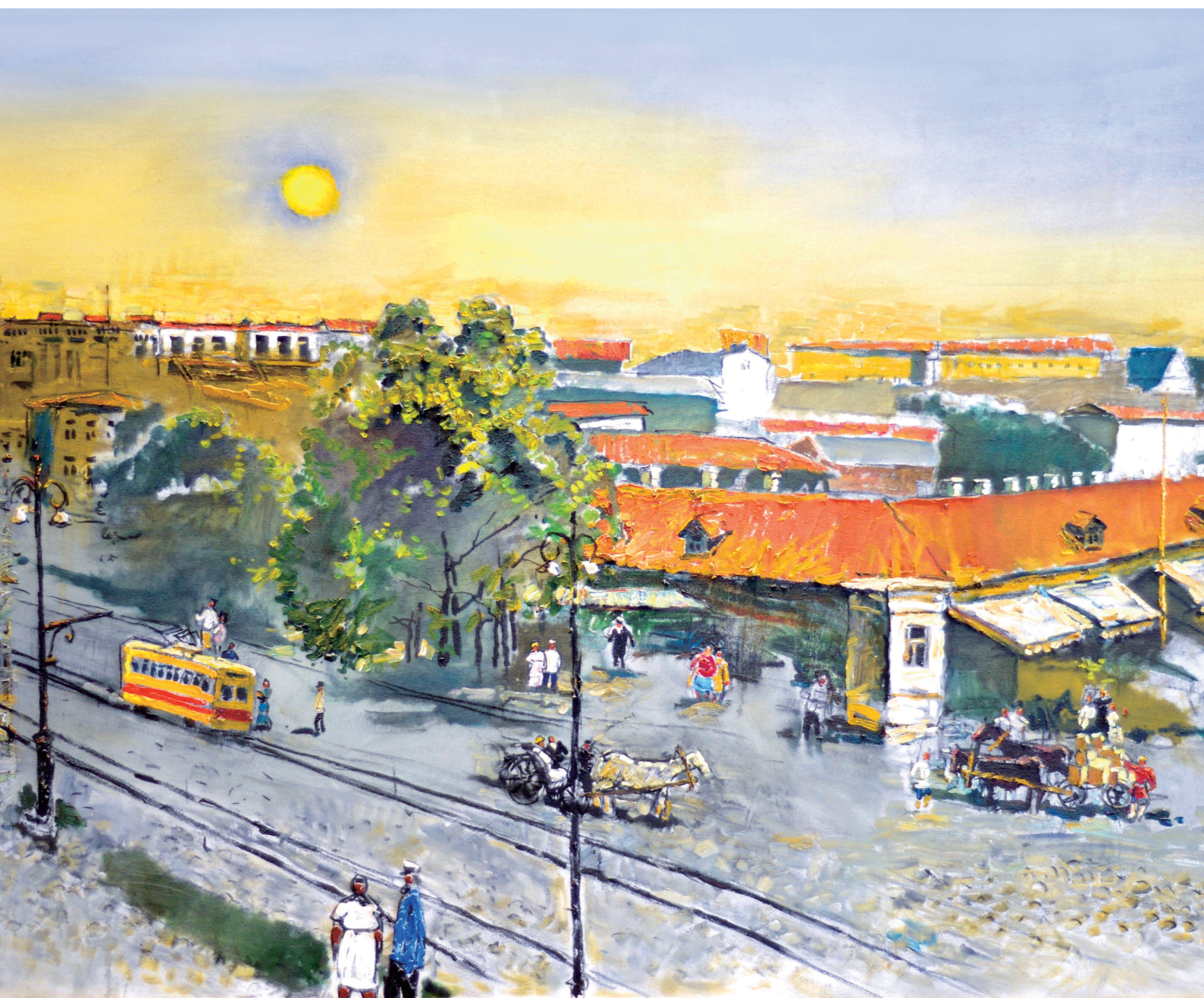


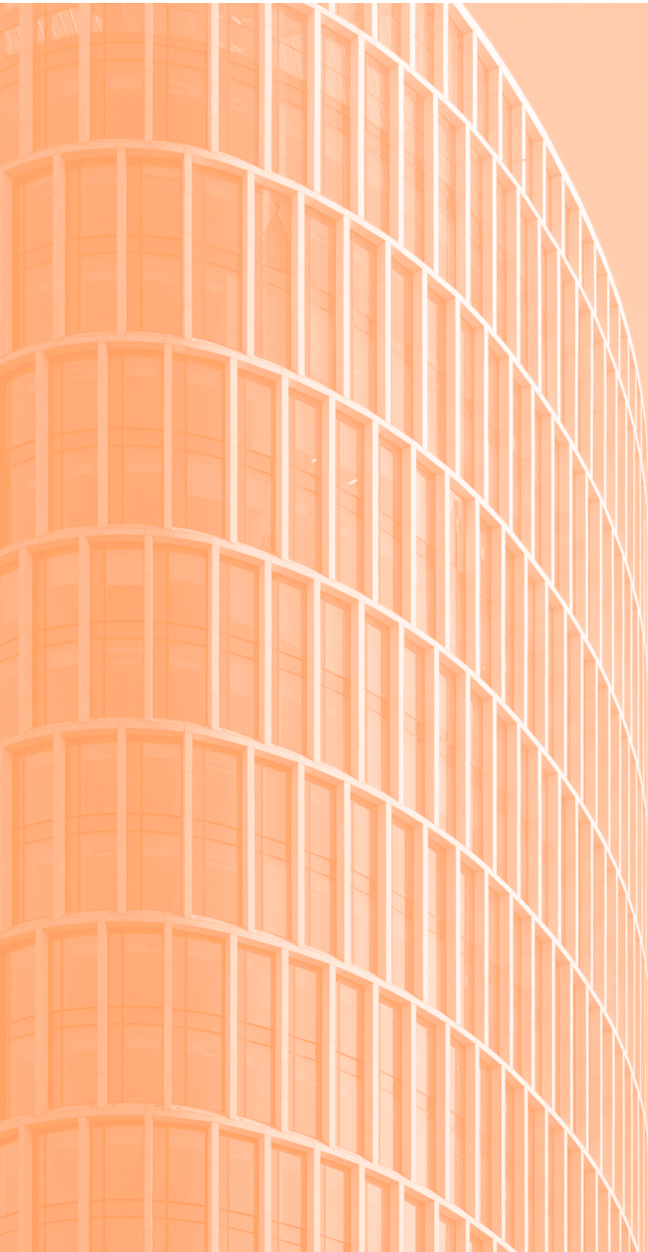
HARBIN BANK CO., LTD.

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

Stock Code: 6138

2022 Annual Report





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

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Definitions

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

“Articles of Association”	the articles of association of Harbin Bank Co., Ltd.
“Board” or “Board of Directors”	the board of Directors of the Company
“Board of Supervisors”	the board of Supervisors of the Company
“CBIRC”/“CBRC”	the China Banking and Insurance Regulatory Commission/former China Banking Regulatory Commission (before 17 March 2018)
“PRC”	the People's Republic of China
“Company”	Harbin Bank Co., Ltd. (哈爾濱銀行股份有限公司), a joint stock company incorporated in the PRC on 25 July 1997 with limited liability in accordance with PRC laws
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Domestic Shares”	ordinary shares of a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as paid in RMB
“Group” or “Bank”	the Company and all of its subsidiaries and branches
“H Shares”	overseas-listed foreign invested ordinary shares of a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed and traded in HKD
“Harbin Economic Development”	Harbin Economic Development and Investment Company
“HBCF”	Harbin Bank Consumer Finance Co., Ltd.
“HB Leasing”	Harbin Bank Financial Leasing Co., Ltd.
“Heilongjiang Financial Holdings”	Heilongjiang Financial Holdings Group Co., Ltd.
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

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“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“PBOC” or “Central Bank”	the People’s Bank of China
“Reporting Period”	the year ended 31 December 2022
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Supervisor(s)”	the supervisor(s) of the Company

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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:

Deng Xinquan

Authorised Representatives for the Hong Kong

Stock Exchange:

Deng Xinquan and Ngai Wai Fung

Board Secretary:

Wu Siliang

Joint Company Secretaries:

Wu Siliang and Ngai Wai Fung

Registered Address:

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

Principal Place of Business in Hong Kong:

40th Floor, Dah Sing Financial Centre,
No. 248 Queen's Road East, Wanchai, Hong Kong

Contact Address:

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

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Websites for Publishing this Report:

www.hrbb.com.cn

www.hkexnews.hk

Place Where this Report is Available:

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

Place of Listing, Stock Name and Stock Code:

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

Corporate Unified Social Credit Code:

912301001275921118

Finance Permit Institution Number:

B0306H223010001

Date of Initial Registration:

25 July 1997

Initial Registration Authority:

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

Legal Adviser as to Laws of China:

Beijing Jun He Law Offices

Legal Adviser as to Laws of Hong Kong, China:

Clifford Chance LLP

Auditors:

Overseas auditor: BDO Limited

Domestic auditor: BDO China SHU LUN PAN Certified
Public Accountants LLP

Hong Kong H Share Registrar and Transfer Office:

Computershare Hong Kong Investor Services Limited

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The Company, headquartered in Harbin, was granted its finance permit to carry on financial business by the PBOC in February 1997, and obtained its corporate business license on 25 July 1997. At present, the Company has established 17 branches in Tianjin, Chongqing, Dalian, Shenyang, Chengdu, Harbin, Daqing, etc. and 32 village and township banks in 14 provinces and municipalities, including Beijing, Guangdong, Jiangsu, Jilin and Heilongjiang, etc. The Company, as a controlling shareholder, has promoted the establishment of each of HB Leasing, the first financial leasing company in Northeastern China, and HBCF, the first consumer finance company in Heilongjiang Province. As at 31 December 2022, the Group had 389 business outlets with branches and sub-branches across seven administrative regions in China.

As at 31 December 2022, the Bank had total assets of RMB712,733.1 million, total loans and advances to customers of RMB284,414.9 million and total customer deposits of RMB557,825.8 million.

In 2022, the Bank was ranked 249th in “2022 Brand Finance Global 500” published by Brand Finance (a famous UK-based branded business valuation consulting firm), 338th in “2022 Brand Finance China 500” published by Brand Finance, 178th in “Top 1000 World Banks 2022” according to The Banker of United Kingdom, 34th in the “2022 China Banking Top 100 (2022 年中國銀行業 100 強)” published by China Banking Association. The Bank also received the “5th ‘Iron-horse’ Award for Small and Medium-sized Banks: Best Retail Small and Medium-sized Bank (第五屆‘鐵馬’中小銀行: 最佳零售中小銀行獎)”, the “2022 Leading Bank in Cross-border Finance”, “2022 Pioneer Bank in Inclusive Finance” and “2022 Leading Bank in Regional Service” in the 20th China Finance Billboard.

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Major Awards for 2022

List of Major Awards for 2022

No.	Name of Award	Awarding Party	Time of Award
1	2021 Good News in China Banking Industry (2021年中國銀行業好新聞)	China Banking Association	January 2022
2	2021 City Commercial Bank (2021 年度城市商業銀行)	China Times	January 2022
3	249th in "2022 Brand Finance Global 500"	Brand Finance	February 2022
4	2022 China Banking Top 100: ranked 34th	China Banking Association	June 2022
5	Gold Award of the 5th (2022) FinTech Innovation Contest (第五屆(2022)數字金融創新大賽金獎)	Cebnet.com.cn, Digital Finance	July 2022
6	Top 1000 World Banks 2022: ranked 178th	The Banker of the United Kingdom	July 2022
7	338th in "2022 Brand Finance China 500"	Brand Finance	August 2022
8	"HARBIN BANK 2020 ESG Report", the Comprehensive Award Winner including "Best in China" and "Best Interior Design"; Three Gold Winner in ESG Report Category, including "Gold Winner of ESG Report", "Gold Winner of Interior Design" and "Gold Winner of Cover Design" (《哈爾濱銀行 2020 年度環境、社會與管治報告》綜合大獎“中國最佳”“最佳內文設計”; 三項 ESG 報告類金獎“ESG 報告金獎”“內文設計金獎”“封面設計金獎”)	ARC (International Awards Competition)	September 2022
9	"Excellent Group Award" for News Communication 2022 (2022 年度新聞宣傳“優秀團體獎”)	China Banking and Insurance News	September 2022
10	"CISD Promotion Star (CISD 推廣之星)"	CIPS	October 2022
11	5th 'Iron-horse' Award for Small and Medium-sized Banks: Best Retail Small and Medium-sized Bank(第五屆“鐵馬”中小銀行評選: 最佳零售中小銀行獎)	Modern Bankers	November 2022
12	Demonstration Organization for Innovative Service of Banking Business Outlet (銀行營業網點創新特色服務示範機構)	National Financial Technology Certification Center (Beijing)	November 2022
13	2022 Outstanding Commercial Bank of Digital Transformation (2022 年度傑出數字化轉型商業銀行)	Thinking Finance/Investor.org.cn	November 2022
14	Leading Bank in Cross-border Finance of the 20th China Finance Billboard (第二十屆中國財經風雲榜: 年度跨境金融領軍銀行)	Hexun.com	December 2022
15	Pioneer Bank in Inclusive Finance of the 20th China Finance Billboard (第二十屆中國財經風雲榜: 年度普惠金融先鋒銀行)	Hexun.com	December 2022
16	Leading Bank in Regional Service of the 20th China Finance Billboard (第二十屆中國財經風雲榜: 年度區域服務領軍銀行)	Hexun.com	December 2022

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Major Subsidiaries

The details of major subsidiaries of the Company as at 31 December 2022 are as follows:

Company Name	Place of incorporation/ registration and operations place in the PRC	Nominal value of issued share/ paid-up capital RMB million	Percentage of ownership/ voting rights directly owned by the Company %	Amount invested by the Company RMB million
Huining Huishi Village and Township Bank Co., Ltd.	Huining, Gansu	30	100.00	30
Beijing Huairou Rongxing Village and Township Bank Co., Ltd.	Huairou, Beijing	200	85.00	207.6
Yushu Rongxing Village and Township Bank Co., Ltd.	Yushu, Jilin	30	100.00	30
Shenzhen Baoan Rongxing Village and Township Bank Co., Ltd.	Baoan, Shenzhen	220	70.00	140
Chongqing Dadukou Rongxing Village and Township Bank Co., Ltd.	Dadukou, Chongqing	180	83.34	174.4
Suining Anju Rongxing Village and Township Bank Co., Ltd.	Suining, Sichuan	80	75.00	60
Huachuan Rongxing Village and Township Bank Co., Ltd.	Huachuan, Heilongjiang	270	99.63	269
Baiquan Rongxing Village and Township Bank Co., Ltd.	Baiquan, Heilongjiang	269	100.00	269
Yanshi Rongxing Village and Township Bank Co., Ltd.	Luoyang, Henan	90	100.00	90
Leping Rongxing Village and Township Bank Co., Ltd.	Leping, Jiangxi	294	100.00	294
Jiangsu Rudong Rongxing Village and Township Bank Co., Ltd.	Rudong, Jiangsu	106	80.00	80
Honghu Rongxing Village and Township Bank Co., Ltd.	Honghu, Hubei	30	100.00	30
Zhuzhou Rongxing Village and Township Bank Co., Ltd.	Zhuzhou, Hunan	55	80.00	40
Chongqing Wulong Rongxing Village and Township Bank Co., Ltd.	Wulong, Chongqing	50	70.00	35
Xin'an Rongxing Village and Township Bank Co., Ltd.	Xin'an, Henan	33.3	90.09	30

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Company Name	Place of incorporation/ registration and operations place in the PRC	Nominal value of issued share/ paid-up capital RMB million	Percentage of ownership/ voting rights directly owned by the Company %	Amount invested by the Company RMB million
Anyi Rongxing Village and Township Bank Co., Ltd.	Anyi, Jiangxi	60	100.00	30
Yingcheng Rongxing Village and Township Bank Co., Ltd.	Yingcheng, Hubei	142	100.00	132
Leiyang Rongxing Village and Township Bank Co., Ltd.	Leiyang, Hunan	50	100.00	50
Hainan Baoting Rongxing Village and Township Bank Co., Ltd.	Baoting, Hainan	30	96.67	29
Chongqing Shapingba Rongxing Village and Township Bank Co., Ltd.	Shapingba, Chongqing	100	80.00	80
Hejian Ronghui Village and Township Bank Co., Ltd.	Hejian, Hebei	50	100.00	50
Chongqing Youyang Rongxing Village and Township Bank Co., Ltd.	Youyang, Chongqing	60	100.00	60
Harbin Bank Financial Leasing Co., Ltd.	Harbin, Heilongjiang	2,000	80.00	1,600
Harbin Bank Consumer Finance Co., Ltd.	Harbin, Heilongjiang	1,500	53.00	795
Ning'an Rongxing Village and Township Bank Co., Ltd.	Ning'an, Heilongjiang	30	100.00	30
Huanan Rongxing Village and Township Bank Co., Ltd.	Huanan, Heilongjiang	30	100.00	30
Nehe Rongxing Village and Township Bank Co., Ltd.	Nehe, Heilongjiang	50	80.00	40
Pingliang Kongtong Rongxing Village and Township Bank Co., Ltd.	Pingliang, Gansu	50	90.00	45
Tianshui Maiji Rongxing Village and Township Bank Co., Ltd.	Tianshui, Gansu	50	98.00	49
Zhongjiang Rongxing Village and Township Bank Co., Ltd.	Zhongjiang, Sichuan	50	70.00	35
Langzhong Rongxing Village and Township Bank Co., Ltd.	Langzhong, Sichuan	50	90.00	45
Chengdu Qingbaijiang Rongxing Village and Township Bank Co., Ltd.	Chengdu, Sichuan	100	70.00	70
Bayan Rongxing Village and Township Bank Co., Ltd.	Bayan, Heilongjiang	50	100.00	53.4
Yanshou Rongxing Village and Township Bank Co., Ltd.	Yanshou, Heilongjiang	30	100.00	30

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The 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 year ended 31 December					
	2022	2021	2022 vs. 2021	2020	2019	2018
	(In RMB million, except percentages)					
Results of operations			Rate of change			
Net interest income	9,007.2	10,061.0	-10.47%	12,309.2	11,695.2	10,127.0
Net fee and commission income	731.6	697.0	4.96%	880.0	1,366.5	2,391.4
Operating income	12,870.5	12,319.5	4.47%	14,606.3	15,124.4	14,325.4
Operating expenses	(5,285.2)	(4,956.8)	6.63%	(4,896.0)	(5,153.0)	(4,594.3)
Credit impairment losses	(6,584.1)	(6,700.5)	-1.74%	(8,301.4)	(5,180.9)	(2,425.9)
Impairment losses of other assets	–	(101.0)	-100.00%	–	–	–
Profit before tax	1,001.2	561.2	78.40%	1,408.9	4,790.5	7,305.2
Net profit	712.5	398.7	78.71%	795.8	3,635.1	5,574.4
Net profit attributable to shareholders of the Company	554.8	274.1	102.41%	745.7	3,558.4	5,548.6
For each share (RMB)			Rate of change			
Net assets per share attributable to shareholders of the Company ⁽¹⁾	4.50	4.53	-0.66%	4.48	4.53	4.21
Earnings per share ⁽²⁾	0.002	0.025	-92.00%	0.068	0.324	0.505
Profitability indicators			Change			
Return on average total assets ⁽³⁾	0.10%	0.06%	increased by 0.04 percentage point	0.13%	0.61%	0.94%
Return on average equity ⁽⁴⁾	0.04%	0.55%	decreased by 0.51 percentage point	1.51%	7.41%	12.68%
Net interest spread ⁽⁵⁾	1.58%	1.74%	decreased by 0.16 percentage point	2.18%	2.02%	1.67%
Net interest margin ⁽⁶⁾	1.55%	1.78%	decreased by 0.23 percentage point	2.20%	2.10%	1.87%
Net fee and commission income to operating income ratio	5.68%	5.66%	increased by 0.02 percentage point	6.02%	9.04%	16.69%
Cost-to-income ratio ⁽⁷⁾	39.41%	38.28%	increased by 1.13 percentage points	32.06%	32.71%	30.88%

Summary of Accounting Data and Financial Indicators

	As at 31 December					
	2022	2021	2022 vs. 2021	2020	2019	2018
	(In RMB million, except percentages)					
Capital adequacy indicators ⁽⁸⁾			Change			
Core tier 1 capital adequacy ratio	8.64%	9.28%	decreased by 0.64 percentage point	10.18%	10.22%	9.74%
Tier 1 capital adequacy ratio	10.69%	11.33%	decreased by 0.64 percentage point	10.20%	10.24%	9.75%
Capital adequacy ratio	11.91%	12.54%	decreased by 0.63 percentage point	12.59%	12.53%	12.15%
Total equity to total assets	8.88%	9.73%	decreased by 0.85 percentage point	8.54%	8.86%	7.71%
Assets quality indicators			Change			
NPL ratio ⁽⁹⁾	2.89%	2.88%	increased by 0.01 percentage point	2.97%	1.99%	1.73%
Impairment coverage ratio ⁽¹⁰⁾	181.54%	162.45%	increased by 19.09 percentage points	133.26%	152.50%	169.88%
Impairment losses on loans ⁽¹¹⁾	5.25%	4.68%	increased by 0.57 percentage point	3.96%	3.04%	2.94%
Other indicator			Change			
Loan-deposit ratio	50.99%	58.67%	decreased by 7.68 percentage points	59.79%	61.92%	64.16%
Scale indicators			Rate of Change			
Total assets	712,733.1	645,046.2	10.49%	598,603.6	583,089.4	615,588.5
Of which: total loans and advances to customers	284,414.9	294,359.2	-3.38%	280,567.2	263,604.1	253,762.7
Total liabilities	649,412.5	582,266.3	11.53%	547,494.5	531,448.2	568,097.0
Of which: due to customers	557,825.8	501,751.2	11.18%	469,280.0	425,683.7	395,516.8
Share capital	10,995.6	10,995.6	-	10,995.6	10,995.6	10,995.6
Equity attributable to shareholders of the Company	61,174.5	60,794.2	0.63%	49,247.1	49,826.7	46,274.7
Non-controlling interests	2,146.1	1,985.7	8.08%	1,862.0	1,814.5	1,216.8
Total equity	63,320.6	62,779.9	0.86%	51,109.1	51,641.2	47,491.5

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Notes:

- (1) Equity attributable to shareholders of the parent company net of other equity instruments at the end of the Reporting Period divided by the share capital at the end of the Reporting Period.
- (2) It represents the net profit attributable to ordinary shareholders of the Company during the Reporting Period divided by the share capital at the end of the Reporting Period.
- (3) The percentage of net profit during the Reporting Period to the average balance of the total assets at the beginning and the end of the Reporting Period.
- (4) The percentage of net profit attributable to the ordinary shareholders of the parent company during the Reporting Period to the average balance of total equity attributable to ordinary shareholders of the parent company at the beginning and the end of the Reporting Period.
- (5) 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.
- (6) Calculated by dividing net interest income by average interest-earning assets, calculated based on the daily average of the interest-earning assets.
- (7) Calculated with the operating cost after deducting tax and surcharges and divided by the operating income.
- (8) Calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation).
- (9) Calculated with the total NPLs divided by the total loans to customers.
- (10) Calculated with the allowance for impairment loss on loans divided by the total NPLs. According to the Notice of the CBIRC on Phased Adjustment of the Requirements for the Loan Loss Allowance for Small and Medium Commercial Banks (Yin Bao Jian Fa [2020] No. 16), the impairment coverage ratio standard was lowered to 130% in 2020.
- (11) Calculated with the allowance for impairment loss on loans divided by the total loans to customers. According to the Notice of the CBIRC on Phased Adjustment of the Requirements for the Loan Loss Allowance for Small and Medium Commercial Banks (Yin Bao Jian Fa [2020] No. 16), the impairment losses on loans ratio standard was lowered to 2% in 2020.

Chairman's Statement



Deng Xinquan
Chairman

The year of 2022 was an extremely important year in the history of the Party and the nation. The 20th CPC National Congress was held to guide all Party members and Chinese people of all ethnic groups around the country to embark on a new journey to fully build a modern socialist China and march toward the second centenary goal. However, at the same time, China's economy was faced with the triple pressures of demand contraction, supply shock and weakening expectations, and was buffeted by multiple unexpected factors. The supervisions on banking industry continued to be tightened and small and medium-sized financial institutions deepened their reform and risk mitigation. Amid the complicated and volatile economic and financial situation and the adverse impact of the recurring pandemic, the Board of Directors of the Bank, under the strong support of shareholders, united and led the management and all employees to actively respond to national policies, implement regulatory requirements, focus on improving the quality and efficiency of financial services, and comprehensively improve the "scale, quality and efficiency", achieving a steady recovery.

Chairman's Statement

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Over the past year, the Bank's operating performance has rebounded steadily. As at the end of 2022, the Group had total assets of RMB712,733.1 million, representing a year-on-year increase of 10.5%. The total loans and advances to customers amounted to RMB284,414.9 million. The total customer deposits amounted to RMB557,825.8 million, representing a year-on-year increase of 11.2%. The NPL ratio was 2.89%, up 0.01 percentage point from the end of last year. The net profit amounted to RMB712.5 million, representing a year-on-year increase of 78.7%. All of the key regulatory indicators met regulatory standards. In order to promote multi-channel capital replenishment, the Bank issued capital bonds without a fixed term amounting to RMB700 million, and the local government special bonds for capital replenishment amounting to RMB10 billion have been approved. In terms of subsidiaries, HB Leasing continued to build and optimize its retail business model for agricultural machinery leasing empowered by science and technology. Through leasing characteristic products and business innovation, HB Leasing facilitated the high-quality development of real economy. With a focus on consumption scenarios, HBCF accelerated the improvement of the modern financial system that adapts to the development of the digital economy. Besides, village and township banks focused on the main business. Adhering to classified development, they boosted the rural revitalization.

Over the past year, the Bank practically enhanced the quality and effectiveness of supporting and serving the real economy. It accelerated the concentration on and exploration of local resources to steer credit capital towards the province. The Bank continued to deepen its strategic cooperation with provincial and municipal enterprise groups, enhanced cooperation with customer groups and core customer groups in key regions and industries, and actively participated in nurturing the top 100 enterprises in the province, while continuing to strengthen the support for key industries and major projects in the region, in bid to continuously consolidate, enhance and expand its regional advantages. The Bank, putting a top priority on financial support for local economic and social development, focused on building up Heilongjiang Province from six aspects and creating seven major cities, and developed "One Hundred Measures to Support Local Economic and Social Development of Harbin Bank" (《哈爾濱銀行支持地方經濟社會發展百項措施》). It implemented the 16 Financial Measures and announced 10 measures to support the steady and healthy development of the real estate industry. The Bank implemented policies to defer repayment of capital with interest and reduce interest rates and fees, with accumulated fee reductions and interest concessions exceeding RMB1.1 billion since the outbreak of the epidemic.

Over the past year, the Bank's Featured Businesses achieved well development. In terms of cross-border financial business, the annual international settlement increased 165% year-on-year to RMB54.6 billion, and the cross-border RMB business grew nine times year-on-year to RMB59.3 billion, both of which recorded the best in history. The CIPS (Cross-border Interbank Payment System) standard transceiver was launched, opening up cross-border transmission channel of standby financial information. In terms of small and micro enterprise finance business, the Bank followed the relief policies for enterprises by financial assistance to formulate ten measures to assist enterprises. In 2022, RMB18.6 billion of loans for inclusive small and micro enterprise and RMB753 million of guaranteed loans under the "Stabilizing Enterprises and Jobs" fund have been granted. In terms of agriculture-benefiting finance business, the scale of agriculture-benefiting finance maintained the second place in Heilongjiang Province as evidenced by the grant of loan for spring cultivation exceeding RMB13 billion and the growth rate of inclusive agricultural loans exceeding 10%. The Bank was rated as "Excellent", the top grade, for two consecutive years in the assessment and evaluation of financial institutions in serving rural revitalization conducted by the People's Bank of China and other regulatory authorities.

Chairman's Statement

Over the past year, the Bank continued to strengthen its internal control and risk management. Specifically, the Bank optimized the risk management policy and internal rating system, and initiated the implementation of expected credit loss approach. It also guided industry investment and strengthened risk management and control for new business to limit relevant risks strictly. Besides, the Bank stressed the construction of internal control and compliance mechanisms and conducted comprehensive investigations on all systems to promote the rectification of existing problems and root out potential risks. At last, the Bank formulated guideline and strategy for credit granting and optimized the credit approval procedure for companies and small and micro enterprises to establish a green credit mechanism.


Over the past year, the Bank continued to improve corporate governance. It conducted corporate governance under the Party's leadership and revised the Articles of Association to further improve the corporate governance system and to guarantee the efficient performance of duties by general meeting, the Board of Directors, the Board of Supervisors and the management by law. The Bank strengthened the construction of the Board of Directors and the Board of Supervisors to create good conditions for Directors (Supervisors) and gave sufficient space to the independent Directors and external Supervisors to perform their duties. The Bank carried out the consolidation management steadily and optimized the corporate governance system of subsidiaries, which further improved the overall governance efficiency of the Group.

Over the past year, the Bank actively fulfilled its social responsibilities. Adhering to the business philosophy of "Inclusive Finance, Harmonious Co-enrichment", it actively responded to national and regulatory policies and focused on providing more convenient and effective diversified and multi-level financial services for special groups and groups with specific needs. The Bank strove to develop the working mechanism of "comprehensive consumer protection" (大消保) and improve the system for consumers' rights and interest protection to ensure the financial health of customers. In addition, the Bank also continued to explore the best mode of participation to help rural revitalization, community investment, supporting education, volunteering, and city marathon and relevant social responsibilities. Actively responding to the implementation of the national goal of "carbon peaking and carbon neutrality goals", the Bank launched the first pledged loans of carbon emission rights in China. As one of the first batch of partner banks in Heilongjiang Province to provide the third-generation social security card service, the Bank provided services such as issuance and replacement of the third-generation social security cards to 547,800 residents in Heilongjiang Province. The Bank was ranked 178th in "Top 1000 World Banks 2022" according to The Banker of United Kingdom, 34th in the "2022 China Banking Top 100 (2022 年中國銀行業 100 強)" selected by China Banking Association and 249th in "2022 Brand Finance Global 500" published by Brand Finance (a famous UK-based branded business valuation consulting firm).

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The year 2023 will mark the beginning of the full implementation of the spirit of the 20th National Congress of the Communist Party of China, as well as the beginning of the “three plans” of the Bank to fully initiate the revitalization of entrepreneurship, the reshaping of corporate culture and the construction of the talent system. As guided by President Xi Jinping’s Thought on Socialism with Chinese Characteristics for a New Era, the Bank will comprehensively pursue, grasp and implement the gist of the 20th National Congress of the Communist Party of China, as well as the guiding principles of the central, provincial and municipal economic work conference and the central bank and regulatory work conference. Moreover, the Bank will insist on strengthening the leadership of the Party in all aspects, on taking priority over stability while pursuing progress, and on deepening reform in all aspects. Focusing on the three tasks of serving the real economy, preventing and controlling financial risks, and deepening financial reform, the Bank will provide great supports to build up Heilongjiang Province from six aspects and create seven major cities as well as achieve revitalization in eight aspects, continuously improve its financial services, so as to make a good start for our adventures with a new ambition and a new action, and further strive to write a new chapter of high quality development.



Deng Xinquan
Chairman

President's Statement



Yao Chunhe
President

The year of 2022 marked a milestone year for the Bank. Faced with more complex and changeable business environment, the Bank comprehensively studied and implemented the spirit of the 20th CPC National Congress and the spirit of the Central Economic Work Conference. Based on the new development stage, the Bank implemented the new development concept in a full, accurate and comprehensive manner, actively served and integrated into the new development pattern, and closely focused on the three tasks of serving the real economy, preventing and controlling financial risks and deepening financial reform, so as to make solid progress in reform, innovation and development as well as in preventing and defusing risks, and comprehensively improve the “scale, quality and efficiency”, achieving outstanding business performance.

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Over the past year, the Bank has adhered to the general tone of seeking progress while maintaining stability, and its assets and operating efficiency have been stable and improving. As at 31 December 2022, the Bank had total assets of RMB712,733.1 million, representing an increase of RMB67,686.9 million or 10.5% as compared to the end of last year; total loans and advances to customers of the Group amounted to RMB284,414.9 million; and the total customer deposits of the Group amounted to RMB557,825.8 million, representing an increase of RMB56,074.6 million or 11.2% as compared to the end of last year. Asset quality remained stable i.e., the NPL ratio was 2.89%, representing an increased of 0.01 percentage point as compared to the end of last year; the impairment coverage ratio was 181.54%, representing an increase of 19.09 percentage points as compared to the end of last year; and the net profit was RMB712.5 million, representing an increase of 78.7% as compared to last year.

Over the past year, the Bank has strengthened financial assistance to enterprises in difficulty and provided unprecedented support to the real economy. We have strictly followed the guidance given by General Secretary Xi Jinping in his important speech themed “Comprehensive Revitalization of the Northeast China in the New Era” and thoroughly implemented the decisions and policy requirements of the Party Central Committee, the State Council, the provincial party committee, the provincial government, the municipal party committee, the municipal government as well as the People’s Bank of China and regulatory authorities on stabilizing the economy, promoting development, guaranteeing economic growth, employment, and stable prices. We also formulated the “One Hundred Measures to Support Local Economic and Social Development of Harbin Bank” (《哈爾濱銀行支持地方經濟社會發展百項措施》) centering on the “14th Five-Year Plan” and regulatory requirements at national, provincial and municipal levels as well support for the development of the real economy, and released ten measures to help enterprises overcome difficulties and to support the stable and healthy development of the real estate industry, respectively. The Bank tied the operations with the overall background, plan and strategy of local economic and social development and allocated more financial resources to key areas and weak links, aiming to promote high-quality development of the real economy with quality financial services. As of the end of the Reporting Period, the total credit for the top 100 projects in Heilongjiang Province was RMB10.739 billion, and RMB753 million, RMB13 billion and RMB1.5 billion were put into the “two guarantee” fund loan, the loan for farming in spring and the loan for “beef and dairy cattle and hog” raising, respectively.

Over the past year, the Bank accelerated the development of “interbank, retail small and micro business and cross-border financial businesses” and made breakthroughs in reform and innovation. The Bank strategically focused on five areas, namely rapidly developing its investment banking business, deepening transformation of its retail small and micro business, and strengthening its cross-border financial business, stabilizing its financial market and asset management business and further exploring its customer base, in a bid to reshape the foundation of its financial business and build a digital inclusive financial system. The Bank was also deeply engaged in sub-segments to create a strong driving force for its business growth.

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Over the past year, the Bank strengthened its internal control compliance and risk management system and made risk prevention and resolution a constant keynote. The Bank established the concept of Enterprise Risk Management, continuously optimized risk policies and systems, improved the mitigation management system, internal rating system and impairment measurement system, strengthened the construction of system functions and established a risk appetite and risk culture transmission mechanism, so as to integrate comprehensive risk management into the whole process of strategic development, performance management and value enhancement, and into all aspects of business development. With a strategic, systematic and long-term thinking, the Bank reasonably guided industry investment, strengthened risk control on business access, strictly controlled new business risks, and enhanced credit product quality control. The Bank also resolutely implemented regulatory requirements through all-round coverage, full-process control and all-staff participation and improving the integrated internal control mechanism before, during and after the risk event to ensure its operational stability. Besides, the Bank improved the accountability system and mechanism to create a benign environment where responsibilities can be exempted in case of due diligence and reduced when losses have been lowered and employees are encouraged to take responsibilities. The Bank further strengthened warning education through case studies, with a view to guide all employees to learn from lessons from these cases.

Over the past year, the Bank deepened the empowerment of financial technology with quality and efficiency of its financial services improved. The Bank, based on the actual development and customer demand, accelerated the building of capabilities on smart operation, omni-channel customer service, Fintech application, data analysis and information technology support to integrate digital thinking throughout the business development chain. The Bank also strengthened management on application development process and control in architecture, while enhancing capability development on independent planning, independent integration and independent research and development, in bid to promote key business and product innovation projects. In the meantime, the Bank accelerated the construction of data control platform, basic data platform and data model laboratory to enhance data asset management and data service capability. By accelerating the construction of a digital operation and service system, the Bank built an online intelligent marketing platform to establish a five-in-one operation system integrating "customers, channels, activities, content and data", with refined management and customer service skills improved.

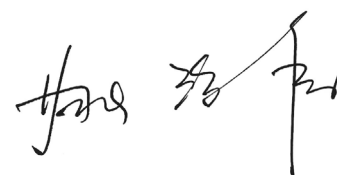
Over the past year, the Bank deepened the reform on institutional mechanism with quality and efficiency of its operation and management improved. The Bank, under customer-oriented approach, deepened the reform on organizational structure by optimizing of the head office organization and departmental responsibilities, improving the management mechanism, business processes, so as to establish a rational structure with clear responsibilities, mutual checks and balances, and effective convergence. With deepened reform on incentives and constraints, the Bank established a system featured with "reasonable performance appraisal, orderly income distribution and clear rewards and punishments" to build up an incentive and constraint mechanism in which cadres can take a lower or a higher post, ranks can be promoted or demoted, employees can be employed or dismissed, revenue can be higher or lower and performance bonus can be granted and received. The Bank, by deepening the reform on the assessment policy, optimized the assessment system and assessment mode of the head office and branches, with a more prominent focus, clearer direction and more precise guidance. Through implementing the construction of a unified credit management system, the Bank incorporated on- and off-balance sheet credit business, investment and bond business into the management of limits, on order to achieve comprehensiveness and rigid control of limit management.

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The above achievements could not have been realized without the strong support from Party committees and governments at all levels, regulatory authorities, our customers, investors and the public, nor without the dedication of all the staff who worked hard together to overcome difficulties and challenges. On behalf of senior management, I hereby extend my most sincere gratitude to all of them who have been paying close attention to and supporting the Bank's development.

In 2022, we worked together to get through this difficult period and forged ahead with courage. In 2023, we will also make a fresh start with focus on revitalizing entrepreneurship. As guided by Chairman Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, we will study and implement the gist of the 20th National Congress of the CPC in a deep-going way. Bearing in mind the three tasks of finance (i.e., serving the real economy, preventing and controlling financial risks, and furthering financial reform) and the business positioning of a city commercial bank (i.e., serving the real economy, serving small and medium-sized enterprises and serving local development), the Bank will adhere to the main theme of seeking progress while ensuring stability. In pursuit of high-quality development, the Bank will coordinate the reform, innovation and development with risk preventions and dealings to steadily improve the scale, quality and efficiency of operations and enhance the quality and efficiency of financial services to the real economy. We will embark on a new journey to revitalize entrepreneurship, strive to make achievements in various financial fields and endeavour to become "a national city commercial bank with risks under control, quality development, outstanding features and strong competitiveness".



Yao Chunhe
President

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I. Past Economy and Environment and Operation Overview

(I) Past Economy and Environment

In 2022, under the firm leadership of the Central Committee of the Party headed by Chairman Xi Jinping, all regions and departments conscientiously implemented the decisions and deployment of the Central Committee of the Party and the State Council. The government efficiently coordinated pandemic prevention and control and economic and social development, optimized and adjusted the prevention measures according to timing conditions and actual situation, which facilitated the economic aggregate to a new level and made new advances in pursuing high-quality development. In 2022, the gross domestic product (GDP) amounted to RMB121.02 trillion, representing an increase of 3.0% as compared to last year. The balance of M2 amounted to RMB266.43 trillion, representing a year-on-year increase of 11.8%; the balance of M1 amounted to RMB67.17 trillion, representing a year-on-year increase of 3.7%, and the balance of M0 amounted to RMB10.47 trillion, representing a year-on-year increase of 15.3%; the balance of RMB loans amounted to RMB213.99 trillion, representing a year-on-year increase of 11.1%, and the balance of RMB deposits amounted to RMB258.5 trillion, representing a year-on-year increase of 11.3%. New RMB loans made in the year amounted to RMB21.31 trillion, representing a year-on-year increase of RMB1.36 trillion; and new RMB deposits amounted to RMB26.26 trillion, representing a year-on-year increase of RMB6.59 trillion. Increment of social financing scale as at the end of 2022 was RMB344.21 trillion, representing a year-on-year increase of 9.6%.

In 2022, faced with adverse effect caused by the complex and severe development environment and the resurgence of the pandemic in China, as guided by Chairman Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, Heilongjiang provincial CPC committee and Government comprehensively implemented the decisions and deployment of the Central Committee of the Party and the State Council, calmly responded to risks and challenges, adhered to the general direction of seeking improvement in stability, implemented the new development philosophies in a complete, accurate and comprehensive manner and actively integrated into new development pattern so as to stabilize the fundamentals of economic development and maintain the economic trend of focusing on stability while seeking progress with main economic indicators fluctuate in reasonable range. In 2022, the regional gross domestic product (GDP) of Heilongjiang reached RMB1,590.10 billion, representing a year-on-year increase of 2.7%. In terms of industries, the added value of the primary industry was RMB360.99 billion, representing a year-on-year increase of 2.4%; the added value of the secondary industry was RMB464.89 billion, representing a year-on-year increase of 0.9%; and the added value of the tertiary industry was RMB764.22 billion, representing a year-on-year increase of 3.8%. During the year, fixed asset investment made within Heilongjiang increased by 0.6% as compared to last year. In terms of industries, investment in the primary industry and the secondary industry recorded a year-on-year increase of 13.1% and 10.6% respectively, while investment in the tertiary industry recorded a year-on-year decrease of 6.3%. Total retail sales of consumer goods reached RMB521.00 billion, representing a year-on-year decrease of 6.0%, and disposable income per capita of urban and rural residents increased by 4.1% and 3.8%, respectively.

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(II) Operation Overview

In 2022, under the strong leadership of the Bank's Party Committee, the strategic guidance of the Board and the supervision of the Board of Supervisors, the Bank thoroughly implemented the spirit of the 20th CPC National Congress and the Central Economic Work Conference and earnestly put the national economic and financial policies into practice. Based on the three financial tasks of "serving the real economy, preventing and controlling financial risks and deepening financial reform" and the three positioning as a city commercial bank of "serving the local economy, serving small and medium-sized enterprises and serving urban and rural residents", the Bank accelerated reform and development and improved the quality and efficiency of financial services with the goal of high-quality development and taking institutional reform as the driving force and improvement of internal control and compliance mechanisms as the guarantee, thus achieving an overall improvement in "scale, quality and efficiency" and making a remarkable business performance.

Steady business development

As at 31 December 2022, the Group had total assets of RMB712,733.1 million, representing an increase of RMB67,686.9 million or 10.5% as compared to the end of last year; total loans and advances to customers of the Group amounted to RMB284,414.9 million, representing a decrease of RMB9,944.3 million or 3.4% as compared to the end of last year; and total customer deposits of the Group amounted to RMB557,825.8 million, representing an increase of RMB56,074.6 million or 11.2% as compared to the end of last year.

The Group recorded a net profit of RMB712.5 million for the year of 2022, representing a year-on-year increase of RMB313.8 million or 78.7%; and a net profit attributable to shareholders of the Company of RMB554.8 million, representing a year-on-year increase of RMB280.7 million or 102.4%, primarily due to the fact that the Bank took various measures to improve its profitability, including strengthening the use of funds, optimizing the structure of liabilities as well as strengthening the management and control on asset quality. As at 31 December 2022, the return on average total assets of the Group was 0.10%, representing an increase as compared with 0.06% in 2021.

Stable loan quality

As at 31 December 2022, the balance of the Group's NPLs was RMB8,218.7 million, and the NPL ratio was 2.89%, representing a slight increase of 0.01 percentage point as compared to the end of last year; the impairment coverage ratio was 181.54%, representing an increase of 19.09 percentage points as compared to the end of last year; and impairment losses on loans was 5.25%, representing an increase of 0.57 percentage point as compared to the end of last year.

Stable development of subsidiaries

In 2022, HB Leasing, HBCF and 32 village and township banks controlled by the Company kept stable and healthy development momentum as a whole. As of 31 December 2022, HB Leasing had total assets of RMB24,235 million, representing a decrease of 2.36% as compared to the end of last year; HBCF had total assets of RMB15,238 million, representing an increase of RMB1,580 million as compared to the end of last year. Balance of loans amounted to RMB15,073 million, representing an increase of RMB2,033 million as compared to the end of last year, with the NPL ratio far below the industry average. Total assets of the 32 village and township banks controlled by the Company amounted to RMB27,555 million.

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Compliance with Applicable Laws and Regulations

The Company has been, throughout its operation, in compliance with applicable laws and regulations, including the Commercial Bank Law of the People's Republic of China, the Company Law of the People's Republic of China, the Hong Kong Listing Rules and other laws and regulations. During the Reporting Period, there were no penalties by regulatory authorities that posed significant impact on the Company.

(III) Analysis of Key Issues

1. *Net interest margin*

In 2022, the net interest spread of the Bank was 1.58%, representing a decrease of 0.16 percentage point as compared to last year, and the net interest margin was 1.55%, representing a decrease of 0.23 percentage point as compared to last year, mainly attributable to the fact that although the Bank has taken a series of measures, such as optimizing the debt cost structure, increasing asset allocation and intensifying efforts to settle overdue and non-performing assets, to reduce the impact of the external environment on the net interest spread and net interest margin of the Bank, and due to the combined effects of the recovery stage of the real economy, asset structure adjustment, maturity of high-yield assets and the continued implementation of profit support measures, the Bank recorded a slight decrease in net interest spread and net interest margin year on year.

2. *Quality of key assets*

As at 31 December 2022, the balance of the Group's NPLs was RMB8,218.7 million, and the NPL ratio was 2.89%, slightly up by 0.01 percentage point as compared to the end of last year.

During the Reporting Period, the Bank made active responses to the dual impacts of the slowdown in macro-economic growth and the recurring COVID-19 pandemic, strengthened risk investigation of existing customers, proactively took steps to prevent and control the risks, increased efforts in settlement of transferred loans, and accelerated the elimination of risks for existing business. As for new loans, in accordance with the support direction and regulatory guidance of national industrial policy, the Bank strengthened business guidance and improved the quality of new loan assets.

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In terms of the prevention and control of regional risk, the Bank continued to optimise the loan resources allocation in different regions, strengthened centralised management of approval and improved approval independence and enhanced asset quality control capacity. The Bank strengthened its management of industry quota, products quota, credit facilities to related clients, grant credit for non-local clients, collateral loans to third parties and loans overdue. Besides, the Bank set differentiated access standards and dynamically adjusted the approval and authorization of credit business, so as to prevent the regional systematic risks.

3. Capital management

During the Reporting Period, the Bank fulfilled and implemented requirements of its capital management plans, continuously strengthened the construction of its capital management fundamental capability, and further enhanced the role of capital in leading and restraining its business development. The Bank placed its capital in business areas with lower capital occupancy and higher benefits in accordance with the Administration Measures for the Capital of Commercial Banks (for Trial Implementation). During the Reporting Period, the Bank met the minimum capital requirement, reserve capital requirement and countercyclical capital buffer for the capital adequacy ratios as required by the CBIRC.

As at 31 December 2022, risk-weighted assets of the Bank amounted to RMB577,632.8 million, representing an increase of RMB36,399.3 million or 6.7% as compared to the end of last year. The core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio of the Bank were 8.64%, 10.69% and 11.91%, respectively. The core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio of the Bank decreased by 0.64 percentage point, 0.64 percentage point and 0.63 percentage point respectively as compared to the end of last year due to the increase in risk-weighted assets.

4. Investment in debt instruments issued by financial institutions

As at 31 December 2022, total investment by the Bank in debt instruments issued by financial institutions amounted to RMB155,899.0 million, representing an increase of 7.8% as compared to the end of last year. Pursuant to the requirements of the Notice on Regulating the Interbank Business of Financial Institutions (Yin Fa [2014] No. 127), the Bank consistently performed rigid review on risk and compliance with respect to use of capital. The Bank accurately measured risks, and set aside capital and made provisions accordingly based on the principle of “substance over formality” and the nature of the underlying assets. Following loan provision requirements, the Bank progressively raised the coverage ratio for investment in debt instruments issued by financial institutions to a relatively higher level in a steady, prudent and dynamic manner based on the expected credit loss model measurement. As at 31 December 2022, the balance of provision of the Bank’s investment in debt instruments issued by financial institutions amounted to RMB6,047.6 million, representing an increase of RMB1,080.9 million as compared to the end of last year, and the coverage ratio was 3.88%, representing an increase of 0.45 percentage point as compared to the end of last year.

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5. *Wealth management business*

As at the end of the Reporting Period, the issue of supplementary regulatory documents including the Notice on Regulating the Investment Operations of Monetary Market Products (《關於規範現金管理類理財產品管理有關事項的通知》), the Interim Measures for the Sales of Wealth Management Products of Wealth Management Companies (《理財公司理財產品銷售管理暫行辦法》), the Measures for the Liquidity Risk Management of Wealth Management Products of Wealth Management Companies (《理財公司理財產品流動性風險管理辦法》) and Regulations regarding the Accounting Treatment of Asset Management Products (Exposure Draft) (《資產管理產品相關會計處理規定(徵求意見稿)》), have standardized the business operations of monetary market products, prevented the disorderly growth and risk accumulation of unregulated products, and stabilised market expectations. They also standardized the sales activities of wealth management products, protected the legitimate rights and interests of investors, strengthened supervision and management, and promoted the healthy development of wealth management businesses. Furthermore, they improved the liquidity management mechanism, which helped maintain the relative stability of the investment strategy of wealth management products and obtain long-term investment and value investment returns for investors. They have further defined the accounting treatment of asset management products to help the transformation of net value of asset management products and prevent and resolve financial risks.

During the Reporting Period, the Company conducted its wealth management business in a prudent, steady and lawful manner, and constantly proceeded the comprehensive transformation of wealth management business by following the latest regulatory policies and trends. In particular, we carried out various transformation work in product innovation, customer acquisition channels, investment research and analysis, investment transaction, risk management, system construction, operation management, personnel training, etc., to eventually achieve the complete transformation in net value of wealth management products.

6. *Net stable funding ratio*

As of 31 December 2022, the net stable funding ratio of the Bank was 121.37%, which was in compliance the net stable funding ratio of commercial banks required by the Measures for the Liquidity Risk Management of Commercial Banks (Order No. 3 [2018], CBIRC). The available stable funding (upon conversion) was RMB489.642 billion, and the required stable funding (upon conversion) was RMB403.438 billion.

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

Item	As at 31 December 2022	As at 30 September 2022	As at 30 June 2022
	(In RMB100 million, except percentages)		
Net stable funding ratio	121.37%	113.56%	115.67%
Available stable funding	4,896.42	4,629.96	4,577.97
Required stable funding	4,034.38	4,076.97	3,957.81

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II. Analysis on Income Statement

	For the year ended 31 December			
	2022	2021	Change in amount	Rate of change
	(In RMB million, except percentages)			
Interest income	26,065.0	26,448.1	(383.1)	-1.4%
Interest expense	(17,057.8)	(16,387.1)	(670.7)	4.1%
Net interest income	9,007.2	10,061.0	(1,053.8)	-10.5%
Fee and commission income	903.4	860.0	43.4	5.0%
Fee and commission expense	(171.8)	(163.0)	(8.8)	5.4%
Net fee and commission income	731.6	697.0	34.6	5.0%
Net trading income or loss	2,423.3	1,128.5	1,294.8	114.7%
Net gains on financial investments	416.4	247.1	169.3	68.5%
Net other operating income or loss	292.0	185.9	106.1	57.1%
Operating income	12,870.5	12,319.5	551.0	4.5%
Operating expenses	(5,285.2)	(4,956.8)	(328.4)	6.6%
Credit impairment losses	(6,584.1)	(6,700.5)	116.4	-1.7%
Impairment losses of other assets	—	(101.0)	101.0	-100.0%
Operating profit	1,001.2	561.2	440.0	78.4%
Profit before tax	1,001.2	561.2	440.0	78.4%
Income tax expense	(288.7)	(162.5)	(126.2)	77.7%
Net profit	712.5	398.7	313.8	78.7%

In 2022, the Bank recorded a profit before tax of RMB1,001.2 million, representing a year-on-year increase of 78.4%, and a net profit of RMB712.5 million, representing a year-on-year increase of 78.7%.

(I) Net Interest Income

In 2022, the Bank recorded a net interest income of RMB9,007.2 million, representing a decrease of RMB1,053.8 million or 10.5% year on year. The following tables set forth, for the periods indicated, the average balance of the Bank's interest-earning assets and interest-bearing liabilities, interest income and expense from these assets and liabilities, and the average yield ratio of these interest-earning assets and the average cost ratio of these interest-bearing liabilities.

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	2022		2021			
	Average balance ⁽⁶⁾	Interest income	Average yield ratio	Average balance ⁽⁶⁾	Interest income	Average yield ratio
(In RMB million, except percentages)						
Interest-earning assets						
Loans and advances						
to customers	284,702.5	15,314.8	5.38%	290,619.5	16,517.6	5.68%
Investments in debt securities ⁽¹⁾	197,196.9	8,090.9	4.10%	177,911.7	7,315.1	4.11%
Cash and balances with						
Central Bank	46,650.3	637.5	1.37%	53,461.5	774.5	1.45%
Due from banks and						
other financial institutions ⁽²⁾	30,352.9	683.9	2.25%	19,204.7	416.6	2.17%
Financial lease receivables	23,755.0	1,337.9	5.63%	24,216.6	1,424.3	5.88%
Total interest-earning assets	582,657.6	26,065.0	4.47%	565,414.0	26,448.1	4.68%

For the year ended 31 December

	2022		2021			
	Average balance ⁽⁶⁾	Interest expense	Average cost ratio	Average balance ⁽⁶⁾	Interest expense	Average cost ratio
(In RMB million, except percentages)						
Interest-bearing liabilities						
Due to customers	511,444.9	14,433.3	2.82%	483,835.9	13,787.0	2.85%
Due to banks ⁽³⁾	42,544.1	1,534.4	3.61%	45,127.6	1,616.1	3.58%
Debt securities issued and others	30,408.4	987.4	3.25%	25,719.0	904.0	3.51%
Due to Central Bank	4,874.6	102.7	2.11%	3,446.6	80.0	2.32%
Total interest-bearing liabilities	589,272.0	17,057.8	2.89%	558,129.1	16,387.1	2.94%
Net interest income		9,007.2			10,061.0	
Net interest spread⁽⁴⁾			1.58%			1.74%
Net interest margin⁽⁵⁾			1.55%			1.78%

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Notes:

- (1) Include financial assets measured at fair value through other comprehensive income and financial assets measured at amortised cost.
- (2) Include due from banks and other financial institutions and financial assets held under reverse repurchase agreements.
- (3) Include due to banks, financial assets sold under repurchase agreements and borrowing from banks and other financial institutions.
- (4) Calculated as the difference between the average yield ratio 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 balance of interest-earning assets, calculated based on the daily average of the interest-earning assets.
- (6) Calculated as the average of the Bank's daily balances.

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

	For the year ended 31 December		
	2022 vs. 2021		
	Increase/ (decrease) Volume ⁽¹⁾	Interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
	(In RMB million)		
Interest-earning assets			
Loans and advances to customers	(336.2)	(866.6)	(1,202.8)
Investments in debt securities	792.9	(17.1)	775.8
Cash and balances with Central Bank	(98.8)	(38.2)	(137.0)
Due from banks and other financial institutions	241.9	25.4	267.3
Financial lease receivables	(27.2)	(59.2)	(86.4)
Change in interest income	572.6	(955.7)	(383.1)
Interest-bearing liabilities			
Due to customers	786.7	(140.4)	646.3
Due to banks	(92.5)	10.8	(81.7)
Debt securities issued and others	164.8	(81.4)	83.4
Due to Central Bank	33.1	(10.4)	22.7
Change in interest expense	892.1	(221.4)	670.7

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Notes:

- (1) Represents the average balance for the Reporting Period minus the average balance for the previous period, multiplied by the average yield/cost ratio for such previous period.
- (2) Represents the average yield/cost ratio for the Reporting Period minus the average yield/cost ratio for the previous period, multiplied by the average balance for the Reporting Period.
- (3) Represents the interest income/expense for the Reporting Period minus the interest income/expense for the previous period.

(II) Interest income

In 2022, the Bank realized an interest income of RMB26,065.0 million, representing a decrease of RMB383.1 million or 1.4% year on year. The decrease was primarily due to the average yield ratio of total interest-earning assets decreasing from 4.68% in previous year to 4.47% in 2022.

1. Interest income from loans and advances to customers

In 2022, the Bank's interest income from loans and advances to customers decreased by RMB1,202.8 million or 7.3% year on year to RMB15,314.8 million, primarily due to proactively lowering the financing costs of the borrowers in support of the resumption of work and production in real economy, and the increase in credit risk and decrease in repayment ability in some industries and customers of the Bank affected by the market environment etc., resulting in the average yield ratio decreasing by 0.30 percentage point as compared with last year.

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

	For the year ended 31 December					
	2022			2021		
	Average balance	Interest income	Average yield ratio	Average balance	Interest income	Average yield ratio
	(In RMB million, except percentages)					
Corporate loans	161,902.4	7,062.6	4.36%	161,103.0	8,018.1	4.98%
Personal loans	122,164.1	8,243.1	6.75%	128,132.0	8,457.6	6.60%
Discounted bills	636.0	9.1	1.43%	1,384.5	41.9	3.03%
Total loans and advances to customers	284,702.5	15,314.8	5.38%	290,619.5	16,517.6	5.68%

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2. *Interest income from investments in debt securities*

In 2022, the Bank's interest income from investments in debt securities increased by RMB775.8 million or 10.6% to RMB8,090.9 million year on year, mainly attributable to the fact that the average balance of investments in debt securities increased by RMB19,285.2 million from last year as the Bank increased its bond investment, improved the value of capital contributions, and optimized its asset structure.

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

In 2022, the Bank's interest income from cash and balances with Central Bank decreased by RMB137.0 million or 17.7% to RMB637.5 million year on year, mainly attributable to the decrease in the average balance of cash and balances with Central Bank as the Central Bank reduced the deposit reserve ratio.

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

In 2022, the Bank's interest income from amounts due from banks and other financial institutions increased by RMB267.3 million or 64.2% to RMB683.9 million year on year, primarily attributable to the increase in average balance of RMB11,148.2 million as compared with last year due to the reinforcement of the usage of the funds by the Bank and the increase of the scale of inter-bank assets.

5. *Interest income from financial lease receivables*

In 2022, the Bank's interest income from financial lease receivables was RMB1,337.9 million, representing a decrease of RMB86.4 million year on year, mainly due to the decrease in the average yield ratio of 0.25 percentage point as compared with last year affected by competition in the inter-bank market.

(III) Interest Expense

In 2022, the Bank's interest expense increased by RMB670.7 million or 4.1% to RMB17,057.8 million as compared to the same period of last year. The increase was mainly due to the increase in the average balance of total interest-bearing liabilities from RMB558,129.1 million in last year to RMB589,272.0 million in 2022.

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1. Interest expense on due to customers

In 2022, the Bank's interest expense on due to customers increased by RMB646.3 million or 4.7% to RMB14,433.3 million year on year, primarily attributable to the increase of RMB27,609.0 million in the average of balance due to customers due to the fact that the Bank continuously improved its deposit product service system, and the customer base has been continuously consolidated.

	For the year ended 31 December					
	2022			2021		
	Average balance	Interest expense	Average cost ratio	Average balance	Interest expense	Average cost ratio
(In RMB million, except percentages)						
Corporate deposits						
Demand	75,953.2	1,013.9	1.33%	96,813.2	1,063.2	1.10%
Time	102,311.6	3,213.8	3.14%	91,660.9	3,048.8	3.33%
Subtotal	178,264.8	4,227.7	2.37%	188,474.1	4,112.0	2.18%
Personal deposits						
Demand	46,608.6	164.5	0.35%	46,363.3	234.3	0.51%
Time	286,571.5	10,041.1	3.50%	248,998.5	9,440.7	3.79%
Subtotal	333,180.1	10,205.6	3.06%	295,361.8	9,675.0	3.28%
Total deposits from customers	511,444.9	14,433.3	2.82%	483,835.9	13,787.0	2.85%

2. Interest expense on due to banks

In 2022, the Bank's interest expense on due to banks decreased by RMB81.7 million or 5.1% to RMB1,534.4 million year on year, primarily attributable to the decrease in the average balances of RMB2,583.5 million compared to last year.

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3. Interest expense on debt securities issued and others

In 2022, the Bank's interest expense on debt securities issued and others amounted to RMB987.4 million, representing an increase of RMB83.4 million or 9.2% year on year, mainly attributable to an increase of RMB4,689.4 million in the average balance as compared with last year as the Bank actively expanded the source of liabilities.

(IV) Net Interest Spread and Net Interest Margin

In 2022, the Bank's net interest spread decreased from 1.74% in last year to 1.58%, and the net interest margin decreased from 1.78% in last year to 1.55%, mainly due to the comprehensive impact of factors such as the recovery stage of the real economy, asset structure adjustment, maturity of high-yield assets, and the continuous implementation of various profit concession support measures, which resulted in a slight decrease in net interest spread and net interest margin year on year.

(V) Non-interest Income

1. Net fee and commission income

In 2022, the Bank's net fee and commission income increased by RMB34.6 million or 5.0% year on year to RMB731.6 million, primarily attributable to the increase in the Bank's non-principal protected wealth management agency fee income.

	For the year ended 31 December			
	2022	2021	Change in amount	Rate of change
	(In RMB million, except percentages)			
Fee and commission income	903.4	860.0	43.4	5.0%
Advisory and consultancy fee	287.6	327.3	(39.7)	-12.1%
Settlement fee	44.3	45.6	(1.3)	-2.9%
Agency and custodian fee	328.3	223.2	105.1	47.1%
Of which: non-principal protected wealth management agency fee	288.9	158.2	130.7	82.6%
Bank card fee	234.4	254.9	(20.5)	-8.0%
Others	8.8	9.0	(0.2)	-2.2%
Fee and commission expense	(171.8)	(163.0)	(8.8)	5.4%
Net fee and commission income	731.6	697.0	34.6	5.0%

In 2022, the Bank's advisory and consultancy fee income decreased by RMB39.7 million or 12.1% year on year to RMB287.6 million, mainly attributable to the changes in volume of advisory and consultancy business.

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In 2022, the Bank's settlement fee income decreased by RMB1.3 million or 2.9% year on year to RMB44.3 million, mainly attributable to the volume change of the settlement business.

In 2022, the Bank's agency and custodian fee income increased by RMB105.1 million or 47.1% year on year to RMB328.3 million, mainly attributable to the increase in scale of the agency and custodian business.

In 2022, the Bank's bank card fee income decreased by RMB20.5 million or 8.0% year on year to RMB234.4 million, mainly attributable to the changes in bank card related intermediary business volume.

In 2022, the Bank realised other fee and commission income of RMB8.8 million, representing a decrease of RMB0.2 million or 2.2% year on year.

2. *Net trading income or loss*

In 2022, the Bank's net trading income increased by RMB1,294.8 million or 114.7% year on year to RMB2,423.3 million mainly attributable to the increase in investment income from financial assets measured at fair value through profit or loss.

3. *Net gains on financial investments*

In 2022, the Bank's net gains on financial investments increased by RMB169.3 million or 68.5% year on year to RMB416.4 million, mainly attributable to the increase in net gains on disposal of financial assets measured at amortised cost.

4. *Net other operating income or loss*

In 2022, the Bank's net other operating income or loss increased by RMB106.1 million or 57.1% year on year to RMB292.0 million, mainly attributable to the increase in exchange gains or losses of the Bank.

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(VI) Operating Expenses

In 2022, the Bank's operating expenses increased by RMB328.4 million or 6.6% year on year to RMB5,285.2 million.

	For the year ended 31 December			
	2022	2021	Change in amount	Rate of change
	(In RMB million, except percentages)			
Staff costs	2,503.1	2,333.9	169.2	7.2%
Tax and surcharges	213.5	241.3	(27.8)	-11.5%
Depreciation and amortisation	780.0	742.5	37.5	5.1%
Others	1,788.6	1,639.1	149.5	9.1%
Total operating expenses	5,285.2	4,956.8	328.4	6.6%

Staff costs are the largest component of the Bank's operating expenses, representing 47.4% and 47.1% of the Bank's total operating expenses for 2022 and 2021, respectively.

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

	For the year ended 31 December			
	2022	2021	Change in amount	Rate of change
	(In RMB million, except percentages)			
Staff costs				
Salaries, bonuses and allowances	1,779.7	1,626.1	153.6	9.4%
Social insurance	409.1	369.6	39.5	10.7%
Housing fund	164.1	166.4	(2.3)	-1.4%
Staff benefits	116.3	133.1	(16.8)	-12.6%
Labor union expenditure and education costs	24.0	26.1	(2.1)	-8.0%
Early retirement benefits	9.9	12.6	(2.7)	-21.4%
Total	2,503.1	2,333.9	169.2	7.2%

In 2022, the staff costs of the Bank were RMB2,503.1 million, representing an increase of RMB169.2 million or 7.2% year on year, mainly due to the fact that firstly, the Bank significantly expanded the scale of its technology R&D talent teams, and secondly, 2022 was the first full year of implementing the enterprise pension system by the Bank.

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In 2022, the Bank had to pay tax and surcharges of RMB213.5 million, representing a decrease of RMB27.8 million or 11.5% year on year, primarily attributable to the decrease in relevant taxes as a result of the change of the Bank's business.

In 2022, depreciation and amortisation of the Bank were RMB780.0 million, representing an increase of RMB37.5 million or 5.1% year on year.

In 2022, the Bank's other operating expenses increased by RMB149.5 million or 9.1% year on year to RMB1,788.6 million.

(VII) Credit impairment losses

In 2022, the Bank's credit impairment losses decreased by RMB116.4 million or 1.7% year on year to RMB6,584.1 million.

	For the year ended 31 December			
	2022	2021	Change in amount	Rate of change
	(In RMB million, except percentages)			
Impairment losses on loans and advances to customers at amortised cost	5,110.0	5,877.6	(767.6)	-13.1%
Impairment losses on financial assets at amortised cost	1,148.2	578.9	569.3	98.3%
Impairment losses on financial lease receivables	303.0	203.3	99.7	49.0%
Impairment losses of others	22.9	40.7	(17.8)	-43.7%
Total	6,584.1	6,700.5	(116.4)	-1.7%

(VIII) Impairment Losses of Other Assets

In 2022, the Bank recorded no impairment losses of other assets.

	For the year ended 31 December			
	2022	2021	Change in amount	Rate of change
	(In RMB million, except percentages)			
Impairment losses of operating lease assets	—	101.0	-101.0	-100.0%
Total	—	101.0	-101.0	-100.0%

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(IX) Income Tax Expenses

In 2022, the Bank's income tax expenses increased by RMB126.2 million or 77.7% year on year to RMB288.7 million.

	For the year ended 31 December			
	2022	2021	Change in amount	Rate of change
	(In RMB million, except percentages)			
Current income tax expenses	657.0	869.0	(212.0)	-24.4%
Deferred income tax expenses	(368.3)	(706.5)	338.2	-47.9%
Effective income tax expenses	288.7	162.5	126.2	77.7%

III. Analysis of Key Items of Financial Position

(I) Assets

As at 31 December 2022, the Bank's total assets increased by RMB67.6869 billion or 10.5% to RMB712.7331 billion as compared to the end of last year, mainly attributable to the increase in the Bank's investment in securities and other financial assets, as well as due from banks and other financial institutions.

	As at 31 December			
	2022		2021	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Loans and advances to customers, net	271,784.8	38.2%	283,637.0	44.0%
Net investment in securities and other financial assets	291,827.7	40.9%	245,667.2	38.1%
Cash and balances with the Central Bank	76,775.5	10.8%	64,923.2	10.0%
Due from banks and other financial institutions	25,852.3	3.6%	7,116.2	1.1%
Other assets	46,492.8	6.5%	43,702.6	6.8%
Total assets ⁽¹⁾	712,733.1	100.0%	645,046.2	100.0%

Note:

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

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1. Loans and advances to customers

As at 31 December 2022, the Bank's total loans and advances to customers decreased by RMB9.9443 billion to RMB284.4149 billion, representing a decrease of 3.4% as compared to the end of last year.

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

	As at 31 December			
	2022		2021	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Corporate loans	161,043.1	56.6%	161,598.6	54.9%
Personal loans	117,360.8	41.3%	132,750.1	45.1%
Discounted bills	6,011.0	2.1%	10.5	0.0%
Total loans and advances to customers	284,414.9	100.0%	294,359.2	100.0%

(1) Corporate loans

As at 31 December 2022, the Bank's corporate loans decreased by RMB555.5 million to RMB161.0431 billion, representing a decrease of 0.3% as compared to the end of last year.

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

	As at 31 December			
	2022		2021	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Loans to small enterprises ⁽¹⁾	61,020.0	37.9%	64,025.6	39.6%
Other corporate loans excluding loans to small enterprises	100,023.1	62.1%	97,573.0	60.4%
Total corporate loans	161,043.1	100.0%	161,598.6	100.0%

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Note:

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

As at 31 December 2022, the Bank's loans to small enterprises decreased by RMB3.0056 billion to RMB61.0200 billion, representing a decrease of 4.7% as compared to the end of last year. As at 31 December 2022 and 31 December 2021, the Bank's loans to small enterprises accounted for 37.9% and 39.6% of the Bank's total corporate loans, respectively.

(2) *Personal loans*

As at 31 December 2022, the Bank's personal loans decreased by RMB15.3893 billion to RMB117.3608 billion, representing a decrease of 11.6% as compared to the end of last year, mainly attributable to the decrease in loans to small enterprise owners by RMB12.8325 billion or 33.7% as compared to the end of last year.

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

	As at 31 December			
	2022		2021	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Loans to small enterprise owners	25,269.1	21.5%	38,101.6	28.7%
Personal consumption loans	78,132.4	66.6%	79,646.1	60.0%
Loans to farmers	13,959.3	11.9%	15,002.4	11.3%
Total personal loans	117,360.8	100.0%	132,750.1	100.0%

As at 31 December 2022, loans to small enterprise owners, personal consumption loans and loans to farmers decreased by 33.7%, 1.9% and 7.0% as compared to the end of last year, respectively.

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2. *Investment in securities and other financial assets*

As at 31 December 2022, the total amount of the Bank's investment in securities and other financial assets was RMB294.7466 billion, representing an increase of RMB47.1366 billion or 19.0% as compared to the end of last year. The increase in such assets in 2022 mainly due to that the Bank improved its capital utilization rate by upscaling its various investments and continuously expanding channels of capital utilization.

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

	As at 31 December			
	2022		2021	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Financial assets measured at fair value through profit or loss	82,534.4	28.0%	61,469.2	24.8%
Financial assets measured at amortised cost	153,047.3	51.9%	147,820.5	59.7%
Financial assets measured at fair value through other comprehensive income	59,164.9	20.1%	38,320.3	15.5%
Total investment in securities and other financial assets	294,746.6	100.0%	247,610.0	100.0%

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

	As at 31 December			
	2022		2021	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Debt investments:				
Bond investments	131,349.1	44.6%	95,185.7	38.4%
Debt instruments issued by financial institutions ⁽¹⁾	155,899.0	52.9%	144,664.6	58.5%
Subtotal	287,248.1	97.5%	239,850.3	96.9%
Equity investment	7,498.5	2.5%	7,759.7	3.1%
Total investment in securities and other financial assets	294,746.6	100.0%	247,610.0	100.0%

Note:

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

As at 31 December 2022, the Bank's total investment in debt instruments issued by financial institutions was RMB155.8990 billion, representing an increase of RMB11.2344 billion or 7.8% as compared to the end of last year. The investments of this class as a percentage of total investment in securities and other financial assets decreased from 58.5% as at 31 December 2021 to 52.9% as at 31 December 2022.

	As at 31 December			
	2022		2021	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Government bonds	65,193.5	49.6%	41,469.3	43.6%
Bonds issued by financial institutions	8,357.2	6.4%	3,925.7	4.1%
Corporate bonds	37,539.1	28.6%	31,930.0	33.5%
Bonds issued by policy banks	20,259.3	15.4%	17,860.7	18.8%
Total bond investments	131,349.1	100.0%	95,185.7	100.0%

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3. Other components of the Bank's assets

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

As at 31 December 2022, the Bank's total cash and balances with the Central Bank increased by RMB11.8514 billion to RMB76.7551 billion, representing an increase of 18.3% as compared to the end of last year.

As at 31 December 2022, the Bank's due from banks and other financial institutions increased by RMB18.6714 billion to RMB25.7986 billion, representing an increase of 262.0% as compared to the end of last year, mainly because the Bank adjusted the proportion of such assets based on its capital and changes in liquidity in the market.

(II) Liabilities

As at 31 December 2022, the Bank's total liabilities were RMB649.4125 billion, representing an increase of RMB67.1462 billion or 11.5% as compared to the end of last year.

	As at 31 December			
	2022		2021	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Due to customers	565,587.2	87.1%	506,779.9	87.0%
Due to banks ⁽¹⁾	41,408.5	6.4%	35,035.3	6.0%
Repurchase agreements	3,253.2	0.5%	9,024.0	1.6%
Debt securities issued	28,569.9	4.4%	19,129.2	3.3%
Due to Central Bank	2,968.8	0.4%	4,271.0	0.7%
Other liabilities ⁽²⁾	7,624.9	1.2%	8,026.9	1.4%
Total liabilities ⁽³⁾	649,412.5	100.0%	582,266.3	100.0%

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Notes:

- (1) Due to banks also includes borrowings from banks and other financial institutions.
- (2) Other liabilities primarily consist of derivative financial liabilities, income tax payable and other tax payable, items in the process of clearance and settlement as well as staff salary payable.
- (3) Of which, interest payable is accounted in each of the interest-bearing liabilities items but not in other discussions and analysis.

1. Due to customers

As at 31 December 2022, the Bank's total due to customers increased by RMB56.0746 billion to RMB557.8258 billion, representing an increase of 11.2% as compared to the end of last year.

	As at 31 December			
	2022		2021	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Corporate deposits				
Demand deposits	80,580.4	14.4%	86,244.5	17.2%
Time deposits	108,477.4	19.5%	104,591.3	20.8%
Subtotal	189,057.8	33.9%	190,835.8	38.0%
Personal deposits				
Demand deposits	48,926.3	8.8%	51,237.2	10.2%
Time deposits	319,841.7	57.3%	259,678.2	51.8%
Subtotal	368,768.0	66.1%	310,915.4	62.0%
Total due to customers	557,825.8	100.0%	501,751.2	100.0%

2. Due to banks

As at 31 December 2022, the Bank's due to banks balance increased by RMB6.4094 billion to RMB40.9864 billion, representing an increase of 18.5% as compared to the end of last year.

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3. Repurchase agreement

As at 31 December 2022, the Bank's repurchase agreement was RMB3.2500 billion, representing a decrease of RMB5.7480 billion or 63.9% as compared to the end of last year.

4. Debt securities issued

As at 31 December 2022, the Bank's debt securities issued were RMB28.5699 billion, representing an increase of RMB9.4715 billion or 49.6% as compared to the end of last year, which was mainly due to the increase of negotiable certificates of deposit issued by the Bank.

(III) Shareholders' Equity

As at 31 December 2022, the Bank's total shareholders' equity increased by RMB540.7 million to RMB63.3206 billion, representing an increase of 0.9% as compared to the end of last year. As at 31 December 2022, total equity attributable to shareholders of the parent company increased by RMB380.3 million to RMB61.1745 billion, representing an increase of 0.6% as compared to the end of last year.

	As at 31 December			
	2022		2021	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Share capital	10,995.6	17.3%	10,995.6	17.5%
Other equity instruments	11,699.0	18.5%	10,999.3	17.5%
Reserves	19,508.8	30.8%	19,527.9	31.1%
Undistributed profits	18,971.1	30.0%	19,271.4	30.7%
Equity attributable to shareholders of the parent company	61,174.5	96.6%	60,794.2	96.8%
Non-controlling interests	2,146.1	3.4%	1,985.7	3.2%
Total equity	63,320.6	100.0%	62,779.9	100.0%

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IV. Off-balance Sheet Commitments

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

	As at 31 December	
	2022	2021
	(In RMB million)	
Credit commitments:		
Bank bills acceptance	10,280.3	9,860.4
Issued letters of guarantee	188.0	1,298.8
Issued letters of credit	2,871.8	2,642.4
Credit limit of credit card	32,176.9	27,063.3
Subtotal	45,517.0	40,864.9
Capital expenditure commitments	13.1	212.0
Treasury bond redemption commitments	1,057.5	1,978.7
Total	46,587.6	43,055.6

In addition, as at 31 December 2022, the amount involved in the significant outstanding legal proceedings against the Group (as defendant or third-party defendant) with a dispute amount of over RMB10 million was RMB36.4 million, and the estimated liability of RMB18.1 million has been recognized in the balance sheet based on the best estimate. As at the date of this report, the Bank has no significant contingent liabilities. Details of off-balance sheet commitment contracts are disclosed in "Commitments and Contingent Liabilities" in the notes to financial statements of this report.

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V. Analysis of Loan Quality

During the Reporting Period, the Bank always adhered to the core philosophy of “creating value through risk management”, led the sustainable development of business with the concept of proactive risk management, pushed forward the improvement of operational risk capabilities with the idea of financial technology, continuously enhanced the comprehensive risk management system based on the new capital agreement, and persistently strengthened the construction of intelligent risk control system throughout the process. The Bank continuously upgraded the assets portfolio, gradually adjusted the asset structure, and strengthened its efforts in the recovery of NPLs. Based on the working principle of “same quality and same type”, non-performing assets were resolved through comprehensive means such as cash settlement, litigation and collection, asset transfer, and write-off of bad debts. The Bank actively responded to the effects of external factors such as the repeated COVID-19 pandemic and economic growth slowdown, kept up strategic focus, strengthened risk analysis, dynamically adjusted strategies, and persistently reinforced the risk prevention and control. As at 31 December 2022, the NPL ratio was 2.89%, representing an increase of 0.01 percentage point as compared to the end of last year. The impairment coverage ratio was 181.54%, representing an increase of 19.09 percentage points as compared to the end of last year. The impairment losses on loans ratio was 5.25%, representing an increase of 0.57 percentage point as compared to the end of last year. The ability of risk loss resilience basically remained stable.

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

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

	As at 31 December			
	2022		2021	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Pass	260,142.4	91.5%	271,804.2	92.3%
Special mention	16,053.8	5.6%	14,071.9	4.8%
Substandard	864.3	0.3%	920.6	0.3%
Doubtful	6,009.3	2.1%	6,341.4	2.2%
Loss	1,345.1	0.5%	1,221.1	0.4%
Total loans and advances to customers	284,414.9	100.0%	294,359.2	100.0%
NPLs amount and NPL ratio ⁽¹⁾	8,218.7	2.89%	8,483.1	2.88%

Note:

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

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

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

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

	As at 31 December					
	2022			2021		
	Loan amount	NPLs amount	NPL ratio	Loan amount	NPLs amount	NPL ratio
	(In RMB million, except percentages)					
Corporate loans						
Loans to small enterprises	61,020.0	2,201.6	3.61%	64,025.6	2,401.3	3.75%
Other corporate loans excluding loans to small enterprises	100,023.1	2,223.6	2.22%	97,573.0	2,391.6	2.45%
Subtotal	161,043.1	4,425.2	2.75%	161,598.6	4,792.9	2.97%
Personal loans						
Loans to small enterprise owners	25,269.1	1,027.6	4.07%	38,101.6	1,298.1	3.41%
Personal consumption loans	78,132.4	2,421.0	3.10%	79,646.1	1,712.7	2.15%
Loans to farmers	13,959.3	344.9	2.47%	15,002.4	679.4	4.53%
Subtotal	117,360.8	3,793.5	3.23%	132,750.1	3,690.2	2.78%
Discounted bills	6,011.0	–	–	10.5	–	–
Total	284,414.9	8,218.7	2.89%	294,359.2	8,483.1	2.88%

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In 2022, the Bank continued to optimize its credit structure, focused on exploring the potential of existing customers and risk mitigation with regard to corporate customers, strengthened the management of “three checks” on loans, standardized business operations systematically, and implemented prudent access for new customers. For retail customers, the Bank established a normalized monitoring post-supervision, intelligent post-loan management, elaborative overdue supervision system, and actively withdrew the problematic customers through continuously refining the indicators featuring with default and early warning. At the same time, the Bank intensified the disposal of non-performing assets, the special collection centres of the branches continued to perform the function of non-performing asset collection. In 2022, the NPL ratio of the Bank’s corporate loans decreased by 0.22 percentage point to 2.75% as compared to the end of last year.

Affected by external factors such as the repeated COVID-19 pandemic and economic growth slowdown, the NPL ratio of Bank’s personal loans increased slightly, primarily attributable to the Bank’s firm implementation of inclusive financial policies, and intensification of personal loan issuance. However, personal loans were greatly affected by macroeconomic downturn and the repeated COVID-19 epidemic, and the repayment ability of individuals has weakened, and the Bank seriously carried out the regulatory financial relief policy and implemented caring collections for customers with declining revenue to tide over the difficult times together with them. There was a slight decline in asset quality.

In order to effectively control asset quality, the Bank strictly controlled the credit risk of new businesses, optimised risk access standards and policy requirements of industries, regions, customer structure, products. The Bank strictly implemented the “three checks” system for loans and strictly observed the first line of defence. It implemented in-depth customer optimisation strategies to strengthen risk mitigation for non-quality customers. Management of rating, quota, portfolio, concentration and credit policy was strengthened. The Bank also strengthened the comprehensive application of artificial intelligence big data in the field of risk management, and continued to promote the construction of intelligent risk control system. It strengthened the centralised management and scientization of examination and approval, and improved the ability to control asset quality. On the other hand, the Bank also focused on the collection of major projects, paid close attention to source prevention and control and full-process management, advanced at both collective and specific level, and strengthened the management accountability for problematic loans and NPLs.

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(III) Distribution of Loans and NPLs Classified by Industry

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

	As at 31 December							
	2022				2021			
	Loan amount	% of total	NPLs amount	NPL ratio	Loan amount	% of total	NPLs amount	NPL ratio
(In RMB million, except percentages)								
Agriculture, forestry, husbandry and fishery	1,478.2	0.5%	105.1	7.11%	1,578.6	0.5%	159.5	10.10%
Mining	91.1	0.0%	–	–	198.5	0.1%	4.2	2.12%
Manufacturing	6,948.9	2.4%	905.8	13.04%	6,246.5	2.1%	938.1	15.02%
Production and supply of electricity, heating, gas and water	4,922.9	1.7%	58.8	1.19%	4,868.7	1.7%	68.7	1.41%
Construction	10,716.8	3.8%	518.9	4.84%	12,936.3	4.4%	730.0	5.64%
Transportation, storage and postal services	2,796.6	1.0%	27.3	0.98%	3,266.3	1.1%	50.1	1.53%
Information transmission, software and information technology services	357.1	0.1%	43.1	12.07%	421.8	0.1%	19.7	4.67%
Wholesale and retail	24,950.2	8.8%	1,253.9	5.03%	27,356.4	9.3%	1,362.6	4.98%
Accommodations and catering	3,413.0	1.2%	149.7	4.39%	3,515.6	1.2%	169.1	4.81%
Finance	7.2	0.0%	4.2	58.33%	4.2	0.0%	4.2	100.00%
Real estate	29,847.5	10.5%	334.9	1.12%	31,323.7	10.6%	219.9	0.70%
Leasing and commercial services	64,013.2	22.5%	836.6	1.31%	59,307.7	20.2%	909.0	1.53%
Scientific research and technological services	535.6	0.2%	22.5	4.20%	584.7	0.2%	2.8	0.48%
Water conservation, environment and public utility management	9,875.1	3.5%	133.2	1.35%	9,030.4	3.1%	141.1	1.56%
Residential, repair and other services	174.1	0.1%	3.6	2.07%	134.7	0.0%	0.2	0.15%
Education	136.2	0.1%	23.7	17.40%	155.4	0.1%	6.7	4.31%
Health and social work	423.8	0.1%	3.8	0.90%	392.7	0.1%	3.8	0.97%
Culture, sports and entertainment	355.6	0.1%	–	–	276.4	0.1%	3.2	1.16%
Total corporate loans	161,043.1	56.6%	4,425.1	2.75%	161,598.6	54.9%	4,792.9	2.97%
Total personal loans	117,360.8	41.3%	3,793.6	3.23%	132,750.1	45.1%	3,690.2	2.78%
Discounted bills	6,011.0	2.1%	–	–	10.5	0.0%	–	–
Total	284,414.9	100.0%	8,218.7	2.89%	294,359.2	100.0%	8,483.1	2.88%

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As at 31 December 2022, the NPLs of corporate loans of the Bank concentrated in the wholesale and retail and manufacturing industries, with NPLs of RMB1,253.9 million and RMB905.8 million, respectively. The high NPL ratio was mainly because most of the customers in the wholesale and retail industries are small enterprise customers as the Bank had a great number of existing customers of microfinance. Affected by external factors such as the macro economy, enterprises experienced difficulties in their production and operation, and their repayment capacity decreased. It will still take some time for enterprises to recover normal cash flow. In accordance with the supporting direction of national industrial policies, the Bank actively implemented various regulatory requirements, rationally allocated credit resources, attached great importance to supporting the strategic emerging industries, advanced manufacturing and modern service industries, and reinforced investments in green economy, low-carbon economy and circular economy. The Bank actively developed inclusive finance, paid close attention to targeted poverty alleviation, carried out the rural revitalization strategy, stood by “agriculture, rural areas and farmers”, and focused on small and micro businesses. Meanwhile, the Bank continued to deepen the structure of existing customers, implemented centralized control requirements for real estate loans, set up differentiated customer access standards and risk limits in the industry to strictly control the risks of new business, proactively took risk prevention and control measures, continuously stepped up efforts to judicially dispose of NPLs, actively disposed existing NPLs and improved asset quality.

(IV) Distribution of Loans and NPLs by Geographical Region

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

	As at 31 December							
	2022				2021			
	Loan amount	% of total	NPLs amount	NPL ratio	Loan amount	% of total	NPLs amount	NPL ratio
	(In RMB million, except percentages)							
Heilongjiang region	156,441.0	55.0%	2,808.4	1.80%	152,005.0	51.6%	3,082.1	2.03%
Other regions in								
Northeastern China	38,253.9	13.5%	2,103.6	5.50%	40,093.8	13.6%	2,000.1	4.99%
Southwestern China	57,847.4	20.3%	1,344.1	2.32%	63,810.8	21.7%	1,155.0	1.81%
Other regions	31,872.6	11.2%	1,962.6	6.16%	38,449.6	13.1%	2,245.9	5.84%
Total	284,414.9	100.0%	8,218.7	2.89%	294,359.2	100.0%	8,483.1	2.88%

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During the Reporting Period, the Bank, corresponding to national strategies, re-reviewed and optimized the situation of its business segments in line with the needs of local economic development and regulatory policy orientation. Back to its original aspiration and with a focus on its major responsibilities and business, the Bank improved the quality and efficiency of the local economy and real economy in terms of financial services. As of the end of 2022, the total amount of loans in Heilongjiang recorded an increase, with a decrease in the NPL ratio.

(V) The Distribution of Loans and NPLs by Collateral

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

	As at 31 December							
	2022				2021			
	Loan amount	% of total	NPLs amount	NPL ratio	Loan amount	% of total	NPLs amount	NPL ratio
	(In RMB million, except percentages)							
Unsecured loans	88,388.4	31.1%	2,014.9	2.28%	79,032.0	26.8%	1,365.8	1.73%
Guaranteed loans	78,810.7	27.7%	1,932.1	2.45%	82,523.9	28.0%	2,615.0	3.17%
Collateralised loans	104,389.7	36.7%	4,233.6	4.06%	119,106.6	40.5%	4,449.1	3.74%
Pledged loans	12,826.1	4.5%	38.1	0.30%	13,696.7	4.7%	53.2	0.39%
Total	284,414.9	100.0%	8,218.7	2.89%	294,359.2	100.0%	8,483.1	2.88%

During the Reporting Period, the Bank responded proactively to the slowdown in economic growth and the lasting effects of the COVID-19 pandemic. On one hand, from the perspective of the Bank's overall loan structure, collateralised loans and pledged loans accounted for a large part to 41.2% to ensure the controllability of the ultimate risks on loans. On the other hand, as a proactive response to regulatory policies, the Bank granted more inclusive loans to small and micro enterprises and the Dual-stabilization Loans, supported the real economy, and strongly supported the development of private sector and small and medium-sized enterprises, expanding unsecured loans and guaranteed loans. At the same time, the Bank strengthened its control based on multi-channel risk management, promoted the orderly exit of higher-risk customers and increased its efforts in recovery and dispose of non-performing assets to support the quality of its assets remaining stable.

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(VI) Concentration of Borrowers

As at 31 December 2022, 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 the Bank's 10 largest single borrowers (excluding group borrowers) in terms of loan balance as at 31 December 2022 and none of them had NPLs.

As at 31 December 2022				
	Industry	Loan balance	% of total loans	% of net capital
(In RMB million, except percentages)				
1	L-Leasing and commercial services	5,300.0	1.87%	7.70%
2	L-Leasing and commercial services	5,100.0	1.79%	7.42%
3	L-Leasing and commercial services	3,250.7	1.14%	4.73%
4	K-Real estate	2,978.0	1.05%	4.33%
5	L-Leasing and commercial services	2,648.4	0.93%	3.85%
6	K-Real estate	2,537.5	0.89%	3.69%
7	K-Real estate	2,427.5	0.86%	3.53%
8	L-Leasing and commercial services	2,338.5	0.82%	3.40%
9	N-Water conservation, environment and public utility management	2,114.6	0.74%	3.07%
10	H – Wholesale and retail	2,041.0	0.72%	2.97%
Total		30,736.2	10.81%	44.69%

(VII) Overdue Loans and Advances to Customers

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

As at 31 December				
	2022		2021	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Current loans and advances	230,751.5	81.1%	251,857.7	85.6%
Loans and advances past due: ⁽¹⁾				
For 1 to 90 days	26,283.7	9.3%	20,008.3	6.8%
For 91 days to 1 year	8,770.2	3.1%	9,321.7	3.2%
For 1 year and above	18,609.5	6.5%	13,171.5	4.4%
Subtotal	53,663.4	18.9%	42,501.5	14.4%
Total loans and advances to customers	284,414.9	100.0%	294,359.2	100.0%

Note:

- (1) Loans to customers with specific repayment date are classified as overdue when their principals or interests become overdue.

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As at 31 December 2022, overdue loans accounted for 18.9% of total loans, higher than the end of last year. In 2022, due to the resurgent COVID-19 pandemic, changes in the external environment and industry structure adjustment, enterprises struggled to keep operations, and the capital turnover was slow, resulting in the capital chain tension from the borrower side. In particular, in regions heavily affected by the resurgent pandemic, most stores were temporarily closed many times except for those providing essential goods for daily life. This further lowered the major operating income of our clients, resulting in their declined repayment capacity and assets quality. On one hand, the Bank proactively responded to regulatory policies and offered relief packages to enterprises affected by the pandemic. On the other hand, the Bank put greater efforts in managing the renewal of existing loans and the settlement of transferred loans. For the customers with potential risks, quota reduction, enhanced mitigation measures and comprehensive credit scheme design were strengthened to prevent asset quality decline.

(VIII) Movements of Allowance for Impairment Losses on Loans

Pursuant to the requirements of IFRS 9, the Bank made use of “expected credit loss model” for the measurement of impairment of underlying financial assets. The Bank adhered to the prudence principle and made provision for impairment losses on loans in full amount. As at 31 December 2022, impairment losses on loans amounted to RMB14,920.0 million, which increased by RMB1,139.2 million as compared to the end of last year. The impairment losses on loans ratio was 5.25%, representing an increase of 0.57 percentage point as compared to the end of last year. Risk resilience remained stable.

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

Item	As at 31 December	
	2022	2021
		(In RMB million)
Balance at the beginning of the period	13,780.8	11,104.7
Exchange difference	0.2	(17.4)
Charged during the year	5,110.0	5,877.7
Accreted interest on impaired loans	(395.5)	(268.8)
Write-offs and transferred	(3,899.5)	(3,174.8)
Recoveries of loans and advances previously written off	324.0	259.4
Balance at the end of the period	14,920.0	13,780.8

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VI. Segment Report

(I) Geographical Segment Report

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

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

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

	Mainland China				Total
	Heilongjiang region	Other regions in Northeastern China	Southwestern China	Other regions	
	(In RMB million)				
For the year ended					
31 December 2022					
Operating income	8,889.8	136.9	1,957.4	1,886.4	12,870.5
Operating expenses	(4,025.5)	(332.9)	(471.5)	(455.3)	(5,285.2)
Credit impairment losses	(5,570.0)	(411.2)	(451.0)	(151.9)	(6,584.1)
Impairment losses of other assets	–	–	–	–	–
Operating profit	(705.7)	(607.2)	1,034.9	1,279.2	1,001.2
As at 31 December 2022					
Segment assets	552,770.6	41,683.8	57,910.1	60,368.6	712,733.1
Segment liabilities	494,736.7	41,371.1	55,754.4	57,550.3	649,412.5

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	Mainland China				Total
	Heilongjiang region	Other regions in Northeastern China	Southwestern China	Other regions	
(In RMB million)					
For the year ended 31 December 2021					
Operating income	7,939.6	1,381.6	2,152.0	846.3	12,319.5
Operating expenses	(3,447.2)	(408.7)	(614.1)	(486.8)	(4,956.8)
Credit impairment losses	(3,936.5)	(744.5)	(1,042.2)	(977.3)	(6,700.5)
Impairment losses of other assets	(101.0)	-	-	-	(101.0)
Operating profit	454.9	228.4	495.7	(617.8)	561.2
As at 31 December 2021					
Segment assets	493,185.6	40,744.8	64,847.6	46,268.2	645,046.2
Segment liabilities	446,983.3	32,946.6	57,568.8	44,767.6	582,266.3

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

	For the year ended 31 December			
	2022		2021	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Heilongjiang region	8,889.8	69.1%	7,939.6	64.4%
Other regions in Northeastern China	136.9	1.1%	1,381.6	11.2%
Southwestern China	1,957.4	15.2%	2,152.0	17.5%
Other regions	1,886.4	14.6%	846.3	6.9%
Total operating income	12,870.5	100.0%	12,319.5	100.0%

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(II) Business Segment Report

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

	For the year ended 31 December			
	2022		2021	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Corporate finance business	4,109.0	31.9%	5,428.8	44.1%
Retail finance business	6,424.3	49.9%	2,892.3	23.5%
Financial institutions business	1,950.6	15.2%	3,792.2	30.8%
Other businesses	386.6	3.0%	206.2	1.6%
Total operating income	12,870.5	100.0%	12,319.5	100.0%

VII. Capital Adequacy Ratio and Leverage Ratio

(I) Capital Adequacy Ratio

The Group continued to optimise its business structure and strengthen capital management, and as at 31 December 2022, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio of the Bank were 8.64%, 10.69% and 11.91%, respectively, which were in line with the regulatory requirements provided in the Measures for the Administration of Capital of Commercial Banks (for Trial Implementation) issued by the CBIRC. Due to the increase in risk-weighted assets, core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio decreased by 0.64 percentage point, 0.64 percentage point and 0.63 percentage point, respectively, as compared to the end of last year.

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

	As at 31 December	
	2022	2021
	(In RMB million, except percentages)	
Core capital	50,382.2	50,688.5
Core Tier 1 Capital deductible items:		
Fully deductible items	(473.9)	(484.6)
Net core tier 1 capital	49,908.3	50,203.9
Net other tier 1 capital	11,819.9	11,118.4
Net tier 1 capital	61,728.2	61,322.3
Net tier 2 capital	7,051.2	6,569.5
Net capital	68,779.4	67,891.8
Total Credit risk-weighted assets	551,559.0	512,698.7
Total Market risk-weighted assets	5,020.1	5,404.2
Total Operational risk-weighted assets	21,053.7	23,130.6
Total risk-weighted assets	577,632.8	541,233.5
Core tier 1 capital adequacy ratio	8.64%	9.28%
Tier 1 capital adequacy ratio	10.69%	11.33%
Capital adequacy ratio	11.91%	12.54%

(II) Leverage Ratio

In accordance with the Administrative Measures on the Leverage Ratio of Commercial Banks (revised), the leverage ratio of the Bank was calculated as follows:

	As at 31 December	
	2022	2021
	(In RMB million, except percentages)	
Net tier 1 capital	61,728.2	61,322.3
Adjusted on-and off-balance sheet assets	772,211.6	686,031.4
Leverage ratio	7.99%	8.94%

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VIII. Business Operation

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

(I) Retail Finance Business

The retail finance business of the Bank is positioned as a focus of the Bank's strategic transformation, which aims to accelerate the release of retail development potential by deepening the institutional mechanism construction. While gradually improving the wealth management system to serve the demand of customers and their families for wealth planning, the Bank strengthened eco-scenario construction to meet customers' needs for diversified investment and balanced asset allocation and achieved breakthroughs in brand building and customer market positioning. To further implement the concept of "Good Life" proposed at the 20th National Congress of the Communist Party of China, the Bank launched innovative "Good Life" accounts and issued dedicated themed debit cards to provide customers with life-cycle financial services covering children, growth, family and elderly care. Centered on digital inclusive finance, the Bank further strengthened customer relationship management with digitalisation and big data application for precision marketing, accelerated "online + offline" channel synergy and digital marketing transformation to provide powerful support for the transformation of comprehensive retail business from monolithic to integrated. The Bank had built a close loop from retail finance business to customer service to deepen its image as a warm and connotational retail service brand and promote the sustainable and high-quality development of its retail finance business.

In 2022, the retail finance business of the Bank continued to improve its pricing mechanism and system construction in order to build a comprehensive customer-oriented service system, expand business channels, improve risk pricing capabilities, and promote the overall and steady development of retail finance business. During the Reporting Period, the retail finance business of the Bank recorded an operating income of RMB6,424.3 million, representing an increase of 122.1% as compared to the same period of last year and accounting for 49.9% of the operating income of the Bank.

Retail customers

With the original mission of "creating value for customers", the Bank has transformed the retail finance from a banking perspective to a customer service perspective, and comprehensively upgraded the customer service experience. Retail customers have been extended from middle-end customers to both ends, i. e. focusing on maintaining and promoting high-end customers and long-tail customers. For high-end customers, the Bank focused on their maintenance and improved its maintenance capability for such customers, thus enhancing the experience of private banking customers. For long-tail customers, the Bank focused on their activation and expanded their contribution, fully utilizing the role of the customer resource pool and strengthening the foundation of sustainable development. As at 31 December 2022, the Company had 14.2844 million retail deposit customers, representing an increase of 288.3 thousand as compared to the same period of last year. The number of customers with personal financial assets (in RMB and other currencies) over RMB50,000 amounted to 1,055,700, representing an increase of 133,900 or 14.53% as compared to the same period of last year.

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Retail deposits

The Company provides demand and time deposits service to retail customers, which are mostly denominated in RMB with only a small portion being denominated in foreign currencies, in accordance with national and industry regulatory policies. As at 31 December 2022, the total retail deposits of the Bank (in RMB and other currencies) amounted to RMB368,768.0 million, representing an increase of RMB57,852.6 million or 18.6% as compared to the end of last year. The average balance of retail deposits (in RMB and other currencies) amounted to RMB333,180.1 million, representing an increase of RMB37,818.3 million or 12.8% as compared to the end of last year. Demand deposits accounted for 13.3% of retail customer deposits balance. According to the statistics provided by the Harbin sub-branch of the PBOC, the balance of retail deposits of the Harbin branch of the Company ranked first in the regional market for five consecutive years with a market share of 18.5% as at the end of the Reporting Period.

Retail loans

During the Reporting Period, with a focus on “wholesale”, “scenario-based”, “online” and “big data”, the Bank accelerated the business transformation in respect of its retail credit business. The Bank focused on customer positioning and market expansion, and enhanced product and service upgrade. The Bank implemented the whole-process risk management and established long-term risk monitoring mechanism. The Bank also strengthened the talent training and team culture building, and consolidated the foundation of retail asset account manager team. By enhancing the utilization of fintech, the Bank improved its capability of intelligent and refined management, so as to build a comprehensive retail credit service system. The Bank deepened the application of retail internal assessment results in the whole business process, centering on bringing benefits to small and micro customer groups. The Bank also continued to upgrade the intelligent decision approval mechanism by adopting the differentiated strategy, and promoted the prompt upgrading of rules, which in turn improved the quality and efficiency of the Bank’s retail asset business and its capability to control credit risk.

As at 31 December 2022, the balance of the Bank’s personal loans reached RMB117,360.8 million, representing a decrease of 11.6% year on year and accounting for 41.3% of the Bank’s total loans to customers, of which the balance of loans to small enterprise owners, personal consumption loans and loans to farmers amounted to RMB25,269.1 million, RMB78,132.4 million and RMB13,959.3 million, respectively, and accounted for 21.5%, 66.6% and 11.9% of the Bank’s total personal loans, respectively.

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Bank cards

During the Reporting Period, the bank card business of the Bank developed steadily. In 2022, credit card customers grew steadily. The Bank continuously explored and steadily advanced digital transformation in the stage of “refined customer management and operation”, continuously innovated and optimized credit card products by adhering to the customer-oriented concept. Based on the positioning of different products and the characteristics of customer groups, the Bank launched various marketing activities in a targeted and paced manner in order to achieve precise marketing for customers. Adhering to the cooperation goal of “bring convenience and benefits to customers” and leveraging UnionPay payment technology and marketing scenarios, the Bank vigorously promoted its digital transformation and comprehensively upgraded its financial service ecosystem to create a unified payment experience, thus becoming the first city commercial bank introducing “UnionPay” network payment platform, realizing “payment interconnection”, “scenario co-construction” and “content sharing” with UnionPay, and comprehensively expanding the breadth and width of financial services.

In 2022, the Bank continued to improve its debit card products and services, actively implemented the policy of fee reduction and concessions, opened online card exchange and mailing channels, and upgraded social security services for the public. The Bank also made every effort to promote the issuance and application of the third generation social security card, built an intelligent social security service system, and expanded multi-dimensional card issuance channels, such as lobby, outreach and online channels, to meet the online and diversified card needs of customers. The Bank also provided services for people’s livelihood by setting up an “social-banking integrated service zone” in 14 business outlets and creating a “15-minute service circle”, realizing one-stop services for social security business. During the Reporting Period, the Bank has provided the third generation social security card issuance and replacement services to 547,800 residents in Heilongjiang Province.

As at 31 December 2022, the total number of issued credit cards reached 1,764.1 thousand, representing an increase of 11.2% as compared to the end of last year, of which 177,200 were newly issued during the Reporting Period. The credit card asset balance amounted to RMB16.061 billion, representing a decrease of 0.6% as compared to the end of last year.

As at 31 December 2022, the total number of issued debit cards reached 17.7857 million, of which 229.7 thousand were newly issued during the Reporting Period.

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Wealth management business

The wealth management business of the Company is focused on enhancing the value of customers' family wealth management. By always adhering to improve customer experience, the Bank integrated online and offline channel resources and optimized the network layout to enhance the quality and efficiency of customer services. It made efforts to improve the strategic cooperation structure with leading companies to expand its strategic cooperation continually, while also reshaped its wealth management product system from the perspective of customers' financial investment needs. Focusing on the financial scenarios such as healthcare for the elderly, children, education and issuing for others, the Bank dedicates itself to providing professional, convenient and high-quality wealth management service to customers. Meanwhile, it comprehensively upgrades the retail customer service model, focusing on improving the maintenance capability of high-end customers. It established a private banking specialist team, creates a tiered training system for marketing talents, and built a comprehensive service model of "financial and non-financial". The Bank also explored to establish a social banking ecosystem based on the operation of Enterprise WeChat, launching the "Wealth Studio" platform and integrating online interaction with product sales. That means the transformation and upgrading from one-to-one marketing at offline network to one-to-many services online, which improves the effectiveness of wealth management services for retail customers.

During the Reporting Period, the Company realised total sales of personal wealth management products, such as wealth management, fund and insurance, of RMB60,884 million.

(II) Corporate Finance Business

Since 2022, the Bank's corporate finance business has closely focused on the overall philosophy of "pursuing progress and improvement while ensuring stability" with "returning to the basics, focusing on key areas, optimising the structure and reshaping the foundation" as its main goal. The Bank actively implemented the service philosophy of "being customer-oriented", supported the development of the local real economy, and created a customer comprehensive financial service system with full life cycle, forming an integrated and comprehensive financial service pattern with "quick response to customer needs, service plans with collaborated design, and coordinated advancement of financial services".

During the Reporting Period, the corporate finance business of the Bank recorded a profit before tax amount of RMB134.5 million, accounting for 13.4% of the profit before tax of the Bank; an operating income amount of RMB4,109.0 million, accounting for 31.9% of the operating income of the Bank.

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Corporate customers

By leveraging the Bank's strengths in cross-regional operation layout and outlet resource and closely following the direction of the national strategy, the Bank adhered to customer-orientation and practicably satisfied the financing demand of customers, continuously improved product innovation and comprehensive service capabilities, and actively strengthened the cross-selling service model, realising precision marketing to core customers and comprehensive financial service management. The Bank focused on its local roots and concentrated its financial resources to give priority to supporting the high-quality development of Heilongjiang Province. The Bank continued to deepen its strategic cooperation with provincial and municipal enterprise groups, enhanced cooperation with customer groups and core customer groups in key regions and industries, and actively participated in the development of top 100 enterprises in the province by strengthening support for key industries and major projects in the region. The Bank continuously consolidated, enhanced and expanded its regional advantages and provided key financial support according to the effective measures such as the "Hundred Measures". By increasing credit investment in the New District and the Free Trade Zone, the Bank focused on supporting the construction of infrastructure and the implementation of key industrial projects in the region to provide supporting financial services. At the same time, the Bank focused on technological innovation and other key areas and promoted innovation in financial services, to guarantee its development and construction. The Bank also gave full play to its team service advantages in the province and created a customer service mode of "professional team, dedicated service, special products and professional solutions" to strengthen the bank-government-enterprise communication in the province, proactively expanded desirable customers through diverse forms such as project docking meetings, visits to institutional customers and project on-site visits and further strengthened corporate clients base, striving to support the efficient development of Heilongjiang's economy in all aspects. As at 31 December 2022, the Company had 89 thousand corporate customers.

Corporate deposits

During the Reporting Period, the Bank continued to deepen the construction of accountable marketing system, further consolidated its deposit structure optimization results and proactively carried out green deposit marketing. Insisting on the general principle of "being customer-oriented", the Bank strengthened the refined management of institutional customers, credit customers and non-credit customers to form a marketing service system for the three major customer groups. Meanwhile, it guided branches to target on key customer groups such as regional special industries, leading companies and livelihood enterprises to carry out marketing, further deepening the customer base and broadening the source of deposits through multiple channels. The Bank also strengthened the application and promotion of its key products and systems, and improved system construction around various business scenarios based on key systems such as the treasury management platform to meet customers' customized and personalized payment and settlement demands, so as to further enhance customer partnership loyalty. The Bank also continued to promote joint public-private marketing, increased the expansion of disbursement business in order to build a position system with mutual promotion of public and private and create a new norm of retail synergy development. As at 31 December 2022, the balance of corporate deposits of the Bank amounted to RMB189,057.8 million. The stability of deposits was further enhanced.

According to the statistics provided by the Harbin sub-branch of the PBOC, as at the end of the Reporting Period, the balance of corporate deposits of the Harbin branch of the Company ranked first in the local market.

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Corporate loans

During the Reporting Period, by adhering to the business philosophy of “Inclusive Finance, Harmonious Co-enrichment”, the Bank focused on work plans relating to key industries and major projects in Heilongjiang Province and Harbin City, and formulated hundred measures to support the development of key industries in Heilongjiang Province. The Bank concentrated on increasing expansion for green finance and technology finance, completed its first carbon emission rights pledged loan and strengthened financial support for technology enterprises. The Bank also promoted such tasks in multiple dimensions such as product innovation, system innovation and system construction, so as to actively perform its corporate social responsibilities. The Bank fully supported the manufacturing’s transformation and upgrading in Heilongjiang Province, focused on increasing medium-and long-term loans for manufacturing and explored high-quality enterprises with high added value and core position in the industrial chain. In quick response to the financial needs of real estate enterprises, the Bank signed strategic cooperation agreements with Municipal Housing and Urban-Rural Development Bureau and key real estate enterprises to support the real estate market development in a steady and sound manner within Heilongjiang Province. The Bank increased its support for infrastructure construction projects in line with the requirements of local governments, and strengthened financial support for private enterprises and small and micro enterprises by actively promoting the implementation of a series of policies and measures such as the “Top Hundred Projects (百大項目)” in Heilongjiang Province, key projects in Heilongjiang Province and the list of key industrial projects in Harbin City.

As at 31 December 2022, the total corporate loans of the Bank amounted to RMB161,043.1 million, accounting for 56.6% of the total loans.

Intermediary business

During the Reporting Period, the Bank continued to strengthen its management of intermediary business. In light of market environment, policy guidance and the diverse financial service needs of customers, the Bank actively promoted the construction of corporate payment and settlement product systems and platforms, and constantly improved treasury management platforms and note pool product function in financial scenarios, such as finance, housing construction, bidding, trade and financing, and capital supervision. The Bank strived to build a comprehensive financial service system integrating payment, settlement, corporate property management and value-added service, strengthened technology empowerment, and continuously improved its customer service capabilities.

During the Reporting Period, the finance business services of the Bank recorded a non-interest income amount of RMB175.2 million.

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(III) Financial Market Business

For financial market business qualification, the Company is a Class A settlement member of the national interbank bond market, a member of the underwriting syndicate of financial bonds of China Development Bank, a member of the underwriting syndicates of local government bonds of Heilongjiang Province, Sichuan Province, Liaoning Province, Tianjin municipality and Chongqing municipality, a quoting bank of China Bond Valuation, a member of the SHIBOR quoting syndicate of National Interbank Funding Center, and a member of the underwriting syndicate of debt financing instruments of non-financial enterprises. The Bank has multiple business qualifications including standing lending facilities and derivative transactions.

During the Reporting Period, financial institutions businesses of the Bank recorded an operating income of RMB1,950.6 million, accounting for 15.2% of the operating income of the Bank.

Bond Investments and Transactions

During the Reporting Period, due to the spread of COVID-19 pandemic across the world and the changes in monetary policies of the Central Bank, the interbank bond market was generally volatile throughout the year. Amid the complex environment, the Bank accurately predicted the market trend at different stages, timely took profit from trading bonds, and optimized its bond portfolio simultaneously. The Bank realized bond income of RMB347 million.

In 2022, the Bank's aggregate cash exchange in the interbank market amounted to RMB6.46 trillion. The Bank ranked 22nd among the city commercial banks. The Bank actively participated in innovative trading varieties of the National Interbank Funding Center, such as X-bond, X-lending, X-bargain and ideal underwriting. The Bank received the title of Active Institution for Intended Quotation of Repurchase and X-bargain Best Performance, and ranked among the X-Lending Active Institutions for 7 months throughout the year. In 2022, the Bank's transaction volume of bond lending amounted to RMB122,620 million, ranking 20th among city commercial banks. The brand and influence of the Bank's bond investment and trading have significantly increased.

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Investment banking business

During the Reporting Period, the Bank closely monitored the changes in economic environment and market, and closely followed the national policies and policy guidance and orientation of the regulatory authorities. The Bank put greater efforts in supporting the real economy, and continued to optimize customer and product structure based on the market condition, regulatory policy, the development strategy and annual plan of the Bank. The Bank continuously increased the investment in standardised products, and rationally deployed asset allocation. As at 31 December 2022, the total amount of investment in debt instruments issued by financial institutions amounted to RMB155,899.0 million, the balance of investment in standardised debt assets of exchange amounted to RMB8,318 million and the balance of investment in overseas bonds issued by domestic institutions amounted to USD489 million, thus effectively supported the real economy in achieving healthy development.

Wealth management business

During the Reporting Period, the Company, against the complex market environment, closely followed the regulatory policy guidance to continuously optimize the wealth management products structure and asset allocation in line with the requirements of the management regulations. In terms of assets, the Company, under the idea of establishing the large-scale asset allocation, improved the professionalism of investments in various product categories and strengthened capabilities in active management and investment research, with sustained optimization and upgrading of the asset structure. In terms of products, the Company continued to consolidate established fixed-income, fixed-income enhancement, hybrid and equity product lines and provided multi-maturity and multi-type wealth management products to meet diversified investment demand of customers. Meanwhile, the Company closely monitored the policy guidance of the regulatory authorities on the establishment of wealth management subsidiaries by small and medium-sized banks in order to fully prepare for the license application of wealth management subsidiary.

During the Reporting Period, the Company raised funds of RMB56,258 million in total from wealth management products. As at 31 December 2022, the balance of wealth management products amounted to RMB43,223 million.

During the Reporting Period, in the selection of the net-value bank wealth management products in the first quarter of 2022 issued by CSI Jinniu Financial Research Center, 3 Ruiying(睿赢) net-value products of Dingxianghua(丁香花) wealth management products of the Company were awarded 5-star rating. In the selection of the net-value bank wealth management products in the third quarter of 2022 issued by CSI Jinniu Financial Research Center, Ruiying(睿赢) 3-month 01 of Dingxianghua(丁香花) wealth management products of the Company was awarded 5-star rating. In the star ranking list of bank wealth management products released by Puyi Standard in June 2022, 9 fixed-income open products of the Bank were rated as five-star products.

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(IV) Key Featured Businesses

1. *Microcredit business*

During the Reporting Period, the Company continued to focus on the customers' demand, constantly deepened the service philosophy of "Inclusive Finance" by proactively establishing an all-rounded comprehensive microcredit service system, constantly expanded the business scenarios, enriched microcredit products to improve the inclusive finance service. By centering on the Bank's development strategy, accelerating digital construction, constantly promoting the development and application of cutting-edge technologies and the integration of digital technologies such as big data, cloud computing and AI and traditional financial services, the Company realised the integration of online and offline, improved the customer acquisition capabilities, targeted service capabilities, risk control capabilities and product innovation capabilities, and promoted the smart, efficient and inclusive development of microcredit services. During the Reporting Period, the good microcredit industry environment and incentive regulatory policies continued to benefit the development of microcredit business and the Company's microcredit business capabilities in all aspects have been greatly improved.

As at 31 December 2022, the balance of the Bank's microcredit loans reached RMB178,380.8 million, accounting for 62.7% of the Bank's total loans to customers.

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

	As at 31 December			
	2022		2021	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Loans to small enterprises	61,020.0	34.2%	64,025.6	32.5%
Personal loans	117,360.8	65.8%	132,750.1	67.5%
Total of microcredit loans	178,380.8	100.0%	196,775.7	100.0%

Small and micro enterprise finance business

During the Reporting Period, the Bank was committed to improving the inclusive small and micro enterprises finance service system, continued to focus on customer positioning and channel expansion, strengthened the iteration and upgrading of products and services, thereby further promoting featured products for small and micro financial business. The Bank has significantly developed small and micro financial digital technology applications, actively established a unified and accurate customer portrait, accurately pushed products and services, and effectively improved the efficiency of customer and business process operations. In addition, the Bank has made full use of various policies aiming to relieving the difficulty faced with small and micro enterprises, in a view to precisely assist customer groups from small and micro enterprises, help small and micro enterprises to regain momentum, and promote the ecological balance of inclusive finance. In 2022, inclusive small and micro enterprise loans granted will be RMB18.6 billion, and the number of customers will be 170,000 as at the end of the year. The average price of loans of the year will be 7.52%. The Bank's loans guaranteed by the "stabilizing enterprises and stabilizing jobs" fund ranked fourth among the 17 financial institutions in Heilongjiang Province.

During the Reporting Period, the Company fully studied and judged the regional economic situation and policy orientation to continuously improve its risk identification and management and control capabilities, as well as accelerated the big data application by carrying out comprehensive risk monitoring and investigation in an "on-site + off-site" manner and establishing a long-term risk monitoring mechanism. By strengthening the establishment of internal assessment system, refining early warning characteristic indicators and through the optimized internal assessment system, early warning screening and whole-process internal control layout, the Company continued to improve the active risk management mechanism for small and micro businesses, so as to promote the asset quality of small and microfinance business.

During the Reporting Period, the Bank continued to promote the establishment of retail credit teams, build a retail credit management culture from the aspects of service culture, marketing culture, product culture, risk culture, assessment culture, etc. The Bank continued to carry out a series of training activities to improve team capabilities to comprehensively improve the professional competence of business personnel, and build an elite small and micro financial service team that are "knowledgeable about products, grasping policies, and proficient in operations".

As at 31 December 2022, the balance of the Bank's loans to small enterprises amounted to RMB61,020.0 million. The balance of NPLs for the small enterprises was RMB2,201.6 million and the NPL ratio was 3.61%.

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Consumer finance business

During the Reporting Period, the Bank focused on creating a standardised, digital and professional product service model for consumption credits, and continued to enrich the product system and optimize system construction around “scenarios”, “online” and “big data” to achieve accurate and efficient online operation services, so as to enhance the service capability of diversified resource allocation, and further accelerate the process of digitalisation transformation.

During the Reporting Period, the Company continued to put the operation philosophy of “Inclusive Finance, Harmonious Co-enrichment” into practice, upheld the mission of “making people’s lives better”, shouldered the responsibility of “creating income for shareholders, being responsible for employees, and realizing dreams for customers”, in order to constantly establish an all-rounded comprehensive consumer finance service (product) system, expand the quality business scenarios, and enrich innovative products and services to improve customer experience. Always focusing on strategic planning and accelerating the in-depth integration of digital technologies such as big data, cloud computing and AI and traditional financial services, the Bank realised the integration of online and offline services. Through continuous expansion of service scenarios, as well as the research and development and application of cutting-edge technologies, the Bank improved the customer acquisition capabilities, risk control capabilities, and product operation capabilities of its consumer finance business, thereby broadening consumer financial service scenarios and customer coverage, and improving the inclusiveness of consumer finance services. During the Reporting Period, the Bank significantly improved its core competencies in consumer finance business in terms of digital risk control capabilities, refined operation capabilities, and intelligent management capabilities, further accelerating the process of digitalisation transformation.

As at 31 December 2022, the balance of the Bank’s personal consumption loans amounted to RMB78,132.4 million.

2. *Cross-border financial business*

During the Reporting Period, the Company achieved breakthroughs in various indicators of its cross-border business. The international settlement volume reached RMB54.6 billion, with nearly RMB10.0 billion of assets being invested, and the total balance of on- and off-balance sheet assets reached RMB8.3 billion.

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During the Reporting Period, the Company maintains its strategic focus on developing cross-border financial business with an emphasis on advantages, scale, and value. As a result, a sub-bank-level department, the Sino-Russia and Cross-border Finance Headquarters, has been established. This department consists of five first-level departments: the Foreign Exchange Management Department, the Trade Finance Department, the Financial Institutions Department, the Settlement and Trading Center, and the Digital Trade Center. In combination with the Company's current international business scale, capability, staffing and other actual conditions, the Company has established "one department and two centers" structure, consisting of the Foreign Exchange Management Department, the Settlement and Trading Center and the Digital Trade Center. The Foreign Exchange Management Department temporarily assumes the functions of the Trade Finance Department and the Financial Institutions Department. The Company continues to promote the integration of functions and the accumulation of advantageous resources, and continuously optimize its organizational structure to establish a cross-border financial business system with defined roles, responsibilities, and interests, and to achieve seamless collaboration between the head office and branches.

During the Reporting Period, the Company successfully launched the CIPS standard transceiver, explored the cross-border financial information transmission and thus ensured the timeliness and safety of message interaction in cross-border RMB business. As at 31 December 2022, 33 domestic and foreign banks have entered into CIPS indirect participation cooperation agreements with the Company, and the total amount of business processed by the system has exceeded RMB59.3 billion. At the same time, the Company has been recognized by CIPS institutions and peers for promoting CIPS innovative products – Cross-border Innovative Service Device (CISD), and has been honored with the title of "CISD Promotion Star". In addition, the second generation of RMB Cross-border Receipts and Payments Information Management System (RCPMIS) of the Company was successfully launched, making the Company the first corporate bank in Heilongjiang Province to implement the system. Thereafter, the system may directly and automatically submit the data of cross-border RMB business, which will improve the timeliness, completeness and accuracy of the data, providing systematic support for further expanding the cross-border RMB business.

During the Reporting Period, by adhering to the national, provincial and municipal strategies, the Company deeply involved in the construction of New District and Free Trade Zone and continued to improve the clearing service functions. A branch of the Company in the Heilongjiang Free Trade Zone was successfully established in the Administrative Service Hall in Harbin Area of Free Trade Zone, constantly making breakthroughs in financial innovation in terms of cross-border RMB settlement, financing and foreign investment. At the same time, the Company continuously strengthened the strategic cooperation with key central government-owned enterprises and state-owned enterprises and leading private enterprises. In 2022, the accumulated international settlement volume reached over RMB4.78 billion in Free Trade Zone Harbin Area, leading the other financial institutions in the Free Trade Zone and it also grew into an important financial force in supporting the foundation of Heilongjiang Free Trade Zone.

During the Reporting Period, the cross-border e-commerce financial business of the Company developed stably and it can now support multiple global payment and settlement methods, and the online real-time payment, collection and settlement of more than 60 currencies, including international credit cards such as MASTER and JCB. During the Reporting Period, the volume of transaction settlement increased by RMB303 million, and the aggregate transaction settlement volume reached RMB16.1 billion.

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3. *Agriculture-benefiting finance business*

During the Reporting Period, the Company continuously implemented the comprehensively rural revitalization strategy, facilitated the cultivation of new agricultural operation entities and large-scale land management through improving service model for agriculture-benefiting finance. This approach enabled the Company to continuously generate endogenous power for consolidating the foundation of agriculture and modernizing agricultural development, which effectively contributed to stabilizing and increasing agricultural production, steadily boosting farmers' incomes while promoting rural peace and stability.

During the Reporting Period, the Company's scale of agriculture-benefiting loan business maintained the second in Heilongjiang province, the Company was effectively expanded with loans for spring farming exceeding RMB13 billion, and the growth rate of inclusive agriculture related loans exceeding 10%, which was higher than the growth rate of various loans in the Bank. Based on the position of "Bank for the cultivation of new agricultural subjects", the investment of new agricultural subjects, accounting for 90% of the total, realizing the "three-year consecutive increases", which promoted more than 20% of the large-scale land transfer and operation in Heilongjiang Province. 11,600 new agricultural business entities were invested, achieving 230% of the target for this year. The agriculture-benefiting business customer base is diversified. In addition to the traditional paddy fields, the Bank also supported the "beef and dairy cattle and hog and poultry" (兩牛一豬一禽) raising customer base and 20 types of agricultural customer base with regional advantages, such as agaric, flue-cured tobacco, fresh corn, Chinese herbal medicine and understory economy. The Company has implemented certain innovative initiatives, including the innovate the "Off-Season Pre-credit" enabling farmers to obtain loans for spring cultivation loan without worry; innovate the mode of "new agricultural subject + Pledge of the Right to the Expected Income of Grain" and successfully realize the first business distribution; innovate the "Ten Standardized Services for Farmers" and highlight our exclusive and considerate service advantage; innovate the "Three Double Policies" - "Double Guarantee, Double Stability and Win-Win" to achieve a group of one policy. The Company has signed a long-term cooperation agreement with Beidahuang Information Co., Ltd. in respect of the digital agricultural service project to realize the comprehensive cooperative in contracting for introducing the big data of the Great Northern Wilderness in northeast China, completion of 2022 agricultural subsidy public data collection and uploading. We have developed an innovative land transfer verification platform, and built a comprehensive database for agriculture-benefiting business, and fully upgrade the agricultural loan products online - "Agricultural Flash Loan 4.0". The accumulated investment of "Agricultural Flash Loan" has exceeded RMB2.7 billion, promote farmers to use mobile banking for withdrawal and repayment, accounting for more than 60%. We have built inclusive financial standard culture, integrate retail intelligence, and compile professional learning materials for inclusive financial customer managers of the Bank. The Bank has innovatively established the "prohibitive provisions" and "negative points system", and build the "three 10% (10% problems for customer managers, 10% problems for business, and 10% problems for sub-branch presidents)" management mechanism to promote the healthy development of personnel and business. The Company successfully launched out the first "Top Ten People Who Touched Farmers" award ceremony, with 118,000 network visits and 2.92 million votes, giving play to the leading role of advanced demonstration and incentive, and effectively spreading the Company's culture of benefiting farmers in the society. The activity of the "Fifth China Farmers Harvest Festival and the Fourth Agricultural Integrity Customers Festival" was held exclusively, and has now become a brand activity for the Company to reward honest customers and spread the farmers' culture. In the assessment and evaluation of rural revitalization services served by financial institutions by regulatory authorities such as People's Bank of China, the Company was rated as "excellent" at the highest level for two consecutive years, and was highly praised by the regulatory authorities. Relying on the achievements in the real economy and rural revitalization, the bank won the award of "Annual Inclusive Financial Pioneer Bank" in the 20th China Financial and Economic Outlook.

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As at 31 December 2022, the accumulated loans to farmers granted by the Bank amounted to RMB27,856.6 million, and the balance of the loans to farmers amounted to RMB13,959.3 million, with the scope of service covering the majority of rural markets of 11 cities in Heilongjiang Province and 6 major Agricultural Cultivation Bureaus as well as some rural villages of Chengdu, Chongqing, Shenyang, Tianjin and Dalian which locate outside the province, greatly promoting the economic development of Heilongjiang county areas and the prosperity of rural financial markets, supporting the rural areas to achieve comprehensive revitalization.

(V) Information on Controlling Subsidiaries

1. *Village and township banks*

As at 31 December 2022, the Company had a controlling interest in 32 village and township banks and 48 village and township sub-branches, which were mainly located in the eastern, central and western regions of China. As at 31 December 2022, the total assets of the 32 village and township banks amounted to RMB27,555 million, of which the loan balance amounted to RMB12,601 million, representing a year-on-year increase of 0.06%; and the balance of deposit amounted to RMB22,035 million, representing a year-on-year increase of 3.54%.

2. *HB Leasing*

Since its establishment, HB Leasing has made some achievements in respect of asset scale, accumulated leased amount, business innovation model, etc., and initially maintained leading position in domestic leasing market to farmers. As at 31 December 2022, the total assets of HB Leasing amounted to RMB24,235 million. The accumulated leased amount during the year amounted to RMB10,088 million.

HB Leasing always strives to serve the real industry and the “Agriculture, Rural Areas and Farmers” and remains steadfast in its agricultural strategies. With “strategic focus, returning to the basics, outstanding characteristics and elevating values” as corporate goals and “pragmatic and efficient, innovative development, and inclusive and win-win” as business philosophy, HB Leasing strives to build a first-class domestic financial leasing company with distinct business features, scientific corporate governance, outstanding regional advantages, sophisticated product system, tightened risk prevention and control and leading management technology. By adhering to the characteristic and differentiated development path with a focus on maintaining operation efficiency through management, HB Leasing strives to develop its featured businesses, proactively creates new income source, explores the agriculture and agricultural equipment industries, puts great efforts into developing the agricultural machinery leasing business, and successfully launched its “contactless leasing service model” according to regulatory guidelines. It continues to build and optimise the agricultural machinery leasing and retail business model under the empowerment of science and technology. Through the leasing of special products and business innovation, HB Leasing contributes to rural revitalization and high-quality development of the real economy.

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3. HBCF

HBCF is the 19th licensed consumer financial company approved by the CBIRC and also the first to receive strategic investments from internet giants in China, with the Company as its major founder and a registered capital of RMB1.5 billion as at the end of the Reporting Period.

HBCF adheres to the development philosophy of “Inclusive Finance, Harmonious Co-enrichment”. Capitalising on the extensive experiences in product, customer and technology that the Company has accumulated across over a decade of in-depth operation in microcredit business, and leveraging the Company’s resource advantages in leading financial technology and diverse business scenarios, HBCF gives full play to its advantages such as first-class core team, agile technological research and development, strong ability of risk control on self-development, excellent asset quality and rapid market response, and deeply engages with a focus on consumption scenarios. It mainly targets at customers who are young and ambitious with consumption credit needs, with relatively stable jobs, a certain extent of debt repayment ability and certain growth and development potential in the future, as well as small and micro owners, entrepreneurs of small business and new citizens with certain consumption capacity and profitability, whose short-term consumption credit needs are not related to housing and cars. HBCF is committed to build the company into a domestic leading consumer financial company with sound risk quality, good economic benefits and high market reputation.

As at 31 December 2022, the total assets of HBCF amounted to RMB15,238 million, representing a year-on-year increase of 11.57%; the balance of loans increased by 15.59% year on year to RMB15,073 million; the operating income was RMB1,031 million, representing a year-on-year increase of 7.40%; and the total number of people served exceeded 34 million.

In line with the regulatory guiding opinions and requirements, HBCF builds a compliance culture, strengthens internal control implementation and adheres to the development philosophy of “Inclusive Finance”. With deepening the application of financial data elements as the basis, it aims to support the structural reform on the supply side of finance and focuses on accelerating the digital transformation of financial institutions. By making targeted efforts in improving the science and technology governance system, consolidating the base of digital infrastructure, promoting technological innovation, activating digital business dynamics, strengthening innovative and prudent regulation, practicing digital inclusive finance and other aspects, HBCF accelerates the improvement of modern financial system that is suitable for digital economic development, so as to contribute financial strength for the construction of a new development pattern.

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(VI) Distribution Channels

1. *Physical network*

As at 31 December 2022, the Company had a total of 307 branch outlets, including 17 branches, 288 sub-branches, 1 branch-level financial service centre for small enterprises and 1 headquarter business department. In addition, the Company had controlling interest in 32 village and township banks, 48 village and township sub-branches, 1 consumer finance company and 1 financial leasing company.

2. *Electronic banking*

The Bank has built up an electronic service system combining online means such as mobile phone banking, online banking, WeChat banking, phone banking and offline self-service terminals. E-channels have become the main business channels of the Bank.

(1) *Self-service banking*

The Bank has provided various convenient services to customers through self-service terminals, including deposit and withdrawal, account opening and transfer, account inquiry, passcode changing, wealth management and social security card issuance. While enriching the equipment functions, the Bank made reasonable arrangement and assignment of the use of self-service terminals of customers, and launched elderly-friendly services at the same time, thus enhancing the efficiency of self-service terminals of the Bank as well as customer experience. As at 31 December 2022, the Bank had 1,251 self-service terminals, including 475 BCDMs, 256 ATMs, 248 smart cabinets, 216 non-cash super counters and 56 CRS III for social security cards.

(2) *Online banking*

The Bank continues to expand the functions of online banking. Currently, personal online banking provides customers with account services, transfer and remittance, membership management, loan management, investment and wealth management, credit card, special services and other functions, while corporate online banking provides customers with account management, transfer and remittance, issuing and paying for others, investment and wealth management, electronic commercial drafts, bill pools, treasury management and other functions. As at 31 December 2022, a total of 4,859.3 thousand customers maintained their online banking accounts with the Bank, representing an increase of 9.58% as compared to the same period of last year.

(3) *Phone banking*

The Bank provides 24-hour telephone banking services to customers through the unified national customer service hotline 95537/4006095537, which includes account inquiries, verbal report of card loss, operator inquiry and outgoing calls. In 2022, the telephone banking customer service centre recorded a total of 2.55 million business calls, representing an increase of 3.7% as compared to the same period of last year.

The Bank provides services including credit card consultancy, complaint and advice, card activation, reporting for loss and instalment through the unified national customer service hotline for credit card 4006695537. In 2022, the credit card customer service centre recorded a total of 1.62 million business calls, representing a decrease of 14.7% as compared to the same period of last year.

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(4) *Mobile phone banking*

The Bank continued to expand the functions of mobile phone banking. While providing customers with basic services such as account management, investment and wealth management, transfers and remittance, living payment and credit card etc., the Bank also focused on featured businesses such as microfinance and agriculture-benefiting finance, and provided guidance and constructed relevant scenarios for mobile banking customers. Meanwhile, the Bank launched personalised and customised services for special customer groups such as social security customers and elderly customers. It put people-benefit services into practice and enriched life channel functions in mobile phone banking, achieving the online and offline integration of financial services. As at 31 December 2022, the Bank had 3,618.1 thousand active mobile banking users, representing an increase of 13.12% as compared to the same period of last year.

(5) *WeChat banking*

The Bank continued to upgrade the customer service and marketing capabilities of WeChat banking, and launched a business hall mini program on WeChat platform offering a variety of financial services including wealth management, deposits, loans and insurance. At the same time, it provided diversified value-added daily-life services such as online medical insurance payment, and provident fund inquiry and withdrawal. As at 31 December 2022, WeChat banking had over 4,180.1 thousand followers, representing an increase of 15.34% as compared to the same period of last year.

(VII) Information Technology

In 2022, guided by the Group's strategic policy decisions, the Bank conscientiously implemented various work arrangements determined by the Board of Directors and the Bank's Party Committee. On the basis of adhering to the general keynote of stability and keynote of seeking improvement in stability, the Bank will focus on the annual work objectives, consolidate the foundation, strengthen management, promote services, ensure safety, and make full efforts to promote the construction of financial technology system and key tasks. During the Reporting Period, various key information technology systems operated smoothly. Steady enhancement was achieved in technological management, technological support and technological innovative service capabilities. The information technology regulatory rating has reached 2C, while the level of the development of disaster recovery system ranks among the excellent city commercial banks.

1. *Continuously promoting infrastructure construction and improving support for business continuity*

During the Reporting Period, the Bank continued to improve the disaster-tolerant and fault-tolerant mechanism of "three centres in two regions" in Harbin and Dalian, and fully completed the overall construction of three centres in two regions of Harbin Bank, and application-level disaster backup coverage rate of key information technology systems of the same city reached 100%. Besides, the Bank organized Chongqing Branch and Qiqihar Branch to implement disaster recovery drills at the core application level of remote disaster recovery centers, meeting regulatory authorities' relevant requirements for business continuity of small and medium banks, and achieving relevant regulatory requirements.

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2. *Continuously enhancing IT governance and resource deployment service capability*

During the Reporting Period, guided by the Group's strategic policy, the Bank completed the preparation, release and decomposition of information technology implementation strategy, further clarified the direction and main tasks of information technology construction and development, and guided the development of information technology work. The Bank organized the implementation of the digital transformation of the technology line, formulated the "Digital Transformation Work Plan for the Technology Line of Harbin Bank", and through independent research and development of technology integrated management platform, operation of integrated management and other system construction and application work to create a common technology platform has achieved initial results. The Bank further improved the information technology system, optimized and adjusted the management system, and accelerated the publicity and implementation of the system. At the same time, the rationalisation of the design and audit of technical structure was strengthened to reduce the cost of system construction and maintenance while promoting its efficiency, in which case, providing further technical resources for the development of key business.

3. *Continuously strengthening operational maintenance and business support capability*

During the Reporting Period, various key information technology systems of the Bank continued to operate smoothly, with the availability rate of major business systems of 99.99%. The Bank accepted and resolved over 26,758 operational technology issues. At the same time, the Bank payed attention to customer satisfaction survey and work order return visit management, understood customers' opinions and needs, and improved their satisfaction with technology services. Currently, the number of work orders evaluated is 12,339, and the overall satisfaction rate is 98.41% with relatively high satisfaction in technology services. The establishment of cloud-based office and business processing channels effectively supported the normal operation of the business of the Bank during the pandemic. At present, in order to strengthen the business continuity support capability, the Bank has built up its fault and disaster tolerant system to a practical, standardized and instrumental level, providing the most critical technical support capability for safe production while meeting the regulatory requirements.

4. *Continuously promoting data management*

During the Reporting Period, based on the National Data Security Law and the financial industry regulatory standards, the "Harbin Bank Data Strategic Development Plan (2022-2024)" and the "Harbin Bank Data Governance Overall Work Plan (2022-2024)" were compiled and completed as two outline documents, which pointed out the direction and put forward requirements for the data governance work of the Bank. The Bank promoted the construction of model laboratories, strengthened data analysis and application, and continued to improve the timeliness and accuracy of models. At the same time, the Bank continued to strengthen the construction of data security management and prevention and control systems, revised and released the "Harbin Bank Information Security Strategy", the "Harbin Bank Data Security Management Measures", the "Harbin Bank Production Data Security Management Measures", the "Harbin Bank Data Security Classification Rules" and other relevant documents, and further clarified management ideas and requirements, understood protective measures and procedures, compacted management responsibilities, and provided system guarantees for data security management.

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5. *Continuously empowering the financial services*

During the Reporting Period, the Bank promoted the construction of the digital RMB system, strengthened the construction of digital RMB application scenarios and the application of smart contract technology, solved problems such as the integration of digital RMB into the Bank's product service channels and issues that extended to the financial service ecosystem in specific fields, and improved the accuracy of the digital RMB technology to match the demand side of the Bank and further increased business growth points and income-generating capabilities. At the same time, the Bank promoted the docking of payment channels to Russia and the construction of CIPS standard transceivers to improve the continuity and timeliness of cross-border business. The wealth management distribution and agency sales system was successfully launched, which enriched the Bank's sales of wealth management products and increased the scale of the Bank's income. At present, the Bank's application systems have covered various business lines, among which key application systems such as the RMB cross-border direct participant banks system and intelligent risk control system have been independently researched and developed and put into production. Certain self-developed systems have obtained software copyright certificates issued by the National Copyright Protection Center, effectively supporting the Bank's business development.

6. *Constantly enhancing data security capability*

During the Reporting Period, the Bank continued to promote the construction of information security protection systems, formulated the Bank's overall information security protection systems consisting of multiple protection measures such as network access, equipment authentication, personnel identification, and file encryption, and organized its promotion and implementation. The Bank strengthened the safe and stable operation of the system, and made every effort to ensure the safe and stable operation of the Bank's various production systems through measures such as establishing a technological operation service catalog and strengthening check-in and fault handling. Meanwhile, we increased our efforts to ensure the operation of key business systems, allocated specialized technical personnel, and provided 24-hour support services, effectively ensuring the safe and stable operation of the Bank's important systems. By improving the digital capabilities of outsourcing management, and starting the construction of the outsourcing management module of the project management system, the Bank incorporated contract registration and outsourcing access into the system for management, thereby improving its digital management. The Bank strengthened daily safety protection work, normalized and carried out system-level protection, loophole scanning, code security tests, penetration tests, providing reliable technical guarantee for the risk prevention and data security of information technology of the Bank.

IX. Risk Exposure and Management

Adhering to the core philosophy of "creating value through risk management", the Bank continued to implement its "stable and prudent" risk appetite and continuously promoted the construction of a Enterprise Risk Management system that is commensurate with its development strategy, organisational structure, business scale and risk characteristics. The Bank continued to improve its risk management system and process covering credit risk, market risk, liquidity risk and operational risk and refine its risk identification, measurement, monitoring and control mechanisms covering all assets, standards, processes and institutions, effectively strengthened its internal control mechanisms of pre-prevention, in-process control, post-event monitoring and correction, and proactively prevented and addressed various risks, so as to lay a solid foundation for the Bank's operation and steady development.

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(I) Credit Risk

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

During the Reporting Period, the Bank adhered to the principle of stability and seeking improvement in stability, closely focused on the work goal of “Enhancing Development Quality”, with the general idea of “risk management driving business development and escorting business development”, and closely focused on the “two main lines” of increasing revenue and efficiency and asset quality. We will continue to promote the implementation of the “stability on six fronts and advancements in the six areas” tasks and the “ensuring security in the six areas” operational requirements. At the same time, we will make every effort to promote risk resolution, broaden the channels of collection and disposal, manage potential risk assets, and gradually solve historical problems in the course of steady development.

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Optimize various policies and systems and enhance their programmatic status. The Bank closely monitored the macroeconomic situation and kept abreast of the changes of market environment and regulatory policies to improve its credit risk systems and policies. With the national strategies and cutting-edge technology in high-tech industry development as its guidance, the Bank actively contributed to the sectors of “new infrastructure and new urbanization initiatives and major projects”, green finance as well as agriculture, rural areas, and farmers, increased policy guidance and financial assistance for the real economy especially small and micro enterprises, technological innovation, and green development, and implemented the strategic plan for inclusive finance and green finance. Besides, the Bank exercised strict control over risks in key areas such as local government financing business, real estate industry and high pollution, high energy consumption and overcapacity industries, with a view to continuously improving the management of limits and risk monitoring in key areas. The Bank continued to enhance the programmatic status of risk policies, while optimizing management and control flexibility against the difficulties in actual business operations, and gradually promoted a risk management culture of “following the rules and regulations” throughout the Bank. **Return to the basis of business and strengthen the basic management of risks.** Based on the requirement of local economic development and the guidance of regulatory policies, the Bank re-examined and optimized its structural layout of assets and liabilities business to return to the basic and local business while focusing on the main responsibility and business. With the mission of “taking root in black soil and gathering momentum for the economic development of Heilongjiang”, the Bank improved the quality and efficiency of financial services for the local economy and the real economy. The Bank continued to deepen the strategic cooperation between its local branches and state-owned and private enterprises groups, and actively participated in the construction of various key industries and major projects. It also continued to refine its internal evaluation systems and improve credit risk rating model to enhance the accuracy and forward looking of risk trend judgments. Moreover, the Bank continued to improve the standardised, normalised and refined management of the collateral risk valuation system, and actively strengthen risk control over weak links in the entire process of collateral management, thereby effectively reducing hidden dangers and losses of credit risk. **Optimize credit approval mechanism and enhance the credit risk control capabilities.** The Bank continued to improve active credit management, and gave full play to the role of examination and approval in risk disclosure and risk control. The analysis of credit assets structure and quality is carried out regularly to optimize the structure of credit transactions with clients. As for existing large-amount customers and customers in key areas, the Bank conducted individual investigation. As for customers with risk signals and low-quality and low-efficiency financing, the Bank optimized the credit package and reduced risk exposure by proactively reducing credit quota, strengthening mitigation measures, and accelerating repayment in line with the principle of “no expansion of physical risks”, in a bid to prevent the decline in the quality of existing credit assets. The Bank continued to promote the application of financial technology in the aspects of examination and approval, made full use of the external sources such as big data, credit information and corporate credit enquiry platforms, conducted comprehensive cross-validation from all aspects, so as to fully reveal the risk of business, improve the scientization of examination and approval, and properly prevent credit risks. **Increase the efforts to dispose of non-performing assets, identify all underlying risks.** The Bank continued to increase its efforts to collect and dispose of non-performing assets, and specially established the debt management department to identify all underlying risks, coordinate and strengthen the collection, disposal, management and operation of non-performing assets, and scientifically formulate collection and disposal plans. The Bank also earnestly fulfilled its responsibilities, implemented the guarantee and responsibility system of bank leaders for key projects, and followed the principles of marketization and rule of law. It solidly promoted the collection and disposal of non-performing assets by strengthening the collection and disposal measures, enhancing assessment mechanisms, intensifying the collection and disposal efforts, and innovating methods of collection and disposal.

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(II) Liquidity Risk

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

The Bank attached great importance to liquidity risk management. The Bank has established a relatively complete liquidity risk management system, and continues to optimize the liquidity risk management framework and management strategies in accordance with the changes in regulatory requirements and actual operating. It fully identified, accurately measured, continuously monitored and effectively controlled liquidity risk, and comprehensively applied overall management of liquidity risk, such as daytime liquidity risk management, mid-and-long term cash flow analysis, qualified high-quality current assets management, liquidity emergency management, liability quality management and other means to control the safety of its liquidity risk. At corporation and group level, the Bank implemented liquidity risk stress testing. Taking into account various factors that may cause adverse impact on the Bank's liquidity status, such as the macroeconomic situation, the changes of policy and emergencies, the Bank estimated the changes in its liquidity risk status in the assumed stress scenarios and found the hidden liquidity risk. The Bank adopted targeted measures, improved methods of liquidity risk management, scientifically implemented asset and liability management, strengthened forward-looking forecasts and increased qualified high-quality current asset reserves in a timely manner. In addition, the Group regularly counts and monitors the scale and structure of qualified high-quality current assets in bonds, and information on bonds that are readily realizable and can be used for collateralized repurchase financing. Therefore, in the normal operating environment or under stress, the Bank can have sufficient daytime liquidity positions and financing arrangements to meet the needs of asset allocation and liability repayment at maturity in a timely manner. Analysis of the maturity date of the financial assets and financial liabilities of the Group is set out below:

As at 31 December 2022	Overdue	Repayable on demand	Within 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Indefinite	Total
(RMB million)									
Total financial assets	63,698.9	77,256.1	28,573.8	17,114.5	132,317.0	196,045.4	119,900.6	58,544.8	693,451.1
Total financial liabilities	-	142,981.4	55,896.6	71,594.3	181,589.7	195,578.2	275.4	-	647,915.6
Net liquidity	63,698.9	(65,725.3)	(27,322.8)	(54,479.8)	(49,272.7)	467.2	119,625.2	58,544.8	45,535.5

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As at 31 December 2022, the liquidity coverage ratio of the Bank was 234.02%, which was in compliance with the liquidity coverage ratio of commercial banks required by the Measures for the Liquidity Risk Management of Commercial Banks (Order No. 3 [2018] of the CBIRC).

Item	As at 31 December 2022	As at 30 September 2022	As at 30 June 2022
	(In RMB100 million, except percentages)		
Liquidity coverage ratio (%)	234.02%	148.65%	202.65%
Qualified high-quality current assets	1,279.98	1,077.12	1,045.93
Net cash outflow in the next 30 days	546.95	724.59	516.12

(III) Market Risk

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

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Interest rate risk refers to the risk of loss on the Bank's on-and off-balance sheet businesses as a result of adverse changes in interest rates. As to the trading account interest rate risk, the Bank generally adopts a relatively prudent investment strategy and the investment of trading account is mostly in RMB interest rate bonds. During the Reporting Period, the Bank continued to diversify its measurement methods of market risks by conducting stress testing, sensitivity analysis, duration analysis and PVBP analysis to measure market risks according to the actual conditions. The Bank continually improved the market risk quota system, optimised the setting up of market risk quota system, and improved risk management level, so as to ensure that its overall interest rate risk level is within the acceptable scope. As to the bank book interest rate risk, during the Reporting Period, the Bank continued to improve the construction of the bank book interest rate risk management system, fully utilized measurement methods of risks and increased judgment on the trends of market interest rate. The Bank measured the changes in net interest income and economic value under the various types of interest rate shock scenarios through reasonable use of gap analysis, scenario simulation, stress testing and other methods, thereby reasonably measuring the Bank's book interest rate risk.

The following table sets out the results of the Bank's gap analysis as at 31 December 2022, based on (i) the next expected re-pricing dates and (ii) the final maturity dates for its financial assets and financial liabilities (whichever the earlier).

As at 31 December 2022	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
						(RMB million)
Total financial assets	131,133.3	128,294.2	194,545.7	119,256.6	120,221.3	693,451.1
Total financial liabilities	260,775.8	179,439.9	193,531.2	132.0	14,036.7	647,915.6
Interest rate sensitivity gap	(129,642.5)	(51,145.7)	1,014.5	119,124.6	N/A	N/A

Exchange rate risk refers to the risk of loss in the Bank's on-and off-balance sheet businesses as a result of adverse changes in exchange rates. The Bank's exchange rate risk exists mainly in its foreign currency related trading and non-trading businesses, including foreign currency loans, foreign currency deposits, proprietary foreign exchange trading and foreign exchange settlement and sale on behalf of customers. The Bank averts exchange rate risk primarily by measures such as limit management foreign exchange derivative financial instruments. During the Reporting Period, the Bank continuously optimised the foreign exchange limit management system, set transaction limits, stop-loss limits and exposure limits to conduct foreign exchange risk management on foreign exchange transactions. The Bank used foreign exchange exposure analysis and other measurement methods and conducted market risk stress tests on a regular basis to reasonably measure exchange rate risk levels, continued to optimise the structure of monetary assets, effectively maintained the risk-benefit balance of the overall foreign exchange assets, and improved the effectiveness and pertinence of exchange rate risk management.

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The following table sets out the Bank's financial assets and liabilities by currency as at 31 December 2022.

As at 31 December 2022	RMB	USD equivalent to RMB	HKD equivalent to RMB	RUB equivalent to RMB	Other currencies equivalent to RMB	Total (RMB equivalent)
						(RMB million)
Total financial assets	688,036.1	5,099.6	15.9	68.3	231.2	693,451.1
Total financial liabilities	646,444.3	1,189.9	37.4	29.5	214.5	647,915.6
Net position of financial assets and liabilities	41,591.8	3,909.7	(21.5)	38.8	16.7	45,535.5
Credit commitments	44,922.2	594.3	-	-	0.5	45,517.0

(IV) Operational Risk

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

During the Reporting Period, the Bank continued to enhance its operational risk management system, including the governance structure, policies, and systems, management tools, and measurement methods, thereby further promoting the practical application of the three instruments of operation risks and effectively preventing the occurrence of operational risk events in high-risk areas. As for risk and control self-assessment (RCSA), the Bank constantly streamlined its existing processes and conducts self-assessment on key processes for further improving the management of operational risks for new products and businesses. As for key risk indicators (KRI), the Bank re-assessed its annual KRIs based on its operational risk management position and proactively promoted the timely presentation of KRIs at both bank and process levels and the timely rectification of overdue conditions to further enhance the effectiveness of operational risk management. As for loss data collection (LDC), the Bank actively engaged in training on loss data collection methods, enhanced loss data collection efforts and extended the scope of loss data collection for further improving the quality and effectiveness of operational risk management. Also, the Bank has enhanced training on operational risk, raised staff awareness of operational risk management, and strengthened the complementarity of the three major tools of operational risk management to improve the overall operational risk control capability.

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(V) Information Technology Risk

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

During the Reporting Period, the Bank constantly improved its information technology risk management system and optimized an information technology governance organization structure with "reasonable division of labour, clear responsibilities, mutual checks and balances, and clear reporting relationships". Moreover, the responsibilities of information technology risk management have been fulfilled at different levels to prevent the information technology risk, thereby further enhancing the Bank's information technology risk management, prevention and control capabilities. During major festive periods, the Bank coordinated the deployment of network security to ensure the smooth and stable operation of its system. By constantly strengthening the construction of the Bank's fault recovery plan for critical information systems, as well as conducting emergency combat drills in relation to important business and information systems in an orderly manner as planned, ensuring that the Bank shall continue to operate on an ongoing basis through local and nonlocal fault recovery drills. By building a high-quality technical team, we have improved the independent development and maintenance capability of our systems and realised the information technology project construction mode of "primarily independent research and development, supplemented by outsourcing" as well as an independent and controllable operation and maintenance management mode. Meanwhile, in addition to the continuous quantified project service evaluation on the outsourcers' project service quality, the Bank constantly monitored the service quality and capabilities of the outsourcers, and conducted testing of service support capabilities of the outsourcers in actual emergency drills so as to improve the Bank's outsource risk management ability.

(VI) Compliance Risk Management

During the Reporting Period, the Company was committed to preventing and resolving financial risks with focusing on supervision, facilitating rectification, strengthening governance and promoting continuous improvement, with an aim to promote the compliance risk management of the Company to operate in the same track and direction as the steady development of the financial industry. First, the Company continuously establishes a system with a scientifically designed, stringent and clear structure and comprehensively applies the review mechanism, filing mechanism, abolition mechanism and evaluation mechanism of the system to standardize system management. Through the preparation and publication of the "System Handbook" and "Innovation with New Regulations"(規新思變), we have strengthen the internalization of external regulations and help compliant business development. Second, the Company continuously establishes a legal risk prevention and control system with clear responsibilities and mutual checks and balances. We have properly implemented a chain of control processes, such as pre-access, pre-audit, in-process follow-up, post-evaluation and full support. In addition, we have also conducted the intensive integration of legal advisers and established a pool of partner law firms to refine the legal risk control network. Third, the Company continuously optimised its internal control management structure, improved the "Comprehensive Task System for Rectification and Implementation", coordinated the management of rectification of internal and external risk issues, and continuously enhanced its rectification and governance capabilities. The Company also managed the compliance inspection plan at all levels throughout the Bank, effectively implemented the compliance inspection and investigation and compliance monitoring mechanisms, and thoroughly identified problems and resolved key business risks. Fourth, the Company has actively built an accountability mechanism with an integration of punishment and linkage and cooperation, a due diligence exemption mechanism, and continuously improved the compliance performance assessment indicator system, to further strengthen the independence of internal control and compliance performance and risk prevention and control awareness of each unit. Fifth, the

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Company has adopted the basic principle of focusing on a sound and consistently effective mechanism with short-term key punishment, launched in-depth investigation and disposal of case risks, promoted the conclusion of a special activity of concentrated case clearance, accelerated the disposal of the stock of cases, and comprehensively enclosed the risks of cases. Sixth, the Company has established an anti-money laundering system with clear organisational structure, sound internal control mechanism, clear work standards and a sound technological system, fully exert monitoring efficiency of the anti-money laundering related systems. The system enables the standardisation of customer identification, suspicious transaction monitoring and analysis, and continuously improves the intelligence of money laundering risk prevention and control network.

(VII) Anti-money Laundering (AML) Management

During the Reporting Period, the Company always adhered to the “risk-based” management philosophy in terms of anti-money laundering management and was guided strictly by various laws, regulations and regulatory requirements, and implemented various anti-money laundering risk management initiatives to help create compliance benefits and protect the steady development of its businesses. First, the Company consolidated its management foundation and strengthened its internal control and governance system. The Bank objectively assessed risk trends in line with the spirit of regulation, formulated anti-money laundering risk management policies and incorporated money laundering risk into the comprehensive risk management system to ensure that anti-money laundering management is directed, focused and effective. Second, the Company strengthened its internal drive to enhance its internal risk prevention and control capabilities. The Company also conducted timely compliance risk alerts in response to the external environment and regulatory situation, conducted risk assessments on new product money laundering, and strictly controlled product access, as well as issued quarterly reports in conjunction with the performance of each unit to stimulate motivation to perform its duties. Third, technology empowered efficiency and improved monitoring and analysis system construction. The Company has established a monitoring system with the anti-money laundering system as the mainstay and the Group’s unified blacklist system as the safeguard, vigorously promoted the improvement of basic information on customer identity, continued to improve the whole process of prevention and control of money laundering risks with closed-loop management of prevention, in process monitoring and post supervision, and practically optimised the effectiveness of the system. Fourth, the Company strengthened publicity and training to enhance its ability to prevent money laundering risks. We launched a multi-channel and multi-form anti-money laundering publicity and training for the public and internally to strengthen our team and effectively practiced corporate social responsibilities.

X. Key Relationships with Persons with Significant Impact

The Bank attached great importance to occupational health and security for the employees, and increasingly improved the staff occupational and security management system by establishing the Ha Run e-Generation Club. The career paths for the staff were broadened with the formulation of advanced training programmes for employees to fully upgrade their professional knowledge and occupational skills. The Bank improved the incentive and restrictive mechanism, enhanced the staff performance assessment, and implemented diversified remuneration policies and benefits. It also cared about the working environment and physical and mental health of the staff, safeguarded the legitimate rights and interests of the staff, and improved staff satisfaction and happiness, thus further laying the foundation of common growth of the staff and the Company. For details of the staff conditions of the Bank, please refer to the section headed “Basic Information on Directors, Supervisors, Senior Management, Employees and Organisations”-“Employees” in this report.

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During the Reporting Period, as usual, the Company paid high attention to several kinds of interest of investors and strove to create practicable returns for its investors. The Company continued to enhance its communication with investors mainly through the following means: (1) In 2022, there were more than 100 news reports on the Bank in respect of investor relations published on Xinhuanet, People's Daily Online, ifeng.com, CAIJING.com.cn, Sina Finance, Gelonghui, Bloomberg, Wind and other mainstream media at home and abroad, which effectively promoted the image of the Bank and further enhanced its market attention and influence; (2) The Bank timely responded to the questions and recommendations provided by investors through various channels, including answering over 100 calls from investors, replying numerous e-mail enquiries from investors and analysts, and handling matters in relation to appointments of meetings with the Bank for investors.

The Bank adheres to its customer-oriented approach to establish a system for financial customers' rights and interests protection. During the Reporting Period, the Measures for Administration of Financial Consumers' Rights and Interests of Harbin Bank, the Measures for Protection of Financial Information of Harbin Bank Consumers and Emergency Plan for Protecting Personal Financial Information of Harbin Bank were revised, and the Measures for Reviewing of Protection of Financial Consumers' Rights and Interests of Harbin Bank was formulated, and the Bank further improved closed-loop management measure for the rights and interests protection of financial customers, implemented customers' rights and interests protection management with full life cycle in product design and service links, and continuously improved the level and effectiveness of customers' rights and interests protection from preventing and responding to personal financial Information leakage, standardizing the publicity and disclosure of financial products and service information, and clarifying the content of the review. The Bank, pays attention to communication with customers and timely gives feedbacks of customers' questions, through its national customer service hotline 95537, provides 24-hour telephone banking services, and, through its credit card customer service hotline 400-66-95537, provides services including service enquiries, complaint and advice, reporting for loss and repayments by instalments. During the Reporting Period, the customer service centre of the Bank handled a total of 2.46 million transactions, and its credit card centre handled a total of 1.62 million transactions. Better communication with customers provided a solid customer base for the Bank.

XI. Corporate Social Responsibilities

In 2022, The Bank deeply studied, promoted and adhered to the spirit of the 20th National Congress of the Communist Party of China, the Bank anchored the national and provincial 14th Five-Year strategic planning objectives, insisted on concentrating on and fully exploring local resources and helped build up Heilongjiang Province from "six aspects" and Harbin city develop in "seven major cities". During the Reporting Period, The Bank continued to improve its "Environmental, Social and Governance" (ESG) capabilities, and enhanced the participation of the board of directors in ESG matters by strengthening training sessions on specific topics of ESG. The Bank actively participated in the prevention and control of the COVID-19 pandemic to minimize the impact of the changing pandemic on people's lives, especially access to financial services. The Bank focused on providing more convenient and effective diversified and multi-level financial services for special groups and groups with specific needs, and continued to explore the best mode of participation to help rural revitalization, communities investment, supporting education, developing green finance, and volunteering and relevant social responsibilities. With the integration of the brand philosophy of "trust, warmth, connection and commitment" into the daily social life. In 2022, total expenditure on social charitable business of the Bank amounted to RMB5.9140 million, and the green credit balance was RMB3,089 million.

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Actively responding to the implementation of the national goal of “Double Carbon”, the Bank vigorously promoted product innovation, and developed green finance business. During the Reporting Period, the Bank innovated and developed and researched the “pledged loans of carbon emission rights” product. As the first domestic credit fund matching investment based on the future carbon emission quota reserves before the settlement of enterprises, it is a key project of the Bank’s green financial products innovation. It is of great significance to give full play to the role of carbon emission rights trading in the connection between financial capital and real economy, further revitalize the carbon assets of high-energy-consuming enterprises, improve the efficiency of carbon asset management, and optimize and upgrade the management links of energy conservation and emission reduction.

The Bank strived to promote the development of social insurance, and has successively undertaken a number of livelihood services such as pension payment for retired residents, minimum living security benefit, and medical insurance collection and deduction with a total amount of more than 8.5 million social security cards. As one of the first batch of partner banks in Heilongjiang Province to provide the third-generation social security card service, the Bank has set up 118 social security service outlets in Heilongjiang Province, covering 11 cities, 52 districts and counties in the province, and provided services such as issuance and replacement of the third-generation social security cards to 547,800 residents in Heilongjiang Province. At the same time, the third-generation social security cards “online application, offline card collection” function was launched, and the online information collection and motion line self-service card collection mode in the lower hall was implemented. By expanding the coverage of service outlets, extending the reach of social insurance services, the Bank provided door-to-door card issuance services for special customer groups, and implemented social insurance services “zero distance”. During the Reporting Period, the “Social insurance + Bank” service platform built by the Bank and the Harbin Social Security Center was upgraded again, and 9 social insurance businesses including “Personnel Account Inquiry (Printing)”, “Retirement Benefit Receiving Qualification Certification” in Harbin city went to non-major markets to 14 business outlets of the Harbin Branch, and “social insurance services” was established to facilitate citizens to apply nearby. The Bank enabled citizens to enjoy high-quality, efficient and convenient financial services by opening the online WeChat payment zone for medical insurance, enriching the payment channels of insured persons, continuously contributing to the digital transformation of government services.

In 2022, the Bank continued to cooperate with the United Charity Foundation and provide venues and volunteer services in various activities such as financial knowledge popularization, environmental protection education, and exchanges among community residents in the “Happy Community” development programme they jointly initiated. During the Reporting Period, 56 “Happy Community” charity projects were carried out with 50 social organizations in seven cities, including Tianjin, Chongqing, Dalian, Shenyang, Chengdu, Harbin and Shenzhen. During the period, a total of 921 activities of various types were carried out online and offline, covering 129 residential communities and benefiting over 60,000 people. Nearly 3,500 social volunteers and more than 1,300 Bank’s employees participated. During the Reporting Period, the Bank made donations to the Harbin Institute of Technology Education Foundation of Development for the thirteenth consecutive year to finance its development and construction and continued to implement the “Harbin Bank Lilac Blossom, Dream Achievement Hope Project”, to finance the poverty-stricken students and launched “Left-behind Children’s Home” Heilongjiang Youth Development Foundation. The Bank’s poverty alleviation team continued to work in the village, and the fixed-point assistance work of branches in many regions has also been carried out simultaneously, further consolidating and expanding its achievements in poverty alleviation and effectively preventing the phenomenon of returning to poverty. In addition, the Bank participated in the promotion of the “Chengdu Marathon” event for the fifth consecutive year, and for the first time, an official supplier was promoted to an official sponsor, and the second “Chengma” co-branded credit card was launched to promote the cross-border integration of financial services and marathon.

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XII. Dividend

(I) Dividend

As approved at the meeting of the Board held on 30 March 2023, no final cash dividend for the year of 2022 would be distributed to all shareholders. Such dividend distribution plan is subject to the approval of the 2022 annual general meeting.

Independent non-executive Directors of the Company have also expressed their independent views on the profit distribution plan.

(II) Dividend Tax

Withholding and Payment of Corporate Income Tax for Overseas Non-Resident Enterprise Shareholders

Pursuant to the applicable provisions and the implementing regulations of the Enterprise Income Tax Law of the PRC, the Company shall withhold the enterprise income tax at the rate of 10% for non-resident enterprises holders of H Shares (including the H Shares registered in the name of HKSCC Nominees Limited) when distributing the final dividend.

Withholding and Payment of Individual Income Tax for Overseas Individual Shareholders

Pursuant to the Circular on Collection of Individual Income Tax after Repeal of the Documents Guoshuifa [1993] No. 045 promulgated by State Administration of Taxation, dividends and/or bonus shares received by overseas resident individual shareholders from domestic non-foreign invested enterprises which have issued shares in Hong Kong are generally subject to individual income tax at the tax rate of 10%. However, the individual income rate in respect of each overseas resident individual shareholder may vary due to the provisions in the tax agreements between the countries in which he/she is a resident and China. If shareholders of H Shares have any queries on the above arrangements, they should seek advice from their tax advisors on the tax impact in the PRC, Hong Kong and other country(ies) or region(s) in relation to the holding and disposing of H Shares.

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XIII. Other matters

(I) Share Capital and Substantial Shareholders

Please refer to “Changes in Share Capital and Information on Shareholders” for the detailed information relating to the share capital and substantial shareholders of the Company.

(II) Use of Proceeds

Please refer to “Important Events” – “Issuance of Debt Securities” for the detailed information relating to the use of proceeds of the Company.

(III) Reserves

For the year ended 31 December 2022, details of the changes in reserves of the Bank are set out in the Consolidated Statement of Changes in Equity.

(IV) Distributable Reserves

As at 31 December 2022, the distributable reserve of the Company and its subsidiaries under the China Accounting Standards for Business Enterprises was RMB18,971 million and the distributable reserve of the Company was RMB17,735 million.

(V) Debentures

Please refer to “Important Events” – “Issuance of Debt Securities – Bond Issuance during the Reporting Period” for the detailed information relating to the debentures of the Company during the Reporting Period.

(VI) Purchase, Sale or Redemption of Listed Securities of the Company

Save as disclosed in the section headed “Important Events” – “Issuance of Debt Securities” in this report, the Company or any of its subsidiaries did not purchase, sell or redeem any listed securities of the Company from 1 January 2022 to the date of this report.

(VII) Pre-emptive Rights

The Company does not have provisions in respect of pre-emptive rights in the Articles of Association of the Company and under the PRC laws.

(VIII) Public Float

As at the date of this report, the total issued shares of the Company are 10,995,599,553 shares, among which, the H Shares held by the public amount to 3,023,570,000 shares based on publicly available information, representing 27.50% of the total issued shares of the Company, thus the Company is in compliance with the public float requirement of the Hong Kong Listing Rules.

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(IX) Management Contracts

There were no management or administration contracts for all or any key businesses of the Bank during the Reporting Period.

(X) Major Customers

As at the end of the Reporting Period, the balance of the Bank's loans to any single borrower did not exceed 10% of the Bank's net capital. The interest income from the five largest customers of the Bank did not exceed 30% of total interest income. The Directors of the Bank and their close associates and shareholders holding more than 5% of the issued shares of the Bank did not have any interest in these five largest customers.

(XI) Donations

The Bank made charitable and other donations in an aggregate sum of approximately RMB5,914,000 for the year ended 31 December 2022.

(XII) Connected Transactions

During the Reporting Period, in the ordinary and usual course of business, the Bank provided commercial banking services and products to the public in China, which included certain connected persons of the Bank such as substantial shareholders, Directors, Supervisors, the President and/or their respective associates. Pursuant to the Hong Kong Listing Rules, as these transactions were entered into on normal commercial terms in the ordinary and usual course of business of the Bank, such transactions were exempt from reporting, annual review, disclosure and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. During the Reporting Period, there were no non-exempt connected/continuing connected transactions between the Bank and its connected persons.

Save as disclosed above, there is no related party transaction or continuing related party transaction set out in Note 49 to the Consolidated Financial Statements of this report that constitutes the connected transaction or continuing connected transaction that should be disclosed under the Hong Kong Listing Rules.

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(XIII) Connected Transactions as Defined by the CBIRC

During the Reporting Period, the Bank identified related parties and related party transactions in accordance with the management requirements of the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions (the “Measures”) which was announced by the Order No.1 [2022] of the CBIRC and came into effect on 1 March 2022.

Significant related party transactions

(I) Significant related party transactions between major shareholders and related companies

1. Harbin Economic Development and Investment Company

Harbin Economic Development, a state-owned enterprise, holds 29.63% Shares of the Company and is a substantial shareholder of the Company. Harbin Economic Development was established on 22 August 1992 with a registered capital of RMB2.3 billion and Mr. Ren Yi (任毅) being the legal representative. It is domiciled in Harbin and mainly engaged in financial investments in fixed-assets of municipally-owned enterprises and others and receipt of dividends in return. Harbin Economic Development is a wholly-owned subsidiary of Harbin Investment Group Corporation Limited (哈爾濱投資集團有限責任公司) (the “Harbin Investment Group”). Harbin Economic Development and its shareholder Harbin Investment Group (including the related parties of Harbin Investment Group) are included in the management of related parties of the Company in accordance with relevant provisions of the Administrative Measures for Related Party Transactions of Harbin Bank Co., Ltd. (《哈爾濱銀行股份有限公司關聯交易管理辦法》).

Harbin Investment Group was established on 28 October 2003 with a registered capital of RMB5 billion. Its legal representative is Zhao Hongbo (趙洪波), and its shareholders are Harbin Municipal People’s Government State-owned Assets Supervision and Administration Commission with a contribution of RMB4.5 billion and shareholding of 90%, and Heilongjiang Provincial People’s Government State-owned Assets Supervision and Administration Commission with a contribution of RMB0.5 billion and shareholding of 10%. It is mainly engaged in urban public service business related to people’s livelihood, including three segments, i.e. urban heating, securities and electronic manufacturing services. The headquarters is located at No.172, Hanshui Road, Nangang District, Harbin.

The Company’s material related party transactions with Harbin Investment Group: as at the end of December 2022, Harbin Investment Group and its related parties had credit facilities and guarantee facilities with the Company amounting to RMB7,454 million, with a business balance of RMB4,819 million (details of the new business set out in Table 1), accounting for 8.03% of the Company’s unaudited net capital as at the end of the fourth quarter of 2022. In 2022, the non-current deposits held by Harbin Investment Group and its related parties with the Company was RMB193 million in total.

Pricing Policy: the related party transactions between the Company and Harbin Investment Group were regular transactions of the Company conducted in the ordinary and usual course of business, which followed the principle of market-oriented pricing, were conducted on terms that are not superior to those for similar transactions with non-related parties, met the principle of fairness required by the management of related party transactions, did not affect the independence of the Company, and would not have an adverse impact on the going concern, profitability and asset position of the Company.

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The major related party transactions between the Bank and Harbin Investment Group were considered and approved by the Risk Management and Related Transactions Control Committee and the Board of Directors, and **the independent Directors expressed their opinions** as follows: the business was the regular business of Harbin Bank conducted in the ordinary and usual course of business, which followed the principle of market-oriented pricing, was conducted on terms that are not superior to those for similar transactions with non-related parties, met the principle of fairness required by the management of related party transactions, did not affect the independence of Harbin Bank, would not have an adverse impact on the going concern, profitability and asset condition of Harbin Bank, and did not harm the legitimate rights and interests of small and medium-sized investors. The voting procedure of the resolutions on major related party transactions was legal and in compliance with the relevant laws, regulations and Articles of Association.

Table 1: Breakdown of Related Party Transactions for 2022

Unit: RMB'0,000

Name	Credit Balance	Type of business	Term	Method of guarantee
Harbin Investment Group Corporation Limited (哈爾濱投資集團有限責任公司)	16,800	Bond investment (medium term note)	3 years (2022.4.8-2025.4.8)	(Standardized bond products)
Harbin Investment Group Corporation Limited (哈爾濱投資集團有限責任公司)	21,000	Bond investment (medium term note)	3 years (2022.4.8-2025.4.8)	(Standardized bond products)
Harbin Investment Group Corporation Limited (哈爾濱投資集團有限責任公司)	26,000	Bond investment (medium term note)	3 years (2022.6.28-2025.6.28)	(Standardized bond products)
Harbin Investment Group Corporation Limited (哈爾濱投資集團有限責任公司)	22,000	Bond investment (medium term note)	3 years (2022.6.28-2025.6.28)	(Standardized bond products)
Harbin Investment Group Corporation Limited (哈爾濱投資集團有限責任公司)	31,500	Working capital loans	2 years (2022.11.24-2024.11.23)	Guarantee
Heilongjiang Suibao Thermolectric Co., Ltd. (黑龍江歲寶熱電有限公司)	5,000	Working capital loans	1 year (2022.4.26-2023.04.25)	Guarantee
Heilongjiang Suibao Thermolectric Co., Ltd. (黑龍江歲寶熱電有限公司)	7,500	Working capital loans	3 years (2022.7.26-2025.07.25)	Guarantee
Jianghai Securities Co., Ltd.	3,000	Securities corporate bonds	3 years (2022.9.16-2025.9.16)	(Standardized bond products)
Harbin Junxin Financing Guarantee Co., Ltd. (哈爾濱均信融資擔保股份有限公司)	510	Guarantee business	1 year (2022.7.21-2023.7.21)	Guarantee business

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2. Harbin Heli Investment Holdings Co., Ltd. (哈爾濱合力投資控股有限公司)

Harbin Heli Investment Holdings Co., Ltd. (hereinafter referred to "Heli"), a shareholder of the Company, held 3.611% of the Shares of the Company. Harbin Economic and Technological Development Zone Infrastructure Development and Construction Co., Ltd. (哈爾濱經濟技術開發區基礎設施開發建設有限公司) and Yungu Technology Co., Ltd. (雲谷科技有限公司) are the controlling subsidiaries of Heli. In the first half of 2022, Heli, its holding company and subsidiaries shall be included in the management of related parties and related party transactions of the Company in accordance with relevant provisions of the Administrative Measures for Related Party Transactions of Harbin Bank Co., Ltd. (《哈爾濱銀行股份有限公司關聯交易管理辦法》). In the third quarter of 2022, Ms. Yang Xuemei, the Supervisor assigned by Heli to the Company, resigned and no longer exerted significant influence on the Company. In the meantime, Heli and its related companies are no longer included in the management of related parties and related party transactions of the Company.

The Company's material related party transactions with Heli and its related parties: In the first half of 2022, Heli and its related parties had credit facilities and guarantee facilities with the Company amounting to RMB4,288.27 million. As at the end of June 2022, the balance of credit facilities and the credit facilities for guarantee business granted by the Company to Heli and its related parties amounted to RMB3,196.13 million in aggregate (for details of new businesses, see Table 2).

Table 2 Breakdown of Related Party Transactions for the First Half of 2022

Unit: RMB'0,000

Name	Credit Limit	Credit balance	Type of business	Term	Method of guarantee
Harbin Heli Investment Holdings Co., Ltd. (哈爾濱合力投資控股有限公司)	80,000	71,000	Working capital loans	1.5 years (2022.6.9-2023.12.8)	Mortgage, guarantee and equity pledge

Pricing Policy: the related party transactions between the Company and Heli and its related parties were regular transactions of the Company conducted in the ordinary and usual course of business, which followed the principle of market-oriented pricing, were conducted on terms that are not superior to those for similar transactions with non-related parties, met the principle of fairness required by the management of related party transactions, did not affect the independence of the Company, and would not have an adverse impact on the going concern, profitability and asset position of the Company.

The overall credit risk of the major related party transactions between the Company and Heli and its related parties were considered and approved by the Risk Management and Related Transactions Control Committee and the Board of Directors, and the independent Directors expressed their opinions as follows: the business was the regular business of the Company conducted in the ordinary and usual course of business, which followed the principle of market-oriented pricing, was conducted on terms that are not superior to those for similar transactions with non-related parties, met the principle of fairness required by the management of related party transactions, did not affect the independence of Harbin Bank, would not have an adverse impact on the going concern, profitability and asset condition of Harbin Bank, and did not harm the legitimate rights and interests of small and medium-sized investors. The voting procedure of the resolutions on major related party transactions was legal and in compliance with the relevant laws, regulations and Articles of Association.

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(II) Significant Related Party Transactions of Subsidiaries

1. Harbin Bank Consumer Finance Co., Ltd.

HBCF was established on 24 January 2017. Its registered place is No. 4, 1st Floor, Building A1, No. 1536, Qunli Fourth Avenue, Daoli District, Harbin. Its registered capital is RMB1.5 billion. It is a financial enterprise initiated and established by the Company as the controlling shareholder with the approval of the CBRC.

The Company contributed RMB795 million to HBCF, accounting for 53% of the registered capital. Duxiaoman (Chongqing) Technology Co., Ltd. contributed RMB450 million to HBCF, accounting for 30% of the registered capital. Shanghai Site Fude Property Co., Ltd. contributed RMB95 million to HBCF, accounting for 6.33% of the registered capital. Suzhou Tongcheng Software Co., Ltd. contributed RMB75 million to HBCF, accounting for 5% of the registered capital. Beijing Bosheng Youshi Technology Development Co., Ltd. contributed RMB50 million to HBCF, accounting for 3.33% of the registered capital. China Circle International Trade, Inc. contributed RMB25 million to HBCF, accounting for 1.67% of the registered capital. Heilongjiang Xinda Auction Co., Ltd. contributed RMB10 million to HBCF, accounting for 0.67% of the registered capital.

HBCF is a legal entity controlled or significantly influenced by the Company, and is included in the management of related parties of the Company.

2. Harbin Bank Financial Leasing Co., Ltd.

HB Leasing was established on 11 June 2014. Its registered place is Room 211, No. 66 Shimao Avenue, Building 12, Sci-Tech Innovation and Entrepreneurship Square, Harbin Hightech Zone. Its registered capital is RMB2 billion. It is a financial enterprise engaged in financial leasing business initiated and established by the Company as the controlling shareholder with the approval of the CBRC. It is also the first bank-based financial leasing company established in Northeast China.

The Company contributed RMB1,600 million to HB Leasing, accounting for 80% of the registered capital. Dongning Lizhi Building Decoration Engineering Co., Ltd. contributed RMB300 million to HB Leasing, accounting for 15% of the registered capital. Harbin Express Auto Sales Co., Ltd. contributed RMB100 million to HB Leasing, accounting for 5% of the registered capital.

HB Leasing is a legal entity controlled or significantly influenced by the Company, and is included in the management of related parties of the Company.

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3. The Company's policy on related party transactions with HBCF and HB Leasing
- The Board of Directors resolved that the Proposal on the Estimated Quota of Daily Related Party Transactions in 2022 was reviewed and approved at the 9th meeting of the 8th session of the Board of Directors of Harbin Bank Co., Ltd. The details are as follows. According to the actual business situations of the Company's subsidiaries, in order to fully guarantee the stable, healthy and orderly operation of the Company and its subsidiaries, conduct the transition period arrangements for related party transactions advised by the CBIRC.

Table 3 Single and Consolidated Credit Lines of Related Legal Persons of Subsidiaries

Unit: RMB100 million

Name of related party	Estimated credit line	
	Single credit line of legal person	Consolidated credit line of subsidiaries of the Company
HBCF	No more than 75	No more than 175
HB Leasing	No more than 100	

Opinions expressed by the independent Directors: the above business are regular business that occurs within the normal business scope of the Bank, follows the principle of market-based pricing, and are carried out on conditions that are no better than similar transactions with non-related parties. It meets the principle of fairness required for the management of related party transactions and does not affect the independence of the Bank. There will be no adverse impact on the Company's ability to continue as a going concern, profitability and asset position, and there is no damage to the legitimate rights and interests of small and medium-sized investors. The voting procedures for the resolutions on the significant related party transactions are legal and comply with relevant laws, regulations and Articles of Association.

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4. The Company's significant related party transactions with HBCF

As at the end of 2022, the Company had a total of 139 related-party credit transactions with HBCF amounted to RMB40.99 billion with a balance of RMB6.75 billion, which included 32 inter-bank deposit transactions with amount of RMB10.94 billion, 106 inter-bank loan with amount of RMB30.0 billion, and 1 online inter-bank lending transaction with amount of RMB0.05 billion.

The transactions balance of HBCF in the Company accounted for 11.25% of the Bank's unaudited net capital at the end of the fourth quarter of 2022.

In 2022, the Company had a total of 10 related-party service transactions with HBCF amounted to RMB297 million.

5. The Company's significant related party transactions with HB Leasing

As at the end of 2022, the Company had a total of 54 related-party credit transactions with HB Leasing amounted to RMB41.28 billion with a balance of RMB9.395 billion, all of which were inter-bank loan transactions. The balance of the credit transactions of HB Leasing in the Bank accounted for 15.65% of the Company's net capital at the end of the fourth quarter of 2022.

Ordinary Related Party Transactions

It is stipulated in the Article 57 of the Measures that, "The following related party transactions conducted by banking and insurance institutions may be exempted from consideration and disclosure in the manner of a related party transaction: A related party transaction with a related natural person of less than RMB500,000 or with a related legal person of less than RMB5,000,000 for a single transaction, and the cumulative amount after such transaction does not reach the conditions of significant related party transactions; subscription in cash by one party for stocks, company bonds or corporate bonds, convertible bonds or other derivatives publicly issued by the other party; demand deposit transactions; where the same natural person serves as an independent director of both a banking and insurance institution and other legal person(s) and there are no other circumstances that constitutes a related party, transactions between the legal person and such banking and insurance institution; transactions with the pricing set by the state; other circumstances approved by the CBIRC". Therefore, except for the related party transactions exempted from disclosure as mentioned above, the Bank discloses ordinary related party transactions.

As at the end of 31 December 2022, there were 223 ordinary related party transactions that the Bank was required to disclose, with total amount of RMB22.098 billion, mainly including credit transactions, inter-bank credit transactions and deposit transactions with related parties. Among which, inter-bank credit transactions with related parties were all inter-bank transactions conducted between the Bank and its related party banks, which can be excluded from the scope of calculating the proportion of credit balances and the statistics of significant related party transactions according to the requirements under Clause 3 of the Article 16 of the Measures.

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1. Credit transactions with related parties: four natural person loan transaction with the Bank's staff and its related parties involved in the review and approval of core businesses such as credit granting and asset transfer, with a total amount of RMB3,000,000.

There were 16 inter-bank credit transactions of the Company with subordinate village and township banks, with a total amount of RMB1,212 million, including: provision of 1 bond pledge guarantee transaction for Leping Rongxing Village and Township Bank Co., Ltd. to apply for a re-loan from the local People's Bank, with amount of RMB26 million; provision of 3 bond pledge guarantee transactions for Ning'an Rongxing Village and Township Bank Co., Ltd. to apply for re-loan from the local People's Bank, with a total amount of RMB20 million; provision of 1 bond pledge guarantee transaction for Chengdu Qingbaijiang Rongxing Village and Township Bank Co., Ltd. to apply for re-loan from the local People's Bank, with amount of RMB9 million; provision of 3 bond pledge guarantee transactions for Zhuzhou Rongxing Village and Township Bank Co., Ltd. to apply for re-loan from the local People's Bank, with a total amount of RMB260 million; provision of 1 bond pledge guarantee transaction for Hejian Ronghui Village and Township Bank Co., Ltd. to apply for re-loan from the local People's Bank, with amount of RMB15 million; provision of 1 bond pledge guarantee transaction for Shenzhen Bao'an Rongxing Village and Township Bank Co., Ltd. to apply for re-loan from the local People's Bank, with amount of RMB22 million; 5 interbank deposit transactions with Shenzhen Bao'an Rongxing Village and Township Bank Co., Ltd., with a total amount of RMB830 million; 1 interbank deposit transaction with Xin'an Rongxing Village and Township Bank Co., Ltd., with amount of RMB30 million.

There was one loan transaction with Harbin Commercial Bank Labor Service Co., Ltd., an enterprise under the labor union of the Company, amounted to RMB5 million.

There were 41 inter-bank credit transactions of the Company with Bank of Inner Mongolia Co., Ltd., a related party of the Company's shareholder, Harbin Economic Development and Investment Company Limited, with a total amount of RMB16,840.36 million, all of which were reverse repurchase agreements; one inter-bank credit transaction with Bank of Tianjin Co., Ltd. amounted to RMB400 million, under a reverse repurchase agreement; 11 transactions with Bank of Dalian Co., Ltd. amounted to RMB1,839.05 million in total, including inter-bank lending, reverse repurchase agreements, and bond purchases with wealth management funds and other businesses; one transaction of purchase of bond issued by Xiamen Bank Co., Ltd., a related party of the Company's shareholder, Fubon Life Insurance Co., Ltd., with amount of RMB20 million.

2. There were 148 deposit transactions with related parties (excluding demand deposit, data from the second to fourth quarter only), with a total amount of RMB1,823 million, among which 141 transactions with related natural persons, with a total amount of RMB135 million, 5 transactions with related inter-bank institutions, with a total amount of RMB1,560 million. There was 1 transaction with other related legal persons, with amount of RMB10 million.
3. There was 1 other transaction with related parties, with amount of RMB74 million for the Company's increase of capital to the subsidiary, Huachuan Rongxing Village and Township Bank Co., Ltd.

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(XIV) Directors and Supervisors

The details of the members of the Board and the Board of Supervisors of the Company as at the end of the Reporting Period and the date of publication of this report and their biographies are set out in the section headed “Basic Information on Directors, Supervisors, Senior Management, Employees and Organisations”, which constitutes a part of the Report of the Board of Directors.

The proposal on the appointment of executive Director was considered and approved at the 2022 first extraordinary general meeting of the Company held on 1 August 2022, and Mr. Yao Chunhe was appointed as an executive Director of the Company. The qualification of Mr. Yao Chunhe as a Director has been approved by the Heilongjiang Office of the CBIRC, with effect from 3 March 2023.

(XV) Directors’ and Supervisors’ Interests in Business in Competition with the Bank

None of the Directors and Supervisors of the Company holds any interest in any business which competes or is likely to compete, whether directly or indirectly, with the Bank.

(XVI) Remuneration Policy

Details of the remuneration policy and reward scheme of the Bank are set out in “Basic Information on Directors, Supervisors, Senior Management, Employees and Organisations” – “Employees”.

The details of the remuneration determination policy for the Directors and Supervisors of the Company are set out in “Basic Information on Directors, Supervisors, Senior Management, Employees and Organisations” – “Information on Evaluation and Incentive Scheme and Annual Remuneration for Directors, Supervisors and Senior Management” and notes 11 and 12 to the financial statements.

(XVII) Directors’ and Supervisors’ Service Contracts

During the Reporting Period, the Directors and Supervisors of the Company did not sign any service contracts which were not determinable by the Bank within one year without payment of compensation (other than statutory compensation).

(XVIII) Directors’, Supervisors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures of the Bank or its Associated Corporations

Save as disclosed below, to the knowledge of the Company, as at 31 December 2022, the Directors, Supervisors and chief executive of the Company did not hold any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (as defined in Part XV of the SFO) which were required be registered in the register pursuant to section 352 of the SFO or to be disclosed to the Company and the Hong Kong Stock Exchange as provided by the Model Code:

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

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During the Reporting Period, the Company did not grant any right to subscribe for shares or debentures of the Company or any associated corporations to its Directors, Supervisors and President (including their spouses or children under the age of 18).

(XIX) Permitted Indemnity Provisions

In 2022, the Company did not have any permitted indemnity provisions once in effect or in effect for the benefit of Directors of the Company (whether entered into by the Company or not) or any directors of associated companies of the Company (if entered into by the Company).

The Company has purchased legal liability insurance for duties performed by Directors and Supervisors, and the relevant applicable laws for such insurance policies are PRC laws.

(XX) Interests of Directors or Supervisors in Transactions, Arrangements or Contracts

For the year ended 31 December 2022, there was no transaction, arrangement and contract of significance to which the Company, its holding company, its subsidiary or a subsidiary of its holding company was a party and in which a Director, Supervisor or any entity connected with any of them has or had at any time during that period, in any way, whether directly or indirectly, a material interest.

(XXI) Corporate Governance

The Bank is committed to maintaining a high level of corporate governance. Details of corporate governance of the Bank are set out in the “Corporate Governance Report” of this report.

(XXII) Auditors

Please refer to the section “Corporate Governance Report” – “External Auditors and Auditors’ Remuneration” for the information on the auditors of the Bank.

(XXIII) Assets Pledged as Security

For the details of assets pledged as security of the Group, please refer to 48. ASSETS PLEDGED AS SECURITY of “Notes to the Consolidated Financial Statements”.

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XIV. Prospects

In 2023, as guided by President Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, the Bank will comprehensively study, master and implement the gist of the 20th National Congress of the Communist Party of China. The Bank will adhere to the general keynote of prioritising stability while pursuing progress, and integrate its operation and development into the general background, big pattern and grand strategy of economic and social development. In addition, the Bank, with high quality development as the goal, will coordinate reform and innovation development with risk prevention and elimination, solidly promote a series of key works including "Six Steadiness and Six Progresses" and "Six Security", comprehensively realise better operating scales, quality and benefits, so as to embark on a new journey of revitalization and entrepreneurial development, and strive to develop into a national risk-controlled, well-developed, distinctive and highly competitive urban commercial bank.

By order of the Board
Deng Xinquan
Chairman

Harbin, PRC
30 March 2023

Changes in Share Capital and Information on Shareholders

I. Share Capital

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

II. Statement of Changes in Shares

	1 January 2022		Increase/decrease during the Reporting Period (+/-)					31 December 2022	
	Number	Percentage	Private placement	New shares issued	Bonus issue	Others	Subtotal	Number	Percentage
Domestic Shares									
1. Non-listed shares held by corporations	7,908,966,550	71.93%	-	-	-	-	-	7,908,966,550	71.93%
Including: (1) Shares held by state-owned enterprises	6,886,196,734	62.63%	-	-	-	-	-	6,886,196,734	62.63%
(2) Shares held by private enterprises	1,022,769,816	9.3%	-	-	-	-	-	1,022,769,816	9.3%
2. Non-listed shares held by natural persons	63,063,003	0.57%	-	-	-	-	-	63,063,003	0.57%
H Shares									
3. Overseas listed foreign shares	3,023,570,000	27.50%	-	-	-	-	-	3,023,570,000	27.50%
Total number of shares	10,995,599,553	100%	-	-	-	-	-	10,995,599,553	100%

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

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III. Shareholding of Shareholders

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

Shareholding of Top 10 Shareholders of the Company as at the end of the Reporting Period

Name of shareholder	Nature of shareholder	Number of shares held (Shares)	Shareholding percentage (%) ³	Number of shares pledged or frozen	Type of shares
1 Harbin Economic Development and Investment Company Limited	State-owned	3,257,943,986	29.63%	-	Non overseas-Listed shares
2 Heilongjiang Financial Holdings Group Co., Ltd.	State-owned	2,035,675,058	18.51%	-	Non overseas-Listed shares
3 Fubon Life Insurance Company Limited	Foreign investment	738,251,000	6.71%	-	H Shares
4 Huaxia Life Insurance Co., Ltd.	Private enterprise	486,702,000	4.43%	-	H Shares
5 Harbin Heli Investment Holding Co., Ltd. ¹	State-owned	397,000,000	3.61%	-	Non overseas-Listed shares
6 Finance Bureau of Daoli District, Harbin	State-owned	386,025,859	3.51%	-	Non overseas-Listed shares
7 Finance Bureau of Nangang District, Harbin	State-owned	378,941,968	3.45%	-	Non overseas-Listed shares
8 Harbin High-tech Industrial Development Zone Infrastructure Development and Construction Co., Ltd. (哈爾濱高新技術產業開發區基礎設施開發建設有限公司) ²	State-owned	301,315,846	2.74%	-	Non overseas-Listed shares
9 CITIC Capital HB Investment, L.P.	Foreign investment	284,212,000	2.58%	-	H Shares
10 Beijing Xinrun Investment Co., Ltd. (北京新潤投資有限公司)	Private enterprise	255,418,587	2.32%	-	Non overseas-Listed shares

Notes:

- The controlling shareholder of Harbin Heli Investment Holding Co., Ltd., shareholder of the Company, is the State-owned Assets Management Bureau of Harbin Economic and Technological Development Zone Management Committee, which held 63.16% of its shares.
- Harbin High-tech Industrial Development Zone Infrastructure Development and Construction Co., Ltd., shareholder of the Company, and Harbin Science and Technology Innovation Investment Co., Ltd. are related with each others. Harbin Science and Technology Innovation Investment Co., Ltd. held 96,220,000 shares of the Company, with aggregate shareholding of 397,535,846 shares, representing 3.62% of total shareholding.
- The above shareholding percentage of non overseas-listed shares and H shares as at the date of this report is calculated based on the total share capital of the Company, being 10,995,599,553 shares.

Changes in Share Capital and Information on Shareholders

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

As at 31 December 2022, according to the disclosure of interest information as shown on the website of the Hong Kong Stock Exchange, the interests or short positions of the following persons (excluding the Directors, Supervisors and the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Domestic Shares

Name of shareholder	Capacity	Number of Domestic Shares held (long position)	Percentage of issued Domestic Shares to share capital of the Company	Percentage of total issued share capital of the Company
Harbin Municipal People's Government State-owned Assets Supervision and Administration Commission ¹	Interest of controlled corporation	3,258,338,652	40.87%	29.63%
Harbin Investment Group Corporation Limited ¹	Interest of controlled corporation	3,258,338,652	40.87%	29.63%
Harbin Economic Development and Investment Company ¹	Beneficial owner	3,257,943,986	40.87%	29.63%
	Interest of controlled corporation	394,666	0.005%	0.004%
Department of Finance of Heilongjiang Province of the People's Republic of China ²	Interest of controlled corporation	2,040,591,776	25.60%	18.56%
Heilongjiang Financial Holdings Group Co., Ltd. ²	Beneficial owner	2,035,675,058	25.54%	18.51%
	Interest of controlled corporation	4,300,000	0.05%	0.04%
	Interest of controlled corporation	616,718	0.008%	0.006%

Notes:

- Harbin Economic Development directly holds 3,257,943,986 Domestic Shares of the Company, and its controlled corporation by the major shareholders, Harbin Real Estate Guarantee Co., Ltd. (哈爾濱市房屋置業擔保有限責任公司), holds 394,666 Domestic Shares of the Company. Harbin Economic Development is owned as to 100% by Harbin Investment Group Corporation Limited (哈爾濱投資集團有限責任公司), which in turn is owned as to 90% and 10% by the Harbin Municipal People's Government State-owned Assets Supervision and Administration Commission (哈爾濱市人民政府國有資產監督管理委員會) and the Heilongjiang Municipal People's Government State-owned Assets Supervision and Administration Commission (黑龍江省人民政府國有資產監督管理委員會) respectively. According to the SFO, each of the Harbin Municipal People's Government State-owned Assets Supervision and Administration Commission and Harbin Investment Group Corporation Limited is deemed to be interested in the 3,258,338,652 Domestic Shares held by Harbin Economic Development. Harbin Economic Development was established on 22 August 1992 with a registered capital of RMB2,307,522,010, and Ren Yi (任毅) being the legal representative. The business scope of Harbin Economic Development is to make financial investments in areas like fixed-assets to municipally owned enterprises and to receive dividends in return (business subject to approval by law shall be conducted upon approval by competent authorities).

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2. Heilongjiang Financial Holdings directly holds 2,035,675,058 Domestic Shares of the Company and indirectly holds 4,300,000 and 616,718 Domestic Shares of the Company through its indirectly controlled entity, namely Harbin Dazheng Microcredit Co., Ltd. (哈爾濱市大正小額貸款有限責任公司), and Heilongjiang Dazheng Investment Group Co., Ltd. (黑龍江省大正投資集團有限責任公司) respectively. According to the SFO, Heilongjiang Financial Holdings is deemed to be interested in a total of 2,040,591,776 Domestic Shares of the Company. In addition, Heilongjiang Financial Holdings is wholly owned by the Department of Finance of Heilongjiang Province (黑龍江省財政廳). According to the SFO, the Department of Finance of Heilongjiang Province is also deemed to be interested in such 2,040,591,776 Domestic Shares of the Company. Heilongjiang Financial Holdings was established on 18 January 2019 with a registered capital of RMB11,111,585,000 and Yu Hong (于宏) being the legal representative. The business scope of Heilongjiang Financial Holdings is investment and asset management and capital investment services; non-public offering of securities investment funds; holding company services; and financial information services (business subject to approval by law shall be conducted upon approval by competent authorities).

H Shares

Name of shareholder	Capacity	Number of H Shares held (long position)	Percentage of issued H Share capital of the Company	Percentage of total issued share capital of the Company
Fubon Financial Holding Co., Ltd. ¹	Interest of controlled corporation	738,251,000	24.42%	6.71%
Huaxia Life Insurance Co., Ltd. ²	Beneficial owner	486,702,000	16.10%	4.43%
CITIC Capital Holdings Limited ³	Interest of controlled corporation	284,212,000	9.40%	2.58%

Notes:

1. Fubon Financial Holding Co., Ltd. held the interests in 738,251,000 H Shares of the Company through its 100% owned corporation, Fubon Life Insurance Co., Ltd. was established in March 2007 with a registered capital of TWD110.83114 billion and Ming-Hsing (Richard) Tsai being the legal representative. The business scope of Fubon Life Insurance Co., Ltd is provision of life insurance. Fubon Life Insurance Co., Ltd held 18% equity interest in CITIC Capital Holdings Limited and nominated director. Pursuant to PRC laws and regulations and as determined by the competent regulatory authorities, the two companies are therefore parties related to each other. Due to reasons including different requirements under the laws of Taiwan and Mainland China, Fubon Life Insurance Co., Ltd. is unable to issue a capital supplement undertaking to the Company. As of the disclosure date of this report, the qualifications of shareholders have yet to be approved.
2. On 17 July 2020, the CBIRC decided to take over four insurance companies including Huaxia Life Insurance Co., Ltd. and two trust companies for term of one year. On 16 July 2021, the CBIRC issued an announcement, deciding to extend the takeover period by one year to 16 July 2022, which had expired. As of the disclosure date of this report, the takeover of Huaxia Life Insurance Co., Ltd. does not have a negative impact on the normal operation and management of the Bank.
3. CITIC Capital Holdings Limited held the interests in the relevant number of shares through a series of controlled corporations. Pursuant to requirements of regulatory authorities, CITIC Capital HB Investment, L.P. (an indirect non-wholly subsidiary of CITIC Capital Holdings Limited) was undergoing the approval procedures for shareholder's qualification with Fubon Life Insurance Co., Ltd.. As of the disclosure date of this report, the qualifications of shareholders have yet to be approved.

Save as disclosed above, to the knowledge of the Directors, none of other persons (excluding the Directors, Supervisors and the chief executive of the Bank) had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2022.

Changes in Share Capital and Information on Shareholders

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

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

1. As at 31 December 2022, Harbin Economic Development, the largest shareholder of the Company, directly and indirectly held 29.63% of the total issued shares of the Company. According to the Business License (Unified Social Credit Code: 91230100424004064C) issued by the Market Supervision and Administration Bureau of Harbin on 17 December 2019, and the Articles of Association of Harbin Economic Development and Investment Company amended on 27 November 2019, Harbin Economic Development is a validly subsisting entity with limited liability (sole proprietorship invested or controlled by non-natural person). Harbin Economic Development is owned as to 100% by Harbin Investment Group Corporation Limited, which in turn is owned as to 90% and 10% by the Harbin Municipal People's Government State-owned Assets Supervision and Administration Commission and the Heilongjiang Municipal People's Government State-owned Assets Supervision and Administration Commission respectively.
2. As at 31 December 2022, Heilongjiang Financial Holdings directly and indirectly held 18.56% of the total issued shares of the Company. According to the Business License (Unified Social Credit Code: 91230100MA1BF51Q38) issued by the Market Supervision and Administration Bureau of Harbin on 18 January 2019 and the Articles of Association of Heilongjiang Financial Holdings Group Co., Ltd., Heilongjiang Financial Holdings is a validly subsisting entity with limited liability (wholly state-owned). Heilongjiang Financial Holdings is wholly owned by the Department of Finance of Heilongjiang Province.

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

As at 31 December 2022, no shares held by any shareholder with shareholding of 5% or more of the Company were pledged or judicially frozen.

VI. Controlling Shareholders and Actual Controllers

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

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

Please see "III. Shareholdings of Shareholders" above for the particulars of shareholders with shareholding of 5% or more of the Company as at 31 December 2022.

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

Save as disclosed in the section headed “Important Events” - “Issuance of Debt Securities” in this report, during the period from 1 January 2022 to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

IX. Directors and Supervisors Nominated by the Shareholders of the Company

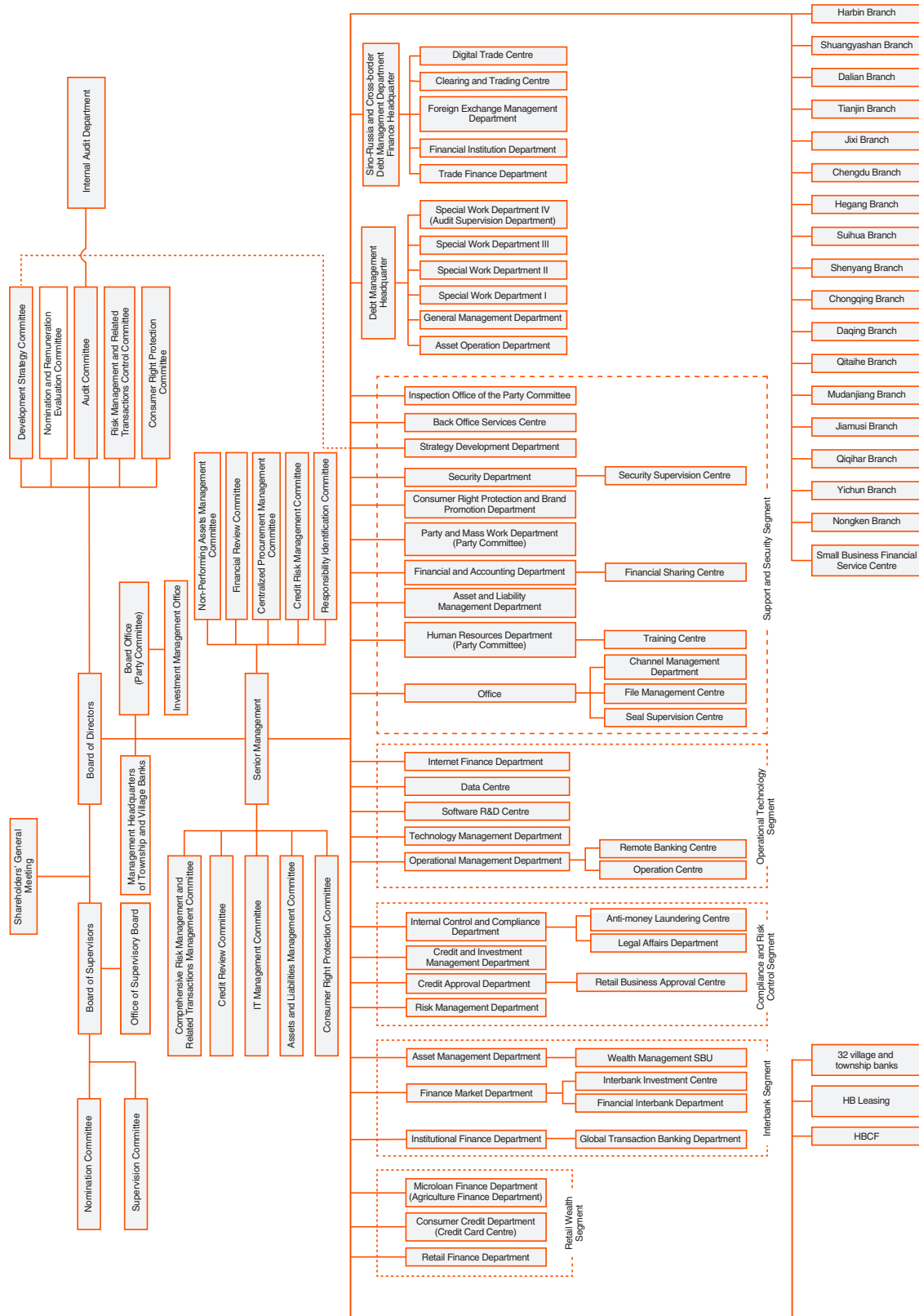
Name of shareholders	Director nominated	Supervisor nominated
Harbin Economic Development and Investment Company Limited	Zhao Hongbo, Zhang Xianjun	-
Heilongjiang Financial Holdings Group Co., Ltd.	Yu Hong, Lang Shufeng	-
Harbin Heli Investment Holding Co., Ltd.	-	Yang Xuemei (Resigned on 6 September 2022)

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I. Organisation Chart of Corporate Governance

Organisation Chart of Harbin Bank



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II. Corporate Governance Overview

Sound corporate governance is the responsibility of the Board of the Company. In 2022, the Bank strictly complied with relevant overseas listing regulatory requirements, and strived to improve the Bank's corporate governance mechanism, as well as enhance and improve the Bank's corporate governance. The Bank has adopted the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules, has met the requirements of the PRC commercial bank administrative measures and corporate governance requirements and has established a sound corporate governance system. Currently, the primary corporate governance documents of the Company include: the Articles of Association, the Rules of Procedure for the Shareholders' General Meeting, the Rules of Procedure for the Board of Directors, the Rules of Procedure for the Board of Supervisors, the Working Rules for the Independent Directors, the Terms of Reference of the Development Strategy Committee of the Board, the Terms of Reference of the Risk Management and Related Transactions Control Committee of the Board, the Terms of Reference of the Audit Committee of the Board, the Terms of Reference of the Nomination and Remuneration Evaluation Committee of the Board, the Terms of Reference of the Consumer Rights Protection Committee of the Board, the Terms of Reference of the President, the Administrative Measures for Shareholding, the Administrative Measures for Connected Transactions, the Information Disclosure Administrative Measures, etc. The Board believes that during the period from 1 January 2022 to 31 December 2022, the Company had complied with the requirements of the provisions of Part 2 of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules.

In 2022, the shareholders' general meetings of the Company passed the following resolutions relating to corporate governance of the Company:

At the 2021 annual general meeting convened by the Company on 20 May 2022, 16 proposals namely the Proposal on the 2021 Work Report of the Board of Directors, the Proposal on the 2021 Work Report of the Board of Supervisors, the Proposal on the 2021 Final Account Report, the Proposal on the 2022 Financial Budgets, the Proposal on the 2021 Profit Distribution Plan, the Proposal on the 2021 Annual Report, the Proposal on the Appointment of Auditors for 2022, the Proposal on the Report on the Management of Related Party Transactions in 2021, the Proposal on the Remuneration Distribution Plan for the Directors for 2021, the Proposal on the Remuneration Distribution Plan for the Supervisors for 2021, the Proposal on the Proposed Amendments to the Equity Management Measures, the Proposal on the Plan on Absorption and Merger of Bayan Rongxing Township Bank and Yanshou Rongxing Township Bank for Conversion into a Branch, the Proposal on the Proposed Amendments to the Articles of Association, the Proposal on the Proposed Amendments to the Rules of Procedure for the Shareholders' General Meeting, the Proposal on the Proposed Amendments to the Rules of Procedure for the Board of Directors and the Proposal on the Proposed Amendments to the Rules of Procedure for the Board of Supervisors were considered and approved.

The Report on the Assessment of Major Shareholders (Substantial Shareholders) of Harbin Bank for 2021 and the 2021 Appraisal of Duty Performance of Directors, Supervisors and Senior Management by the Board of Supervisors were presented at the meeting.

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At the 2022 first extraordinary general meeting convened by the Company on 1 August 2022, the Proposal on the Election of Executive Director was considered and approved.

At the 2022 second extraordinary general meeting convened by the Company on 8 December 2022, the Proposal on the Replenishment of Other Tier-one Capital by Convertible Negotiated Deposit and Issuance of Shares under Special Mandate of Harbin Bank Co., Ltd. was considered and approved.

At the 2022 first domestic shareholders' class meeting convened by the Company on 8 December 2022, the Proposal on the Replenishment of Other Tier-one Capital by Convertible Negotiated Deposit and Issuance of Shares under Special Mandate of Harbin Bank Co., Ltd. was considered and approved.

At the 2022 first H shareholders' class meeting convened by the Company on 8 December 2022, the Proposal on the Replenishment of Other Tier-one Capital by Convertible Negotiated Deposit and Issuance of Shares under Special Mandate of Harbin Bank Co., Ltd. was considered and approved.

In 2022, the Company organised and held 82 important meetings in total of all kinds (such as general meetings and class meetings of shareholders, meetings of the Board and its special committees, and meetings of the Board of Supervisors and its special committees), including 5 general meetings and class meetings of shareholders in total, 16 meetings of the Board, 42 meetings of the special committees of the Board, 9 meetings of the Board of Supervisors and 10 meetings of the special committees of the Board of Supervisors. At the meetings, the Company considered and approved 365 major proposals and reports, including: the Work Report of the Board of Directors, the Work Report of the Board of Supervisors, the Work Report of the President, the Financial Budgets Report, the Final Account Report, the Profit Distribution Plan, the Performance Evaluation Index of Senior Management, the Comprehensive Operation Plan, the Report on the Implementation of Related Transactions, the Risk Management Report, the amendments to the Articles of Association, the institutional development plan, etc.

During the Reporting Period, the Board of the Company conducted an annual evaluation of the senior management approved to be appointed in accordance with the requirements of the Administrative Measures on the Performance Evaluation of Senior Management, and applied the performance evaluation results in the remuneration distribution and terms of employment of the evaluated targets so as to provide incentives for the continuous improvement of duty performance of the senior management and to systematise, standardise and normalise the evaluation mechanism on the performance of the senior management by the Board.

According to the requirements of the Evaluation Method on Duty Performance of Directors of the Company, the Board of Supervisors of the Company conducted an annual evaluation of duty performance of the Directors in order to promote careful, earnest and diligent duty performance and self-discipline of the Directors.

The Company continued to deepen the development of its internal control system by establishing, optimising and implementing various rules and regulations of internal control. A good internal control culture was developed and the management and control mode of all business lines and business of various regions was refined through systematic publicity and education. Various internal control targets were achieved through various effective measures such as division of responsibilities, lines of reporting, incentive and restraint, etc.

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III. Board of Directors

The Board of the Company shall hold at least 4 regular meetings every year. The notices and materials of the meetings should be sent to each Director at least 14 days and 3 days before the relevant meeting is convened, respectively, in accordance with the relevant corporate governance requirements under the Hong Kong Listing Rules and the Articles of Association. Each Director may put forward proposals to be added to the agenda of the Board meetings. The detailed minutes of the meetings of the Board will be provided to all attending Directors for their review, giving opinions and then signed by all Directors for confirmation. A good communication and report mechanism has been established among the Board, the Directors and senior management of the Company. The senior management provides sufficient information to the Board and its special committees in due course for their decision-making. The senior management shall conduct business and management activities within the scope of authorisation by the Articles of Association and the Board. All Directors may seek independent professional opinions with the cost paid by the Company. The President of the Company regularly reports to the Board and is subject to the supervision of the Board. Relevant senior management personnel may be invited to attend the meetings of the Board and its special committees from time to time for explanation or answering inquiries. In the Board meetings, all Directors can present their opinions freely, and decisions on important matters should be made after detailed discussion.

As the administrative body of the Board, the Board Office is responsible for the preparation of the shareholders' general meetings and the meetings of the Board and each special committees of the Board, information disclosure, investor relationship management and other daily routines.

As the decision-making body of the Company, the Board is accountable to the shareholders' general meeting and responsible for implementing the resolutions of the shareholders' general meeting. The Board mainly exercises the following functions and powers:

- (1) Convening the shareholders' general meeting, and reporting to the shareholders' general meeting;
- (2) Implementing the resolutions of the shareholders' general meeting; deliberating and approving the external investment, asset acquisition, asset disposal and cancellation, asset mortgage, related party/connected transaction and data governance of the Company within the scope authorized by the shareholders' general meeting of the Company in accordance with laws, regulations and regulatory requirements;
- (3) Deciding on operation plans of the Company, formulating scientific, reasonable and stable development strategy of the Company and supervising the implementation thereof, determining the market positioning and development objective, and reflecting the differentiation and specialization;
- (4) Formulating the risk tolerance level, risk management and internal control policies of the Company, and bearing the ultimate liability for the comprehensive risk management;
- (5) Continuing to focus on the internal control of the Company, formulating good internal control culture and carrying out regular research and evaluation on the robustness, rationality and effectiveness of the internal control;

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- (6) Bearing ultimate liability for the establishment, operation and maintenance of the internal audit system, and the independence and effectiveness of internal audit;
- (7) Formulating annual financial budgets and final account plan of the Company;
- (8) Formulating profit distribution plans and loss make-up plans of the Company;
- (9) Formulating proposals on the increase or decrease of registered capital, the issuance of bonds or other securities and the listing of the Company;
- (10) Formulating capital plans and bearing the ultimate responsibility of capital management;
- (11) Formulating proposals on major acquisitions of the Company, acquisitions of the shares of the Company or merger, division, dissolution and change of the corporate form;
- (12) Regularly evaluating and improving the Company's corporate governance, and protecting the legitimate rights and interests of financial consumers and other stakeholders;
- (13) Determining arrangement plans for the Company's internal management agencies;
- (14) Appointing or removing the president or board secretary of the Company, according to the nomination of the chairman of the Board; appointing or removing senior management such as the vice-president, assistant president and financial controller, according to the nomination of the president;
- (15) Establishing and implementing the responsibility performance accountability system of the senior management, supervising the effective performance of responsibilities by the senior management, deciding on remuneration and disciplinary matters of senior management personnel and specifying the specific way for accountability of malfunction and improper performance of responsibilities;
- (16) Validating work rules for the president, listening to the work reports by the president of the Company, and inspecting the work of the president;
- (17) Formulating the amendment plan for the Articles of Association, formulating the rules of procedures of the shareholders' general meetings and the Board of Directors, and deliberating and approving the working rules of the Special Committees of the Board of Directors;
- (18) Proposing the appointment or dismissal of an accounting firm which will provide regular and legal audits on the financial reports of the Company to the shareholders' general meeting;

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- (19) Being responsible for determining the green credit development strategy, deliberating and approving the green credit targets formulated by the senior management and the submitted green credit report, supervising and evaluating the implementation of the Company's green credit development strategy;
- (20) Establishing the mechanism of the identification, investigation and management of the conflict of interests between the Company and shareholders, especially major shareholders; bearing the ultimate liability for the management of shareholders' affairs;
- (21) Developing and reviewing the Company's policies and practices on corporate governance;
- (22) Reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (23) Reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- (24) Developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors;
- (25) Verifying the Company's compliance with the Corporate Governance Code specified in Listing Rules of Hong Kong Stock Exchange and the information disclosed in the Corporate Governance Report;
- (26) In charge of the information disclosure matters of the Company and bearing the ultimate liability of authenticity, accuracy, completeness and promptness of the Company's accounting and financial report;
- (27) Other functions and powers granted by laws, administrative regulations, department rules or the Articles of Association of the Company.

The Company has multiple mechanisms in place to ensure independent views and inputs are available to the Board, including but not limited to reviewing the structure of the Board to ensure that the composition of executive and non-executive Directors (including independent non-executive Directors) is balanced and ensures that there is a strong independent element on the Board. Independent non-executive Directors of the Company should be of sufficient professional experience for their views to carry weight. All Directors (including independent non-executive Directors) are given opportunities to include matters in the agenda for regular Board meetings. Upon a reasonable request of any Director, the Board will ensure that independent third-party professional bodies are engaged to provide advice, at the Company's expense, to assist such Director(s) or the Board in performing duties to the Company. In addition, controversial matters should be discussed at a Board meeting rather than dealt with in a written resolution to ensure that Directors (including independent non-executive Directors) have the opportunity to exchange views with each other in real time. The chairman of the Board at least annually holds a meeting with the independent non-executive Directors without the presence of other Directors. The Board has reviewed the implementation of the above mechanism during the Reporting Period, and considers that the implementation of above mechanisms is effective.

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IV. Board Members

The Board of the Company consists of 10 Directors, including 2 executive Directors (Mr. Deng Xinquan and Mr. Yao Chunhe, effective from 3 March 2023), 4 non-executive Directors (Mr. Zhao Hongbo, Mr. Zhang Xianjun, Mr. Yu Hong and Mr. Lang Shufeng), 4 independent non-executive Directors (Mr. Zhang Zheng, Mr. Sun Yan, Mr. Hou Bojian and Mr. Jin Qinglu). The 2 executive Directors have worked in the areas of banking and management for a long time and possess extensive bank management experience and professional expertise, the 4 non-executive Directors are all nominated by shareholders and have working experience in the fields of management, finance and accounting; the 4 independent non-executive Directors are experts in economic, finance, accounting and legal fields, 1 of whom is from Hong Kong, and with experience in areas such as auditing, finance, management consulting, as well as corporate governance, risk control and management of the banking industry. For details of the change, biographies and terms of office of the members of the Board, please refer to the section headed “Basic Information on Directors, Supervisors, Senior Management, Employees and Organisations” in this report.

V. Board Diversity Policy

The Company understands and recognises the importance of Board diversity, and considers the realisation of Board diversity as an important factor to ensure the Company’s enhancement of corporate governance and sustainable development. The Company formulated the Board Diversity Policy of Harbin Bank Co., Ltd. According to this policy, when designing the Board composition, the Company should include gender, age, nationality, educational background, professional qualifications, industry experience, and other factors from various aspects in the consideration of the Board diversity issue. During the process of selection and appointment of Board members, the Company should give full consideration to the diversity of relevant candidates, conducting a comprehensive assessment of their talents, skills, experience and background, and objectively measuring their potential contribution to the Bank, thereby ensuring that the Board has a variety of point of views and perspectives in the performance of their duties, to formulate the best composition of Board members that matches the Bank’s development strategy.

The Company’s main policy for selecting Board members is to actively consider the benefits of diversity to appoint the most appropriate candidates. Selection of Board members shall be based on a range of diversified areas, taking into account the skills, experience, independence, knowledge of the Bank’s business, a combination of various factors (including gender and age) and other factors related to the operation efficiency of the Board. The Nomination and Remuneration Evaluation Committee of the Board shall review this policy in due course to ensure its effectiveness. The Nomination and Remuneration Evaluation Committee shall discuss on the necessity for amendments to be made on the policy, make amendment proposals to the Board and submit them to the Board for consideration and approval. During the year, the Board has reviewed the implementation of such policy.

Currently, there are no female directors on the Board of the Company. The Board of the Company will elect new female directors as soon as possible and will complete the election of female directors no later than 31 December 2024, so as to enable the Board of the Company to comply with the board diversity in terms of gender as soon as possible. For details of employee diversity of the Company, please refer to “Employees” in Chapter “Basic Information on Directors, Supervisors, Senior Management, Employees and Organisations”.

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VI. Change in the Composition of the Board during the Reporting Period

During the Reporting Period, the proposal on the appointment of executive Director was considered and approved at the 2022 first extraordinary general meeting of the Company held on 1 August 2022, and Mr. Yao Chunhe was appointed as an executive Director of the Company. The qualification of Mr. Yao Chunhe as a Director has been approved by the Heilongjiang Office of the CBIRC, with effect from 3 March 2023. Mr. Lyu Tianjun, the former executive Director and president of the Company, and Ms. Sun Feixia, the former executive Director, vice chairman of the Board, secretary of the Board and company secretary of the Company, resigned from their positions on 31 March 2022.

VII. Chairman and President

The roles and works of the chairman of the Board and president of the Company are taken by different individuals. There is a clear division of their responsibilities in compliance with the recommendation of the Hong Kong Listing Rules.

Mr. Deng Xinquan, as the chairman of the Board of the Company, is mainly in charge of chairing shareholders' general meetings, convening and chairing the Board meetings, supervising and examining the implementation of the resolutions of the Board, proposing to the Board candidates of the special committees, the president and secretary to the Board of the Company, signing important documents of the Board and other documents which shall be signed by the legal representative of the Company, encouraging different constructive opinions from Directors and facilitating effective contribution by non-executive Directors.

Mr. Yao Chunhe, as the president of the Company, is mainly in charge of the management of daily operation and the implementation of relevant resolutions and operation plans of the Board.

VIII. Duties of Directors

During the Reporting Period, all Directors of the Company carefully, earnestly and diligently exercised the rights granted by the Company and regulatory authorities, and devoted enough time and energy to handle the matters of the Company. During the year, in terms of on-site Board meetings, Mr. Yu Hong had an attendance of 81.25%; and the attendance of all other Directors was 100%.

The independent non-executive Directors of the Company gave their professional advice on the proposals considered by the Board, such as the profit distribution plan, significant related party transactions, engagement of senior management and engagement of accounting firm. In addition, the independent non-executive Directors of the Company also gave full play to their professional expertise in the special committees of the Board, and put forward professional and independent opinions on the corporate governance and operation management of the Company.

During the Reporting Period, the Board of Supervisors of the Company conducted annual evaluation of the performance of duties of the Directors, and reported the results of the evaluation to the shareholders' general meeting.

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The Directors are responsible for monitoring the preparation of financial statements of every accounting year to ensure a true and fair view of the Group's business condition, results and cash flows in the corresponding accounting period. While preparing for the financial statements for the year ended 31 December 2022, the Group has selected and consistently applied appropriate accounting policies and has made reasonable and prudent judgements and estimates. The Directors have acknowledged their responsibility for the preparation of financial statements and the auditor's statement of reporting responsibility for their report is set out in the Independent Auditor's Report on page 164 of this report.

IX. Board Meetings and the Directors' Attendance

During the Reporting Period, the Company held 16 Board meetings to consider and approve major proposals on development strategies, operation plans, financial policies, rule amendments and other matters, including 148 important proposals and reports such as the working report of the Board, the working report of the President, the financial budgets, the final account report, the profit distribution plan, the performance evaluation index of senior management, the operation plan, the management and implementation of related party transactions.

Meeting	Meeting date	Meeting mode
The 8th meeting of the eighth session of the Board	28 January 2022	On-site conference
The 2022 first extraordinary general meeting of the Board	29 March 2022	Written circular
The 9th meeting of the eighth session of the Board	31 March 2022	On-site conference
The 10th meeting of the eighth session of the Board	29 April 2022	Written circular
The 2022 second extraordinary general meeting of the Board	10 June 2022	Written circular
The 11th meeting of the eighth session of the Board	24 June 2022	On-site conference
The 2022 third extraordinary general meeting of the Board	30 June 2022	On-site conference
The 2022 fourth extraordinary general meeting of the Board	8 July 2022	On-site conference
The 2022 fifth extraordinary general meeting of the Board	5 August 2022	On-site conference
The 12th meeting of the eighth session of the Board	30 August 2022	On-site conference
The 13th meeting of the eighth session of the Board	14 October 2022	On-site conference
The 2022 sixth extraordinary general meeting of the Board	4 November 2022	Written circular
The 2022 seventh extraordinary general meeting of the Board	18 November 2022	On-site conference
The 2022 eighth extraordinary general meeting of the Board	28 November 2022	Written circular
The 2022 ninth extraordinary general meeting of the Board	18 December 2022	Written circular
The 14th meeting of the eighth session of the Board	29 December 2022	On-site conference

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The attendance of each Director in the Board meetings and Shareholders' general meetings/class meetings in 2022 is set out below:

Board members	Number of Board meetings requiring attendance	Number of Board meetings attended in person	Number of Board meetings attended by proxy	Attendance rate of Board meetings^(Note)	Number of general meetings/class meetings attended/requiring attendance
Deng Xinquan	16	16	0	100%	5/5
Zhao Hongbo	16	16	0	100%	5/5
Zhang Xianjun	16	16	0	100%	5/5
Yu Hong	16	13	3	81.25%	2/5
Lang Shufeng	16	16	0	100%	5/5
Sun Yan	16	16	0	100%	5/5
Zhang Zheng	16	16	0	100%	5/5
Hou Bojian	16	16	0	100%	5/5
Jin Qinglu	16	16	0	100%	5/5
Lyu Tianjun (resigned on 31 March 2022)	2	0	0	0	0/0
Sun Feixia (resigned on 31 March 2022)	2	0	0	0	0/0

Note: During the Reporting Period, attendance by proxy was not counted as attendance.

X. Duty Performance of Independent Non-Executive Directors

The Board of the Company is currently composed of 4 independent non-executive Directors, the appointment of whom is in full compliance with the requirements of the CBIRC, CSRC and the Hong Kong Listing Rules regarding the qualification, number and proportion of independent non-executive Directors. During the Reporting Period, the independent non-executive Directors maintained communications with the Bank through meetings, investigations, trainings and other approaches. They actively expressed independent, objective and professional opinions at the Board meetings and the meetings of the special committees under the Board, attached importance to safeguarding minority shareholders' interests, thus played a full role as independent non-executive Directors.

The Company has received independence confirmation letters from all the independent non-executive Directors, based on which, the Company is of the view that all the independent non-executive Directors have been independent from 1 January 2022 to the date of this report.

XI. Special Committees of the Board

The Board of the Company has 5 special committees, including the Audit Committee, Nomination and Remuneration Evaluation Committee, Risk Management and Related Transactions Control Committee, Development Strategy Committee, and Consumer Rights Protection Committee. Both the structure and the composition of each special committee comply with the requirements of regulatory authorities and the Articles of Association. Amongst these committees, each of the Nomination and Remuneration Evaluation Committee, Risk Management and Related Transactions Control Committee, Audit Committee and Consumer Rights Protection Committee is chaired by independent non-executive Directors, thus further strengthens the supervision on the Company by independent non-executive Directors.

In 2022, the special committees of the Board of the Company exercised their power in an independent, standardized and effective manner in accordance with the laws. During the year, they held 42 meetings, at which 155 major proposals and reports on regular reports, structural adjustment, rule amendments and other matters were studied and considered, which are critical to the sustainable development and corporate governance of the Bank. As a result, the professionalism of discussion procedure of the Board meetings and the work efficiency, and scientific decision-making process of the Board were improved, and fostering the sustainable and healthy development of businesses of the Bank.

Members and terms of reference of the 5 special committees of the Company and their work in 2022 are as follows:

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(I) Audit Committee

The Audit Committee mainly consists of independent non-executive Directors. The current members include independent non-executive Directors, namely Mr. Jin Qinglu (chairman of the committee) and Mr. Hou Bojian, and a non-executive Director, namely Mr. Lang Shufeng.

The major terms of reference of the Audit Committee during the Reporting Period are as follows:

1. Examining the Bank's accounting policies, financial condition and financial reporting procedures;
2. Reviewing the Bank's financial information and its disclosure;
3. Overseeing the Bank's financial reporting process, internal control procedures and their implementation;
4. Monitoring and evaluating the Bank's Internal Audit Department on its adequacy and effectiveness to internal control system;
5. Making recommendations to the Board on the appointment, re-appointment and removal of external auditors, and approving the remunerations and engagement terms of external auditors;
6. Coordinating internal and external audit work of the Bank; and
7. Reporting to the Board on corporate governance principle and terms of reference with respect to the Audit Committee in accordance with Appendix 14 to the Hong Kong Listing Rules.

In 2022, the Audit Committee held 8 meetings, at which 27 proposals and reports, including the Proposal on the 2021 Annual Results Announcement and Annual Report, the Proposal on 2021 Profit Distribution Plan, the Proposal on the 2022 Financial Budgets, the Proposal on the Appointment of Auditors for 2022, the Proposal on the 2021 Internal Control Evaluation Report of Harbin Bank Co., Ltd., the Proposal on Approval of 2022 Unaudited Interim Financial Statements Prepared according to the International Financial Reporting Standards, and the Proposal on Consideration of 2022 Interim Results Announcement and Interim Report, were considered and approved. In 2022, the Audit Committee listened to the work reports from the Internal Audit Department, continued to deepen the implementation of the internal control system, supervised and guided the audit and examination work, and further improved the internal control system. The Audit Committee also organised the preparation and review of the 2021 annual report and 2022 interim report according to the disclosure requirements on the annual report of regulatory authorities and the disclosure plan of the Audit Committee. During the Reporting Period, the Audit Committee held several meetings with the external auditors, which, in part, were held in the absence of executive Directors and the senior management. On 29 March 2023, the Audit Committee reviewed the audited consolidated financial statements for the year ended 31 December 2022 prepared in accordance with the accounting principles and policies of the Bank. The attendance of each member in the meetings of the Audit Committee in 2022 is as follows:

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Member of Audit Committee	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy	Attendance rate^(Note)
Jin Qinglu	8	8	0	100%
Hou Bojian	8	8	0	100%
Lang Shufeng	8	8	0	100%

Note: During the Reporting Period, attendance by proxy was not counted as attendance.

(II) Nomination and Remuneration Evaluation Committee

The Nomination and Remuneration Evaluation Committee mainly consists of independent non-executive Directors. The current members include independent non-executive Directors, namely Mr. Sun Yan (chairman of the committee), Mr. Zhang Zheng and Mr. Hou Bojian, and a non-executive Director, namely Mr. Zhao Hongbo.

The major terms of reference of the Nomination and Remuneration Evaluation Committee during the Reporting Period are as follows:

1. Reviewing the structure, size and composition of the Board (including the skills, knowledge and experience) at least on an annual basis and proposing suggestions on the proposed change of the Board in accordance with company strategy;
2. Determining the conditions of service, criteria and selection procedures for Directors and senior management personnel;
3. Conducting preliminary review on the qualifications and appointment conditions of Directors and senior management personnel and proposing suggestions to the Board;
4. Assessing the independence of independent Directors;
5. Reviewing the Company's remuneration management system and policies, making and implementing the remuneration policies and structure for Directors and senior management, making recommendations to the Board in relation to building formal and transparent procedures on formulating remuneration policies;

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6. Reviewing and approving the remuneration proposals of the management with reference to the enterprise policies and objectives formulated by the Board;
7. Making recommendations to the Board on the remuneration and incentives measures and schemes for the senior management;
8. Drafting the performance assessment standards for senior management and conducting such performance review, and reporting the results to the Board;
9. Checking and deciding the amounts of annual incentive compensation to be distributed to senior management, operating and management personnel and other employees; and
10. Formulating Board diversity policy.

In 2022, the Nomination and Remuneration Evaluation Committee held 11 meetings. All members strictly performed the obligations under the Terms of Reference for the Nomination and Remuneration Evaluation Committee of the Board and fully completed the work arrangements of this Year. Major works that were launched are as follows: conducting nomination of Directors, performance assessment of Directors and the senior management and review of remuneration management system, etc. During the Reporting Period, 27 proposals and reports including the Proposal on 2021 Implementation Plan of Senior Management Performance Assessment, the Proposal on 2021 Senior Management Performance Appraisal and Remuneration Payment, the Proposal on 2021 Remuneration Distribution Plan for Directors, the Proposal on 2021 Directors' Performance Assessment Report by the Board of Directors, the Proposal on Amending the Senior Management Performance Appraisal Management Measures of Harbin Bank Co., Ltd., the Proposal on Proposed Appointment of the President, the Proposal on Proposed Nomination of Candidates for Executive Directors, the Proposal on Proposed Appointment of the Secretary of the Board of Directors and the Company Secretary and the Proposal on Directors' Performance Management Measures of Harbin Bank Co., Ltd. (For Trial Implementation) were considered and approved. The attendance of each member in the meetings of the Nomination and Remuneration Evaluation Committee in 2022 is as follows:

Member of Nomination and Remuneration Evaluation Committee	Number of Meetings requiring attendance	Number of Meetings attended in person	Number of Meetings attended by proxy	Attendance rate ^(Note)
Sun Yan	11	11	0	100%
Zhang Zheng	11	11	0	100%
Hou Bojian	11	11	0	100%
Zhao Hongbo	11	11	0	100%

Note: During the Reporting Period, attendance by proxy was not counted as attendance.

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Nomination policy:

In selecting candidates for the Directors in accordance with the nomination policy and procedure, the Company's Nomination and Remuneration Evaluation Committee shall:

1. review the structure, size and composition of the Board (including skills, knowledge and experience) on an annual basis and propose suggestions on the proposed change of the Board in accordance with company strategies;
2. study and review whether the qualifications of Director candidates meet the standards stipulated in domestic and overseas laws and regulations and the Articles of Association;
3. extensively search for qualified Director candidates;
4. review the independence of candidates for independent non-executive Directors;
5. conduct preliminary review on the qualifications and appointment conditions of Director candidates and propose the qualified candidates to the Board for consideration;
6. propose the Director candidates to the general meeting via written proposal after consideration and approval of the Board;
7. take into account the Board diversity policy when performing the above duties;
8. review the Board diversity policy when appropriate to ensure the effectiveness of the policy;
9. advise the Board on the appointment or re-appointment of Directors and the succession of Directors (particularly executive Directors); and
10. deal with other matters authorised by the Board.

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(III) Risk Management and Related Transactions Control Committee

The Risk Management and Related Transactions Control Committee consists of independent non-executive Directors and a non-executive Director. The current members include independent non-executive Directors, namely Mr. Jin Qinglu (chairman of the committee), Mr. Sun Yan and Mr. Zhang Zheng, and a non-executive Director, namely Mr. Zhang Xianjun.

The major terms of reference of the Risk Management and Related Transactions Control Committee during the Reporting Period are as follows:

1. discussing with senior management on matters relating to the risk management mechanism, supervising the senior management's control of credit risk, liquidity risk, market risk, operational risk, information technology risk, compliance risk and reputation risk, reviewing the progress of works relating to anti-money laundering, case risk identification, large risk exposure and capital adequacy assessment to ensure that senior management has fulfilled its responsibility to establish an effective risk management mechanism;
2. receiving the special reports of the Company's risks from senior management on a regular basis, making assessment on the Company's risk policy, risk level, risk management condition and risk tolerance, and making recommendations on the improvement of overall risk management and internal controls;
3. considering major investigations findings on risk management matters and senior management's response to these findings on its own initiative or as requested by the Board;
4. reviewing and overseeing the Company's risk management mechanisms on an ongoing basis;
5. carrying out day-to-day supervision of compliance risk management, understanding the implementation of the compliance policy and the existence of problems through regular individual interviews with the person responsible for compliance or other effective channels, making timely and corresponding comments and recommendations to the Board or senior management, and overseeing the effective implementation of the compliance policy;
6. management and approval of related/connected transactions of the Company;
7. managing the risks of financial innovation activities and the risks of other traditional businesses in a unified manner by developing appropriate risk management procedures and risk control measures to clearly define the specific responsibilities of each business line and relevant departments;
8. conducting a preliminary review of changes in the Company's shareholdings and the status of shareholders' qualifications and considering the pledge (release) of the Company's shareholdings;
9. receiving reports on the development of credit and guarantee business for subsidiaries and considering the increase of capital for subsidiaries;

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10. developing an annual work plan for the Risk Management and Connected Transaction Control Committee;
and
11. other matters authorised by the Board of Directors.

In 2022, the Risk Management and Related Transactions Control Committee held 13 meetings, at which 75 proposals and reports were considered and approved, including the Proposal on the Risk Management Report of Harbin Bank in 2021, the Proposal on the General Evaluation Report on Information Technology Risk of Harbin Bank in 2021, the Proposal on the Risk Inspection Report of Harbin Bank in 2021 and the Proposal on the Significant Related Transactions between Harbin Bank and Harbin Investment Group Corporation Limited in 2022. The attendance of each member in the meetings of Risk Management and Related Transactions Control Committee in 2022 is as follows:

Member of Risk Management and Related Transactions Control Committee	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy	Attendance Rate^(Note)
Jin Qinglu	13	13	0	100%
Sun Feixia (resigned on 31 March 2022)	3	0	0	0%
Sun Yan	13	13	0	100%
Zhang Zheng	13	13	0	100%
Zhang Xianjun	13	13	0	100%

Note: During the Reporting Period, attendance by proxy was not counted as attendance.

(IV) Development Strategy Committee

The Development Strategy Committee consists of executive Directors, an independent non-executive Director and a non-executive Director. The current members include executive Directors, namely Mr. Deng Xinquan (chairman of the committee) and Mr. Yao Chunhe (effective from 3 March 2023), an independent non-executive Director, namely Mr. Hou Bojian, and a non-executive Director, namely Mr. Yu Hong.

The major terms of reference of the Development Strategy Committee during the Reporting Period are as follows:

1. Researching and providing advice on the Bank's long and medium term development strategies;
2. Researching and providing advice on material investment and financing programmes, material capital operation and asset operating projects subject to the approval of the Board as required under the Articles of Association;
3. Conducting researches and providing recommendations on the Bank's organizational planning, department setting and change;

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4. Drafting the Bank's annual business targets and the performance appraisal indicators of managements;
5. Supervising and inspecting the implementation by senior management of the Bank's long and medium term development plans, annual business targets, investment and financing programmes and capital allocation programmes;
6. Communicating with senior management and departments regarding the operation and risk exposure of the Bank on a regular basis, as well as providing advice and recommendation;
7. Researching and providing advice on the strategy, policy and objective for green credit, supervising the senior management in the implementation of green credit, so as to fulfill social responsibility; and
8. Conducting research and providing recommendations on other important issues relating to the Bank's development.

In 2022, the Development Strategy Committee held 6 meetings, at which 20 proposals were considered and approved including the Proposal on the Establishment of the Debt Management Department, the Proposal on the Work Report of the Board for 2021, the Proposal on the Operational Plan of Harbin Bank Group for 2022, the Proposal on the Performance Assessment Indicators on Senior Management for 2022, the Proposal on the Capital Adequacy Management Plan for 2022, the Proposal on the External Investment Programme for 2022, the Proposal on Amending the Articles of Association of Harbin Bank Co., Ltd., the Proposal on Amending the Rules of Procedure for the Shareholders' General Meeting of Harbin Bank Co., Ltd., the Proposal on Amending the Rules of Procedure for the Board of Directors of Harbin Bank Co., Ltd., the Proposal on Amending the Administrative Measures for Shareholding of Harbin Bank Co., Ltd., the Proposal on Adjustment of Head Office Departments, the Proposal on the Institutional Development Plan of Harbin Bank Co., Ltd. for 2022, the Proposal on the Material Issues of Environmental, Social and Governance (ESG) of Harbin Bank Co., Ltd. for 2022, the Proposal on Green Finance Guidance of Harbin Bank Co., Ltd., the Proposal on the Strategic Executive Assessment Report of Harbin Bank Group for 2021, the Proposal on the Environmental, Social and Governance Report of Harbin Bank Co., Ltd. for 2021, the Proposal on the Establishment of Sino-Russia and Cross-border Finance Department, the Proposal on the Adjustment of the Structure and Responsibilities of Certain Departments of the Head Office, the Proposal on the Establishment of the Head Office Logistics Service Center and the Proposal on the Strategic Information Technology Implementation Plan of Harbin Bank Co., Ltd. (2022-2024). The attendance of each member in the meetings of Development Strategy Committee in 2022 is as follows:

Member of Development Strategy Committee	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy	Attendance rate^(Note)
Deng Xinquan	6	6	0	100%
Lyu Tianjun (resigned on 31 March 2022)	2	0	0	0%
Yu Hong	6	6	0	100%
Hou Bojian	6	6	0	100%

Note: During the Reporting Period, attendance by proxy was not counted as attendance.

(V) Consumer Rights Protection Committee

The Consumer Rights Protection Committee consists of independent non-executive Directors, a non-executive Director and a executive Director. The current members include independent non-executive Directors, namely Mr. Zhang Zheng (chairman of the committee) and Mr. Sun Yan, a non-executive Director, namely Mr. Zhang Xianjun and a executive Director, namely Mr. Yao Chunhe (effective from 3 March 2023).

The major terms of reference of the Consumer Rights Protection Committee during the Reporting Period are as follows:

1. Formulating the Company's strategies, policies and objectives of consumer rights protection, guiding the senior management to reinforce the construction of a corporate culture enabling consumer rights protection in terms of overall planning, and incorporating relevant contents of consumer rights protection into corporate governance, corporate culture development and business development strategies;
2. Urging the senior management to effectively implement relevant work of consumer rights protection, attending special briefings by the senior management on the Company's consumer rights protection work on a regular basis, considering and approving relevant special reports and submitting them to the Board, and considering the relevant work as an important item of information disclosure;
3. Supervising and assessing the Company's consumer rights protection work from the aspect of comprehensiveness, timeliness and effectiveness, and the senior management's performance of duties; and
4. In accordance with the Company's overall strategy, considering the proposals regarding consumer rights protection before submitting the relevant proposals to the Board for consideration.

In 2022, the Consumer Rights Protection Committee held 4 meetings, at which 6 proposals and reports were considered and approved, namely the Proposal on the Work Conclusions of the Consumer Rights Protection Committee of the Board for 2021 and the Work Plan for 2022, the Proposal on the Report of Consumer Rights Protection of Harbin Bank for 2021, the Proposal on the Work Scheme of Consumer Rights Protection of Harbin Bank for 2022, the Proposal on the Report of Consumer Rights Protection of Harbin Bank for the First Half of 2022, the Proposal on the Self-Assessment Report of Harbin Bank on the Supervisory Evaluation of Financial Consumer Rights Protection for 2021 and the Proposal on the Self-Assessment Report of Harbin Bank on the Supervisory Evaluation of Financial Consumer Rights Protection for 2022. The attendance of each member in the meetings of Consumer Rights Protection Committee in 2022 is as follows:

Member of Consumer Right Protection Committee	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy	Attendance Rate ^(Note)
Zhang Zheng	4	4	0	100%
Lyu Tianjun (resigned on 31 March 2022)	2	0	0	0%
Sun Yan	4	4	0	100%
Zhang Xianjun	4	4	0	100%

Note: During the Reporting Period, attendance by proxy was not counted as attendance.

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XII. Board of Supervisors

The Board of Supervisors of the Company consists of 6 Supervisors, including 3 external Supervisors and 3 employee representative Supervisors. The number and composition of the Board of Supervisors of the Company are in compliance with the provisions of relevant laws and regulations. On 13 March 2023, Mr. Wang Haibin has resigned as the chairman and an employee supervisor of the Board of Supervisors and Mr. Luo Zhonglin has resigned as an employee supervisor and a member of the nomination committee of the Board of Supervisors. On the same date, Mr. Zhao Baocai and Ms. Jiang Yongmei have been appointed as employee supervisors at the staff representatives assembly, and Mr. Zhao Baocai was elected as the chairman of the Board of Supervisors at the 2023 second extraordinary meeting of the Board of Supervisors. During the Reporting Period, the Board of Supervisors held 9 meetings, at which 26 proposals and reports were considered, including the Nomination of annual and interim reports of the Company, the work report and work plan of the Board of Supervisors, the profit distribution plan, the performance evaluation reports of the Board and the directors, supervisors and senior management, the audit proposal and report of the resignation of executive officers, the evaluation report of strategy execution, the assessment report of internal control, the work plan for the implementation of the strategic plan for 2021-2023, the Rules of Procedure for the Board of Supervisors, the Work Rules of the Committees under the Board of Supervisors, the method for evaluating the performance of senior management and its members, the working system for employee representative Supervisors, the resignation of supervisors, the adjustment to members of the special committees of the Board of Supervisors, and the work plans for the evaluation of duty performance. The attendance of each Supervisor in the meetings of the Board of Supervisors in 2022 is as follows:

Member of Board of Supervisors	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy	Attendance Rate^(Note)
Wang Haibin (resigned on 13 March 2023)	9	9	0	100%
Zhao Baocai (newly appointed on 13 March 2023)	0	0	0	-
Li Dong	9	9	0	100%
Li Zhaohua	9	9	0	100%
Sun Yi	9	9	0	100%
Yang Xuemei (resigned on 6 September 2022)	6	6	0	100%
Luo Zhonglin (resigned on 13 March 2023)	9	9	0	100%
Fang Shang (resigned on 10 October 2022)	7	7	0	100%
Wang Yuanfang (newly appointed on 10 October 2022)	3	3	0	100%
Jiang Yongmei (newly appointed on 13 March 2023)	0	0	0	-

Note: During the Reporting Period, attendance by proxy was not counted as attendance.

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During the Reporting Period, the Board of Supervisors of the Company had two special committees, namely the Nomination Committee and the Supervision Committee. The structure and composition of each special committee are in compliance with the requirements of the regulatory authorities and the Articles of Association. The chairman of each committee is an external Supervisor. Both special committees work in accordance with the requirements of laws and regulations, the Articles of Association, the Rules of Procedure for the Board of Supervisors and the terms of reference for the committees under the Board of Supervisors.

During the Reporting Period, the special committees of the Board of Supervisors of the Company exercised their authority and power in an independent, regular and effective manner in accordance with the law. 10 meetings were held throughout the year at which 16 proposals were studied and considered including the annual evaluation report of internal control, periodic reports and the profit distribution plan.

(I) Nomination Committee

The Nomination Committee consists of external Supervisors and an employee representative Supervisor. The members include external Supervisors, namely Mr. Li Dong (chairman of the committee) and Mr. Sun Yi, and an employee representative Supervisor, namely Mr. Luo Zhonglin.

The major terms of reference are as follows:

1. Drafting the conditions of service, criteria and selection procedures for Supervisors;
2. Conducting preliminary review and providing advice to the Board of Supervisors on the qualifications and conditions of Supervisor candidates;
3. Nominating qualified external Supervisor candidates and recommending Supervisors to the Board of Supervisors;
4. Supervising the election and employment procedure of Directors;
5. Comprehensively evaluating and reporting to the Board of Supervisors on the performance of duties of Directors, Supervisors and senior management personnel;
6. Providing advice to the Board of Supervisors on the size and composition of the Board of Supervisors based on the Company's operational and management status, total asset size and shareholding structure;
7. Supervising the scientificity and rationality of the Company's remuneration management system and policy and remuneration management of senior management personnel;
8. Other matters authorised by the Board of Supervisors.

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During the Reporting Period, the Nomination Committee held 5 meetings, at which a total of 7 proposals were considered and approved, namely the Evaluation Report on the Performance of the Board and the Directors in 2021 Issued by the Board of Supervisors, the Evaluation Report on the Performance of the Senior Management and its Members in 2021 Issued by the Board of Supervisors, the Evaluation Report on the Performance of the Board of Supervisors and Supervisors in 2021, the Remuneration Assignment Plan of Supervisors in 2021, the Resignation of Ms. Yang Xuemei as a Shareholder Representative Supervisor, the Resignation of Mr. Fang Shang as an Employee Representative Supervisor and the Proposal on the Work Plan for Performance Evaluation of the Office of the Board of Supervisors of Harbin Bank in 2022. The attendance of each Supervisor in the meetings of the Nomination Committee in 2022 is as follows:

Committee member	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy	Attendance rate
Li Dong	5	5	0	100%
Sun Yi	5	5	0	100%
Luo Zhonglin (resigned on 13 March 2023)	5	5	0	100%
Jiang Yongmei (newly appointed on 13 March 2023)	0	0	0	–

(II) Supervision Committee

The Supervision Committee consists of external Supervisors and an employee representative Supervisor. The members include external Supervisors, namely Ms. Li Zhaohua (chairperson of the committee) and Mr. Sun Yi, and an employee representative Supervisor, namely Mr. Wang Yuanfang.

The major terms of reference are as follows:

1. Drafting the off-office auditing programme on senior management personnel of the Company and implementing such plans as approved by the Board of Supervisors;
2. Tracking the formulation of the Board's regular reports and relevant material adjustments and reporting the same to the Board of Supervisors;
3. Supervising the Board to establish steady business philosophy and value criterion, formulate development strategy conform with the actual circumstances of the Company and supervising the Company's financial activities, business decisions, risk management and internal control;
4. Making recommendations on the engagement of external auditors based on supervision as needed;
5. Other matters authorised by the Board of Supervisors.

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During the Reporting Period, the Supervision Committee held 5 meetings, at which 9 proposals and reports were considered and approved, namely the 2021 Profit Distribution Plan, the 2021 Annual Report, the 2021 Internal Capital Adequacy Evaluation Report of Harbin Bank Co., Ltd., the Plan on the Off-office Auditing Report for Lyu Tianjun and Sun Feixia, the Evaluation Report on the 2021 Strategy Implementation of Harbin Bank (Group), the 2021 Internal Control Evaluation Report of Harbin Bank, the 2022 Interim Report, the Report on the Off-office Auditing for Wang Tao and the Adjustment to the Off-office Auditing for Lyu Tianjun and Sun Feixia. The attendance of each Supervisor in the meetings of the Supervision Committee in 2022 is as follows:

Committee member	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy	Attendance Rate
Li Zhaohua	5	5	0	100%
Yang Xuemei (resigned on 6 September 2022)	4	4	0	100%
Fang Shang (resigned on 10 October 2022)	4	4	0	100%
Sun Yi	1	1	0	100%
Wang Yuanfang (newly appointed on 10 October 2022)	1	1	0	100%

XIII. Change of Members of the Board of Supervisors during the Reporting Period

On 6 September 2022, Ms. Yang Xuemei resigned as a Shareholder Representative Supervisor of the Company; Mr. Fang Shang resigned as an Employee Representative Supervisor of the Company on 10 October 2022, and on the same date, Mr. Wang Yuanfang was elected as an Employee Representative Supervisor of the Company at the Twelfth meeting of the fifth session of the employee representative of the Company.

XIV. Financial, Business and Family Relationship among Directors, Supervisors and Senior Management

No relationship exists among Directors, Supervisors and senior management of the Bank, including financial, business and family relationship or other material relationship.

XV. Securities Transactions by Directors, Supervisors and Relevant Employees

The Company has adopted the Model Code set out in Appendix 10 of the Hong Kong Listing Rules as the code of conduct for governing the securities transactions by the Directors and Supervisors of the Company. Having made specific enquiries to the Directors and Supervisors, all Directors and Supervisors have confirmed that they had complied with the aforesaid code during the period from 1 January 2022 to 31 December 2022. The Bank also set guidelines for employees' dealings in the Company's securities on terms no less exacting than the required standards as set out in the Model Code. The Bank is not aware of any violation of such guidelines by any employee.

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XVI. Training of Directors and Supervisors during the Reporting Period

During the Reporting Period, the Board arranged training for all Directors and senior management on internal control compliance management, ESG management and anti-corruption, in order to help them gain a comprehensive understanding of how the Board ensures that the Bank has established and implemented an adequate and effective internal control system and secure that the Bank operates prudently within the legal and policy framework. They gained an in-depth understanding of ESG management, green finance, anti-corruption indicators and the latest policies and established an adequate appreciation of the responsibilities and legal liabilities of listed companies, which further enhanced the professionalism of our directors in discharging their duties.

During the Reporting Period, the Board of the Company also arranged independent Directors to carry out investigation and research on its subsidiaries and head office departments. In-camera meetings of independent Directors were convened to listen to Directors' opinions and suggestions in time.

During the Reporting Period, the Bank arranged Supervisors to study the regulatory requirements, relevant national laws and regulations, understand the spirit of supervision and their responsibilities. During the Reporting Period, the Supervisors were arranged to participate in the trainings with themes of "Internal Control Compliance Management", "ESG Management" and "Anti-Corruption" organised by the Company to continuously enhance their theoretical level and ability to perform their duties.

During the Reporting Period, the Board of Supervisors conducted survey interviews with 5 branches, 2 subsidiaries, the management headquarters of township and village banks, 5 village and township banks and 8 head office departments, focusing on understanding the operation and management, risks, internal control, the implementation of regulatory opinions and the relevant rectification measures adopted and the existing difficulties and problems of various institutions.

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The attendance of each Director in training sessions on specific topics and on-site business visits in 2022 is as follows:

Name of Directors	Number of training sessions on specific topics attended	Number of on-site business visits
Deng Xinquan	3	12
Lyu Tianjun (resigned on 31 March 2022)	0	0
Sun Feixia (resigned on 31 March 2022)	0	0
Zhao Hongbo	3	0
Zhang Xianjun	3	0
Yu Hong	1	0
Lang Shufeng	3	0
Sun Yan	3	2
Zhang Zheng	3	2
Hou Bojian	3	2
Jin Qinglu	3	2

The attendance of each Supervisor in training sessions on specific topics and on-site business visits in 2022 is as follows:

Name of Supervisors	Number of training sessions on specific topics attended	Number of on-site business visits
Wang Haibin (resigned on 13 March 2023)	3	34
Li Dong	3	20
Li Zhaohua	3	25
Sun Yi	3	15
Yang Xuemei (resigned on 6 September 2022)	2	3
Luo Zhonglin (resigned on 13 March 2023)	3	35
Fang Shang (resigned on 10 October 2022)	2	14
Wang Yuanfang (newly appointed on 10 October 2022)	1	18

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XVII. Amendments to the Articles of Association

Pursuant to laws, regulations and regulatory requirements including the Notice of the China Banking and Insurance Regulatory Commission on Printing and distributing Corporate Governance Guidelines for Banking and Insurance Institutions (Yin Bao Jian Fa [2021] No.14) (《中國銀保監會關於印發銀行保險機構公司治理準則的通知》(銀保監發[2021]14號)), the Notice of the China Banking and Insurance Regulatory Commission on Printing and Distributing Measures for Supervising the Behavior of Major Shareholders of Banking and Insurance Institutions (for Trial Implementation) (Yin Bao Jian Fa [2021] No. 43) (《中國銀保監會關於印發銀行保險機構大股東行為監管辦法(試行)的通知》(銀保監發[2021]43號)), the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions, the Measures for the Evaluation on Duty Performance of Directors and Supervisors of Banking and Insurance Institutions (for Trial Implementation), the Board resolved on 31 March 2022 to propose amendments to the Articles of Association currently in force by adding that the Company shall listen to the opinions of the trade union in advance when studying and deciding on issues concerning the vital interests of the employees, such as wages, welfare, safety, labor protection, labor insurance, layoff (or dismissal) of the Company's employees. For the details of the amendments to the Articles of Association, please refer to the announcement dated 31 March 2022 and the circular dated 29 April 2022 of the Company. Relevant resolutions on the amendments to the Articles of Association were considered and passed at the 2021 annual general meeting held on 20 May 2022. The aforesaid amendments became effective on 31 October 2022 after obtaining the approval of the Heilongjiang Regulatory Bureau of CBIRC.

XVIII. Company Secretary under the Hong Kong Listing Rules

Dr. Ngai Wai Fung has been the company secretary of the Bank independently with effect from 31 March 2022. Mr. Wu Siliang was appointed as the secretary of the Board and the company secretary of the Company at the Board meeting of the Company held on 8 July 2022. Dr. Ngai Wai Fung and Mr. Wu Siliang are joint company secretaries of the Company. Mr. Wu Siliang's qualification as the secretary of the Board was approved by the Heilongjiang Office of the CBIRC, with effect from 26 August 2022. Each Director may discuss with, seek advice and obtain materials from the joint company secretaries. Dr. Ngai and Mr. Wu have confirmed their receipt of no less than 15 hours of relevant professional training during the Reporting Period. Mr. Wu is the key contact person for Dr. Ngai (for external services agency).

Dr. Ngai Wai Fung has served as the company secretary of the Company since March 2022. Dr. Ngai served as the joint company secretaries of the Company from January 2014 to May 2017. He is the director and group chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited. Dr. Ngai has over 30 years of professional practice and senior management experience including acting as the executive director, chief financial officer and company secretary, most of which are in the areas of finance, accounting, internal control and regulatory compliance, corporate governance and company secretarial work for listed issuers including major red chips companies. Dr. Ngai is a fellow of the Hong Kong Chartered Governance Institute (formerly known as the Hong Kong Institute of Chartered Secretaries), a fellow of the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators), a member of the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants and a member of the Chartered Institute of Arbitrators. Dr. Ngai obtained a Master's degree in Business Administration from Andrews University of Michigan, a Bachelor's degree in Law (Honours) from University of Wolverhampton, a Master's degree in Corporate Finance from Hong Kong Polytechnic University and a doctoral degree in Economics (Finance) from Shanghai University of Finance and Economics.

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Mr. Wu Siliang has served as the secretary of the Board of the Company since August 2022 and served as a joint company secretary of the Company since July 2022. Mr. Wu has served as the manager of the Board Office of the Company since January 2021 and the manager of the Board Office (office of the Party Committee) of the Company since March 2022. From March 2022 to April 2022, Mr. Wu held the concurrent position as the manager of the Investment Management Office of the Company. From January 2018 to January 2021, he was an assistant to the manager of the Board Office, an assistant to the manager of the office (office of the Party Committee), a deputy manager of the office and a deputy manager (in charge of work) of the Board Office of the Company. From January 2016 to January 2018, he served as a clerk of the Board Office of the Company. Prior to joining the Company, Mr. Wu was an associate chief officer, a chief officer and a secretary for the office of the Party Committee of the office (office of the Party Committee) of CBRC Heilongjiang Office from January 2012 to January 2016. From July 2008 to January 2012, he was an associate chief officer of the No. 2 State-owned Bank Supervision Department, and an associate chief officer of the Offsite Supervision Department in the CBRC Heilongjiang Office. Mr. Wu received a Master's degree in Economics from the Central University of Finance and Economics in July 2008. Mr. Wu held 5,000 H Shares of the Company.

XIX. Communication with Shareholders

In the management of investor relationship, the Company closely adheres to the operating philosophy of "Inclusive Finance, Harmonious Co-Enrichment", highlights the unique market position of microcredit, agriculture-benefiting finance and cross-border credit, and gives emphasis to present to investors the Bank's latest achievements and future potentials of developing business fields such as microcredit, mobile finance and cross-border credit. Meanwhile, the Company also presents its comprehensive development plan in establishing village and township banks and subsidiaries such as HB Leasing and HBCF.

During the Reporting Period, the Company continuously paid high attention to the interest of investors and strived to create practicable returns for our investors. The Company continued to enhance its communication with investors through the following means: (1) In 2022, the Bank published more than 100 news reports regarding investor relations on many domestic and overseas mainstream media, including Xinhua News Agency, People's Daily Online, ifeng.com, Caijing.com, Sina Finance, Gelonghui, Bloomberg, Wind etc., thus effectively promoting the corporate image and further enhancing market attention and influence of the Bank; (2) The Bank timely responded to the questions and recommendations from investors through various channels, including answering over 80 calls from investors, replying numerous e-mail enquiries from investors and analysts, and arranging meetings between investors and the Bank.

Shareholders may at any time make inquiries to the Board of the Company in writing via the Board Office, whose contact details are as follows:

Address: No. 888 Shangjiang Street, Daoli District, Harbin, China
Post code: 150010
Tel: 86-451-86779933
Fax: 86-451-86779829
E-mail: ir@hrbb.com.cn

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The Company provides the above contact details for shareholders to express their opinions on various matters affecting the Company, and conducts follow-up and feedback on their opinions in a timely manner. During the Reporting Period, the Company has reviewed the implementation of the shareholders' communication policy and believes that the shareholders' communication policy is smooth and efficient.

XX. Rights of Shareholders

(I) Procedure of convening an extraordinary general meeting of shareholders

According to the provisions of the Articles of Association and the Rules of Procedure for Shareholders' General Meeting of the Company:

1. Shareholders individually or jointly holding 10% or more of shares of the Company may sign one or more written requests in the same form and content and submit to the Board to request that the Board should convene an extraordinary general meeting or a separate class meeting of shareholders while declaring the topic of such meeting in such request. The Board shall, within 10 days after receipt of the request, make written feedback to agree or disagree to convene an extraordinary general meeting or a separate class meeting of shareholders in accordance with provisions of the laws, administrative regulations and the Articles of Association;
2. The Board shall deliver such notice of convening an extraordinary general meeting or a separate class meeting of shareholders within 5 days after the decision of the Board if it agrees to convene an extraordinary general meeting or a separate class meeting of shareholders. Any change of the former request in the notice shall be made with the consent of relevant shareholders;
3. While the Board disagrees to convene an extraordinary general meeting or a separate class meeting of shareholders or does not give feedback within 10 days after the receipt of such request, shareholders individually or joint holding 10% or more of shares of the Bank are entitled to propose that the Board of Supervisors should convene an extraordinary general meeting by submitting such request in writing;
4. While the Board of Supervisors agrees to convene an extraordinary general meeting or a separate class meeting of shareholders, it shall, within 5 days after the receipt of the request, deliver such notice, in which any change in the former proposal shall be made with the consent of relevant shareholders; and
5. In the event that the Board of Supervisors fails to deliver such notice to convene an extraordinary general meeting or a separate class meeting of shareholders in a specified period, such acts shall be deemed to be refusing to convene such aforesaid meeting by the Board of Supervisors. Such shareholders individually or jointly holding 10% or more of shares of the Company for 90 consecutive days may at their discretion convene and preside over such aforesaid meeting.

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(II) Procedure of submitting a proposal to the general meeting of shareholders

Shareholders individually or jointly holding 3% or more of the shares of the Company may propose an interim proposal in writing and submit it to the convener 10 days before the general meeting. For contact details, please refer to “Corporate Governance Report” – “Communication with Shareholders”. The convener shall issue a supplementary notice of the general meeting within 2 days after receiving the proposal and announce such proposal, which shall satisfy such provisions as otherwise specified in the local listing rules (the Hong Kong Listing Rules). Except the aforementioned situation, the convener shall not alter proposals listed in the notice of the general meeting or add any proposals after the issuance of notice of the general meeting.

XXI. Profit and Dividend Distribution Policy

Following is the profit and dividend distribution policy of the Company according to the requirements of the Articles of Association:

- (I) Pursuant to Article 338 of the Articles of Association, the profits after income tax paid by the Company shall be distributed in the following order:
 - (1) To make up the losses of the previous years;
 - (2) To extract ten percent (10%) of the statutory accumulation fund;
 - (3) To extract fund for general (risk) provision;
 - (4) To extract the any accumulation fund by the resolutions of shareholders’ general meeting; and
 - (5) To distribute profits to shareholders.

To distribute the profits in light of the proportions of shares held by shareholders, unless it is instructed by the Articles of Association to not distribute profits according to the proportions of shares held by shareholders.

If the shareholder’ meeting distributes the profits by violating the provisions of the preceding Item (1) to (4), the profits distributed must be refunded to the Company.

No profit may be distributed for the Company’s shares held by the Company.

- (II) Pursuant to Article 341 of the Articles of Association, dividends shall be distributed by the Company in the form of cash or shares. The Company shall pay cash dividends and other amounts to holders of Domestic Shares in Renminbi. The Company shall calculate and declare cash dividends and other payments which are payable to holders of H Shares in Renminbi, and shall pay such amounts in Hong Kong dollar.

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The Company shall pay cash dividends and other amounts to holders of overseas listed foreign shares in foreign currency in accordance with the relevant foreign exchange control regulations of the State. Dividends distributed in shares shall be upon resolutions of the shareholders' general meeting and reported to the banking regulatory authority for approval.

- (III) Pursuant to Article 341 of the Articles of Association, the profit distribution of the Company attaches the emphasis on the reasonable return on the investment of investors. The Company's profit distribution policy should maintain a certain continuity and stability, and the Company shall distribute dividends in the profitable year. On the premise of meeting regulatory requirements, the profits distributed by the Company in the form of cash shall not be less than ten percent (10%) of the achieved profits available for distribution in each year.
- (IV) Pursuant to Article 134(2) of the Articles of Association, the profit distribution plan and loss make-up plan proposed by the Board of Directors shall be passed by ordinary resolution by the shareholders' general meeting.

XXII. External Auditors and Auditors' Remuneration

Subject to consideration and approval at the 2021 annual general meeting held on 20 May 2022, the Bank engaged BDO China Shu Lun Pan CPAs LLP and BDO Limited to respectively act as auditors for 2022 annual financial report of the Bank prepared in accordance with the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively. There was no change in the auditors of the Bank in 2019 and 2020. Since the retirement of Ernst & Young and Ernst & Young Hua Ming LLP at the annual general meeting in 2021, BDO China Shu Lun Pan CPAs LLP and BDO Limited have been engaged to serve as the auditors of the Bank in terms of the preparation of annual financial statements pursuant to China Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively.

For the year ended 31 December 2022, the Company agreed to pay RMB3.050 million (including tax) and RMB1.800 million (including tax) to the above external auditors for their audit and non-audit services respectively. The non-audit service represents the interim review in 2022.

XXIII. Risk Management, Internal Control and Internal Audit

The Board is responsible for the on-going supervision of the risk management and internal control systems of the Company, and responsible for the risk management and internal control systems. It is also responsible for the review of the effectiveness of those risk management and internal control systems. The Board reviews the effectiveness of the risk management and internal control systems of the Group each year through its special committees.

The Board completed its review of the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2022 through its special committees. The Company commenced internal control evaluation according to the requirements under the Guidelines for Internal Control of Commercial Banks of the CBRC. The Board was of the opinion that, during the year, the business and matters within the scope of internal control assessment by the Company involved various kinds of control on the corporate and operational levels as well as in the area of information technologies and covered the principal aspects including the Company's financial, operational and regulatory control and risk management. The internal control system was

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effective and adequate. In addition, the Board also reviewed and was satisfied with the sufficiency of resources and the qualifications and experience of the employees for performing the Company's accounting and financial reporting functions, as well as the adequacy of the employee training courses and the relevant budget. However, the risk management and internal control systems were designed to manage rather than to eliminate the risk of failure to achieve the business objectives. Accordingly, the Board can provide only reasonable assurance, instead of absolute assurance, against material misstatement or losses.

(I) Procedures for Identification, Evaluation and Management of Significant Risks

For the procedures adopted by the Bank for identification, evaluation and management of significant risks, please refer to "Report of the Board of Directors" – "Risk Exposure and Management" in this report.

(II) Procedures for Review of the Effectiveness of the Risk Management and Internal Control Systems

The Bank conducts an annual review of the effectiveness of its risk management and internal control systems covering all material controls, including financial, operational and compliance controls as well as risk management. The review is conducted by reference to the guidelines and definitions given by the regulatory authorities and professional bodies for the purpose of assessing five different internal control elements, namely, the internal control environment, risk assessment, control activities, information and communication, and internal monitoring. The assessment covers all the major internal controls and measures, including financial, operational and compliance controls as well as risk management functions. The review also considers the adequacy of resources, staff qualifications and experience and training of the Bank's accounting, financial reporting, internal audit functions as well as the ESG performance and report of the issuer. The review is coordinated by the Bank's Internal Audit Department which, after the management and various business departments have performed their self-assessment and the management has confirmed the effectiveness of the relevant systems, then carries out an independent examination and other post-assessment work on the review process and results. The results of the 2022 review, which have been reported to the Audit Committee and the Board, reflect that the Group's risk management and internal control systems are effective and adequate.

(III) Procedures for Prevention and Resolution of Material Internal Control Defects

The control procedures and measures that the Bank has basically established and implemented to prevent and solve material internal control deficiencies are summarised as follows:

- a rational organisational structure with appropriate personnel is developed and whose responsibility, authority, and accountability are clearly delineated. The Bank has formulated policies and procedures to ensure reasonable checks and balances for all the operating units, reasonable safeguard for the Group's asset and adherence to relevant laws and regulations and risk management in its operations;
- the management draws up and continuously monitors the implementation of the Group's development strategies, business plans and financial budgets. The accounting and management systems that are in place provide the basis for evaluating financial and operational performance;

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- the Bank has established various risk management and human resources policies. There are specific units and personnel that are responsible for handling reputation, strategic, legal, compliance, credit, market, operational, liquidity and interest rate risks. There are also procedures and internal controls for the handling and dissemination of inside information. The Bank has set up mechanisms to identify, evaluate and manage all the major risks (including the environmental, social and governance risks) in a timely manner, and has established corresponding internal control procedures;
- the Bank has established an information technology governance structure that produces a range of reports on information systems and management, including information on the monitoring of various business units, financial information and operating performance. Such information facilitates the management, business units and the regulatory authorities in assessing and monitoring the Bank's operation and performance. Proper communication channels and reporting mechanisms are in place at various business units and levels to facilitate the smooth exchange of information; and
- pursuant to a risk-based assessment approach and in accordance with the internal audit plan approved by the Audit Committee of the Board, the Company's Internal Audit Department conducts independent reviews on such aspects as financial activities, various business sectors, various kinds of risks, operations and activities. Reports are submitted directly to the Audit Committee. The Company's Internal Audit Department closely follows up on the items that require attention in a systematic way and reports to the management and the Audit Committee in a timely manner.

(IV) Procedures and Internal Control Measures for the Handling and Dissemination of Inside Information

The Board secretary of the Company is responsible for organising and coordinating of the information disclosure matters of the Company, collecting the information to be disclosed by the Company and reporting to the Board, continuously paying attention to the media coverage of the Company, and verifying the coverage of the inside information related to the Company.

If any employee of the Bank becomes aware of any new progress or information which may constitute inside information, he/she shall inform his/her reporting person on information disclosure at once through the person in charge of his/her unit or department. The reporting person on information disclosure shall report the related information at once to the reporting person on information disclosure of the related department of the headquarters of the Bank, who shall inform the Board secretary and the Board Office at once. If the information to be disclosed is covered by the media before it is disclosed according to the law, the Company shall make an announcement immediately.

Internal Control

During the Reporting Period, the Company strictly implemented the normative requirements of laws and regulations on internal control of enterprises such as the Guidelines for Internal Control of Commercial Banks, followed the principles of comprehensiveness, prudence, effectiveness and independence, resolutely carried out the strategic requirements of risk prevention, strict internal control and strong compliance, and practiced a series of internal control optimization and improvement work around the five internal control elements of internal environment, risk assessment, control measures, information and communication and internal supervision, so as to reasonably ensure the Company's operation and management was compliant with laws and regulations.

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First, the Company established and maintained a sound and prudent internal control environment in compliance with laws and regulations. The Company has a clear and reasonable internal control management framework, including: as the decision-making body of the Company, the Board is responsible for the establishment, improvement and effective implementation of internal control system; the management at various levels is responsible for coordinating the establishment and implementation of internal control system and its daily operation; the various branches and departments are responsible for establishing and continuously improving their own internal control systems in accordance with the requirements of laws and regulations; the compliance departments at different levels and the independent internal audit departments are responsible for the supervision and evaluation of the internal control system of the Bank, forming an internal control organizational structure with reasonable division of labour, clear responsibilities and reporting lines. At the same time, the Board of Directors and senior management of the Company attached great importance to the construction of compliance culture, persistently made compliance culture construction normal, systematical and intensive, and further promoted its compliance philosophy of “giving highest priority to compliance, making all employees in compliance, working in compliance actively, and creating value through compliance”, thereby constantly building a corporate culture of “compliance, steadiness, innovation and development” in Harbin Bank.

Second, the Company constantly improved its risk evaluation system. The Board, the senior management and responsible management personnel of the Company are well aware of various risk exposures under the operating and management process, such as credit risk, market risk, liquidity risk, compliance risk, operation risk, legal risk and reputation risk, and have established a comprehensive risk management system geared to the Bank. In practice, with inspection and investigation, rectification and accountability, performance appraisal, risk assessment, internal audit and other working mechanisms, the Company developed a working pattern in which business units and business lines, compliance and risk control lines, internal audit departments and other supervision units work together. Three defensive lines performed their duties and adopted scientific risk management techniques and methods to identify, monitor and evaluate risks faced in operations so as to ensure the synergy and effectiveness of risk assessment.

Third, the Company took multiple measures and implemented practical and effective risk control measures. The Company adhered to its principles in full coverage, balancing, prudence and conformity, and formulated comprehensive, systematic and standardized business and management systems for various business and management activities. In addition, it comprehensively used the system review mechanism, filing mechanism, abolition mechanism and evaluation mechanism to standardize system management. All levels and institutions of the Bank execute standardized and uniform business regulations and management process. At the same time, the Bank continuously strengthened the working system of intelligent risk control. Through the effective combination of internal control process, business operating system and management information system, the Bank monitored, warned about, and prevented hidden operational risks in a multi-dimensional, all-round and accurate manner. It continued to build an integrated internal control management system combining on-site inspection with off-site monitoring, effectively controlled various potential risks in the process of business development, and firmly upheld the bottom line of zero systematic risks.

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Fourth, the Company was standardized and reasonable in the establishment of information transmission and communication channels. The Company established information reporting systems such as compliance reports, clarified the reporting responsibility mechanism, reporting path, reporting content, reporting frequency and reporting paradigm, ensured that branches, business departments, internal control management functions and other internal control personnel timely report the internal control results and potential risks in the operation and management work to the Board of Directors, management or relevant departments, and ensured that the decision makers could convey in a timely and effective manner all information on the strategies, policies, systems and relevant requirements to the employees so as to firmly establish a two-way internal communication mechanism from two dimensions, namely top-down and down-top communication. Regarding external disclosure and information gathering, the Company also specified responsible departments, relevant processes and document circulation mechanisms to ensure compliance thereof and timely circulation of official documents.

Fifth, the Company has continuously strengthened its multi-level, multi-dimensional and multi-channel internal supervision mechanism. The “two boards and one level” (i.e., Board of Directors, Board of Supervisors and top management) continuously and regularly analyzed, monitored and guided the internal control compliance management across the Bank, giving full play to the roles of leadership, decision-making, supervision and management. At the same time, all units of the Bank work together to ensure the independence, synergy and effectiveness of the supervision work. In view of the internal control defects found in internal supervision, the Company timely carried out rectification, improvement and upgrading, actively promoted the matching of supervision quality with the actual situation of risk prevention and control, comprehensively improved the quality and efficiency of internal control monitoring and promoted the effective operation of internal control mechanism.

Internal Audit

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

During the Reporting Period, the internal audit department of the Company proactively complied with and implemented regulatory rules. Conforming to the internal audit requirements of the Board and the Audit Committee, with the identification and revelation of risks as the core, the Bank actively promoted the full practical application of digital audit technology, strengthened the linkage and integration between on-site and off-site, carried out various audit projects centering on key areas, key risks, key institutions and key personnel, effectively covering the Group’s subsidiaries, the departments at the headquarters, and branches, promoted relevant departments and institutions to continuously improve management mechanism, business process and internal control to bring about value-added benefits from audit, and facilitated the Group’s steady operation and the achievement of its strategic goals. The Board and senior management paid close attention to the conversion of audit discoveries and results, actively promoted rectification and management mechanism optimisation, as well as promoted the effective performance of the audited parties to enhance risk prevention and control capacity and internal control management.

Report of the Board of Supervisors

I. Meeting of the Board of Supervisors

In 2022, the Board of Supervisors held nine meetings, at which 26 proposals were considered and approved, namely the 2021 Profit Distribution Plan, the 2021 Annual Report, the 2021 Internal Capital Adequacy Evaluation Procedure Report of Harbin Bank Co., Ltd., the Administrative Measures for the Report of Senior Management of Harbin Bank, the Evaluation Report on the Performance of the Board and the Directors in 2021 Issued by the Board of Supervisors, the Evaluation Report on the Performance of Senior Management and its Members in 2021 Issued by the Board of Supervisors, the Evaluation Report on the Performance of the Board of Supervisors and the Supervisors in 2021, the Proposal on the Remuneration Distribution Plan of Supervisors for 2021, the 2021 Work Report of Board of Supervisors, the 2022 Work Plan of Board of Supervisors, the Amendments to the Rules of Procedure for the Board of Supervisors' Meetings of Harbin Bank Co., Ltd., the Amendments to the Work Rules of the Nomination Committee under the Board of Supervisors of Harbin Bank Co., Ltd., the Amendments to the Work Rules of the Supervision Committee under the Board of Supervisors of Harbin Bank Co., Ltd., the Proposal on the Off-office Auditing for Lyu Tianjun and Sun Feixia, the Evaluation Report of 2021 Strategy Implementation of Harbin Bank (Group), the 2021 Internal Control Evaluation Report of Harbin Bank, the 2022 Interim Report, the Resignation of Ms. Yang Xuemei as Shareholder Representative Supervisor, the Resignation of Mr. Fang Shang as Employee Representative Supervisor, the Changes of Members of the Special Committees under the Board of Supervisors, the Implementation of Evaluation of 2021-2023 Strategic Development Plan of Harbin Bank (Group), the Amendments to the Evaluation Method on Duty Performance of Senior Management and its Members of Harbin Bank Co., Ltd., the Working Rules for the Employee Representative Supervisors of Harbin Bank Co., Ltd. (for Trial Implementation), the Proposal on the Evaluation on Duty Performance of Directors, Supervisors and Senior Management in 2022, the Audit Report of Wang Tao in Respect of His Resignation, and the Adjustment to the Off-office Auditing for Lyu Tianjun and Sun Feixia.

II. Major Work of the Board of Supervisors

(I) System Establishment

During the Reporting Period, the Board of Supervisors comprehensively streamlined its working mechanism for systematic improvements in accordance with regulatory requirements. It amended the Rules of Procedure for the Board of Supervisors of Harbin Bank Co., Ltd., the Work Rules of the Nomination Committee under the Board of Supervisors of Harbin Bank Co., Ltd., the Work Rules of the Supervision Committee under the Board of Supervisors of Harbin Bank Co., Ltd., the Evaluation Method on Duty Performance of Senior Management and its Members of the Harbin Bank Co., Ltd., and formulated the Working Rules for the Employee Representative Supervisors of Harbin Bank Co., Ltd. (for Trial Implementation) to regulate the performance supervision behavior and improve the supervision efficiency.

(II) Supervision, Inspection and Investigation

During the Reporting Period, the Board of Supervisors, pursuant to its responsibilities, focused on overseeing the performance of the Board of Directors and senior management, financial activities, as well as risk management and internal control of the Company, and organised relevant activities.

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During the Reporting Period, the Board of Supervisors conducted 21 interviews and researches on some provincial and external branches, departments of headquarter and invested village and township banks focusing on monitoring and understanding the strategy implementation, risk control and compliance management of various institutions, the implementation of regulatory opinions and relevant rectification measures adopted by these institutions, as well as the risk control and the development of key businesses of these institutions. 21 meeting minutes were formed, containing 83 proposals on risk prevention measures, compliance operation, team building, group development, and corporate governance, which were highly valued by the Board and senior management and were deployed and implemented in a timely manner.

(III) Performance Supervision

During the Reporting Period, the Board of Supervisors continued to evaluate the performance of the Board and the senior management and their members in accordance with the Articles of Association and relevant rules in relation to the performance evaluation. Through attending relevant meetings, investigations and interviews, carrying out responsibility audit, reviewing documents and other methods, the Board of Supervisors monitored the performance of the Board of Directors, the senior management and their members in terms of material strategic decision-makings and their implementation, operation management, risk and internal control management and other aspects. At the end of the year, the Board of Supervisors continued to engage external institution to carry out performance evaluation. In accordance with regulatory requirements and actual situation, Deloitte Consulting was engaged to carry out the performance evaluation of Directors, Supervisors and senior management in 2022 to provide sufficient guarantee for the performance evaluation of the Board of Supervisors.

(IV) Putting Forward Management Suggestions

During the Reporting Period, the Board of Supervisors consistently paid attention to the risk management status and control measures adopted by the Company, and provided suggestions and comments on strategic positioning, risk management and control, performance assessment, and anti-corruption construction of branches and subsidiaries during the interviews, investigation and supervision process, and reported to the Board and the senior management as a reference for operation decision-making. The Board of Supervisors continuously implemented the supervision of finance, comprehensive risk management and internal control.

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(V) Self-enrichment

Firstly, change of members of the Board of Supervisors was successfully completed. During the Reporting Period, the resignation of shareholder representative supervisors and the changes of employee representative supervisors were completed, and the composition of each committee of the Board of Supervisors was determined. Secondly, the Board of Supervisor improved the institutional system. During the Reporting Period, the Board of Supervisors amended the Rules of Procedure for the Board of Supervisors of Harbin Bank Co., Ltd., the Work Rules of the Nomination Committee under the Board of Supervisors of Harbin Bank Co., Ltd., the Work Rules of the Supervision Committee under the Board of Supervisors of Harbin Bank Co., Ltd., the Evaluation Method on Duty Performance of Senior Management and its Members of the Harbin Bank Co., Ltd., and formulated the Working Rules for the Employee Representative Supervisors of Harbin Bank Co., Ltd. (for Trial Implementation) to regulate the performance supervision behavior and improve the supervision efficiency. Thirdly, the Board of Supervisors participated in special researches. During the Reporting Period, external Supervisors participated in the seminars between independent Directors and external Supervisors, receiving the reports of senior management on the risk management and internal control of Harbin Bank, and made their suggestions accordingly. Fourthly, the Board of Supervisors strengthened the training of Supervisors. During the Reporting Period, Supervisors participated in the special training on the Internal Control Compliance Management, ESG Management and Anti-corruption organized by the Company to continuously improve their theoretical level and ability to perform duties. Fifthly, the Board of Supervisors strengthened the quantitative management of Supervisors' performance of duties, conducted detailed assessments of meeting attendance, performance time, and opinions expressed, motivated the initiative and enthusiasm of Supervisors to perform their duties, and promoted the supervision of Supervisors to be closer to reality and concerns. Moreover, the suggestions put forward were more pertinent and effective, and performance efficiency was further improved.

By Order of the Board of Supervisors
Zhao Baocai
Chairman of the Board of Supervisors

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I. Issuance of Debt Securities

(I) Bond Issuance during the Reporting Period

According to the resolutions of the 22nd meeting of the sixth session of the Board held on 28 March 2018 and the 2017 annual general meeting of the Company held on 18 May 2018, the Board and the general meeting of the Company approved the Proposal on the Issuance of not more than RMB15.0 Billion Capital Supplemental Bonds, pursuant to which the Company was approved to issue capital supplemental bonds by way of public or non-public issuance to onshore or offshore investors, and the capital supplemental bonds not exceeding RMB15.0 billion (inclusive) shall, upon approval by regulatory authorities, be issued in a single or multiple series in accordance with the relevant procedures. The actual issuance size of the capital supplemental bonds was determined by the Board or its designated person within the abovementioned scope, in accordance with the capital needs of the Company and the market condition at the time of the issuance. The capital supplemental bonds were issued at the par value. All target investors shall subscribe for the capital supplemental bonds in cash. The initial term of the capital supplemental bonds shall not be less than 5 years. There is no fixed expiration date prior to the exercise of redemption right by the Company. Interests on the capital supplemental bonds shall be paid in cash. The interest-bearing principal amount of the capital supplemental bonds shall be the aggregate amount of the relevant series of the capital bonds without a fixed term then issued and outstanding. After receiving the interests at the prescribed interest rate, the holders of the capital supplemental bonds shall not be entitled to any distribution of residual profits of the Company together with the ordinary shareholders. Relevant matters in respect of the proposed issuance of the capital supplemental bonds by the Company were disclosed in the circular dated 6 April 2018 and the announcement dated 18 May 2018 of the Company. The Bank received the Approval of Heilongjiang Regulatory Bureau of the CBIRC for Harbin Bank to Issue the Capital Bonds Without a Fixed Term (Hei Yin Bao Jian Fu [2021] No. 44) on 5 February 2021 and the Administrative Approval Decision of the People's Bank of China (Banking Market Licence [2021] No. 92) issued by the PBOC on 7 June 2021, approving the Bank's issuance of capital bonds without a fixed term in an amount not more than RMB15 billion, which shall be included in additional tier-1 capital according to relevant regulations.

The Capital Bonds Without a Fixed Term of Harbin Bank Co., Ltd. in 2021 has an issuance size of RMB8.0 billion. The coupon rate of the bonds for the first five years is 4.8%, and is subject to adjustment every five years. The issuer's conditional redemption right is attached to the bonds which can be exercised on the annual interest payment date of the fifth year and the subsequent years. The proceeds raised from the issuance of bonds (net of the costs of issuance) will be fully used to replenish the other tier-1 capital of the Company.

The second tranche of Capital Bonds Without a Fixed Term of Harbin Bank Co., Ltd. in 2021 has an issuance size of RMB3.0 billion. The coupon rate of the bonds for the first five years is 5.0%, and is subject to adjustment every five years. The issuer's conditional redemption right is attached to the bonds which can be exercised on the annual interest payment date of the fifth year and the subsequent years. The proceeds raised from the issuance of bonds (net of the costs of issuance) will be fully used to replenish the other tier-1 capital of the Company.

The Company has successfully issued the Capital Bonds Without a Fixed Term of Harbin Bank Co., Ltd. in 2022 in the national inter-bank bond market. The book building of the bonds has been filed on 26 December 2022, and the issuance of the bonds has been completed on 28 December 2022 with a total issuing scale of RMB700 million. The coupon rate of the bonds for the first five years is 4.8%, and is subject to adjustment every five years. The issuer's conditional redemption right is attached to the bonds which can be exercised on the annual interest payment date of the fifth year and the subsequent years. The proceeds raised from the issuance of bonds (net of the costs of issuance) will be fully used to replenish the other tier-1 capital of the Company.

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(II) Previous Financial Bonds Issuance

1. 2017 green financial bonds

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

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

The 2017 first tranche of green financial bonds of Harbin Bank Co., Ltd. has an issuance size of RMB2.0 billion with a term of three years. The coupon rate is 4.79% and the interest is calculated annually at a fixed rate. Its short name is "17 Harbin Bank Green Finance 01" (bond code: 1720015), and its principal and interests were due and paid on 11 April 2020. The 2017 second tranche of green financial bonds (Category I) of Harbin Bank Co., Ltd. has an issuance size of RMB2.0 billion with a term of three years. The coupon rate is 4.68% and the interest is calculated annually at a fixed rate. Its short name is "17 Harbin Bank Green Finance 02" (bond code: 1720021), and its principal and interests were due and paid on 10 May 2020. The 2017 second tranche of green financial bonds (Category II) of Harbin Bank Co., Ltd. has an issuance size of RMB1.0 billion with a term of five years. The coupon rate is 4.75% and the interest is calculated annually at a fixed rate. Its short name is "17 Harbin Bank Green Finance 03" (bond code: 1720022), and its principal and interests were due and paid on 10 May 2022. The proceeds raised from the issuance of bonds will be specially used for green loans.

(III) Proposed Issuance of Financial Bonds

1. According to the resolutions of the 18th meeting of the seventh session of the Board held on 30 March 2020 and the 2019 annual general meeting of the Company held on 15 May 2020, the Board and the general meeting of the Company approved the Proposal on the Issuance of Eligible Tier-2 Capital Instruments, pursuant to which the Company was approved to issue eligible tier-2 capital instruments of not more than RMB20.0 billion by way of public issuance. The bonds will have a term of ten years, and the issuer may redeem the bonds at the end of the fifth year subject to certain conditions. The interest rate of the bonds is fixed, which will be determined through book building or other means. The proceeds raised from the issuance of bonds will be fully used to replenish the tier-2 capital of the Company pursuant to applicable laws and as approved by regulatory authorities.
2. According to the resolutions of the 8th meeting of the third session of the board of directors of HB Leasing held on 27 August 2021 and the resolutions of the 2021 second extraordinary general meeting, the board of directors and the general meeting of HB Leasing approved the Proposal on the Issuance of Financial Bonds, approving the public issuance of not more than RMB2.0 billion financial bonds by HB Leasing with a term of 3 years. The interest rate of the bond is fixed/floating, which is finally determined through book building or other means. The interest will be paid annually, and the repayment of principal is in a lump sum when it becomes due. The proceeds raised from the issuance of the bonds will be used in the investment in agriculture, greening projects and leasing business in the province.

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II. Material Legal Proceedings and Arbitrations

As at the end of the Reporting Period, the amount involved in significant outstanding legal proceedings against the Bank (as a defendant or a third party defendant) amounted to RMB36.4 million. In the opinion of the Bank, such legal proceedings would not have any material impact on the Bank's operating activities. Save for the above, during the Reporting Period, there were no other material legal proceedings or arbitrations which had substantial impact on the operating activities of the Bank.

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

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

IV. Material Contracts and Their Performance

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

V. Audit Review

The Bank's consolidated financial statements for the year ended 31 December 2022 prepared in accordance with International Financial Reporting Standards had been audited by BDO Limited, who had issued an unqualified audit report. The Bank's audited consolidated financial statements for the year ended 31 December 2022 had been reviewed by the Audit Committee of the Board and the Board of Directors.

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

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

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VII. Profit Distribution during the Reporting Period

The Proposal on the 2021 Profit Distribution Plan was considered and approved at the 2021 annual general meeting held on 20 May 2022, pursuant to which, no final dividend for the year of 2021 would be distributed to all shareholders. The Company has not distributed any interim dividend for the six months ended 30 June 2022.

VIII. Appointment and Dismissal of Auditors

Pursuant to the resolutions of the 2021 annual general meeting of the Company held on 20 May 2022, the Company was approved to re-appoint BDO China Shu Lun Pan CPAs LLP and BDO Limited to respectively act as auditors for 2022 annual financial report of the Bank prepared in accordance with the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively.

IX. Subsequent Material Events

In order to actively implement the government's special bond policy to replenish capital, enhance the Bank's capital strength, improve capital structure and risk resistance level, the Company convened the 2022 second extraordinary general meeting on 8 December 2022 and the 2022 first domestic shareholders' class meeting, and 2022 first H shareholders' class meeting to consider and approve the proposals of replenishment of other tier-one capital through a convertible negotiated deposit and issuance of shares under specific mandate. In March 2023, the Company and Harbin Municipal Finance Bureau entered into the capital replenishment instrument – convertible negotiated deposit subscription agreement. For further details regarding the replenishment of other tier-one capital through a convertible negotiated deposit and issuance of shares under specific mandate, please refer to the announcements of the Company dated 18 November 2022 and 17 March 2023 and the circular of the Company dated 21 November 2022.

Basic Information on Directors, Supervisors, Senior Management, Employees and Organisations

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I. Incumbent Directors, Supervisors and Senior Management

Directors

Name	Gender	Age	Position	Term of office
Deng Xinquan	Male	58	Executive Director and Chairman of the Board	2021.3.10 – expiry of Eighth Session of the Board
Yao Chunhe	Male	45	Executive Director and President	2023.3.3 – expiry of Eighth Session of the Board
Zhao Hongbo	Male	54	Non-Executive Director	2021.2.24 – expiry of Eighth Session of the Board
Zhang Xianjun	Male	48	Non-Executive Director	2021.2.24 – expiry of Eighth Session of the Board
Yu Hong	Male	59	Non-Executive Director	2021.2.24 – expiry of Eighth Session of the Board
Lang Shufeng	Male	52	Non-Executive Director	2021.2.24 – expiry of Eighth Session of the Board
Sun Yan	Male	54	Independent Non-Executive Director	2021.2.24 – expiry of Eighth Session of the Board
Zhang Zheng	Male	50	Independent Non-Executive Director	2021.2.24 – expiry of Eighth Session of the Board
Hou Bojian	Male	63	Independent Non-Executive Director	2021.2.24 – expiry of Eighth Session of the Board
Jin Qinglu	Male	50	Independent Non-Executive Director	2021.3.25 – expiry of Eighth Session of the Board

Supervisors

Name	Gender	Age	Position	Term of office
Zhao Baocai	Male	54	Chairman of the Board of Supervisors and Employee Representative Supervisor	2023.3.13 – expiry of Eighth Session of the Board of Supervisors
Jiang Yongmei	Female	50	Employee Representative Supervisor	2023.3.13 – expiry of Eighth Session of the Board of Supervisors
Wang Yuanfang	Male	47	Employee Representative Supervisor	2022.10.10 – expiry of Eighth Session of the Board of Supervisors
Li Dong	Male	64	External Supervisor	2021.2.24 – expiry of Eighth Session of the Board of Supervisors
Li Zhaohua	Female	57	External Supervisor	2021.2.24 – expiry of Eighth Session of the Board of Supervisors
Sun Yi	Male	52	External Supervisor	2021.2.24 – expiry of Eighth Session of the Board of Supervisors

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Senior Management

Name	Gender	Age	Position	Term of office
Yao Chunhe	Male	45	President	2023.3.3 – expiry of Eighth Session of the Board
Zhou Jie	Female	48	Assistant to the President	2021.2.24 – expiry of Eighth Session of the Board
Qi Yilei	Male	51	Chief Credit Approval Officer	2021.2.24 – expiry of Eighth Session of the Board
Yang Dazhi	Male	46	Assistant to the President	2021.2.24 – expiry of Eighth Session of the Board
Wang Ying	Female	51	Chief Audit Officer	2021.2.24 – expiry of Eighth Session of the Board
Gong Tiemin	Male	47	Chief Risk Officer	2021.2.24 – expiry of Eighth Session of the Board
Liang Yong	Male	51	Chief Information Officer	2021.2.24 – expiry of Eighth Session of the Board
Wu Siliang	Male	38	Board Secretary and Joint Company Secretary	2022.8.26 – expiry of Eighth Session of the Board
Fang Shang	Male	51	Assistant to the President	2022.12.15 – expiry of Eighth Session of the Board
Sun Weichao	Male	51	Assistant to the President	2022.12.15 – expiry of Eighth Session of the Board

Changes in Directors, Supervisors and Senior Management

During the Reporting Period, the proposal on the appointment of executive Director was considered and approved at the 2022 first extraordinary general meeting of the Company held on 1 August 2022, and Mr. Yao Chunhe was appointed as an executive Director of the Company. The qualification of Mr. Yao Chunhe as a Director was approved by the Heilongjiang Office of the CBIRC, with effect from 3 March 2023. The Proposal on the Appointment of the President and the Proposal on the Appointment of the Secretary of the Board and Company Secretary were considered and approved at the 2022 fourth extraordinary meeting of the Board held by the Company on 8 July 2022. Mr. Yao Chunhe was appointed as the president of the Company and his qualification as the president was approved by the Heilongjiang Office of the CBIRC, with effect from 3 March 2023; Mr. Wu Siliang was appointed as the secretary of the Board and the company secretary of the Company and his qualification as the secretary of the Board was approved by the Heilongjiang Office of the CBIRC, with effect from 26 August 2022. Mr. Lyu Tianjun, the former executive Director and president of the Company, and Ms. Sun Feixia, the former executive Director, vice chairman of the Board, secretary of the Board and company secretary of the Company, resigned from their positions on 31 March 2022. On 6 September 2022, Ms. Yang Xuemei resigned as a shareholder supervisor of the Company; on 10 October 2022, Mr. Fang Shang resigned as an employee representative Supervisor of the Company and on the same date, Mr. Wang Yuanfang was elected as an employee representative Supervisor of the Company at the twelfth meeting of the fifth session of the employee representative of the Company. On 13 March 2023, Mr. Wang Haibin resigned as the chairman and an employee supervisor of the Board of Supervisors of the Company and Mr. Luo Zhonglin resigned as an employee supervisor and a member of the nomination committee of the Board of Supervisors of the Company. On the same date, Mr. Zhao Baocai and Ms. Jiang Yongmei were appointed as employee supervisors at the sixteenth meeting of the fifth session of the employee representative of the Company, and Mr. Zhao Baocai was elected as the chairman of the Board of Supervisors at the 2023 second extraordinary meeting of the Board of Supervisors. The Proposal on the Appointment of Mr. Fang Shang as the assistant to the president of Harbin Bank Co., Ltd. and the Proposal on the Appointment of Mr. Sun Weichao as the assistant to the president of Harbin Bank Co., Ltd. were considered and approved at the thirteenth meeting of the eighth session of the Board held by the Company on 14 October 2022. Mr. Fang Shang and Mr. Sun Weichao were appointed as the assistant to the president of the Company, and their qualifications were approved by the Heilongjiang Office of the CBIRC, with effect from 15 December 2022. The Proposal on the Appointment of Mr. Han Gang as the vice president of Harbin Bank Co., Ltd. was considered and approved at the 2023 third extraordinary general meeting of the Board held on 24 February 2023. Mr. Han Gang was appointed as the vice president of the Company and his qualification as the vice president is subject to the approval by the Heilongjiang Office of the CBIRC.

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II. Information on Remuneration Paid to Directors, Supervisors and Senior Management of the Bank for 2022

Please refer to Notes 11 and 12 to the Financial Statements for the details of the remuneration of Directors, Supervisors and senior management of the Company.

The remuneration of the members of the senior management by band for the year ended 31 December 2022 is set out below:

Remuneration band	Number of individuals
RMB1,000,000 and below	0
RMB1,000,001 to RMB1,500,000	0
RMB1,500,001 to RMB2,000,000	1
RMB2,000,001 to RMB2,500,000	3
RMB2,500,001 to RMB3,000,000	1
RMB3,000,001 to RMB3,500,000	3
RMB3,500,001 to RMB4,000,000	0
RMB4,000,001 to RMB4,500,000	1
RMB4,500,001 and above	0

III. Information on Directors, Supervisors, Senior Management and Other Persons

(I) Information on Directors

Executive Directors

Mr. Deng Xinquan (鄧新權), has been an executive Director, chairman of the Board and the legal representative of the Company since March 2021, and the secretary of the Party Committee of the Company since October 2020. Mr. Deng has served as the chairman of the Board of Supervisors and the employee representative Supervisor of the Company from May 2018 to February 2021. From November 2007 to May 2018, Mr. Deng was a member of the Party Committee and deputy director of Heilongjiang Office of the China Banking Regulatory Commission (CBRC). From August 2006 to November 2007, he was the director of the office (office of the Party Committee) of Heilongjiang Office of the CBRC. From December 2003 to August 2006, he was the head of the preparation team, secretary to the Party Committee and director of Daqing Branch of the CBRC. From June 1997 to December 2003, he was a deputy head of the rural cooperative finance management division of Heilongjiang Provincial Branch of People's Bank of China (PBOC), deputy head and head of the second bank supervision division of Shenyang Branch of the PBOC, head of the joint-stock commercial bank supervision division of Shenyang Branch of the PBOC, secretary to the Party Committee and president of Daqing City Center Sub-branch of the PBOC. From August 1984 to June 1997, he was an officer and deputy chief officer of the commercial credit division and chief officer and deputy head of the credit cooperation division of Heilongjiang Provincial Branch of Agricultural Bank of China. Mr. Deng received a Master's degree in Business Administration of Senior Management from Harbin Institute of Technology in July 2010. He is currently a senior economist as accredited by the Evaluation Committee of Senior Professional Qualification in Economics of the PBOC.

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Mr. Yao Chunhe (姚春和), has been an executive Director and the president of the Company since March 2023, and a deputy secretary of the Party Committee of the Company since June 2022. Mr. Yao served as the vice president and a member of the Party Committee of Heilongjiang Branch of Industrial and Commercial Bank of China (stock code: 1398.HK) ("ICBC") from November 2020 to June 2022; the vice president and a member of the Party Committee of Heilongjiang Branch of ICBC and the president of Dalian Branch of ICBC from September 2020 to November 2020 (the secretary of the Direct Party Committee of Heilongjiang Branch of ICBC in October 2020); the president and the secretary of the Party Committee of Dalian Branch of ICBC from January 2018 to September 2020; the vice president, a member, the deputy secretary (in charge of overall work) and the secretary of the Party Committee of Dalian Branch of ICBC from February 2015 to January 2018; the president of Xinghai Sub-branch of Dalian Branch of ICBC, the secretary of general Party branch committee of Xinghai Sub-branch and an assistant to the president of Dalian Branch from December 2011 to February 2015; the deputy general manager (in charge of work) and the general manager of the Corporate Business Department of Dalian Branch of ICBC from February 2009 to December 2011; a clerk of the Financial Planning Department, the manager of centralized procurement unit of the Financial Planning Department, the manager and deputy general manager of the Financial and Accounting Department of Dalian Branch of ICBC from August 2003 to February 2009. Mr. Yao received a Master's degree in Finance from Jilin University in July 2003. He is currently an intermediate economist as accredited by the Ministry of Human Resources and Social Security.

Non-executive Directors

Mr. Zhao Hongbo (趙洪波), has been a non-executive Director of the Company since November 2020. Mr. Zhao has served as secretary of the Party Committee and the chairman of Harbin Investment Group Corporation Limited (哈爾濱投資集團有限責任公司) since February 2017; the secretary of the Party Committee, the chairman and a director of Harbin Hatou Investment Co., Ltd. (stock code: 600864.SH) since May 2017; the chairman of Harbin Binxi Railway Co., Ltd. (哈爾濱賓西鐵路有限公司) from June 2017 to November 2021; the secretary of the Party Committee of Jianghai Securities Co., Ltd. since July 2017; and the chairman of Jianghai Securities Co., Ltd. since April 2018. Mr. Zhao served as the general manager, deputy secretary of the Party Committee, chairman and secretary of the Party Committee of Harbin Transportation Group Co., Ltd. (哈爾濱交通集團有限公司) from April 2013 to February 2017; the deputy general manager and a member of the Party Committee of the General Office of Harbin Municipal People's Government from December 2002 to April 2013; the headmaster of Heilongjiang Transportation Cadre School (黑龍江省交通幹部學校) from May 2001 to December 2002; the deputy general manager (deputy division head level) and general manager (division head level) of Heilongjiang Provincial Transportation Information and Communication Center (黑龍江省交通信息通信中心) from March 1997 to May 2001; the deputy general manager of the office of Heilongjiang International Exhibition Center (黑龍江國際博覽中心) from October 1995 to March 1997; and a cadre of the Heilongjiang Border Economic and Trade Administration (黑龍江省邊境經濟貿易管理局) from September 1991 to October 1995. Mr. Zhao received a Doctor's degree in Agricultural Economic Management from Northeast Agricultural University in June 2004, and is currently a senior engineer as accredited by the Personnel Department of Heilongjiang Province.

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Mr. Zhang Xianjun (張憲軍), has been a non-executive Director of the Company since November 2020. Mr. Zhang has served as the vice chairman and general manager of Harbin Hatou Investment Co., Ltd. (stock code: 600864.SH) since January 2021; the chairman of the board of directors of Heilongjiang Suibao Thermolectric Co., Ltd. (黑龍江歲寶熱電有限公司) since June 2021; the authorised representative of Shenzhen Zhongrong Hatou Bail-out Investment Partnership (Limited Partnership) (深圳中融哈投紓困投資合夥企業(有限合夥)) since November 2019; a shareholder of Ningbo Jinxiang Qianyi Investment Partnership (Limited Partnership) (寧波錦享謙溢投資合夥企業(有限合夥)) with 39.93% equity interests since March 2018; a director and the chairman of Harbin Hatou Hengtai Investment Management Co. Ltd. (哈爾濱哈投恒泰投資管理有限公司) since January 2018; a director of Harbin Hatou Investment Co., Ltd. (stock code: 600864.SH) since November 2016; a director of each of Zhongrong International Trust Co., Ltd. and Jianghai Securities Co., Ltd. since December 2014; the vice chairman, a director and the deputy general manager of Harbin Junxin Financing Guarantee Co., Ltd. (stock code: 430558.NQ) since August 2014. Mr. Zhang served as an executive director and the general manager of Harbin Economic Development and Investment Company Limited from December 2019 to February 2023; the deputy general manager of Harbin Junxin Financing Guarantee Co., Ltd. (哈爾濱均信融資擔保股份有限公司) (stock code: 430558.NQ) from August 2014 to April 2022; a director of Zhongrong International Trust Co., Ltd. from December 2014 to June 2022; a director of Heilongjiang Jinxin Financial Leasing Co., Ltd. (黑龍江金信融資租賃有限公司) from August 2015 to March 2022; the head of the financial asset management department of Harbin Investment Group Corporation Limited from July 2014 to January 2021; an officer of the long-term development planning division, secretary of the office, secretary of the Youth League Committee, the deputy general manager and officer (ministerial level) of Harbin Investment Group Corporation Limited from April 2004 to June 2014; and a technician, a staff member of the Youth League Committee and the general manager of the labor union of Harbin Cement Factory (哈爾濱水泥廠) from August 1995 to March 2004. Mr. Zhang received a Master's degree in Business Administration from Harbin Engineering University in June 2009, and is currently a senior economist as accredited by the Personnel Department of Heilongjiang Province.

Mr. Yu Hong (于宏), has been a non-executive Director of the Company since November 2020. Mr. Yu has served as the secretary of the Party Committee and chairman of Heilongjiang Financial Holdings Group Co., Ltd. (黑龍江省金融控股集團有限公司) since January 2019; and a director of Longjiang Bank Corporation since October 2019. Mr. Yu was the deputy inspector, deputy director general and a member of the Party Committee of the Department of Finance of Heilongjiang Province from January 2011 to January 2019; the associate chief officer, chief officer and deputy head of the agriculture division and the head of the treasury division and concurrently the general manager of the financial treasury payment center of the Department of Finance of Heilongjiang Province from June 1990 to January 2011; and an officer and associate chief officer of the Aquatic Products Bureau of Heilongjiang Province from September 1983 to June 1990. Mr. Yu graduated from the Party School of Heilongjiang Province majoring in economic management in February 1992.

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Mr. Lang Shufeng (郎樹峰), has been a non-executive Director of the Company since November 2020. Mr. Lang has served as the deputy secretary of the Party Committee and general manager of Heilongjiang Financial Holdings Group Co., Ltd. (黑龍江省金融控股集團有限公司) since June 2019; a director of Harbin Institute of Technology Artificial Intelligence Research Co. Ltd. (哈爾濱工業大學人工智能研究院有限公司) from December 2020; an executive Director and general manager of Heilongjiang Credit Corporation (黑龍江省徵信有限責任公司) since January 2023. Mr. Lang served as the deputy secretary of the Party Committee, president, the secretary of the Party Committee and the chairman of Heilongjiang Xinzheng Investment Guarantee Group Co., Ltd. (黑龍江省鑫正投資擔保集團有限公司) from October 2010 to December 2019; the assistant to the general manager, executive deputy general manager and general manager of Heilongjiang Xinzheng Investment Guarantee Co., Ltd. (黑龍江省鑫正投資擔保有限責任公司) from October 2000 to October 2010; the manager of the investment department and the manager of the corporate management department of Heilongjiang Economic and Trade Development Group Corporation (黑龍江省經濟貿易開發集團總公司) from July 1996 to October 2000; the manager (temporary post) of a Sino-US joint venture Wudalianchi Wuhuan Mineral Water Company (五大連池五環礦泉水公司) from June 1995 to July 1996; and an officer of Heilongjiang Economic Development Company (黑龍江省經濟開發公司) from July 1993 to June 1995. Mr. Lang received an EMBA degree from Harbin Institute of Technology in April 2005, and is currently a senior accountant (researcher-level) as accredited by the Heilongjiang Human Resources and Social Security Bureau.

Independent non-executive Directors

Mr. Sun Yan (孫彥), has been an independent non-executive Director of the Company since July 2018. Mr. Sun has been a lawyer and partner at Beijing Tian Yuan Law Firm since January 2007. Mr. Sun worked as a director of Fangzhouedu Co., Ltd. (北京敏捷方舟科技有限公司) from July 2018 to September 2020; the vice chairman of Beijing Tianyuan Yutou Film Culture Media Co., Ltd. (北京天元芋頭影視文化傳媒有限公司) from June 2017 to August 2020 with 16.6667% equity interests; a supervisor of Beijing Greenwind Technology Co., Ltd. (北京格林新風科技有限公司) from July 2014 to July 2017; a director of Yunnan Jiusheng Farm Co., Ltd. (雲南九盛牧業有限公司) from September 2011 to March 2014; a supervisor of Beijing Orient Mingdao Public Relations Consulting Center (北京東方名道公共關係諮詢中心) from June 2004 to August 2020; a supervisor of Beijing Cina Digital Technology Research Institute Co., Ltd. (北京磁納數碼科技研究院有限公司) from March 2004 to October 2008; the chairman of Beijing Lele Online Entertainment Software Co., Ltd. (北京樂樂在線娛樂軟件有限公司) from September 2002 to April 2004; a lawyer and partner of Beijing Dayang Law Firm (北京市大洋律師事務所) from January 2000 to December 2006; the vice president of Beijing Chinese Star Digital Technology Limited (北京中文之星數碼科技有限公司) from January 2000 to June 2004; the director of president office and concurrently general legal counsel of Beijing Lianbang Software Limited (北京連邦軟件有限公司) from January 1997 to December 1999; the deputy secretary-general of Intelligence Property Right Protection Branch of China Software Industry Association (中國軟件行業協會知識產權保護分會) from April 1995 to December 1996; the manager of legal department of Beijing Kelihua Computer Limited (北京科利華計算機有限公司) from March 1994 to March 1995; the sales manager of Dalian Dexin Electronics Engineering Limited (大連德欣電子工程有限公司) from April 1993 to February 1994; and an officer of corporate governance department of the Dalian Ocean Fishery Group Corporation (大連海洋漁業總公司) from July 1992 to April 1993. Mr. Sun received a Master's degree from the Law School of Huazhong University of Science and Technology in July 2011 and a Doctor's degree in Law from Peking University in July 2018.

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Mr. Zhang Zheng (張嶢), has been an independent non-executive Director of the Company since July 2018. Mr. Zhang has served as the deputy dean of Guanghua School of Management of Peking University since January 2020; the deputy director of the School Administration Committee of Guanghua School of Management of Peking University since December 2018; a professor and Ph.D. tutor of the Finance Department of Guanghua School of Management of Peking University since August 2016; executive director of the undergraduate and graduate programmes of Guanghua School of Management of Peking University since June 2014; the deputy department head of the Finance Department of Guanghua School of Management of Peking University since March 2011; an independent director of CSC Financial Co., Ltd. since September 2022; an independent director of CCB Trust Co., Ltd. since July 2019. Mr. Zhang served as a supervisor of China Cinda Asset Management Co., Ltd. from June 2016 to June 2022; a director of Guangdong Silver Age Sci & Tech Co., Ltd. (300221.SZ) from July 2017 to October 2018; a director of Zhejiang Jasan Holding Group Co., Ltd. (603558.SH) from May 2017 to December 2019; a director of Tianjin Guangyu Development Co., Ltd. (000537.SZ) from January 2016 to April 2018; an assistant dean of Guanghua School of Management of Peking University from June 2014 to January 2020; an assistant researcher, assistant professor, deputy professor and Ph.D. tutor of the Finance Department of Guanghua School of Management of Peking University from October 2000 to July 2016; and research trainee at the Financial Mathematics and Financial Engineering Research Center of Peking University from July 1998 to October 2000. Mr. Zhang received a Doctor's degree in Economics from the Guanghua School of Management of Peking University in June 2005.

Mr. Hou Bojian (侯伯堅) (former name: Hou Bojian (侯柏堅)), with Hong Kong Chinese nationality, has been an independent non-executive Director of the Company since September 2019. Mr. Hou has been a managing director of Hong Kong HT Strategy Ltd. (香港匯通策略有限公司) since October 2011; a director and chairman of audit committee of the board of directors of Shanghai Tonglian Financial Services Co., Ltd. (上海通聯金融服務有限公司) since August 2011; a supervisor of Shanghai Rensheng Import and Export Co., Ltd. (上海仁生進出口有限公司) since August 2011; a director of Guangzhou Renhui Investment Co., Ltd. (廣州仁匯投資有限公司) since December 2010; a director of Guangzhou Renhui Trade Development Co., Ltd. (廣州仁輝貿易發展有限公司) since April 2009; and the deputy chief executive officer of Hong Kong Ren Tong Group Limited (香港仁通集團有限公司) since August 2008. Mr. Hou served as a director of Shenzhen Zhongzhanxin Technology Fund Investment Partnership (深圳中展信科技基金投資合夥企業) from December 2015 to February 2017; and an executive director of Full Apex (Holdings) Limited (BTY.SG) from April 2005 to August 2008. From January 2001 to April 2005, he held several positions, including a senior consultant of Guangzhou Tiancheng Certified Public Accountants, a financial adviser of Guangzhou Full Apex Group and its member companies and a financial adviser of Hong Kong Ren Tong Group (香港仁通集團). Mr. Hou served as an executive director, deputy general manager and chief financial officer of Guangdong Investment Limited (0270.HK) from July 1992 to January 2001. From 1992 to 2001, he held several positions during the same period, including a non-executive director of Guangdong Land Holdings Limited (0124.HK, originally known as Guangdong Brewery Holdings Limited), a non-executive director of Guangdong Tannery Limited (1058.HK), a director of Hi Sun Technology (China) Limited (0818.HK, originally known as Guangdong Building Industries Limited), an executive director of Guangnan (Holdings) Limited (1203.HK), the chairman of the supervisory committee of Guangdong Teem (Holdings) Limited, a director of Hong Kong Baiyue Finance Limited (香港百粵金融財務有限公司), a director of Hong Kong Citybus Ltd. (香港城市巴士有限公司), a director of Hong Kong Far East Landfill Technologies Limited (香港遠東垃圾堆填有

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限公司), a director and chief financial officer of Hong Kong Guangdong Transportation Co., Ltd. (香港廣東交通有限公司), a director of Hong Kong Guangdong Electricity Co., Ltd. (香港廣東電力有限公司), a director of Wharney Guang Dong Hotel Hong Kong, a director of Guangdong Hotel Hong Kong, and a deputy managing director of Hong Kong Bidacheng Investment Co., Ltd. (香港必達成投資有限公司). Mr. Hou served as the vice general manager of the finance department and the general manager of the accounting department of Guangdong Holdings Group (香港粵海集團) from May 1989 to July 1992; the chief financial officer of Shenzhen Guangdong Hotel Co., Ltd. (深圳粵海酒店有限公司) from July 1988 to May 1989; and a technician at Guangdong Yuedong Diesel Engine Factory (廣東粵東柴油機廠) from 1976 to 1981. Mr. Hou received his master's degree in economics from Jinan University in July 1988. He is a holder of the professional qualification certificate of Hong Kong securities industry and the fund manager qualification certificate of the Asset Management Association of China. Mr. Hou was granted the title of accountant by Guangdong accountant professional title appraisal panel in October 1992.

Mr. Jin Qinglu (靳慶魯), has been an independent non-executive Director of the Company since March 2021. Mr. Jin has served as the dean of the School of Accountancy of Shanghai University of Finance and Economics since November 2018; a professor of the School of Accountancy of Shanghai University of Finance and Economics since June 2012; and an independent director of Orient Securities Company Limited (600958.SH; 03958.HK) since September 2017. Mr. Jin was an independent director of Shanghai Emperor of Cleaning Hi-tech Co., Ltd. (603200.SH) from October 2017 to October 2020; an independent director of China Grand Automotive Services Group Co., Ltd. (600297.SH) from July 2015 to December 2015; an independent director of Besttone Holding Co., Ltd. (600640.SH) from May 2014 to December 2015; an independent director of Shanghai SK Petroleum & Chemical Equipment Corporation Ltd. (002278.SZ) from November 2013 to November 2016; the vice dean of the School of Accountancy of Shanghai University of Finance and Economics from March 2015 to November 2018; the vice dean of the Institute of Accounting and Finance of Shanghai University of Finance and Economics from March 2014 to November 2018; an assistant professor and a vice professor in the School of Accountancy of Shanghai University of Finance and Economics from June 2005 to May 2012; and an assistant professor of Accounting Department of Xi'an Jiaotong University from March 1999 to June 2000. Mr. Jin received a doctorate degree from the Hong Kong University of Science and Technology in November 2005.

(II) Information on Supervisors

Mr. Zhao Baocai (趙保才), has been the chairman of the Board of Supervisors and employee representative Supervisor of the Company since March 2023. Mr. Zhao served as a deputy secretary of the Party Committee, general manager and a director of Harbin Venture Capital Group Co., Ltd. (哈爾濱創業投資集團有限公司) from December 2020 to February 2023; the deputy general manager and a member of the Party Committee of Harbin Transportation Group Co., Ltd. (哈爾濱交通集團有限公司) from April 2013 to December 2020; a chief officer, deputy head of the capital operation division, head of the capital operation division, head of the budget and income management division and manager of the state-owned enterprise supervisory board office of State-owned Assets Supervision and Administration Commission of Harbin (哈爾濱市國資委) from March 2004 to April 2013; an officer, associate chief officer and chief officer of Harbin Municipal Finance Bureau (哈爾濱市財政局) from December 1997 to March 2004; And a labour officer and secretary of the Youth League Committee of the Human Resources and Labour Division of China Construction Material and Geological Prospecting Center, Heilongjiang General Team (建材地勘黑龍江總隊人事勞資科) from July 1991 to December 1997. Mr. Zhao received a master's degree in business administration from Harbin Institute of Technology in April 2005. He is an intermediate economist as accredited by the Ministry of Personnel of the PRC.

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Ms. Jiang Yongmei (姜詠梅), has been an employee representative Supervisor of the Company since March 2023. Ms. Jiang has been the general manager of the Financial Market Department and the general manager of Capital Transaction Center of the Financial Market Department of the Bank since January 2018. Ms. Jiang joined the Bank in June 1994. From June 1994 to January 2018, she had held positions as an accountant of the Business Department, dealer and chief dealer of the Planning and Finance Department, assistant to the general manager and deputy general manager of the Funding Operation Department, general manager of the Financial Market Department, general manager of the Investment Banking and Interbank Department and general manager of the General Management Department of the Interbank Finance Headquarter. Ms. Jiang received a Master's degree in business administration from Harbin Engineering University in June 2009.

Mr. Wang Yuanfang (王遠方), has been an employee representative Supervisor of the Company since October 2022. Mr. Wang has been the general manager of the Asset Management Department and the president of the Wealth Management Department of the Bank since January 2021. Mr. Wang joined in the Bank in July 2005. From July 2005 to January 2021, He held a number of positions in the Bank, including a staff member and office secretary of the Risk Management Department, assistant to the president and assistant to the general manager of the Bills Discounting Centre of Longqing Sub-branch of Harbin Management Department, deputy director (cadre tempering) of the Wealth Management Centre of the Investment Banking Department, general manager of the Business Division II of the Investment Banking Department, general manager of the Asset Management Centre of the Investment Banking Department, assistant to the general manager of the Investment Banking Interbank Department, president of the Wealth Management Department, and general manager of the Asset Management Department. Mr. Wang obtained a Master's degree in business administration from Harbin Institute of Technology in July 2005 and is an intermediate economist as accredited by the Personnel Department of Heilongjiang Province (黑龍江省人事廳).

Mr. Li Dong (李東), has been an external Supervisor of the Company since May 2018. Mr. Li has been a professor at the School of Economy and Management of the Harbin Institute of Technology and Ph.D. tutor since July 2000. Mr. Li was a professor of the Faculty of Social Science of the Harbin University of Civil Engineering and Architecture from September 1997 to July 2000, an associate professor of the Faculty of Social Science of the Harbin University of Civil Engineering and Architecture from July 1996 to August 1997, an associate professor at the Harbin Administrative Cadre Institute of Economics from October 1989 to June 1996, a teaching assistant at the Harbin Forestry Machinery Factory Workers College from July 1982 to July 1986, an advisor to Harbin Longshang (Private Entrepreneur) Club (哈爾濱龍商(民營企業家)俱樂部) from October 2009 to October 2015, a corporate advisor and independent director at Heilongjiang Heli Group Construction and Engineering Co., Ltd. (黑龍江合利集團建築工程有限公司) from August 1999 to August 2012, an advisor to Harbin Xiangge Real Estate Co., Ltd. (哈爾濱祥閣置業有限公司) from September 2003 to August 2010, an advisor to Harbin Hexin Industry (Group) Co., Ltd. (哈爾濱和鑫實業(集團)有限公司) from August 2001 to August 2004, an advisor to Hongbo Trade City (紅博商貿城) and Honorary Vice President of the Marketing Research Association (市場營銷研究會) of Harbin Institute of Technology High-tech Enterprise Development Co., Ltd. (哈爾濱工大高新技術產業開發股份有限公司) from October 2000 to October 2002, an advisor to Harbin Duopeng Food Co., Ltd. (哈爾濱市多朋食品有限公司) and Harbin Manhattan Multi-Line Group (哈爾濱曼哈頓多元集團) from June 1999 to June 2001, an advisor to the Harbin International Golf Club and Harbin Amusement Park from October 1998 to October 2001, and a special visual commentator at Heilongjiang Broadcasting Television from August 2000 to August 2001. Mr. Li graduated from the Renmin University of China (part-time) with a Doctor's degree in Politics and Economics in June 2005.

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Ms. Li Zhaohua (李兆華), has been an external Supervisor of the Company since May 2019. Ms. Li has been a professor and a Ph.D tutor at the Accounting School of Harbin University of Commerce since July 2005, an independent director of Harbin Pharmaceutical Group Co., Ltd. since January 2021, a standing executive member of the fifth council of Heilongjiang Institute of Internal Auditors since December 2017, a performance appraisal expert of Heilongjiang Enterprises Association since June 2017, an executive member of the third council of Heilongjiang Institute of Management since December 2016, a bidding evaluation expert for government procurements in Heilongjiang since May 2015, and the vice president of the Harbin Institute of Environment and Operations since March 2015. Ms. Li served as an associate professor of the Accounting Department of Harbin University of Commerce from May 2000 to July 2005, an associate professor of the Accounting Department of Heilongjiang College of Finance and Political Science from September 1996 to May 2000, a lecturer of the Audit Department of Heilongjiang College of Finance and Political Science from September 1993 to September 1996, a teaching assistant of the Audit Department of Heilongjiang College of Finance and Political Science from July 1988 to September 1993, and a professional advisor of the Accounting Department of the Professional Construction Committee of Heilongjiang University of Finance and Economics from June 2018 to April 2019. Ms. Li obtained her Master's degree in economics from Peking University in September 1996.

Mr. Sun Yi (孫毅), has been an external Supervisor of the Company since May 2019. Mr. Sun has been a professor and master instructor of the School of Law of Heilongjiang University since September 2015, a standing executive member of the sixth council of the Harbin Law Society since December 2018, a member of the second council of the Civil Law Research Institute of the China Law Association since June 2017, an arbitrator of the fourth and fifth committee of the Harbin Arbitration Commission since September 2013, an editor of the Northern Legal Science Magazine since January 2007, a researcher of the Civil and Commercial Laws Research Center of Heilongjiang University since April 2004, and a lawyer of Tianleping Law Firm since November 2003. Mr. Sun served as an associate professor of the School of Law of Heilongjiang University from September 2004 to August 2015, a lecturer of the School of Law of Heilongjiang University from September 1999 to August 2004, and a teaching assistant of the School of Law of Heilongjiang University from September 1996 to August 1999. Mr. Sun obtained a doctorate degree in law from China University of Political Science and Law in June 2003, and obtained the practicing lawyer's license in May 1997.

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(III) Information on Senior Management

Mr. Yao Chunhe (姚春和), is our executive Director. For the biography of Mr. Yao, please refer to “(I) Information on Directors” of this section.

Ms. Zhou Jie (周杰), has been an assistant to the president of the Company since July 2018; the Chinese secretary-general in the Sino-Russia Financial Council (Harbin) since October 2015; a secretary of the Party Committee of HBCF since January 2020; the chairman of HBCF since February 2020; and the president of Sino-Russia and Cross-border Finance Headquarters since February 2023. Ms. Zhou was the head of the Small Business Financial Services Center of the Company from June 2021 to March 2023, and was the president of Sino-Russia and Cross-border Finance Department from August 2022 to February 2023. She was the general manager of the Retail Finance Department of the Company from January 2018 to March 2020. From January 2018 to April 2019, she was the general manager of the Cross-border Finance Department of the Company. From August 2015 to April 2019, she was the president of Sino-Russia SBU of the Company. From March 2008 to January 2018, Ms. Zhou held a number of positions, including the assistant to general manager of the International Business Department of the Company, deputy general manager of the Corporate Finance Department of Harbin Branch of the Company, general manager of the Small Business Financial Service Centre of Harbin Branch of the Company and president of Xiaman Sub-branch of Harbin Branch and deputy general manager of the International Business Department of the Company. From July 1995 to March 2008, Ms. Zhou worked at Nangang Sub-branch and the International Business Department of Harbin Commercial Bank Co., Ltd. (哈爾濱市商業銀行股份有限公司). Ms. Zhou received a Master's degree in Business Administration from Heilongjiang University in March 2011. She is a senior economist as accredited by the Human Resources and Social Security Department of Heilongjiang Province.

Mr. Qi Yilei (齊亦雷), has been the chief credit approval officer of the Company since July 2018. From February 2004 to July 2020, Mr. Qi held a number of positions in the Company, including assistant to general manager of the Capital Operation Department and assistant to manager of the Beijing Representative Office, deputy manager of the Beijing Office, deputy general manager of the Investment Banking Department, deputy general manager of the Risk Management Department and general manager of the Risk Control Center of Investment Banking Business (投行業務風險控制中心), general manager of the Interbank Business Review Department and the general manager of the Credit Granting Management Department. Mr. Qi worked at Harbin Finance University from July 1994 to February 2004. Mr. Qi received a Master's degree in Business Administration from Harbin Engineering University in March 2009. He is an intermediate economist as accredited by the Ministry of Human Resources and Social Security.

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Mr. Yang Dazhi (楊大治), has been an assistant to the president of the Company since July 2018. Mr. Yang worked consecutively as the deputy general manager of the Financial and Accounting Department and the general manager of the Asset and Liability Management Department of the Company from April 2015 to March 2020. From July 1999 to April 2015, he worked at the headquarter of Industrial and Commercial Bank of China Limited and was an officer of the accounting division under the accounting and settlement department, an officer, associate chief officer, chief officer and deputy head of the accounting management division under the accounting and settlement department, deputy head and head of the accounting division under the financial and accounting department, and head of the overseas and controlling company financial management division under the financial and accounting department. Mr. Yang received a Master's degree in Business Administration from the Chinese University of Hong Kong in August 2014. He is an assistant accountant as accredited by Industrial and Commercial Bank of China Limited.

Ms. Wang Ying (王穎), has been the chief audit officer of the Company since July 2018. Ms. Wang has been the general manager of the Internal Audit Department of the Company since September 2012 and was an employee representative Supervisor of the Company from June 2007 to May 2018. From July 1997 to September 2012, Ms. Wang held a number of positions in the Company, including assistant to office manager of the Board of Supervisors, deputy general manager of the Internal Audit Department and assistant to general manager. Ms. Wang worked as cashier and accountant at the Harbin Urban Credit Union from August 1992 to July 1997. Ms. Wang received a Master's degree in Law from the China University of Political Science and Law in 2010. She is currently a senior accountant and senior auditor as accredited by the Human Resources and Social Security Department of Heilongjiang Province.

Mr. Gong Tiemin (龔鐵敏), has been the chief risk officer of the Company since August 2018. Mr. Gong worked consecutively as the deputy general manager (in charge of work) and general manager of Risk Management Department from April 2013 to July 2020 and deputy general manager of the Risk Management Department from July 2012 to April 2013. Mr. Gong worked at the Global Management Consulting Department of the International Business Machines Corporation (IBM) from November 2010 to July 2012, the Global Financial Service Department of the Deloitte Management Consulting Limited from September 2009 to November 2010 and the Financial Service Department of the Atos Information Technology (China) Co., Ltd. from September 2007 to September 2009. From April 2005 to September 2007, Mr. Gong participated in major projects of Bearing Point Consulting Co., Ltd. as a freelancer. He worked at Beijing Info Science & Tech Co., Ltd. from July 2004 to April 2005. Mr. Gong received a Master's degree in Industrial Economics from University of International Business and Economics in July 2004.

Mr. Liang Yong (梁勇), has been the chief information officer of the Company since October 2018. Mr. Liang worked as chief information officer of Beijing Zhongguancun Bank Co., Ltd. (北京中關村銀行股份有限公司) from June 2017 to August 2018 and worked in the preparation and execution team of the same company from January 2017 to June 2017. From April 1999 to December 2016, he worked at the headquarter of Agricultural Bank of China Limited and held a number of positions, including officer and deputy manager officer of the Science Department, manager officer and deputy director of the Technology Development Division I of the Software Development Center, director of the Application Development Division II, general manager of the Technology Supervision Office, and a member of the Party Committee of and deputy general manager of the Software Development Center. Mr. Liang majored in Aeronautics and Astronautics Manufacturing in Beihang University, and graduated with a Master's degree in Engineering in March 1999. He is a senior engineer under the computer engineering senior engineer system as recognised by the Agricultural Bank of China Limited.

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Mr. Wu Siliang (吳思量), has served as the secretary of the Board of the Company since August 2022 and served as a joint company secretary of the Company since July 2022. Mr. Wu has served as the manager of the Board Office of the Company since January 2021 and the manager of the Board Office (office of the Party Committee) of the Company since March 2022. From March 2022 to April 2022, Mr. Wu held the concurrent position as the manager of the Investment Management Office of the Company. From January 2018 to January 2021, he was an assistant to the manager of the Board Office, an assistant to the manager of the office (office of the Party Committee), a deputy manager of the office and a deputy manager (in charge of work) of the Board Office of the Company. From January 2016 to January 2018, he served as a clerk of the Board Office of the Company. Mr. Wu was an associate chief officer, a chief officer and a secretary for the office of the Party Committee of the office (office of the Party Committee) of CBRC Heilongjiang Office from January 2012 to January 2016. From July 2008 to January 2012, he was an associate chief officer of the No. 2 State-owned Bank Supervision Department, and an associate chief officer of the Offsite Supervision Department in the CBRC Heilongjiang Office. Mr. Wu received a Master's degree in Economics from the Central University of Finance and Economics in July 2008.

Mr. Fang Shang (房尚) (former name: Fang Minghui (房明輝)), has been an Assistant to the President of the Company since December 2022, the president of the Debt Management Headquarters since February 2023 and an arbitrator of the fifth session of committee of Harbin Arbitration Commission since September 2018. Mr. Fang has served as the president of the Debt Management Department from April 2022 to February 2023, the general manager of the Compliance Management Department of the Company from April 2019 to January 2023, the general manager of the Customers' Rights and Interests Protection Department of the Company from April 2019 to June 2022, the employee representative Supervisor of the Company from May 2018 to October 2022, the general manager of the Compliance Management Department of the Company from November 2013 to April 2019, the general manager of the Risk Asset Management Department and the general manager of the Financial Planning Department from January 2011 to November 2013. From May 2006 to January 2011, he has served as the vice president (in charge of work) and president of Longjiang Sub-Branch, Harbin Branch. From January 2001 to May 2006, he held various positions including an assistant to general manager, deputy general manager of the Human Resources and Education Department, deputy general manager of the Asset Recovery Center, deputy general manager of the Asset Management Department. From February 1997 to January 2001, he has served as an accountant of the Financial Accounting Department and an officer of the Human Resources and Education Department of the Company. From July 1993 to February 1997, he worked as a teller of Songhuajiang deposit bank of Harbin Urban Credit United Cooperative (哈爾濱城市信用聯社松花江儲蓄所) and an accountant of the Financial accounting Department of the Credit United Cooperative. Mr. Fang received a Master's degree in Business Administration of Senior Management from Harbin Institute of Technology in April 2011. He is a senior economist as accredited by the Personnel Department of Heilongjiang Province.

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Mr. Sun Weichao (孫偉超), has been assistant to the president of the Company since December 2022, deputy secretary of the Party Committee and executive vice president of the Harbin Branch of the Company since March 2022, secretary of the Disciplinary Inspection Committee of the Harbin Branch of the Company since April 2016, and member of the Party Committee of the Harbin Branch of the Company since September 2014. Mr. Sun was vice president of the Harbin Branch of the Company from May 2021 to March 2022; general manager of the Assets Clearing and Settlement Center of the Harbin Branch of the Company from January 2018 to March 2022; deputy secretary of the Party Committee of the Harbin Branch of the Company from January 2018 to January 2021 (during which from November 2018 to November 2020, served temporarily as a commissioner at Harbin Finance Bureau); vice president of the Harbin Branch of the Company from January 2017 to January 2018; assistant to the president and general manager of the Assets Clearing and Settlement Center of the Harbin Branch of the Company from October 2015 to January 2017; assistant to the president of the Harbin Branch of the Company from January 2015 to October 2015; served successively as assistant to the president of Acheng Sub-branch, vice president of Longjiang Sub-branch, deputy general manager of the personal finance department, and the president of Daoli Sub-branch of the Harbin Branch of the Company from February 2006 to February 2015; assistant manager of the personal finance department of the Company from January 2001 to February 2006; teller of the operations department of the Company from February 1997 to January 2001; and teller of the operations department of Harbin Urban Credit United Cooperative (哈爾濱城市信用聯社) from September 1994 to February 1997. Mr. Sun obtained a Master's degree in Business Administration from Harbin Institute of Technology in October 2016. He is a senior economist as accredited by the Human Resources and Social Security Department of Heilongjiang Province.

(IV) Information on Company Secretary

For the biographies of Mr. Wu Siliang and Mr. Ngai Wai Fung, the joint company secretary of the Company, please refer to "Corporate Governance Report – XVIII. Company Secretary under the Hong Kong Listing Rules".

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IV. Information on Evaluation and Incentive Scheme and Annual Remuneration for Directors, Supervisors and Senior Management

In accordance with the Methods of Evaluation of Duty Performance of Directors and the Methods of Evaluation of Duty Performance of Supervisors, the Company has completed the evaluation on Directors through self-evaluation, evaluation by the Board and evaluation by the Board of Supervisors; and evaluation on Supervisors through evaluation by the Board of Supervisors and mutual evaluation between Supervisors; the Nomination and Remuneration Evaluation Committee under the Board of Directors has set up scientific and reasonable evaluation indicators and systems pursuant to the Management Measures of Performance Review of Senior Management based on the principle of tying performance to remuneration and the combination of qualitative and quantitative methods, in order to mobilise the enthusiasm and creativity of senior management to the largest extent.

The Company provides allowance for independent non-executive Directors, non-executive Directors, external Supervisors and shareholders representative Supervisors in accordance with provisions of the Directors' Subsidiaries Management Measures and the Supervisors' Subsidiaries Management Measures, and provides remuneration for executive Directors and employee representative Supervisors and senior management in accordance with provisions of the Remuneration Management Measures. Remuneration for senior management should be in strict compliance with requirements of the Guidelines on Supervising the Stable Remuneration of Commercial Banks released by the CBRC.

V. Confirmation of Independence of Independent Non-executive Directors

The Company had already received letters of confirmation on independence submitted by independent non-executive Directors in accordance with Rule 3.13 of the Hong Kong Listing Rules. Hence, the Company believes that all independent non-executive Directors are in compliance with the rules regarding independence under the Hong Kong Listing Rules during the Reporting Period.

The Company's independent non-executive Directors neither have any business or financial interests in the Company and its subsidiaries nor hold any management position in the Bank. The current independent non-executive Directors of the Company are all elected for a term of three years. They may continue to serve for another three years upon re-election after the expiration of the term.

VI. Share Plan during the Reporting Period

The Bank did not adopt any share plan during the Reporting Period.

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VII. Employees

(I) Personnel Composition

As at 31 December 2022, the Company (excluding subsidiaries) had 6,825 employees, among which 1,295 were headquarters staff, accounting for 18.97% of the total, and 2,216 were Harbin Branch staff, accounting for 32.47% of the total. Regarding the gender of employees (including senior management), the Company has 2,948 male employees, accounting for 43.19% of the total, and 3,877 female employees, accounting for 56.81% of the total. Regarding the age composition, the average age of employees of the Company is 37.26, among which 926 are between 21 and 30 years old, accounting for 13.57% of the total. Regarding the educational background composition, there are 6,220 employees with a bachelor's degree or above in the Company, accounting for 91.14% of the total. Regarding the length of service, the Company had 4,023 employees with 10 years or more banking experiences, accounting for 58.95% of the total. Staff turnover rate of the Company (excluding subsidiaries) was 3.94%. Key talents' turnover rate of the Bank was 0.96%.

Employees of the Company enjoy equal rights in recruitment, position adjustment, training and promotion. The Company appreciates and encourages differences in the workplace to create a professional, inclusive and diversified working environment. The ratio of male and female employees (including senior management) of the Company is basically balanced. It is expected that the Company will continue to maintain a reasonable level in terms of gender diversity of employees (including senior management).

(II) Staff training Programmes

During the Reporting Period, the Bank emphasized on the development demands of the Group and focused on the training needs of staff from different levels with respect to job competency and core competency improvement, with particular emphasis on "two new" groups, namely "new employees" and "employees in new management positions". We continued to advance the professional capabilities of the staff by initiating the "Ten Hundreds"(十個一百) construction project and creating the "embark, endure, guide, escort, voyage, cruise, pilot"(啟航、續航、導航、護航、遠航、巡航、領航) training system with online and offline integration for the continued creation of excellent training programs. Both training completion rate and coverage rate were 100%. In 2022, the Company (excluding subsidiaries) arranged 579 training sessions in total, including 507 internal training sessions, and 72 external training sessions for selected staff of the Company. The total training hours amounted to 2,952.

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(III) Staff Incentive Policy

The Bank has established a scientific and reasonable staff evaluation system to implement comprehensive performance management. At the beginning of each year, the Bank sets up performance plan for each staff by breaking down its strategic objectives layer by layer, and carries out the mechanism of review every half year. Apart from the performance review on business, the Bank has also adopted a multi-dimensional measurement to evaluate employee performance, and innovatively adopted an autonomous allocation of performance levels within the total points to ensure truthful staff performance evaluation. In addition, the effective performance communication helps the employee reach their performance goals.

The Bank has established a series of staff incentive policies in line with its development needs based on scientific performance review results: firstly, the Bank has optimised the performance coefficient in annual bonus, improved the performance coefficient in annual bonus for “middle and low grade employees with high performance”. For the employees with excellent performance appraisal results, their performance coefficient in annual bonus is relatively high; secondly, the Bank has established a career development platform, and carried out work of the high-end professional talents (post-doctoral researcher) and young talents (profession manager plan) reserve. Through written test and interview selection, a total of 12 people were selected; thirdly, we adopted a points system for the performance review results, with employees’ annual performance review results translated into points, which may be redeemed for rank or salary promotion qualifications, ensuring the “fairness, openness, transparency” in the rank and salary promotion system. This system optimised the promotion process and increased the service length and promotion speed of lower-ranked employees with high loyalty, making promotion a motivational tool for our staff, with over 1,900 employees achieving promotion in rank or salary during the year; fourthly, since October 2021, the enterprise annuity (supplementary pension insurance) has been officially paid and operated.

(IV) Remuneration Policy for Employees

In order to improve the remuneration and welfare system of the Bank, establish a long-term incentive mechanism for talents, as well as promote the healthy and sustainable development of the Bank, in accordance with the Measures for the Enterprise Annuity, Measures for the Enterprise Annuity Fund Management, Notice of the Ministry of Finance on Amending the Measures for the Administration of Annuity of State-Owned Financial Enterprises and other laws, regulations, rules and relevant provisions, the Bank, in addition to participating in the basic pension insurance in accordance with the law, has officially operated the enterprise annuity plan since October 2021. Pursuant to which, the required contribution shall be jointly paid by the Bank and the employees, and the funding channels for the payment by employer shall be implemented according to the relevant provisions of the state; while the individual payment by employees shall be withheld and paid by the Bank on their behalf from their salary. The Bank has successfully established a broadband salary management system with diversified composition, standardised management and systematic implementation and adopted a market-oriented and diversified management by region in order to scientifically and effectively motivate the Bank’s employees and ensure the smooth implementation of the Bank’s strategic development. The Bank’s remuneration package is composed of fixed remuneration, variable remuneration and welfare income, and the Bank is able to strictly comply with regulatory requirements in remuneration payment by adopting deferred payment and setting up a lock-up period for paying senior management as well as employees holding positions that may exert significant influence to risks in order to tie job duties with risk management responsibilities. Meanwhile, the Bank will pursue and deduct the performance remuneration of the senior management and key staff who have been exposed to risks within the scope of their duties due to obvious negligence or failure to fulfill their prudent management obligations. In 2022, staff costs of the Bank were RMB2,503.1 million.

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(V) Retirement and Benefits

The Bank pays living expenses and other welfare benefits for employees who have not yet reached the statutory retirement age limit but are approved by the Bank to voluntarily retire from their employment from the internal retirement date to the statutory retirement age limit. For details of the retirement benefit scheme, please refer to Note 35 of “Notes to the Consolidated Financial Statements”. Save as disclosed in Note 35 of “Notes to the Consolidated Financial Statements” in the annual report, there was no forfeiture of retirement benefits schemes contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) in the Group. As at 31 December 2022, no forfeited contribution under the retirement benefits schemes of the Group is available to reduce the contribution payable in future years.

VIII. Basic Information of Branches under the Parent Company

No.	Name of branch	Business address	Notes
1	Harbin Branch	No. 888 Shangjiang Street, Daoli District, Harbin	135 sub-branches
2	Shuangyashan Branch	No. 248 Xinxing Street, Jianshan District, Shuangyashan	12 sub-branches
3	Dalian Branch	1-4/F, No. 118 Gangxing Road, Zhongshan District, Dalian City	14 sub-branches
4	Tianjin Branch	1-4/F, No. 223 Yong'an Road, Hexi District, Tianjin	16 sub-branches
5	Chengdu Branch	1, 2, 4, 5, 6/F, Chengdu Palm Spring International Centre, No. 199 Middle Section of Tianfu Avenue, High-tech District, Chengdu (registered address: 1-4/F, No. 210 Xiyulong Street, Qingyang District, Chengdu)	11 sub-branches
6	Hegang Branch	Room 000101-000114, Building B, Garden Building, 7th Committee, Xiangyang District, Hegang City	8 sub-branches
7	Shenyang Branch	No. 200A3 Shifu Road, Heping District, Shenyang City	13 sub-branches
8	Suihua Branch	Crossing of Huanghe North Road and Xinhua Street, Beilin District, Suihua	10 sub-branches
9	Jixi Branch	No. 45 Jixingdong Street, Jiguan District, Jixi	11 sub-branches
10	Chongqing Branch	1-6/F, No. 197 Wuyi Road, Yuzhong District, Chongqing	21 sub-branches
11	Daqing Branch	H-A, Jingsan Street, Dongfengxin Village, Saertu District, Daqing	7 sub-branches
12	Qitaihe Branch	No. 247 Dongjin Street, Taoshan District, Qitaihe	6 sub-branches
13	Mudanjiang Branch	No. 267 Taiping Road, Dong'an District, Mudanjiang	7 sub-branches
14	Jiamusi Branch	No. 152 Heping Street, Qianjin District, Jiamusi	8 sub-branches
15	Qiqihaer Branch	No. 33, 1/F, Unit 00, Qiqihaer Jinmao Plaza, Jianhua District, Qiqihaer City	8 sub-branches
16	Yichun Branch	No. 115, Xinxing Middle Street, Yimei District, Yichun City	1 sub-branch
17	Nongken Branch	Financial Building, Yingbin Road, Nongken Jiansanjiang Administration, Heilongjiang Province	5 sub-branches
18	Small Business Financial Service Centre	10/F, No. 160, Shangzhi Street, Daoli District, Harbin	

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Independent Auditor's Report



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To the Shareholders of Harbin Bank Co., Ltd.

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

OPINION

We have audited the consolidated financial statements of Harbin Bank Co., Ltd. (the "Bank") and its subsidiaries (the "Group") set out on pages 171 to 303, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with "the Code of Ethics for Professional Accountants" (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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KEY AUDIT MATTERS (Continued)

Impairment assessment of loans and advances to customers and financial investments at amortised cost

Refer to the accounting policies in note 3.2, note 22 and note 24 to the consolidated financial statements.

The Key Audit Matter

Since impairment assessment of loans and advances to customers (“loans”) and financial investments at amortised cost involves many judgements and assumptions, and in view of the significance of the amount (as at 31 December 2022, gross loans and financial investments at amortised cost amounted to RMB437,462 million, representing 61% of total assets, and impairment allowance for loans and financial investments at amortised cost amounted to RMB21,059 million), impairment of loans and financial investments at amortised cost is considered a key audit matter.

The Group uses a number of models and assumptions in the measurement of expected credit losses, for example:

- criteria for judging a significant increase in credit risk
- definition of credit impaired assets
- models and parameters for the measurement of expected credit losses
- forward-looking information
- individual impairment assessment

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

How the matter was addressed in our audit

Our audit procedures to assess the Impairment assessment of loans and advances to customers and financial investments at amortised cost included the following:

- evaluating and testing the effectiveness of design and implementation of key controls related to the credit approval process, post approval credit management, loan grading system, collateral monitoring and loan impairment assessment, including relevant data quality and information systems;
- assessing the debtors' repayment capacity and evaluating the Group's grading for loans and financial investments at amortised cost, taking into consideration post-lending investigation reports, debtors' financial information, collateral valuation reports and other available information which we adopted a risk-based sampling approach in our review procedure for loans and financial investments at amortised cost;
- evaluating and testing the important parameters of the expected credit loss model, management's major judgements and related assumptions with the support of our internal credit risk modelling experts and we mainly focusing on the following aspects:

1. *Expected credit loss model:*

- Assessing the rationality of the expected credit loss model methodology and related parameters, including probability of default, loss given default, risk exposure, and significant increases in credit risk;
- Assessing forward-looking information that management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumption of multiple macroeconomic scenarios; and
- Evaluating the models and the related assumptions used in individual impairment assessment and analysed the amount, timing and likelihood of management's estimated future cash flows, especially cash flows from collateral.

2. *Design and operating effectiveness of key controls:*

- Evaluating and testing the data and processes used to determine expected credit losses, including loan business data, internal credit rating data, macroeconomic statistics, impairment system computational logic, as well as data inputs and outputs; and
 - Evaluating and testing key controls over the expected credit loss model, including approval of model changes, ongoing monitoring model performance, model validation and parameter calibration.
- assessing whether the disclosures in the consolidated financial statements in relation to the impairment assessment of loans and advances to customers and financial investments at amortised cost meet the requirements in the prevailing accounting standards.

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KEY AUDIT MATTERS (Continued)

Consolidation assessment of structured entities

Refer to the accounting policies in note 3.21 and note 47 to the consolidated financial statements.

The Key Audit Matter

The Group holds interests in various structured entities, such as bank wealth management products, trust and asset management plans, in conducting financial investments and asset management business. The Group determines whether to consolidate these structured entities based on the assessment of whether the Group has control taking into consideration power arising from rights, variable returns, and the link between power and returns.

The assessment of the Group's control over structured entities involves significant judgement on factors such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, performance fee, remuneration and exposure to loss from providing credit enhancement or liquidity support.

Due to the significance of the unconsolidated structured entities and the complexity of judgement exercised by management, consolidation assessment of structured entities is considered a key audit matter.

How the matter was addressed in our audit

Our audit procedures to the consolidation assessment of structured entities included the following:

- evaluating and testing the design and operating effectiveness of the key controls related to the Group's assessment of whether it controls a structured entity;
- assessing the Group's analysis and conclusions on whether it controls structured entities based on the Group's analysis on its power over structured entities, and the magnitude and variability of variable returns from its involvement with structured entities;
- assessing whether the Group has legal or constructive obligation to absorb any loss of structured entities by reviewing relevant term sheets, and whether the Group has provided liquidity support or credit enhancement to structured entities, as well as the fairness of transactions between the Group and structured entities;
- assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Bank's annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Bank either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Chan Wing Fai

Practising Certificate no. P05443

Hong Kong, 30 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022
(Amount in thousands of RMB, unless otherwise stated)

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	Note	Year ended 31 December	
		2022	2021
Interest income	5	26,065,007	26,448,105
Interest expense	5	(17,057,830)	(16,387,094)
NET INTEREST INCOME	5	9,007,177	10,061,011
Fee and commission income	6	903,377	859,998
Fee and commission expense	6	(171,777)	(162,989)
NET FEE AND COMMISSION INCOME	6	731,600	697,009
Net trading income	7	2,423,308	1,128,509
Net gain on financial investments	8	416,398	247,071
Other operating income, net	9	292,066	185,938
OPERATING INCOME		12,870,549	12,319,538
Operating expenses	10	(5,285,203)	(4,956,760)
Credit impairment losses	13	(6,584,163)	(6,700,502)
Other assets impairment loss	14	-	(101,027)
OPERATING PROFIT		1,001,183	561,249
PROFIT BEFORE TAX		1,001,183	561,249
Income tax expense	15	(288,686)	(162,561)
PROFIT FOR THE YEAR		712,497	398,688
Attributable to:			
Equity holders of the Bank	16	554,769	274,133
Non-controlling interests		157,728	124,555
		712,497	398,688
EARNINGS PER SHARE (RMB yuan)			
Basic and diluted	18	0.00	0.02

Details of the dividends declared, paid and proposed are disclosed in note 17 to the consolidated financial statements.

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022
(Amount in thousands of RMB, unless otherwise stated)

	Note	Year ended 31 December	
		2022	2021
Profit for the year		712,497	398,688
Other comprehensive income, net of tax:			
Other comprehensive income attributable to equity holders of the bank	39	(336,319)	273,622
Items that will not be reclassified to profit or loss			
– Net losses on investments in equity instruments designated at fair value through other comprehensive income		(58,265)	(16,670)
Items that may be reclassified to profit or loss in subsequent years			
– Net (losses)/gains on investments in debt instruments measured at fair value through other comprehensive income		(126,029)	317,386
– Allowance for credit impairment on investments in debt instruments measured at fair value through other comprehensive income		23,547	6,577
– Reclassified to profit or loss upon disposal		(175,572)	(33,671)
Subtotal of other comprehensive income for the year, net of tax		(336,319)	273,622
Total comprehensive income for the year		376,178	672,310
Total comprehensive income attributable to:			
Equity holders of the Bank		218,450	547,755
Non-controlling interests		157,728	124,555
Total		376,178	672,310

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

Consolidated Statement of Financial Position

As at 31 December 2022

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	Note	As at 31 December	
		2022	2021
ASSETS			
Cash and balances with the central bank	19	76,775,514	64,923,188
Due from banks and other financial institutions	20	25,852,261	7,116,203
Reverse repurchase agreements	21	1,000,750	–
Loans and advances to customers	22	271,784,821	283,637,048
Derivative financial assets	23	936,460	1,796,713
Financial investments	24	291,827,712	245,667,152
– financial assets at fair value through profit or loss	(a)	82,704,525	61,516,234
– financial assets at fair value through other comprehensive income	(b)	59,887,843	38,843,525
– financial assets at amortised cost	(c)	149,235,344	145,307,393
Finance lease receivables	25	20,816,866	22,921,300
Property and equipment	26	8,504,885	8,677,876
Deferred income tax assets	27	4,833,581	4,355,864
Other assets	28	10,400,204	5,950,832
TOTAL ASSETS		712,733,054	645,046,176
LIABILITIES			
Due to the central bank	29	2,968,794	4,270,983
Borrowings from banks and other financial institutions	30	14,405,435	12,397,767
Due to banks and other financial institutions	31	27,003,082	22,637,571
Derivative financial liabilities	23	1,023,142	1,811,571
Repurchase agreements	32	3,253,201	9,023,970
Due to customers	33	565,587,196	506,779,946
Income tax payable		390,694	586,077
Debt securities issued	34	28,569,900	19,129,158
Other liabilities	35	6,210,983	5,629,301
TOTAL LIABILITIES		649,412,427	582,266,344

Consolidated Statement of Financial Position

As at 31 December 2022
(Amount in thousands of RMB, unless otherwise stated)

	Note	As at 31 December	
		2022	2021
EQUITY			
Share capital	36	10,995,600	10,995,600
Other equity instruments	37	11,699,007	10,999,290
Capital reserves	38	7,657,284	7,661,124
Other comprehensive income	39	50,810	378,929
Surplus reserves	40	3,920,073	3,903,227
General and regulatory reserves	41	7,880,595	7,584,624
Undistributed profits	42	18,971,130	19,271,378
Equity attributable to equity holders of the Bank		61,174,499	60,794,172
Non-controlling interests		2,146,128	1,985,660
TOTAL EQUITY		63,320,627	62,779,832
TOTAL EQUITY AND LIABILITIES		712,733,054	645,046,176

DENG Xinquan	YAO Chunhe	YANG Dazhi	DONG Kai
Chairman	President	Assistant to the President (in Charge of Finance)	General Manager of Finance and Accounting Department

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

Consolidated Statement of Changes in Equity

For the Year ended 31 December 2022

(Amount in thousands of RMB, unless otherwise stated)

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	Note	Equity attributable to equity holders of the Bank								Total
		Other equity instruments								
		Share capital	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserves	General and regulatory reserves	Undistributed profits	Non-controlling interests	
Balance at 1 January 2022		10,995,600	10,999,290	7,661,124	378,929	3,903,227	7,584,624	19,271,378	1,985,660	62,779,832
Movements in this year		-	699,717	(3,840)	(328,119)	16,846	295,971	(300,248)	160,468	540,795
Total comprehensive income	39	-	-	-	(336,319)	-	-	554,769	157,728	376,178
Issuance of perpetual bonds	37	-	699,717	-	-	-	-	-	-	699,717
Capital contribution by non-controlling interests		-	-	(3,840)	-	-	-	-	3,840	-
Profit distribution		-	-	-	-	16,846	295,971	(312,817)	(1,100)	(1,100)
1. Appropriation to surplus reserves	40	-	-	-	-	16,846	-	(16,846)	-	-
2. Appropriation to general and regulatory reserves	41	-	-	-	-	-	295,971	(295,971)	-	-
3. Distribution to shareholders		-	-	-	-	-	-	-	(1,100)	(1,100)
Distribution of interests of perpetual bonds		-	-	-	-	-	-	(534,000)	-	(534,000)
Transfer of loss on disposal of financial asset at fair value through other comprehensive income to retained earnings		-	-	-	8,200	-	-	(8,200)	-	-
Balance at 31 December 2022		10,995,600	11,699,007	7,657,284	50,810	3,920,073	7,880,595	18,971,130	2,146,128	63,320,627

	Note	Equity attributable to equity holders of the Bank								Total
		Other equity instruments								
		Share capital	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserves	General and regulatory reserves	Undistributed profits	Non-controlling interests	
Balance at 1 January 2021		10,995,600	-	7,661,124	96,484	3,886,909	7,550,747	19,056,263	1,862,005	51,109,132
Movements during the year		-	10,999,290	-	282,445	16,318	33,877	215,115	123,655	11,670,700
Total comprehensive income	39	-	-	-	273,622	-	-	274,133	124,555	672,310
Issuance of perpetual bonds	37	-	10,999,290	-	-	-	-	-	-	10,999,290
Profit distribution		-	-	-	-	16,318	33,877	(50,195)	(900)	(900)
1. Appropriation to surplus reserves	40	-	-	-	-	16,318	-	(16,318)	-	-
2. Appropriation to general and regulatory reserves	41	-	-	-	-	-	33,877	(33,877)	-	-
3. Distribution to shareholders		-	-	-	-	-	-	-	(900)	(900)
Distribution of interest of perpetual bonds		-	-	-	-	-	-	-	-	-
Transfer of loss on disposal of financial asset at fair value through other comprehensive income to retained earnings		-	-	-	8,823	-	-	(8,823)	-	-
Balance at 31 December 2021		10,995,600	10,999,290	7,661,124	378,929	3,903,227	7,584,624	19,271,378	1,985,660	62,779,832

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2022
(Amount in thousands of RMB, unless otherwise stated)

	Note	Year ended 31 December	
		2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,001,183	561,249
Adjustments for:			
Depreciation and amortisation	10	789,931	742,559
Net trading gains	7	(2,423,308)	(1,128,509)
Dividend income	8	(21,554)	(13,894)
Interest income on financial investments		(8,090,906)	(7,315,107)
Credit impairment losses	13	6,584,163	6,700,502
Other assets impairment loss	14	–	101,027
Unrealised foreign exchange gain		(238,410)	(54,880)
Interest expense on debt securities issued	5	961,327	882,206
Interest expense on lease liabilities	5	26,077	21,800
Accreted interest on impaired loans	22	(395,493)	(268,760)
Net gain on disposal of financial investments	8	(472,163)	(233,177)
Net gain on disposal of property and equipment	9	(73)	(124,940)
		(2,279,226)	(129,924)
Net decrease/(increase) in operating assets:			
Due from the central bank		(1,593,104)	10,566,722
Due from banks and other financial institutions		(4,478,000)	(2,148,234)
Loans and advances to customers		5,973,478	(17,088,909)
Finance lease receivables		1,741,136	(35,383)
Other assets		3,180,830	(784,813)
		4,824,340	(9,490,617)
Net increase/(decrease) in operating liabilities:			
Due to the central bank		(1,301,385)	631,764
Borrowings from banks and other financial institutions		1,978,353	2,549,836
Due to banks		4,431,038	6,716,102
Repurchase agreements		(5,747,950)	7,524,528
Due to customers		56,074,659	30,446,807
Other liabilities		724,041	(446,402)
		56,158,756	47,422,635

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

Consolidated Statement of Cash Flows

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	Note	Year ended 31 December	
		2022	2021
Net cash flows from operating activities before tax		58,703,870	37,802,094
Income tax paid		(852,411)	(1,105,568)
Net cash flows from operating activities		57,851,459	36,696,526
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other long-term assets		(350,306)	(534,704)
Proceeds from disposal of property and equipment		3,751	202,212
Cash paid for investments		(608,070,514)	(661,359,592)
Proceeds from sales and redemption of investments		557,586,032	632,038,623
Return on investments		10,066,273	8,982,779
Net cash flows from investing activities		(40,764,764)	(20,670,682)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of perpetual bonds		699,717	10,999,290
Proceeds from issue of debt securities		108,499,352	54,829,204
Payment for redemption of debt securities		(98,989,352)	(68,388,552)
Interest and issue expenses paid on debt securities		(1,030,585)	(1,768,810)
Dividends paid on ordinary shares		-	(8,120)
Payment for lease liabilities		(239,626)	(90,137)
Dividends or interest paid to holders of other equity instruments		(534,000)	-
Distribution of dividends to non-controlling shareholders		(1,100)	(900)
Net cash flows from financing activities		8,404,406	(4,428,025)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		32,008,169	20,522,212
Effect of exchange rate changes on cash and cash equivalents		(38,689)	(111,862)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	43	57,460,581	32,008,169
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		17,974,101	20,953,603
Interest paid		(16,096,503)	(15,824,629)

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

Notes to the Consolidated Financial Statements

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1. CORPORATE INFORMATION AND GROUP STRUCTURE

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

The Bank obtained its finance permit No. B0306H223010001 from the China Banking and Insurance Regulatory Commission (“CBIRC”). The Bank obtained its business licence No. 912301001275921118 from the Market Supervision Administration of Harbin. As at 31 December 2022, the legal representative was Deng Xinquan and the registered office was located at No. 888 Shangjiang Street, Daoli District, Harbin, PRC.

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

The subsidiaries of the Bank as at 31 December 2022 were as follows:

Company name	Note	Date of establishment	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.		6 Jan 2009	Bayan, Heilongjiang	50,000	100.00	53,400	Village and township bank
Huining Huishi Village and Township Bank Co., Ltd.		19 May 2009	Huining, Gansu	30,000	100.00	30,000	Village and township bank
Beijing Huairou Rongxing Village and Township Bank Co., Ltd.		4 Jan 2010	Huairou, Beijing	200,000	85.00	207,600	Village and township bank
Yushu Rongxing Village and Township Bank Co., Ltd.		21 Jan 2010	Yushu, Jilin	30,000	100.00	30,000	Village and township bank
Shenzhen Baoan Rongxing Village and Township Bank Co., Ltd.		11 June 2010	Baoan, Shenzhen	220,000	70.00	140,000	Village and township bank
Yanshou Rongxing Village and Township Bank Co., Ltd.		10 Aug 2010	Yanshou, Heilongjiang	30,000	100.00	30,000	Village and township bank
Chongqing Dadukou Rongxing Village and Township Bank Co., Ltd.	(i)	15 Dec 2010	Dadukou, Chongqing	180,000	83.34	174,420	Village and township bank
Suining Anju Rongxing Village and Township Bank Co., Ltd.		22 Dec 2010	Suining, Sichuan	80,000	75.00	60,000	Village and township bank
Huachuan Rongxing Village and Township Bank Co., Ltd.		27 Jan 2011	Huachuan, Heilongjiang	270,000	99.63	269,000	Village and township bank
Baiquan Rongxing Village and Township Bank Co., Ltd.		7 Apr 2011	Baiquan, Heilongjiang	269,000	100.00	269,000	Village and township bank

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1. CORPORATE INFORMATION AND GROUP STRUCTURE (Continued)

Company name	Note	Date of establishment	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.		19 Apr 2011	Luoyang, Henan	90,000	100.00	90,000	Village and township bank
Leping Rongxing Village and Township Bank Co., Ltd.		25 Apr 2011	Leping, Jiangxi	294,000	100.00	294,000	Village and township bank
Jiangsu Rudong Rongxing Village and Township Bank Co., Ltd.		9 May 2011	Rudong, Jiangsu	106,000	80.00	80,000	Village and township bank
Honghu Rongxing Village and Township Bank Co., Ltd.		16 May 2011	Honghu, Hubei	30,000	100.00	30,000	Village and township bank
Zhuzhou Rongxing Village and Township Bank Co., Ltd.		4 May 2011	Zhuzhou, Hunan	55,000	80.00	40,000	Village and township bank
Chongqing Wulong Rongxing Village and Township Bank Co., Ltd.		1 June 2011	Wulong, Chongqing	50,000	70.00	35,000	Village and township bank
Xin'an Rongxing Village and Township Bank Co., Ltd.		8 June 2011	Xin'an, Henan	33,300	90.09	30,000	Village and township bank
Anyi Rongxing Village and Township Bank Co., Ltd.		20 June 2011	Anyi, Jiangxi	60,000	100.00	30,000	Village and township bank
Yingcheng Rongxing Village and Township Bank Co., Ltd.		16 June 2011	Yingcheng, Hubei	142,000	100.00	132,000	Village and township bank
Leiyang Rongxing Village and Township Bank Co., Ltd.		17 June 2011	Leiyang, Hunan	50,000	100.00	50,000	Village and township bank
Hainan Baoting Rongxing Village and Township Bank Co., Ltd.		6 July 2011	Baoting, Hainan	30,000	96.67	29,000	Village and township bank
Chongqing Shapingba Rongxing Village and Township Bank Co., Ltd.		28 May 2012	Shapingba, Chongqing	100,000	80.00	80,000	Village and township bank
Hejian Ronghui Village and Township Bank Co., Ltd.		25 June 2012	Hejian, Hebei	50,000	100.00	50,000	Village and township bank
Chongqing Youyang Village and Township Bank Co., Ltd.		24 May 2012	Youyang, Chongqing	60,000	100.00	60,000	Village and township bank
Ning'an Rongxing Village and Township Bank Co., Ltd.		25 Jan 2017	Ning'an, Heilongjiang	30,000	100.00	30,000	Village and township bank
Huanan Rongxing Village and Township Bank Co., Ltd.		21 Apr 2017	Huanan, Heilongjiang	30,000	100.00	30,000	Village and township bank
Nehe Rongxing Village and Township Bank Co., Ltd.		19 Apr 2017	Nehe, Heilongjiang	50,000	80.00	40,000	Village and township bank
Pingliang Kongtong Rongxing Village and Township Bank Co., Ltd.		19 May 2017	Pingliang, Gansu	50,000	90.00	45,000	Village and township bank

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1. CORPORATE INFORMATION AND GROUP STRUCTURE (Continued)

Company name	Note	Date of establishment	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
Tianshui Maiji Rongxing Village and Township Bank Co., Ltd.		2 June 2017	Tianshui, Gansu	50,000	98.00	49,000	Village and township bank
Zhongjiang Rongxing Village and Township Bank Co., Ltd.		13 June 2017	Zhongjiang, Sichuan	50,000	70.00	35,000	Village and township bank
Chengdu Qingbaijiang Rongxing Village and Township Bank Co., Ltd.		5 Sept 2017	Chengdu, Sichuan	100,000	70.00	70,000	Village and township bank
Langzhong Rongxing Village and Township Bank Co., Ltd.		4 July 2017	Langzhong, Sichuan	50,000	90.00	45,000	Village and township bank
Harbin Bank Financial Leasing Co., Ltd.		11 June 2014	Harbin, Heilongjiang	2,000,000	80.00	1,600,000	Leasing company
Harbin Bank Consumer Finance Co., Ltd.		24 Jan 2017	Harbin, Heilongjiang	1,500,000	53.00	795,000	Consumer finance company

During the year ended 31 December 2022, the major changes to the structure of the Group are as follows:

- (i) Approved by the Chongqing Bureau of the China Banking and Insurance Regulatory Commission, the Bank will increase the capital of Chongqing Dadukou Rongxing Village and Township Bank Co., Ltd. by RMB30 million in June 2022. After the capital increase, the Bank holds 83.34% of its shares.

Other than the major changes mentioned as above, the group structure remained unchanged during the year ended 31 December 2022.

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2. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of Preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and interpretations promulgated by the International Accounting Standards Board (“IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. All IFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been adopted by the Group in preparation of the financial information throughout the reporting period.

These consolidated financial statements have been prepared under the historical cost convention, except for derivative financial assets, financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income. These consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Bank. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Bank has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Bank’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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2. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Basis of Preparation (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Standards and amendments effective in 2022

On 1 January 2022, the Group adopted the following new standards and amendments.

Amendments to IAS 16	<i>Property, plant and equipment: Proceed before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IFRSs	<i>Annual Improvements to IFRSs 2018-2022</i>

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

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2. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Standards and amendments that are not yet effective and have not been early adopted by the Group in 2022

Standards	Subject of amendment	Effective for annual periods beginning on or after
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined
IFRS 17 and related amendments	<i>Insurance Contracts</i>	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to IAS 12	<i>Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>	1 January 2024

The above standards, amendments and interpretations have no significant impact on the consolidated financial statements.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Foreign Currency Translation

The consolidated financial statements of the Group are presented in RMB, which is the functional and presentation currency of the Bank and its subsidiaries.

Foreign currency transactions are initially recorded at the functional currency using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the applicable exchange rates ruling at the end of the reporting period. Exchange differences arising on the settlement of monetary items or on translating monetary items at year end rates are recognised in the statement of profit or loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value is determined.

3.2 Financial Instruments

3.2.1 Initial Recognition and Measurement

The Group shall recognise a financial asset or a financial liability in its statement of financial position when the Group becomes a party to the contractual provisions of the instrument, which is the trade date.

At initial recognition, the Group shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. For a financial asset or financial liability at fair value through profit or loss, transaction costs are directly recognised in profit or loss.

The fair value of a financial instrument at initial recognition is normally the transaction price. If the Group determines that the fair value at initial recognition differs from the transaction price, and if that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, the Group shall recognise the difference between the fair value at initial recognition and the transaction price as a gain or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is the date that the Group commits to purchase or sell the assets. Regular way purchases or sales are the purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Financial Instruments (Continued)

3.2.2 Financial Assets

According to the business model for managing the financial assets and characteristics of the contractual cash flows, the Group classifies the financial assets into following three categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss.

Business models

Business models refer to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. If financial assets are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the business model of the financial assets is 'other'. The Group's assessment of the business model is performed on a financial asset portfolio basis, and determined on a reasonable expected scenario, taking into account: how to generate cash flows in the past, how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and how managers of the business are compensated.

Contractual cash flow characteristics

The assessment of contractual cash flow characteristics is to identify whether the cash flows are solely payments of principal and interest on the principal amount outstanding. Principal is the fair value of the financial asset at initial recognition. However that principal amount may change over the life of the financial asset (for example, if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Financial Instruments (Continued)

3.2.2 Financial Assets (Continued)

Financial assets at amortised cost

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets that the Group hold mainly include cash and balance with the central bank, reverse repurchase agreement, loans and advances to customers, finance lease receivables, due from banks and other financial institutions and debt securities, are subsequently measured at amortised cost.

The amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

Investments in debt instruments measured at fair value through other comprehensive income

A financial asset shall be classified as investments in debt instruments measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets that the Group hold mainly include bills discounted and debt securities, and are subsequently measured at fair value. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Expected credit losses (“ECLs”) of such financial assets shall be recognised in other comprehensive income. The impairment gain or loss shall not adjust the carrying amount of such financial asset item and be recognised in profit or loss.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Financial Instruments (Continued)

3.2.2 Financial Assets (Continued)

Financial assets at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, which includes financial assets held for trading, financial assets designated as at fair value through profit or loss and other financial assets at fair value through profit or loss in accordance with IFRS.

Such financial assets that the Group hold mainly include debt securities and fund investments, are subsequently measured at fair value. A gain or loss on a financial asset that is measured at fair value shall be recognised in profit or loss unless it is part of a hedging relationship. Qualified dividends generated by such equity instruments, which the Group is entitled to collect, shall be recognised in the statement of profit or loss.

Equity instruments

The Group may, at initial recognition, irrevocably designate an equity instrument except trading equity instrument as financial asset measured at fair value through other comprehensive income when it meets the definition of equity instruments under IAS 32 Financial Instruments: Presentation. When the equity instrument is derecognised, the cumulative gain or loss previously recognised in other comprehensive income shall be reclassified from other comprehensive income to undistributed profits under equity. Qualified dividends generated by such equity instruments, which the Group is entitled to collect, shall be recognised in the income statement. Such equity instruments do not recognise impairment losses.

Reclassification of financial assets

Only if the Group changes the business model for financial assets, the Group shall reclassify the affected financial assets. The reclassification shall be effective from the first day of the first reporting period after the change of its business model.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Financial Instruments (Continued)

3.2.3 Financial Liabilities

The Group shall classify all financial liabilities as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss. Such liabilities, including financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
- Financial guarantee contracts and commitments to provide a loan at a below-market interest rate.

Such financial liabilities measured at amortised cost that the Group holds mainly include due to customers, borrowings from banks and other financial institutions, due to banks and debt securities issued, are subsequently measured at amortised cost.

An entity shall not reclassify any financial liability.

3.2.4 Financial Assets and Financial Liabilities Held for Trading

The Group shall classify financial assets or liabilities as financial assets or financial liabilities held for trading if the asset or liability:

- is acquired or incurred principally for the purpose of selling or repurchasing in the near term;
or
- on initial recognition is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
or
- is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Financial Instruments (Continued)

3.2.5 Financial Guarantee and Loan Commitment

Financial guarantee contract requires the provider to provide reimbursement guarantee for the contract holder, that is, when the guarantee fails to fulfil the terms of the contract at maturity, to compensate for the loss of the contract holder by the guarantor. Such financial guarantees are provided to banks, financial institutions and other entities to secure customer loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised at fair value on the date the guarantee was provided. On the date of financial report, the subsequent measurement shall be made according to the larger of the amortised value of the contract and the amount of impairment provision determined by the expected credit loss model, any increase in the liability relating to guarantees is recognised in the statement of profit or loss.

Loan commitment is provided by the Group to the customer to extend loans to the customer within the commitment period on the agreed terms of the contract. The Group normally does not lend at below-market rates or provide customers with loan commitments to be settled in cash or by issuing other financial instruments. Impairment losses on loan commitment are recognised according to the expected credit loss model.

The Group shows the impairment provision of the financial guarantee contracts and loan commitment in provision.

3.2.6 Determination of Fair Value

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of quoted financial assets and financial liabilities in active markets are based on current bid prices and ask prices, as appropriate. If there is no active market, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and option pricing models, and other valuation techniques commonly used by market participants.

The Group uses the valuation techniques commonly used by market participants to price financial instruments and techniques which have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. The Group makes use of all factors that market participants would consider in setting a price, and incorporates these into its chosen valuation techniques and tests for validity using prices from any observable current market transactions in the same instruments.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Financial Instruments (Continued)

3.2.7 De-Recognition of Financial Instruments

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired, or when the Group has transferred substantially all risks and rewards of ownership, or when the Group neither transfers nor retains substantially all risks or rewards of ownership of the financial asset but has not retained control of the financial asset.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in equity through other comprehensive income is recognised in the statement of profit or loss.

Financial liabilities are de-recognised when they are extinguished – that is, when the obligation is discharged or cancelled, or expires. The difference between the carrying amount of a financial liability de-recognised and the consideration paid is recognised in the statement of profit or loss.

3.2.8 Impairment Losses on Assets

On the financial reporting date, the Group evaluates and confirms the relevant impairment provisions to financial assets measured at amortised cost, investments in debt instruments measured at fair value through other comprehensive income, and loan commitments and financial guarantee contracts on the basis of anticipated credit losses. See Note 51(a) for specific information.

3.2.9 Derivative Financial Instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow analysis and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of these derivatives are recognised in “Net trading income” in the statement of profit or loss.

3.2.10 Offsetting of Financial Instruments

Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position if, and only if, the Group has a legally enforceable right to offset such amounts with the same counterparty and an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3 Repurchase and Reverse Repurchase Transactions

Assets sold under agreements to repurchase at a specified future date (“repos”) are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised on the statement of financial position as a “repurchase agreement”, reflecting its economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, assets purchased under agreements to resell at a specified future date (“reverse repos”) are not recognised on the statement of financial position. The corresponding cash paid, including accrued interest, is recognised on the statement of financial position as a “reverse repurchase agreement”. The difference between the purchase and resale prices is treated as interest income and is accrued over the life of the agreement using the effective interest rate method.

3.4 Property and Equipment

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price, tax and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

Construction in progress comprises the direct costs of construction during the period of construction and is not depreciated. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Property and Equipment (Continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment, less any estimated residual value, over the estimated useful life. The estimated useful life, estimated residual value and annual depreciation rate of each item of property and equipment are as follows:

	Estimated useful life	Estimated residual value rate	Annual depreciation rate
Properties and buildings	30 years	5%	3.17%
Office equipment	3-10 years	0 or 5%	9.50%-31.67%
Motor vehicles	5 years	5%	19.00%
Operating lease fixed assets	20 years	5%	4.75%
Leasehold improvements	Over the shorter of the economic useful lives and remaining lease terms		

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.

3.5 Land Use Rights

Land use rights are recognised at cost, which is the consideration paid. The rights are amortised using the straight-line basis over the period of the leases.

3.6 Research and Development Expenses

The Group divides expenditure incurred on projects to develop new products into research expenses and development expenses. All research expenses are charged to the statement of profit or loss as incurred.

Development expenses are capitalised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development expenses that do not meet these criteria are charged to the statement of profit or loss as incurred.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Repossessed Assets

Repossessed assets are initially recognised at fair value and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

3.8 Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree.

For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair values at acquisition date, unless another measurement basis is required by IFRSs. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability are recognised in accordance with IFRS 9 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as gain on bargain purchase.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

3.10 Asset Impairment

Impairment losses on assets, except for deferred income tax assets, financial assets and goodwill, are determined based on the following:

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, or when impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined on an individual basis, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. In assessing value in use of an asset, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of any depreciation/amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss. After such a reversal, the depreciation/amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

3.11 Cash and Cash Equivalents

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash, unrestricted balances with the central bank, amounts due from banks and other financial institutions and reverse repurchase agreements with original maturity of less than three months.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12 Employee Benefits

Employee benefits refer to all forms of consideration and other related expenditure given by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the effect of discounting on the benefits payable which are payable after one year from the end of the reporting period is significant, the Group will present them at their present value.

Statutory defined contribution plans

In accordance with the relevant laws and regulations, employees of the Group participate in various social insurance schemes like basic pension insurance, medical insurance, unemployment insurance and housing fund schemes administered by the local government authorities. The Group calculates the contributions to the local government agencies for the above pension and insurance schemes using an applicable contribution basis and rates stipulated in the relevant local regulations in the period the employees providing their services to the Group. Contributions to these plans are recognised in the statement of profit or loss as incurred.

Early retirement benefits

According to the Group's policy on early retirement benefits, certain employees are entitled to take leave of absence and in return receive a certain level of staff salaries and related benefits from the Group. The salaries and benefit payments are made from the date of early retirement to the normal retirement date. The amounts of retirement benefit expense and present value of these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, retirement benefit growth rates and other factors. Gains and losses arising from the changes in assumptions and amendments to pension plans are recognised in the statement of profit or loss as incurred.

3.13 Fiduciary Activities

Where the Group acts in a fiduciary capacity such as custodian or agent, assets arising thereon together with related undertakings to return such assets to customers are excluded from the statement of financial position.

The asset custody services of the Group refer to the business that the Group, as a trustee approved by regulatory authorities, signs custody agreements with clients and takes the responsibility of trustee in accordance with relevant laws and regulations. The assets under custody are recorded as off-balance sheet items as the Group merely fulfils the responsibility as trustee and charges fees in accordance with these agreements without retaining any risks or rewards of the assets under custody.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Fiduciary Activities (Continued)

The Group grants entrusted loans on behalf of trustors, which are recorded off-balance sheet. The Group, as a trustee, grants such entrusted loans to borrowers under the direction of those trustors who fund these loans. The Group has been contracted by those trustors to manage the administration and collection of these loans on their behalf. Those trustors determine both the underwriting criteria for and the terms of all entrusted loans including their purposes, amounts, interest rates, and repayment schedules. The Group charges a commission related to its activities in connection with entrusted loans which are recognised rateably over the period in which the service is provided. The risk of loss is borne by those trustors.

3.14 Recognition of Income and Expense

The “interest income” and “interest expense” in the Group’s statement of profit or loss are the interest income and expense from financial assets and financial liabilities using the effective interest rate method at amortised cost, financial assets at fair value with changes recognised through other comprehensive income.

Interest income and expense

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider ECLs. The calculation includes all amounts paid or received by the Group that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

For the financial assets acquired or originated with credit impairment, the Group calculates the interest income according to the amortised cost of the financial assets and the effective interest rate adjusted since the initial recognition by the Group. The effective interest rate after credit adjustment refers to the estimated future cash flow of the acquired or originated financial assets with credit impairment in the expected duration, which is converted into the interest rate of amortised cost of the financial assets.

For the financial assets acquired or originated without any credit impairment, but incurred credit impairment in the subsequent period, the Group calculates the interest income in accordance with the amortised cost and the effective interest rate of the financial assets.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.14 Recognition of Income and Expense (Continued)

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. For those services mainly included advisory and consulting fees, agency and custodian fees that are provided over a period of time, fee and commission income is accrued in accordance with the actual progress. For other services mainly included bank card fees and settlement and clearing fees, fee and commission income is recognised when the transactions are completed.

Other income

Other income is recognised on an accrual basis.

Government grants

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and consequently are effectively recognised in profit or loss over the useful life of the asset by way of other income.

3.15 Income Tax

Income tax comprises current and deferred income tax. Income tax is recognised in the statement of profit or loss except that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of each reporting period.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Income Tax (Continued)

Deferred income tax (Continued)

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- (i) Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and
- (ii) In respect of taxable temporary differences associated with investments in subsidiaries and an associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- (i) Where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or deductible expenses; and
- (ii) In respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period and reflect the corresponding tax effect.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilised. When it is virtually probable that sufficient taxable income will be available, the reduced amount can be reversed accordingly.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Income Tax (Continued)

Deferred income tax (Continued)

Deferred income tax assets and deferred income tax liabilities are offset if and only if the Group has a legally enforceable right to set off current income tax assets and current tax liabilities and the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current income tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred income tax liabilities or assets are expected to be settled or recovered.

3.16 Leases

Recognition of lease

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In order to determine whether the contract transfers the right to control the use of the identified assets within a certain period of time, the Group assesses whether the customers in the contract are entitled to receive almost all of the economic benefits arising from the use of the identified assets and have the right to dominate the use of identified assets during the period of use.

Evaluation of lease term

The lease term is the period during which the Group is entitled to use the leased asset and the right is irrevocable. If the Group has the option to renew the lease, that is, it has the right to choose to extend the lease and it is reasonably determined that the option will be exercised, the lease term includes the period covered by the renewal option. If the Group has the option to terminate the lease, that is, has the right to choose to terminate the lease of the asset, but it is reasonably expected that the option will not be exercised, the lease period does not exclude the period covered by the termination lease option.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Leases (Continued)

Evaluation of lease term (Continued)

Group as a lessee

Right-of-use assets

The Group's right-of-use assets consist of buildings, motor vehicles and others.

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When lease payments change, the Group remeasures lease liabilities and adjusts the book value of right-of-use assets accordingly. If the book value of the right-of-use asset has been reduced to zero, but the lease liability still needs to be further reduced, the Group recognises the remaining amount as profit or loss.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term, except short-term leases and leases of low-value assets. In calculating the present value of lease payments, the Group uses internal interest rate, or incremental borrowing rate when internal interest rate is not obtainable. The Group uses fixed interest rate to calculate interest expense on lease liabilities, and recognises profit or loss (or assets if otherwise stipulated). Variable lease payments, not included in lease liabilities, are recognized as profit or loss (or assets if otherwise stipulated) when made.

After the commencement date, the carrying amount of lease liabilities is remeasured if there is a change in lease payments, estimated payable amounts of guarantee residual value, discount rate, or situations that influence the Group's decision whether to exercise purchase options, extension options, or termination options.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Leases (Continued)

Evaluation of lease term (Continued)

Group as a lessee (Continued)

Changes in leases

Changes in lease are the changes in the lease scope, lease consideration, and lease duration. Lease changes include the addition or termination of the right to use one or more leased assets, and the extension or shortening of the lease term in the contract.

When the following conditions are met, the Group regards the change as a separate lease change in the process of accounting treatment.

- (i) The lease change expands the scope of the lease by adding the right to use one or more leased assets;
- (ii) The increase in consideration is equivalent to the price of the additional part of the lease scope.

If the lease change is not regarded as a separate change, on the effective date of the lease change, the Group re-determines the lease term and calculates the present value of the lease payment to remeasure the lease liability. In the process of calculating the present value of lease payments after the change, the Group refers to the interest rate implicit in lease in the remaining lease period as the discount rate. If the leased interest rate is not available, the Group adopts incremental borrowing rate to calculate the present value of lease payment. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Based on the above lease adjustment, the Group distinguishes the following situations for accounting treatment.

- (i) If the lease change leads to a short lease term or small lease scope, the Group reduces the book value of right-of-use assets to represent the partial or complete termination of lease. The relevant gain or loss of termination is included in current profits and losses.
- (ii) In terms of other lease changes, the Group adjusts the book value of the right-of-use asset accordingly.

Short-term leases and leases of low-value assets

The Group recognises leases without purchase options that do not exceed 12 months as short-term leases; Leases are regarded as low-value asset leases if the cost of a single leased asset does not exceed RMB30,000. The Group does not recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. In each period of the lease term, the relevant asset costs or expenses are calculated in accordance with the straight-line method, and the contingent rent is included in the current profit and loss when it actually occurs.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Leases (Continued)

Evaluation of lease term (Continued)

Group as a lessor

A lease that essentially transfers almost all the risks and returns associated with the ownership of the leased asset on the start date of the lease is a finance lease. All other leases are operating leases.

As a lessor of finance leases

Finance lease receivables, the net investment of lease is recorded as the book value of the finance lease receivables. The net lease investment is the sum of the unguaranteed residual value and the present value of the lease receivables at the start of the lease period discounted at interest rate implicit in lease.

The Group calculates and recognises interest income for each period of the lease term at a fixed periodic interest rate. The variable lease payments obtained by the Group, which are not included in the measurement of the net lease investment, are recorded in the current profit and loss when they actually occur.

When a finance lease is changed, and the following conditions are simultaneously met, the Group regard the change as a separate lease change:

- (i) The change expands the scope of lease by adding the right to use one or more leased assets;
- (ii) The change in consideration is equivalent to the separate price of the additional part of the lease scope.

The Group does the following accounting treatments for the changes in finance leases that have not been regarded as separate lease changes:

- (i) If the lease change takes effect on the start date of lease and the lease is classified as an operating lease, the Group regards it as a new lease investment since the effective date of change and the net lease investment before the effective date of the lease change is used as the book value of the leased asset;
- (ii) If the change takes effect on the lease start date and the lease is classified as a finance lease, the Group conducts accounting treatment in accordance with the regulation of contract modification and renegotiation.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.16 Leases (Continued)

Evaluation of lease term (Continued)

Group as a lessor (Continued)

As a lessor of operating leases

Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Variable lease payments that are not included in lease receivables are recorded in the profit or loss for the period when they actually occur.

When an operating lease is changed, the Group will account for it as a new lease from the effective date of the change. The advance payment or receivable related to the lease before the change will be treated as the received amount of the new lease.

Sale and leaseback transactions

Group as a lessee

If the asset that transfer in a sale-and-leaseback transaction belongs to the scope of sale, the Group, as the lessee, measures the right-of-use asset formed based on the portion of the original asset's book value related to the use-right obtained from the leaseback. In addition, the Group recognises relevant gains or losses only for rights transferred to the lessor. If the asset transfer in the sale-leaseback transaction is not a sale, the Group as the lessee continues to recognise the transferred asset and simultaneously recognises a financial liability equal to the transfer income.

Group as a lessor

If the asset that transfers in a sale-and-leaseback transaction is the part of sale, the Group, as a lessor, conducts the accounting treatment of the asset purchase and conducts accounting treatment of the recognition of an asset lease in accordance with above-mentioned rules. If the asset that transfers in a sale-and-leaseback transaction is not part of sale, the Group as the lessor does not recognise the transferred asset; but recognises the financial asset with the amount equals to the transferred income.

3.17 Perpetual bonds

At initial recognition, the Group classifies the perpetual bonds issued or their components as financial assets, financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial assets, financial liabilities and equity instruments.

Perpetual bonds issued that should be classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the perpetual bonds are redeemed according to the contractual terms, the redemption price is charged to equity.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Related Parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) the entity, or any member of a group of which it is a party, provides key management personnel services to the Group or the parent of the Group.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Related Parties (Continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

3.19 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required, or the amount of obligation cannot be measured reliably. Provisions are disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

3.20 Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings. Proposed final dividends are disclosed in the notes to the consolidated financial statements. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as an event after the reporting period.

3.21 Structured Entities

A structured entity is an entity that has been designed so that voting right is not a dominant factor in deciding who controls the entity. Unconsolidated structured entities refer to equity in other entities which have no significant impact on the Group, including but not limited to equity or debt instruments or any other involvements. The Group's unconsolidated structured entities mainly include off-balance sheet non-guaranteed wealth management products sponsored by the Group as disclosed in note 47 to the consolidated financial statements.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

4.1 Classification of Financial Assets

Business model

The classification of financial assets at initial recognition depends on the Group's business model of financial asset management. When determining business model, the Group considers the way of enterprise performance evaluation and financial asset achievement reporting to the key management, the risk affecting financial asset performance and its management mode and the way of related business management payment, etc. When evaluating whether to take the contract cash flow as the target, the Group needs to analyse and determine the reason, time, frequency and value of the sale of financial asset before the maturity date.

Contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets. The Group needs to determine a) whether the contractual cash flow only consist of the payment of principal and interest based on outstanding principal; b) whether there is a significant difference between the cash flow after the modification of time value of money and the benchmark cash flow; c) for the financial assets with prepayment terms, whether the fair value of the prepayment term is very small.

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

4.2 Impairment Losses on Financial Assets

The Group measures the impairment losses on all financial assets in accordance with IFRS 9, including many estimates and judgements in the process, especially in determining the amount of impairment losses, estimating future contractual cash flows, the value of collateral and judging the significant increase in credit risk. The Group is affected by various factors in the measurement of impairment, which will result in different levels of impairment provision.

The Group's expected credit loss calculation is the result of model output, which contains many model assumptions and parameter inputs.

The accounting judgements and estimates used in the expected credit loss model include:

- Criteria for judging a significant increase in credit risk
- Definition of credit impaired assets
- Models and parameters for the measurement of ECLs
- Forward-looking information
- Individual impairment assessment

4.3 Fair Value of Derivatives and Other Financial Instruments

The Group establishes fair value of financial instruments with reference to a quoted market price in an active market or, if there is no active market, using valuation techniques. These valuation techniques include the use of recent arm's length transactions, observable prices for similar instruments, discounted cash flow analysis using risk-adjusted interest rates, and commonly used market pricing models. Whenever possible, these models use observable market inputs and data including, for example, interest rate yield curves, foreign currency rates and option volatilities. The results of using valuation techniques are calibrated against industry practice and observable current market transactions in the same or similar instruments.

The Group assesses assumptions and estimates used in valuation techniques including review of valuation model assumptions and characteristics, changes to model assumptions, the quality of market data, whether markets are active or inactive, other fair value adjustments not specifically captured by models and consistency of application of techniques between reporting periods as part of its normal review and approval processes. Valuation techniques are validated and periodically reviewed and, where appropriate, have been updated to reflect market conditions at the financial reporting date.

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

4.3 Fair Value of Derivatives and Other Financial Instruments (Continued)

With respect to the PRC government obligations related to large-scale policy directed financing transactions, fair value is determined using the stated terms of the related instrument and with reference to terms determined by the PRC government in similar transactions engaged in or directed by the PRC government. In this regard, there are no other relevant market prices or yields reflecting arm's length transactions of a comparable size and tenor.

4.4 Contingent Liabilities

The Group uses judgement to assess whether the Group has a present legal or constructive obligation as a result of past events at each financial reporting date, and judgement is used to determine if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and to determine a reliable estimate of the amount of the obligation and relevant disclosure in the consolidated financial statements.

4.5 Early Retirement Benefit Obligations

The Group has established liabilities in connection with benefits payable to early retired employees. These amounts of employee benefit expense and these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, inflation rates, and other factors. Actual results that differ from the assumptions are recognised immediately and, therefore, affect recognised expense in the year in which the differences arise. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's expense related to its employee early retirement benefit obligations.

4.6 Income Tax

Determining income tax provisions requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. This requires significant estimation on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

4.7 Judgement of the Control Level to Investees

Management determines whether the Group controls related investment funds, non-guaranteed wealth management products, asset-backed securities, specific asset management plans and investment trust plans according to note 2.1.

The Group manages or invests several investment funds, non-guaranteed wealth management products, asset-backed securities, specific asset management plans and trust fund plans. When determining whether to control structural entities of these types, the Group mainly estimates the whole economic benefit it has in these structural entities (including revenues by holding directly and expected fees) or the range of power of decision-making in the entities. The Group determines whether to consolidate the structured entities into the financial statements according to whether the Group is an agent or a main responsible party and whether the economic interest of the Group in the entities is significant.

4.8 Impairment of Non-Financial Assets

Non-financial assets are periodically reviewed for impairment and where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to disposal and value in use.

4.9 Lease Terms

Lease terms refer to the irrevocable periods in which the Group has the right to use lease assets. In lease contracts that include extension options that the Group will reasonably exercise, lease terms include the periods covered under the options. The Group applies judgement in evaluating whether to exercise the option to renew the lease, considering all relevant factors that create an economic incentive for it to exercise the renewal, including the expected changes between the commencement date of the contract and exercise date.

4.10 Fair Value of Unlisted Equity Investments

The unlisted equity investments have been valued based on the discounted expected future cash flow of other financial instruments with similar terms and risk characteristics. The valuation requires the Group to make estimates about future cash flow, credit risk, fluctuation, and discount rate.

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5. NET INTEREST INCOME

	Year ended 31 December	
	2022	2021
Interest income on:		
Loans and advances to customers	15,314,775	16,517,651
– Corporate loans and advances	7,062,579	8,018,072
– Personal loans	8,243,070	8,457,660
– Discounted bills	9,126	41,919
Reverse repurchase agreements	302,742	242,062
Financial assets at fair value through other comprehensive income	1,704,703	1,030,073
Financial assets at amortised cost	6,386,203	6,285,034
Due from the central bank	637,578	774,455
Due from banks and other financial institutions	381,120	174,557
Financial lease receivables	1,337,886	1,424,273
Subtotal	26,065,007	26,448,105
Interest expense on:		
Due to customers	(14,433,292)	(13,787,006)
Repurchase agreements	(142,294)	(282,309)
Due to banks	(940,071)	(784,586)
Debt securities issued	(961,327)	(882,206)
Due to the central bank	(102,729)	(80,020)
Borrowings from banks and other financial institutions	(452,040)	(549,167)
Lease liabilities	(26,077)	(21,800)
Subtotal	(17,057,830)	(16,387,094)
Net interest income	9,007,177	10,061,011
Including: interest income on impaired loans	395,493	268,760

	Year ended 31 December	
	2022	2021
Interest income from:		
Listed debt instruments	4,341,909	3,563,157
Unlisted debt instruments	21,723,098	22,884,948
Subtotal	26,065,007	26,448,105

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6. NET FEE AND COMMISSION INCOME

	Year ended 31 December	
	2022	2021
Fee and commission income:		
Advisory and consulting fees	287,554	327,293
Agency and custodian fees	328,334	223,247
Including: non-guaranteed wealth management products	288,902	158,169
Bank card fees	234,422	254,859
Settlement and clearing fees	44,239	45,621
Others	8,828	8,978
Subtotal	903,377	859,998
Fee and commission expense:		
Settlement and clearing fees	(17,508)	(33,268)
Agency fees	(10,837)	(4,562)
Bank card fees	(44,354)	(55,400)
Others	(99,078)	(69,759)
Subtotal	(171,777)	(162,989)
Net fee and commission income	731,600	697,009

7. NET TRADING INCOME

	Year ended 31 December	
	2022	2021
Financial assets at fair value through profit or loss	2,423,308	1,128,509

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

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8. NET GAIN ON FINANCIAL INVESTMENTS

	Year ended 31 December	
	2022	2021
Gain on disposal of financial assets at amortised cost, net	217,585	113,332
Gain on disposal of financial assets at fair value through other comprehensive income, net	177,259	119,845
Dividends from equity investments at fair value through other comprehensive income	21,554	13,894
Total	416,398	247,071

9. OTHER OPERATING INCOME, NET

	Year ended 31 December	
	2022	2021
Net gain on sale of property and equipment	73	124,940
Gain/(loss) on foreign exchange, net	199,721	(56,982)
Leasing income	20,932	47,101
Government grants and subsidies	26,409	25,708
Others	44,931	45,171
Total	292,066	185,938

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10. OPERATING EXPENSES

	Year ended 31 December	
	2022	2021
Staff costs:		
Salaries, bonuses and allowances	1,779,700	1,626,112
Social insurance	409,136	369,564
Housing fund	164,051	166,392
Staff benefits	116,295	133,106
Labour union expenditure and education costs	24,041	26,078
Early retirement benefits	9,921	12,606
Subtotal	2,503,144	2,333,858
General and administrative expenses	1,538,991	1,289,036
Tax and surcharges	213,514	241,280
Depreciation and amortisation	780,019	742,559
Leasing expense	85,314	168,163
Auditors' remuneration	4,850	4,850
Others	159,371	177,014
Total	5,285,203	4,956,760

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11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of the directors' and supervisors' emoluments before tax are as follows:

Name	Position	Year ended 31 December 2022						Actual amount of remuneration paid (pre-tax) RMB'000
		Fees RMB'000	Remuneration paid RMB'000	Discretionary bonuses RMB'000	Contributions to defined contribution schemes RMB'000	Total emoluments before tax RMB'000 (5) = (1)+(2) +(3)+(4)	Of which: deferred payment RMB'000	
		(1)	(2)	(3)	(4)	(5)	(6)	(7) = (5)-(6)
Deng Xinquan	Executive Director and Chairman of the Board	-	726	2,142	122	2,990	1,285	1,705
Yao Chunhe (i)	Executive Director and President	-	-	-	-	-	-	-
Zhao Hongbo	Non-executive Director	-	-	-	-	-	-	-
Zhang Xianjun	Non-executive Director	-	-	-	-	-	-	-
Yu Hong	Non-executive Director	-	-	-	-	-	-	-
Lang Shufeng	Non-executive Director	-	-	-	-	-	-	-
Zhang Zheng	Independent Non-executive Director	288	-	-	-	288	-	288
Sun Yan	Independent Non-executive Director	288	-	-	-	288	-	288
Hou Bojian	Independent Non-executive Director	364	-	-	-	364	-	364
Jin Qinglu	Independent Non-executive Director	264	-	-	-	264	-	264
Wang Haibin	Chairman of the Board of Supervisors, Employee Supervisor and President	-	510	1,494	183	2,187	896	1,291
Fang Shang (ii)	Employee Supervisor, President Assistant	-	501	1,326	225	2,052	510	1,542
Luo Zhonglin	Employee Representative Supervisor	-	498	1,206	172	1,876	603	1,273
Wang Yuanfang (iii)	Employee Representative Supervisor	-	743	868	171	1,782	347	1,435
Yang XueMei (iv)	Supervisor	40	-	-	-	40	-	40
Li Dong	External Supervisor	144	-	-	-	144	-	144
Li ZhaoHua	External Supervisor	144	-	-	-	144	-	144
Sun Yi	External Supervisor	126	-	-	-	126	-	126

Note: Pursuant to the relevant PRC regulations, a portion of the discretionary bonus payments for the Chairman of the Board of Directors (the "Board"), the President, the Chairman of the Board of Supervisors, Executive Directors and other senior management members are deferred.

- (i) At the 2022 first extraordinary general meeting of the company held on 1 August 2022, Yao Chunhe was appointed as the executive Director, and his appointment was effective from 3 March 2023.
- (ii) On 10 October 2022, Fang Shang resigned as an employee supervisor of the eighth board of supervisors of the company and a member of the supervisory committee of the board of supervisors.
- (iii) On 10 October 2022, the company held an employee representative meeting and appointed Wang Yuanfang as the employee supervisor of the board of supervisors.
- (iv) On 6 September 2022, Yang Xuemei resigned as a shareholder supervisor of the eighth board of supervisors and a member of the supervision committee of the board of supervisors of the company.

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(Amount in thousands of RMB, unless otherwise stated)**11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)**

Details of the directors' and supervisors' emoluments before tax are as follows: (Continued)

Name	Position	Year ended 31 December 2021						
		Fees RMB'000	Remuneration paid RMB'000	Discretionary bonuses RMB'000	Contributions to defined contribution schemes RMB'000	Total emoluments before tax RMB'000 (5) = (1)+(2) +(3)+(4)	Of which: deferred payment RMB'000	Actual amount of remuneration paid (pre-tax) RMB'000 (7) = (5)-(6)
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
Deng Xinquan (i) & (iv)	Executive Director, Chairman and Secretary of the Board (Acting)	-	726	2,142	97	2,965	1,285	1,680
Lyu Tianjun (iv)	Executive Director and President	-	588	698	164	1,450	-	1,450
Sun Feixia (iv)	Executive Director, Vice Chairman, Secretary of the Board and Company Secretary	-	498	540	151	1,189	-	1,189
Zhao Hongbo	Non-executive Director	-	-	-	-	-	-	-
Zhang Xianjun	Non-executive Director	-	-	-	-	-	-	-
Yu Hong	Non-executive Director	-	-	-	-	-	-	-
Lang Shufeng	Non-executive Director	-	-	-	-	-	-	-
Zhang Zheng	Independent Non-executive Director	291	-	-	-	291	-	291
Sun Yan	Independent Non-executive Director	303	-	-	-	303	-	303
Hou Bojian	Independent Non-executive Director	367	-	-	-	367	-	367
Jin Qinglu (ii)	Independent Non-executive Director	201	-	-	-	201	-	201
Guo Zhiwen (i)	Executive Director and Chairman	-	595	669	197	1,461	-	1,461
Ma Yongqiang (ii)	Independent Non-executive Director	44	-	-	-	44	-	44
Wang Haibin (iii) & (iv)	Chairman of the Board of Supervisors, Employee Supervisor and President (Acting on Behalf)	-	510	1,494	154	2,158	896	1,262
Luo Zhonglin	Employee Supervisor	-	498	1,206	146	1,850	603	1,247
Fang Shang	Employee Supervisor	-	532	544	183	1,259	218	1,041
Yang Xuemei	Supervisor	60	-	-	-	60	-	60
Li Dong	External Supervisor	144	-	-	-	144	-	144
Li Zhaohua	External Supervisor	144	-	-	-	144	-	144
Sun Yi	External Supervisor	120	-	-	-	120	-	120

Note: Pursuant to the relevant PRC regulations, a portion of the discretionary bonus payments for the Chairman of the Board of Directors (the "Board"), the President, the Chairman of the Board of Supervisors, Executive Directors and other senior management members are deferred.

- (i) At the 2021 first extraordinary general meeting held on 24 February 2021, the Board resolved to elect Mr. Deng Xinquan as the Executive Director, Mr. Guo Zhiwen ceased to act as the Executive Director since 10 March 2021.
- (ii) At the 2021 first extraordinary general meeting held on 24 February 2021, the Board resolved to elect Mr. Jin Qinglu as the Independent Non-executive Director, Mr. Ma Yongqiang ceased to act as the Independent Non-executive Director since 25 March 2021.

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11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

- (iii) At the 2021 supervisor general meeting held on 24 February 2021, Mr. Wang Haibin was appointed as an employee representative Supervisor and Chairman of the Board of Supervisor.
- (iv) With effective date on 31 March 2022, Mr. Lyu Tianjun resigned to act as the Executive Director and President; Ms. Sun Feixia resigned to act as the Executive Director, Vice Chairman, Secretary of the Board and Company Secretary. The Board resolved to elect Mr. Deng Xinquan as the Secretary of the Board (Acting on Behalf) and Mr. Wang Haibin as the President (Acting on Behalf)

During the year ended 31 December 2022, Zhao Hongbo, Zhang Xianjun, Yu Hong and Lang Shufeng, non-executive Directors of the Bank, agreed to waive remuneration before tax of RMB144 thousand, RMB168 thousand, RMB144 thousand and RMB144 thousand, respectively. (2021: Zhao Hongbo, Zhang Xianjun, Yu Hong and Lang Shufeng, non-executive Directors of the Bank, agreed to waive remuneration before tax of RMB144 thousand, RMB168 thousand, RMB144 thousand and RMB144 thousand, respectively).

12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group are employees of the Bank. Their emoluments were determined based on the prevailing market rates of the region where the Bank operates. During the years ended 31 December 2022 and 2021, the five highest paid individuals of the Group comprised one director and one directors of the Bank, respectively, whose emoluments are disclosed in notes 11 and 49(b) to the consolidated financial statements. During the year ended 31 December 2022 and 2021, the emoluments of remaining four and four highest paid individuals are set out below:

	Year ended 31 December	
	2022	2021
Salaries, allowances and discretionary bonuses	12,881	13,387
Contribution to defined contribution schemes	862	762
Total	13,743	14,149

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12. FIVE HIGHEST PAID INDIVIDUALS (Continued)

The number of non-director and non-supervisor employees whose emoluments fell within the following bands is set out below.

	Number of employees	
	Year ended 31 December	
	2022	2021
RMB2,000,001 to RMB3,000,000	–	2
RMB3,000,001 to RMB4,000,000	3	1
RMB4,000,001 to RMB5,000,000	1	1
RMB5,000,001 to RMB6,000,000	–	–
Total	4	4

During the year ended 31 December 2022, no emoluments were paid by the Group to any of these non-director and non-supervisor individuals as an inducement to join or were payable to such persons upon joining the Group or as compensation for loss of office (2021: Nil).

13. CREDIT IMPAIRMENT LOSSES

	Year ended 31 December	
	2022	2021
Impairment losses on:		
Loans and advances to customers at amortised cost	5,110,008	5,877,626
Financial investments at amortised cost	1,148,177	578,919
Finance lease receivables	303,058	203,260
Others	22,920	40,697
Total	6,584,163	6,700,502

14. OTHER ASSETS IMPAIRMENT LOSS

	Year ended 31 December	
	2022	2021
Impairment loss on:		
Property and equipment	–	101,027

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15. INCOME TAX EXPENSE

(a) Income tax

	Year ended 31 December	
	2022	2021
Current income tax	657,030	869,024
Deferred income tax	(368,344)	(706,463)
Total	288,686	162,561

(b) Reconciliation between income tax and accounting profit

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

	Year ended 31 December	
	2022	2021
Profit before tax	1,001,183	561,249
Tax at the PRC statutory income tax rate	250,296	140,312
Effect of different tax rates for certain subsidiaries	(15,415)	(10,071)
Items not deductible for tax purposes	623,111	398,811
Non-taxable income (i)	(483,896)	(386,890)
Adjustment for income tax from prior years	17,049	20,399
Unrecognised deductible tax loss	31,041	–
Other	(133,500)	–
Tax expense at the Group's effective income tax rate	288,686	162,561

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

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16. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK

The consolidated profit attributable to equity holders of the Bank for the year ended 31 December 2022 includes a profit of RMB555 million (2021: RMB274 million) which has been dealt with in the financial statements of the Bank.

17. DIVIDENDS

The Bank proposed not to distribute any dividend for the year ended 31 December 2022 and 2021.

18. EARNINGS PER SHARE

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

	Year ended 31 December	
	2022	2021
Net profit attributable to equity holders of the Bank	554,769	274,133
Less: Distribution of interests of perpetual bonds	(534,000)	–
Net profit attributable to ordinary shareholders of the Bank	20,769	274,133
Weighted average number of ordinary shares in issue (expressed in thousands) at the end of the year	10,995,600	10,995,600
Basic and diluted earnings per share (expressed in RMB per share)	0.00	0.02

The Group had no potentially dilutive ordinary shares for the year ended 31 December 2022 and 2021.

Basic earnings per share for the years ended 31 December 2022 and 2021 were computed by dividing distributions on non-cumulative perpetual bonds declared for the period was deducted from the amounts attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year. The Bank has declared an interest of RMB534 million on perpetual bonds during the year ended 31 December 2022 (2021: Nil).

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19. CASH AND BALANCES WITH THE CENTRAL BANK

	As at 31 December	
	2022	2021
Cash	1,012,544	1,202,797
Mandatory reserves with the central bank (i)	38,447,365	36,648,127
Surplus reserves with the central bank (ii)	37,148,721	26,700,197
Fiscal deposits with the central bank	146,445	352,579
Subtotal	76,755,075	64,903,700
Accrued interest	20,439	19,488
Total	76,775,514	64,923,188

- (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 31 December 2022 and 2021, 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 requirements of the PBOC.
- (ii) Surplus reserves with the central bank include funds for the purpose of cash settlement and other kinds of unrestricted deposits.

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20. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2022	2021
Nostro accounts:		
Banks operating in Mainland China	10,390,630	3,182,084
Other financial institutions operating in Mainland China	153,168	171,310
Banks operating outside Mainland China	644,768	693,781
Subtotal	11,188,566	4,047,175
Accrued interest	266	429
Less: Allowance for impairment losses	(1,137)	(1,422)
Subtotal	11,187,695	4,046,182
Placements with banks and other financial institutions:		
Banks operating in Mainland China	750,000	50,000
Other financial institutions operating in Mainland China	12,160,000	1,030,000
Banks operating outside Mainland China	1,700,000	2,000,000
Subtotal	14,610,000	3,080,000
Accrued interest	95,144	11,258
Less: Allowance for impairment losses	(40,578)	(21,237)
Subtotal	14,664,566	3,070,021
Total	25,852,261	7,116,203

As at 31 December 2022 and 31 December 2021, the Group included nostro accounts and placements with banks and other financial institutions in stage 1, and measured the impairment losses based on ECLs in the next 12 months.

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21. REVERSE REPURCHASE AGREEMENTS

	As at 31 December	
	2022	2021
Reverse repurchase agreements analysed by counterparty:		
Banks operating in Mainland China	999,989	–
Accrued interest	784	–
Less: Allowance for impairment losses	(23)	–
Total	1,000,750	–
Reverse repurchase analysed by collateral:		
Bonds	999,989	–
Accrued interest	784	–
Less: Allowance for impairment losses	(23)	–
Total	1,000,750	–

As at 31 December 2022, reverse repurchase agreements were in stage 1, and measured the impairment losses based on ECLs in the next 12 months.

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22. LOANS AND ADVANCES TO CUSTOMERS

	As at 31 December	
	2022	2021
Measured at amortised cost		
Corporate loans and advances	161,043,133	161,598,638
Personal loans	117,360,722	132,750,043
Subtotal	278,403,855	294,348,681
Measured at fair value through other comprehensive income		
Discounted bills	6,011,014	10,475
Total loans and advances to customers	284,414,869	294,359,156
Accrued interest	2,289,961	3,058,702
Less: Allowance for impairment losses	(14,920,009)	(13,780,810)
Loans and advances to customers, net	271,784,821	283,637,048

Analysis of loans and advances to customers by industry, collateral type and analysis of overdue loans and advances to customers are presented in Note 51(a).

	As at 31 December 2022			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
Total loans and advances at amortised cost	228,408,884	22,461,511	27,533,460	278,403,855
Accrued interest	2,244,806	45,014	141	2,289,961
Allowance for impairment losses at amortised cost	(2,570,973)	(1,945,512)	(10,403,524)	(14,920,009)
Loans and advances to customers at amortised cost, net	228,082,717	20,561,013	17,130,077	265,773,807

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22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

	As at 31 December 2021			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
Total loans and advances at amortised cost	259,457,943	15,624,278	19,266,460	294,348,681
Accrued interest	2,900,925	157,699	78	3,058,702
Allowance for impairment losses at amortised cost	(3,950,605)	(2,168,461)	(7,661,744)	(13,780,810)
Loans and advances to customers at amortised cost, net	258,408,263	13,613,516	11,604,794	283,626,573

- (i) Movements in allowance for impairment losses of loan and advances to customers at amortised cost during the year are as follows:

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	Total
As at 1 January 2022	3,950,605	2,168,461	7,661,744	13,780,810
Charge for the year	(939,323)	180,968	5,868,363	5,110,008
Write-offs and transferred	–	–	(3,899,551)	(3,899,551)
Stage conversion	(440,312)	(403,917)	844,229	–
Converted to Stage 1	413,212	(355,463)	(57,749)	–
Converted to Stage 2	(345,264)	370,259	(24,995)	–
Converted to Stage 3	(508,260)	(418,713)	926,973	–
Recovery of loans and advances previously written off	–	–	324,024	324,024
Exchange difference	3	–	208	211
Accreted interest on impaired loans	–	–	(395,493)	(395,493)
As at 31 December 2022	2,570,973	1,945,512	10,403,524	14,920,009

During the year ended 31 December 2022, the loan principal transferred from stage 1 to stage 2 and stage 3 was RMB22,719 million, and corresponding impairment provision increased by RMB3,372 million. The loan principal transferred from stage 2 to stage 3 was RMB4,008 million, impairment provision increasing by RMB1,078 million. The loan principal transferred from stage 2 to stage 1 was RMB2,091 million, impairment provision decreasing by RMB342 million. The loan principal transferred from stage 3 to stage 1 and stage 2 was RMB268 million, impairment provision decreasing by RMB75 million.

During the year ended 31 December 2022, the Group transferred loans and advances amount of RMB731 million to independent third parties and the transfer price was RMB692 million.

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22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

- (ii) Movements in allowance for impairment losses of loan and advances to customers at amortised cost during the year are as follows: (Continued)

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	Total
As at 1 January 2021	2,807,065	1,940,480	6,357,162	11,104,707
Charge for the year	949,158	119,631	4,808,837	5,877,626
Write-offs and transferred	–	–	(3,174,843)	(3,174,843)
Stage conversion	211,684	108,350	(320,034)	–
Converted to Stage 1	524,590	(353,928)	(170,662)	–
Converted to Stage 2	(122,153)	779,842	(657,689)	–
Converted to Stage 3	(190,753)	(317,564)	508,317	–
Recovery of loans and advances previously written off	–	–	259,452	259,452
Exchange difference	(17,302)	–	(70)	(17,372)
Accreted interest on impaired loans	–	–	(268,760)	(268,760)
As at 31 December 2021	3,950,605	2,168,461	7,661,744	13,780,810

The loan principal transferred from stage 1 to stage 2 and stage 3 was RMB9,030 million, and corresponding impairment provision increased by RMB1,314 million. The loan principal transferred from stage 2 to stage 3 was RMB922 million, impairment provision increasing by RMB293 million. The loan principal transferred from stage 2 to stage 1 was RMB1,648 million, impairment provision decreasing by RMB155 million. The loan principal transferred from stage 3 to stage 1 and stage 2 was RMB1,859 million, impairment provision decreasing by RMB667 million.

During the year ended 31 December 2021, the Group transferred loans and advances amount of RMB1,120 million to independent third parties and the transfer price was RMB919 million.

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23. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	As at 31 December					
	2022			2021		
	Contractual/ notional amount	Fair value		Contractual/ notional amount	Fair value	
Assets		Liabilities	Assets		Liabilities	
Foreign exchange forwards and swaps	2,138,695	-	(86,682)	1,513,862	-	(14,858)
Option contract	140,672,856	936,460	(936,460)	214,738,684	1,796,713	(1,796,713)
	142,811,551	936,460	(1,023,142)	216,252,546	1,796,713	(1,811,571)

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24. FINANCIAL INVESTMENTS

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

	As at 31 December	
	2022	2021
Government debt securities	393,977	374,533
Corporate debt securities	2,386,278	2,912,845
Trust fund plans and asset management plans (i)	54,369,207	43,491,851
Subtotal	57,149,462	46,779,229
Equity instruments	337,295	319,140
Funds	25,047,692	14,370,853
Accrued interest	170,076	47,012
Total	82,704,525	61,516,234

As at 31 December 2022 and 2021, no debt securities measured at fair value through profit or loss were pledged.

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

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24. FINANCIAL INVESTMENTS (Continued)

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

	As at 31 December	
	2022	2021
Government debt securities	30,768,000	14,559,059
Policy bank debt securities	6,442,816	3,209,442
Financial institution debt securities	3,854,697	2,355,748
Corporate debt securities	10,938,174	10,755,497
Subtotal	52,003,687	30,879,746
Equity investments	7,161,203	7,440,558
Accrued interest	722,953	523,221
Net balance	59,887,843	38,843,525

As at 31 December 2022, debt securities of RMB150,000 thousand at fair value through other comprehensive income of the Group were in stage 3, and the Group's accumulated allowance for impairment losses on the above-mentioned debt instruments amounted to RMB105,000 thousand. Other debt securities at fair value through other comprehensive income were in stage 1, and the corresponding accumulated allowance for impairment losses amounted to RMB45,806 thousand. As at 31 December 2021, debt securities of RMB136,553 thousand at fair value through other comprehensive income of the Group were in stage 3, and the Group's accumulated allowance for impairment losses on the above-mentioned debt instruments amounted to RMB105,000 thousand. Other debt securities at fair value through other comprehensive income were in stage 1, and the corresponding accumulated allowance for impairment losses amounted to RMB15,612 thousand.

As at 31 December 2022, debt securities of RMB1,633,598 thousand and RMB2,081,113 thousand at fair value through other comprehensive income of the Group were pledged in fixed time deposits and due to the central bank respectively. As at 31 December 2021, debt securities of RMB1,917,841 thousand, RMB1,817,892 thousand and RMB467,435 thousand at fair value through other comprehensive income of the Group were pledged in fixed time deposits, repurchase agreements and due to the central bank respectively.

The Group irrevocably designated parts of its equity investments and classified as financial assets at fair value through other comprehensive income.

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24. FINANCIAL INVESTMENTS (Continued)

(c) Financial assets at amortised cost

	As at 31 December	
	2022	2021
Government debt securities	34,031,478	26,535,764
Policy bank debt securities	13,816,505	14,651,243
Financial institution debt securities	2,769,969	1,569,955
Corporate debt securities	24,214,630	18,261,657
Inter-bank certificates of deposits	1,732,562	–
Trust investments and asset management plans	76,482,112	86,801,887
Subtotal	153,047,256	147,820,506
Accrued interest	2,327,101	2,546,567
Allowance for impairment losses (i)	(6,139,013)	(5,059,680)
Net balance	149,235,344	145,307,393

As at 31 December 2022, debt securities of RMB3,301,638 thousand, RMB2,263,466 thousand, RMB7,697,694 thousand and RMB1,633,410 at amortised cost of the Group were pledged in repurchase agreements, due to the central bank, fixed time deposits and borrowing from banks and other financial institutions respectively.

As at 31 December 2021, debt securities of RMB7,117,950 thousand, RMB3,964,085 thousand and RMB6,644,138 thousand at amortised cost of the Group were pledged in repurchase agreements, due to the central bank and fixed time deposits respectively.

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24. FINANCIAL INVESTMENTS (Continued)

(c) Financial assets at amortised cost (Continued)

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

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	Total
As at 1 January 2022	760,830	746,569	3,552,281	5,059,680
Change for the year	27,744	58,094	1,062,339	1,148,177
Write-offs and transferred	-	-	(68,844)	(68,844)
As at 31 December 2022	788,574	804,663	4,545,776	6,139,013

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	Total
As at 1 January 2021	743,992	322,254	3,414,515	4,480,761
Change for the year	16,838	424,315	137,766	578,919
As at 31 December 2021	760,830	746,569	3,552,281	5,059,680

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25. FINANCE LEASE RECEIVABLES

	As at 31 December	
	2022	2021
Finance lease receivables	23,564,314	26,468,716
Less: Unearned financial lease income	(1,976,744)	(2,363,140)
Finance lease receivables, net	21,587,570	24,105,576
Accrued interest	157,318	217,558
Less: Allowance for impairment losses	(928,022)	(1,401,834)
Net balance	20,816,866	22,921,300

As at 31 December 2022, The Group divided finance lease receivables into stage 1, stage 2 and stage 3. The gross amounts were RMB20,207,156 thousand, RMB1,083,564 thousand, and RMB296,850 thousand respectively, and allowances for impairment losses were RMB206,394 thousand, RMB528,911 thousand, and RMB192,717 thousand, respectively.

As at 31 December 2021, the gross amounts were RMB22,416,884 thousand, RMB1,111,199 thousand, and RMB577,493 thousand respectively, and allowances for impairment losses were RMB292,169 thousand, RMB551,795 thousand, and RMB557,870 thousand, respectively.

As at 31 December 2022, the fair value of collateral that the Group holds relating to finance lease receivables determined to be impaired amounted to RMB23,785,706 thousand (31 December 2021: RMB31,188,714 thousand). The collateral mainly consists of right to charge for tourist attractions, provision of other public services and receivables in trading nature.

Finance lease receivables, unearned finance lease income and net finance lease receivables analysed by the remaining period as follows:

	As at 31 December					
	2022			2021		
	Finance lease receivables	Unearned finance lease income	Finance lease receivables, net	Finance lease receivables	Unearned finance lease income	Finance lease receivables, net
Less than 1 year	11,228,337	(1,060,810)	10,167,527	11,886,314	(1,276,452)	10,609,862
1 year to 2 years	7,072,125	(520,154)	6,551,971	7,720,014	(651,409)	7,068,605
2 years to 3 years	3,360,741	(200,550)	3,160,191	4,180,759	(282,684)	3,898,075
3 years to 5 years	1,873,850	(193,923)	1,679,927	2,659,986	(151,738)	2,508,248
More than 5 years	29,261	(1,307)	27,954	21,643	(857)	20,786
	23,564,314	(1,976,744)	21,587,570	26,468,716	(2,363,140)	24,105,576

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26. PROPERTY AND EQUIPMENT

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment	Motor vehicles	Operating lease fixed assets	Total
Cost:							
At 1 January 2022	6,912,553	2,651,014	653,088	2,139,376	67,702	314,398	12,738,131
Additions	9,390	147,503	25,687	55,332	4,390	-	242,302
Transfer from construction in progress	2,345,710	(2,580,829)	-	235,119	-	-	-
Disposals	(139)	(1,156)	-	(13,774)	(3,007)	-	(18,076)
At 31 December 2022	9,267,514	216,532	678,775	2,416,053	69,085	314,398	12,962,357
At 1 January 2021	6,919,125	2,657,955	634,209	2,133,139	68,945	314,398	12,727,771
Additions	20,887	105,607	18,879	30,401	1,526	-	177,300
Transfer from construction in progress	70,203	(106,361)	-	36,158	-	-	-
Disposals	(97,662)	(6,187)	-	(60,322)	(2,769)	-	(166,940)
At 31 December 2021	6,912,553	2,651,014	653,088	2,139,376	67,702	314,398	12,738,131
Accumulated depreciation:							
At 1 January 2022	1,537,051	-	564,784	1,697,583	55,193	104,617	3,959,228
Depreciation charge for the year	213,180	-	39,798	141,656	7,872	7,953	410,459
Disposals	-	-	-	(10,378)	(2,864)	-	(13,242)
At 31 December 2022	1,750,231	-	604,582	1,828,861	60,201	112,570	4,356,445
At 1 January 2021	1,359,979	-	524,989	1,601,002	53,583	89,683	3,629,236
Depreciation charge for the year	205,548	-	39,795	155,373	4,241	14,934	419,891
Disposals	(28,476)	-	-	(58,792)	(2,631)	-	(89,899)
At 31 December 2021	1,537,051	-	564,784	1,697,583	55,193	104,617	3,959,228
Impairment loss:							
At 31 December 2021 and 1 January 2022	-	-	-	-	-	101,027	101,027
Provided for the year	-	-	-	-	-	-	-
At 31 December 2022	-	-	-	-	-	101,027	101,027
Net carrying amount:							
At 31 December 2022	7,517,283	216,532	74,193	587,192	8,884	100,801	8,504,885
At 31 December 2021	5,375,502	2,651,014	88,304	441,793	12,509	108,754	8,677,876

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26. 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:

	As at 31 December	
	2022	2021
Held in China:		
10 to 50 years	7,415,315	5,351,499
Less than 10 years	101,968	24,003
	7,517,283	5,375,502

As at 31 December 2022, the process of obtaining the titles for the Group's properties and buildings with an aggregate net carrying value of RMB3,042 million (31 December 2021: RMB496 million) was still in progress. Management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

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27. DEFERRED INCOME TAX ASSETS AND LIABILITIES

(a) Analysed by nature

	As at 31 December			
	2022		2021	
	Deductible temporary differences	Deferred income tax assets/ (liabilities)	Deductible temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets:				
Allowance for impairment losses	20,342,141	5,040,547	18,086,079	4,465,550
Provisions	50,902	12,726	138,196	34,549
Salaries, bonuses, allowances and subsidies payable	165,971	40,441	240,548	56,908
Early retirement benefits	35,715	8,929	39,229	9,807
Deferred revenue	79,064	19,715	37,595	8,998
Others	220,359	46,576	144,764	34,854
Subtotal	20,894,152	5,168,934	18,686,411	4,610,666
Deferred income tax liabilities:				
Changes in fair value of financial assets at fair value through profit or loss	(1,424,902)	(356,226)	(633,811)	(158,453)
Changes in fair value of financial assets at fair value through other comprehensive income	83,493	20,873	(385,395)	(96,349)
Subtotal	(1,341,409)	(335,353)	(1,019,206)	(254,802)
Total	19,552,743	4,833,581	17,667,205	4,355,864

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27. DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

(b) Movements in deferred income tax

At 31 December 2022

	At 1 January 2022	Total gains/ (losses) recorded in profit or loss	Total losses recorded in other comprehensive income	At 31 December 2022
Deferred income tax assets/(liabilities):				
Allowance for impairment losses	4,465,550	574,997	-	5,040,547
Provisions	34,549	(21,823)	-	12,726
Changes in fair value of financial assets at fair value through profit or loss	(158,453)	(197,773)	-	(356,226)
Changes in fair value of financial assets at fair value through other comprehensive income	(96,349)	-	117,222	20,873
Allowance for impairment losses on the financial assets at fair value through other comprehensive income	-	7,849	(7,849)	-
Salaries, bonuses, allowances and subsidies payable	56,908	(16,467)	-	40,441
Early retirement benefits	9,807	(878)	-	8,929
Deferred revenue	8,998	10,717	-	19,715
Others	34,854	11,722	-	46,576
Total	4,355,864	368,344	109,373	4,833,581

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27. DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

(b) Movements in deferred income tax (Continued)

At 31 December 2021

	At 1 January 2021	Total gains/ (losses) recorded in profit or loss	Total gains/(losses) recorded in other comprehensive income	At 31 December 2021
Deferred income tax assets/(liabilities):				
Allowance for impairment losses	3,715,285	750,265	–	4,465,550
Provisions	15,865	18,684	–	34,549
Changes in fair value of financial assets at fair value through profit or loss	(80,215)	(78,238)	–	(158,453)
Changes in fair value of financial assets at fair value through other comprehensive income	(4,393)	–	(91,956)	(96,349)
Allowance for impairment losses on the financial assets at fair value through other comprehensive income	–	2,192	(2,192)	–
Salaries, bonuses, allowances and subsidies payable	45,726	11,182	–	56,908
Early retirement benefits	9,501	306	–	9,807
Deferred revenue	18,383	(9,385)	–	8,998
Others	23,397	11,457	–	34,854
Total	3,743,549	706,463	(94,148)	4,355,864

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28. OTHER ASSETS

	As at 31 December	
	2022	2021
Interest receivables (a)	497,987	389,738
Right-of-use assets (b)	463,733	399,232
Land use rights	4,068	4,339
Advance payments	850,236	322,706
Settlement and clearing accounts	2,725,321	3,576,763
Intangible assets (c)	473,909	484,516
Other receivables	1,515,285	975,643
Repossessed assets (d)	4,145,046	51,577
Others	21,945	21,819
Subtotal	10,697,530	6,226,333
Less: Allowance for impairment losses	(297,326)	(275,501)
Total	10,400,204	5,950,832

(a) Interest receivable

As at 31 December 2022, the carrying amounts of the Group's overdue interest receivables in stage 1, 2 and 3 were RMB234,868 thousand, RMB262,964 thousand and RMB155 thousand, respectively. The allowance for impairment losses were RMB3,420 thousand, RMB36,380 thousand and RMB155 thousand, respectively. As at 31 December 2021, the carrying amounts of the Group's overdue interest receivables in stage 1, 2 and 3 were RMB226,202 thousand, RMB163,187 thousand and RMB349 thousand, respectively. The allowance for impairment losses were RMB3,393 thousand, RMB63,818 thousand and RMB349 thousand, respectively.

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28. OTHER ASSETS (Continued)

(b) Right-of-use assets

	Properties and buildings	Motor vehicles and others	Total
Cost			
At 1 January 2022	677,453	82,999	760,452
Additions	271,333	19,445	290,778
Decrease	(113,760)	(17,903)	(131,663)
At 31 December 2022	835,026	84,541	919,567
Accumulated depreciation			
At 1 January 2022	316,120	45,100	361,220
Additions	192,884	22,567	215,451
Decrease	(104,149)	(16,688)	(120,837)
At 31 December 2022	404,855	50,979	455,834
Net value			
At 31 December 2022	430,171	33,562	463,733
At 1 January 2022	361,333	37,899	399,232
Properties and buildings			
	Properties and buildings	Motor vehicles and others	Total
Cost			
At 1 January 2021	710,476	87,808	798,284
Additions	88,130	21,870	110,000
Decrease	(121,153)	(26,679)	(147,832)
At 31 December 2021	677,453	82,999	760,452
Accumulated depreciation			
At 1 January 2021	259,698	43,747	303,445
Additions	158,247	22,424	180,671
Decrease	(101,825)	(21,071)	(122,896)
At 31 December 2021	316,120	45,100	361,220
Net value			
At 31 December 2021	361,333	37,899	399,232
At 1 January 2021	450,778	44,061	494,839

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28. OTHER ASSETS (Continued)

(c) Intangible assets

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

(d) Repossessed assets

	As at 31 December	
	2022	2021
Land use rights and buildings	4,145,046	51,577

29. DUE TO THE CENTRAL BANK

	As at 31 December	
	2022	2021
Small enterprises supporting re-lending	2,610,051	3,885,517
Agricultural supporting re-lending	291,326	311,050
Poverty alleviation re-lending	65,650	71,845
Subtotal	2,967,027	4,268,412
Interest payable	1,767	2,571
Total	2,968,794	4,270,983

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30. BORROWINGS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2022	2021
Unsecured borrowings	13,565,184	11,934,519
Pledged borrowings	702,348	354,660
Subtotal	14,267,532	12,289,179
Interest payable	137,903	108,588
Total	14,405,435	12,397,767

As at 31 December 2022, the pledged borrowings of RMB702 million were secured by the finance lease receivables of RMB1,310 million. (As at 31 December 2021, the pledged borrowings of RMB355 million were secured by the finance lease receivables of RMB584 million).

31. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2022	2021
Deposits:		
Banks operating in Mainland China	22,802,506	20,002,619
Banks operating outside Mainland China	1,791,392	8,772
Subtotal	24,593,898	20,011,391
Interest payable	270,336	319,436
Subtotal	24,864,234	20,330,827
Placements:		
Banks operating in Mainland China	2,000,000	1,251,469
Other financial institutions operating in Mainland China	125,000	1,025,000
Subtotal	2,125,000	2,276,469
Interest payable	13,848	30,275
Subtotal	2,138,848	2,306,744
Total	27,003,082	22,637,571

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

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32. REPURCHASE AGREEMENTS

	As at 31 December	
	2022	2021
Repurchase agreements analysed by counterparty:		
Banks operating in Mainland China	3,250,000	500,000
Other financial institutions operating in Mainland China	–	8,497,950
Interest payable	3,201	26,020
Total	3,253,201	9,023,970
Repurchase agreements analysed by collateral:		
Bonds	3,000,000	8,497,950
Bills	250,000	500,000
Interest payable	3,201	26,020
Total	3,253,201	9,023,970

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33. DUE TO CUSTOMERS

	As at 31 December	
	2022	2021
Demand deposits:		
Corporate deposits	80,580,386	86,244,481
Personal deposits	48,926,312	51,237,218
Subtotal	129,506,698	137,481,699
Fixed time deposits:		
Corporate deposits	108,477,376	104,591,300
Personal deposits	319,841,767	259,678,183
Subtotal	428,319,143	364,269,483
Demand and fixed time deposits	557,825,841	501,751,182
Interest payable	7,761,355	5,028,764
Total	565,587,196	506,779,946

34. DEBT SECURITIES ISSUED

	As at 31 December	
	2022	2021
Financial bonds issued	–	1,000,000
Negotiable certificates of deposit issued (i)	28,569,900	18,098,445
Subtotal	28,569,900	19,098,445
Interest payable	–	30,713
Total	28,569,900	19,129,158

As at 31 December 2022, there are no other financial bonds payable.

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34. DEBT SECURITIES ISSUED (Continued)

As at 31 December 2021, the relevant information on these financial bonds are set out below:

Name	Maturity	Issue date	Value date	Maturity date	Par value	Interest payable	Ending balance
17 Harbin Bank green financial bonds 03 (ii)	5 years	5 May 2017	10 May 2017	10 May 2022	1,000,000	30,713	1,000,000

- (i) During the year ended 31 December 2022 and 2021 the Group issued at discount 353 and 319 interbank negotiable certificates of deposit with face value of RMB100 through domestic interbank bond market, respectively. As at 31 December 2022, 126 negotiable certificates of deposit issued by the Group, with annual interest rates between 2.08% and 3.45% and maturities between one month and one year, were undue, amounting to RMB28,570 million. (As at 31 December 2021: 123 negotiable certificates of deposits issued by the Group, with annual interest rates between 2.65% and 3.70% and maturities between one month and one year, were undue, amounting to RMB18,098 million.
- (ii) As approved by the PBOC and the CBIRC, the Group issued financial bonds with coupon rates 4.68% and maturities for 3 years, amounting to RMB2 billion and green financial bonds – phase 2 with annual coupon rates 4.75% and maturities for 5 years, amounting to RMB1 billion on 5 May 2017 through the open market. The RMB2 billion financial bonds issued in 2017 were due for redemption on 10 May 2020; the Bank has the right to redeem the RMB1 billion financial bonds issued at face value on 10 May 2022, The RMB1 billion financial bonds issued in 2017 were due for redemption on 10 May 2022.

35. OTHER LIABILITIES

	As at 31 December	
	2022	2021
Lease guarantee fee	2,040,051	1,780,779
Settlement and clearing accounts	1,427,622	1,332,908
Salaries, bonuses, allowances and subsidies payable (a)	675,529	633,230
Lease liabilities	450,889	377,487
Accounts payable from agency services	299,197	307,470
Accrued expenses	226,460	97,848
Sundry tax payables	220,266	168,795
Deferred revenue (b)	159,461	174,293
Dividends payable	74,127	74,568
Provisions	50,902	138,196
Wealth management products payable	–	4,529
Other payables	586,479	539,198
Total	6,210,983	5,629,301

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35. OTHER LIABILITIES (Continued)

(a) Salaries, bonuses, allowances and subsidies payable

	As at 31 December	
	2022	2021
Salaries, bonuses and allowances	602,078	565,979
Social insurance	14,207	12,357
Housing fund	13,100	4,462
Labour union expenditure and education costs	10,429	9,198
Early retirement benefits	35,715	41,234
Total	675,529	633,230

The Group has no forfeiture of pension scheme contributions (i.e. contributions processed by the employer on behalf of the employee who has exited the scheme prior to vesting of such contributions). As at 31 December 2022 and 31 December 2021, no forfeited contribution under the pension scheme of the Group is available for deduction of contribution payable in coming years.

(b) Deferred revenue

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

	As at 31 December	
	2022	2021
Intermediary services	159,461	174,293

36. SHARE CAPITAL

	As at 31 December			
	2022		2021	
	Number of shares (thousand)	Nominal value	Number of shares (thousand)	Nominal value
Issued and fully paid ordinary shares at par value RMB1 per share	10,995,600	10,995,600	10,995,600	10,995,600
Total	10,995,600	10,995,600	10,995,600	10,995,600

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37. OTHER EQUITY INSTRUMENTS

	1 January 2022		Changes during the year		31 December 2022	
	Number of shares (thousand)	Amount	Number of shares (thousand)	Amount	Number of shares (thousand)	Amount
Issuance of perpetual bonds						
2022 Perpetual bonds with no maturity date (i)	-	-	7,000	699,717	7,000	699,717
2021 Perpetual bonds with no maturity date – Phase 1 (ii)	80,000	7,999,830	-	-	80,000	7,999,830
2021 Perpetual bonds with no maturity date – Phase 2 (iii)	30,000	2,999,460	-	-	30,000	2,999,460
Total	110,000	10,999,290	7,000	699,717	117,000	11,699,007

	1 January 2021		Changes during the year		31 December 2021	
	Number of shares (thousand)	Amount	Number of shares (thousand)	Amount	Number of shares (thousand)	Amount
Issuance of perpetual bonds						
2021 Perpetual bonds with no maturity date – Phase 1 (ii)	-	-	80,000	7,999,830	80,000	7,999,830
2021 Perpetual bonds with no maturity date – Phase 2 (iii)	-	-	30,000	2,999,460	30,000	2,999,460
Total	-	-	110,000	10,999,290	110,000	10,999,290

- (i) On 26 December 2022, being approved by relevant regulatory authorities in China, the Group issued perpetual bonds in an amount of RMB700 million with no fixed maturity date which the coupon rate of the Bond for the first five years is 4.8% respectively and is subject to adjustment every five years.
- (ii) On 29 June 2021, being approved by relevant regulatory authorities in China, the Group issued perpetual bonds in an amount of RMB8,000 million with no fixed maturity date which the coupon rate of the Bond for the first five years is 4.8% and is subject to adjustment every five years.
- (iii) On 12 November 2021, being approved by relevant regulatory authorities in China, the Group issued perpetual bonds in an amount of RMB3,000 million with no fixed maturity date which the coupon rate of the Bond for the first five years is 5.0% respectively and is subject to adjustment every five years. The perpetual bonds were successful issue on 16 November 2021.

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37. OTHER EQUITY INSTRUMENTS (Continued)

These perpetual bonds have no maturity date and will continue indefinitely until redeemed by the Bank in accordance with their terms. The Bank is entitled to redeem the perpetual bonds at fully or partially written down of par value on the fifth and each of the subsequent interest payment dates of the perpetual bonds if the Bank fulfilled the conditions in their terms. These perpetual bonds have no accumulated interest and the Company can elect to defer or cancel payment of interest due pursuant to their terms, the aforesaid deferral or cancellation of interest shall not constitute a default by the Bank.

The perpetual bonds are classified as equity instruments as they do not include any contractual obligation:

- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

During the year ended 31 December 2022, RMB534 million interest payment was paid by the Group to the holders of perpetual bonds. No interest payment was paid by the Group to the holders of perpetual bonds during the year ended 31 December 2021.

38. CAPITAL RESERVES

	Share premium	Other capital reserves	Total
At 1 January 2021, 31 December 2021 and 1 January 2022	7,624,993	36,131	7,661,124
Decrease during the year	–	(3,840)	(3,840)
31 December 2022	7,624,993	32,291	7,657,284

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39. COMPONENTS OF OTHER COMPREHENSIVE INCOME

Other comprehensive income attributed to equity holders of the Bank in the consolidated statement of financial position:

	Losses on debt instruments at fair value through other comprehensive income	Gains on equity instruments at fair value through other comprehensive income	Total
31 December 2020	2,104	94,380	96,484
Other comprehensive income after tax	290,292	(16,670)	273,622
Other comprehensive income in the previous period and transferred to retained earnings in the current period	–	8,823	8,823
31 December 2021	292,396	86,533	378,929
Other comprehensive income after tax	(278,054)	(58,265)	(336,319)
Other comprehensive income in the previous period and transferred to retained earnings in the current period	–	8,200	8,200
31 December 2022	14,342	36,468	50,810

Transactions of other comprehensive income attributed to equity holders of the Bank in the consolidated statement of comprehensive income:

Year ended 31 December 2022	Amount before tax	Income tax	Amount after tax
Items that will not be reclassified to profit or loss			
Changes in fair value of equity instruments designated at fair value through other comprehensive income	(74,953)	16,688	(58,265)
Items that may be reclassified to profit or loss in subsequent years			
Changes in fair value of debt instruments measured at fair value through other comprehensive income	(168,039)	42,010	(126,029)
Allowance for impairment losses on debt instruments at fair value through other comprehensive income	31,396	(7,849)	23,547
Other comprehensive income in the previous period and transferred to profit or loss in the current period	(234,096)	58,524	(175,572)
Total	(445,692)	109,373	(336,319)

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39. COMPONENTS OF OTHER COMPREHENSIVE INCOME (Continued)

Transactions of other comprehensive income attributed to equity holders of the Bank in the consolidated statement of comprehensive income: (Continued)

Year ended 31 December 2021	Amount before tax	Income tax	Amount after tax
Items that will not be reclassified to profit or loss			
Changes in fair value of equity instruments designated at fair value through other comprehensive income	(19,286)	2,616	(16,670)
Items that may be reclassified to profit or loss in subsequent years			
Changes in fair value of debt instruments measured at fair value through other comprehensive income	423,182	(105,796)	317,386
Allowance for impairment losses on debt instruments at fair value through other comprehensive income	8,769	(2,192)	6,577
Other comprehensive income in the previous period and transferred to profit or loss in the current period	(44,895)	11,224	(33,671)
Total	367,770	(94,148)	273,622

40. SURPLUS RESERVES

	Statutory surplus reserves	Discretionary surplus reserves	Total
At 1 January 2021	3,860,723	26,186	3,886,909
Appropriation during the year	16,318	–	16,318
At 31 December 2021 and 1 January 2022	3,877,041	26,186	3,903,227
Appropriation during the year	16,846	–	16,846
At 31 December 2022	3,893,887	26,186	3,920,073

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

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

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41. GENERAL AND REGULATORY RESERVES

	Year ended 31 December	
	2022	2021
Balance as at the beginning of the year	7,584,624	7,550,747
Increase during the year (i)	295,971	33,877
Balance as at the end of the year	7,880,595	7,584,624

- (i) During the year ended 31 December 2022, the appropriation made by the Group in the amount of RMB295,971 thousand (2021: RMB33,877 thousand)

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

42. UNDISTRIBUTED PROFITS

	Year ended 31 December	
	2022	2021
Balance as at the beginning of the year	19,271,378	19,056,263
Net profit for the year attributable to equity holders of the Bank	554,769	274,133
Net of: Appropriation to surplus reserves	(16,846)	(16,318)
Appropriation to general and regulatory reserves	(295,971)	(33,877)
Distribution of interests of perpetual bonds	(534,000)	–
Transfer of loss on disposal of financial asset at fair value through other comprehensive income to retained earnings	(8,200)	(8,823)
Balance as at the end of the year	18,971,130	19,271,378

As approved by the equity holders of the Group at the 2021 Annual General Meeting held in May 2022, the Bank did not distribute any cash dividends for the year ended 31 December 2021.

As approved by the equity holders of the Group at the 2020 Annual General Meeting held in May 2021, the Bank did not distribute any cash dividends for the year ended 31 December 2020.

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43. CASH AND CASH EQUIVALENTS

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

	As at 31 December	
	2022	2021
Cash on hand (note 19)	1,012,544	1,202,797
Balances with the central bank (note 19)	37,148,721	26,700,197
Due from banks and other financial institutions	18,298,566	4,105,175
Reverse repurchase agreements	1,000,750	–
Total	57,460,581	32,008,169

44. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

During the reporting period, the Group had capital commitments as follows:

	As at 31 December	
	2022	2021
Contracted, but not provided for	10,321	211,410
Approved, but not contracted	2,805	589
Total	13,126	211,999

(b) Credit commitments

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

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

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

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of the 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.

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44. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(b) Credit commitments (Continued)

	As at 31 December	
	2022	2021
Bank bill acceptances	10,280,304	9,860,350
Letters of guarantee issued	188,054	1,298,804
Letters of credit	2,871,766	2,642,433
Undrawn credit card limits	32,176,876	27,063,337
Total	45,517,000	40,864,924

Credit risk-weighted amount of financial guarantees and credit related commitments

	As at 31 December	
	2022	2021
Financial guarantees and credit related commitments	10,046,411	7,498,626

The credit risk-weighted amount of financial guarantees and credit related commitments refers to the amount as computed in accordance with the formula promulgated by the CBIRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments.

(c) Legal proceedings

As at 31 December 2022 and 2021, significant legal proceedings exceeding RMB10,000 thousand outstanding against the Group (for itself or as a third party) amounted to RMB36,400 thousand and to RMB72,430 thousand, respectively. As at 31 December 2022, the Group expects that there will be a loss caused by these litigations and made provisions amounted to RMB18,061 thousand (31 December 2021: RMB55,961 thousand).

(d) Redemption commitments of government bonds

As an underwriting agent of the government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public. The Group 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 31 December 2022, the Bank had underwritten and sold bonds with an accumulated amount of RMB1,057 million (31 December 2021: RMB1,979 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.

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45. FIDUCIARY ACTIVITIES

	As at 31 December	
	2022	2021
Designated funds	1,190,681	1,900,107
Designated loans	1,190,681	1,900,107

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

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

46. TRANSFERS OF FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Repurchase agreements

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

As at 31 December 2022 and 2021, none of the above-mentioned financial assets which did not qualify for derecognition was transferred to third parties.

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46. TRANSFERS OF FINANCIAL ASSETS (Continued)

Securitisation of credit assets

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

As at 31 December 2022, the Group did not hold such asset-backed securities (31 December 2021: Nil).

47. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group is principally involved with structured entities through financial investments, asset management and credit asset transfers. 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 control on them. The interests held by the Group in the unconsolidated structured entities are set out below:

47.1 Unconsolidated structured entities managed by the Group

Wealth management products

When conducting the wealth management business, the Group has established various structured entities to provide customers with specialised investment opportunities within narrow and well-defined objectives. As at 31 December 2022, the balance of the unconsolidated wealth management products issued by the Group amounted to RMB43,223 million (31 December 2021: RMB48,772 million). For the year ended 31 December 2022, fee and commission income included commission and custodian fee and management fee income from the wealth management business that amounted to RMB288,902 thousand (2021: RMB158,169 thousand).

For the purpose of asset-liability management, wealth management products may trigger short-term financing needs for the Group and other banks. However, the Group is not contractually obliged to provide financing. For the year ended 31 December 2022, the Group did not provide any financing to the unconsolidated wealth management products (2021: Nil).

47.2 Structured entities sponsored by other financial institutions

The Group has invested in some structured entities which are issued or managed by other institutions and are out of the consolidation scope, and the Group recognises its investment income. These structured entities include trust fund plans and asset management plans, funds, etc. These structured entities' nature and purpose are to earn management fees by managing the investors' assets, and the way of financing is to issue investment products to investors. For the years ended 31 December 2022 and 2021, the Group has not provided liquidity support for those kinds of structured entities.

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47. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

47.2 Structured entities sponsored by other financial institutions (Continued)

The interests held by the Group in the structured entities sponsored by other financial institutions through direct investments are set out below:

	As at 31 December 2022			
	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total	Maximum exposure to loss
Trust investments and asset management plans	54,369,207	76,482,112	130,851,319	124,705,452
Funds	25,047,692	–	25,047,692	25,047,692

	As at 31 December 2021			
	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total	Maximum exposure to loss
Trust investments and asset management plans	43,491,851	86,801,887	130,293,738	125,327,048
Funds	14,370,853	–	14,370,853	14,370,853

48. ASSETS PLEDGED AS SECURITY

Financial assets of the Group including securities and finance lease receivables have been pledged as security for liabilities or contingent liabilities, and mainly arise from repurchase agreements, time deposit agreements, due to the central bank and borrowings from banks and other financial institutions. As at 31 December 2022, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB19,195 million (31 December 2021: RMB22,513 million).

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49. 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	
	As at 31 December	
	2022 %	2021 %
Harbin Economic Development and Investment Company Limited	29.63	29.63
Heilongjiang Financial Holding Group Company Limited	18.51	18.51
Fubon Life Insurance Company Limited	6.71	6.78

(ii) Subsidiaries of the Bank

Details of the subsidiaries of the Bank are set out in note 1.

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

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

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49. RELATED PARTY DISCLOSURES (Continued)

(b) Related party transactions

1. Transactions between the Group and related parties

- (i) Transactions between the Group and shareholders of the Group with ownership of 5% or above
Interest expense on due to customers

Name	Year ended 31 December			
	2022		2021	
	Amount	Interest rate	Amount	Interest rate
Heilongjiang Financial Holding Group Company Limited	33,153	0.35-1.38%	48,196	0.42-3.00%
Harbin Economic Development and Investment Company Limited	8	0.35%	10	0.42%

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

Transaction	Year ended 31 December			
	2022		2021	
	Amount	Interest rate	Amount	Interest rate
Interest income	445	3.28-5.39%	421	3.28-5.39%
Interest expense	174	0.35-4.35%	572	0.05-4.75%

- (iii) Transactions between the Bank and its subsidiaries

Transaction	Year ended 31 December			
	2022		2021	
	Amount	Interest rate	Amount	Interest rate
Interest income	946,787	2.50-3.85%	766,210	3.00-4.60%
Interest expense	326,768	0.99-3.40%	285,308	0.72-3.80%

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49. RELATED PARTY DISCLOSURES (Continued)

(b) Related party transactions (Continued)

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

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

Interest expense on due to customers

Name	Year ended 31 December			
	2022		2021	
	Amount	Interest rate	Amount	Interest rate
Sino Russian Financial Union (Harbin)	25	0.42%	25	0.42%

Operating expenses

Name	Year ended 31 December	
	2022	2021
Shanghai Tonglian Financial Services Co., Ltd.	130	6,426
Beijing Zhongwen Law Firm	–	142

(v) Transactions with other related parties

Transaction	Year ended 31 December	
	2022	2021
Emoluments of key management personnel and their close family members	35,025	32,533

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

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49. RELATED PARTY DISCLOSURES (Continued)

(b) Related party transactions (Continued)

2. Balances with related parties

- (i) *Balances between the Group and shareholders of the Group with ownership of 5% or above*
Due to customers

Name	As at 31 December			
	2022		2021	
	Balance	Interest rate	Balance	Interest rate
Heilongjiang Financial Holding Group Company Limited	846,265	0.35-1.38%	920,537	0.42%
Harbin Economic Development and Investment Company Limited	1,984	0.35%	1,975	0.42%

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

Transaction	As at 31 December			
	2022		2021	
	Balance	Interest rate	Balance	Interest rate
Loans and advances to customers	12,541	3.28-5.39%	10,242	3.28-5.39%
Due to customers	11,574	0.35-4.35%	19,151	0.05-4.75%

- (iii) *Balances between the Group and entities that are controlled or jointly controlled by the key management personnel of the Group or their close family members*

Due to customers

Name	As at 31 December			
	2022		2021	
	Balance	Interest rate	Balance	Interest rate
Sino Russian Financial Union (Harbin)	5,870	0.42%	5,859	0.42%

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49. RELATED PARTY DISCLOSURES (Continued)

(b) Related party transactions (Continued)

2. Balances with related parties (Continued)

(iv) Balances between the Group and its subsidiaries

Transaction	As at 31 December			
	2022		2021	
	Balance	Interest rate	Balance	Interest rate
Due from banks and other financial institutions	16,675,000	2.50-3.85%	17,594,465	3.00-4.60%
Due to banks	10,623,914	0.99-3.40%	10,645,232	0.72-3.80%
Due to customers	819,910	0.99%	719,933	0.99%

50. SEGMENT INFORMATION

(a) Operating segments

For management purposes, the Group is organised into four different operating segments as follows according to products and services:

Corporate financial business

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

Retail financial business

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

Interbank financial business

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

Other business

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

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

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50. SEGMENT INFORMATION (Continued)

(a) Operating segments (Continued)

	Corporate financial business	Retail financial business	Interbank financial business	Other business	Total
<u>Year ended 31 December 2022</u>					
External net interest income/(expense)	4,314,769	(1,457,822)	6,176,307	(26,077)	9,007,177
Internal net interest (expense)/income	(381,015)	7,585,911	(7,204,896)	-	-
Net fee and commission income	134,450	283,871	313,279	-	731,600
Other income, net (i)	40,782	12,346	2,665,949	412,695	3,131,772
Operating income	4,108,986	6,424,306	1,950,639	386,618	12,870,549
Operating expenses	(1,115,597)	(3,914,527)	(235,967)	(19,112)	(5,285,203)
Credit impairment losses on:					
Loans and advances to customers	(2,609,229)	(2,500,779)	-	-	(5,110,008)
Others	(249,708)	(19,046)	(1,198,947)	(6,454)	(1,474,155)
Other assets impairment loss	-	-	-	-	-
Operating profit/(loss)	134,452	(10,046)	515,725	361,052	1,001,183
Profit/(loss) before tax	134,452	(10,046)	515,725	361,052	1,001,183
Income tax expense					(288,686)
Profit for the year					712,497
Other segment information:					
Depreciation and amortisation	116,448	651,428	7,181	4,962	780,019
Capital expenditure	44,339	302,493	2,817	657	350,306
<u>As at 31 December 2022</u>					
Segment assets	205,134,454	185,784,935	319,999,274	1,814,391	712,733,054
Segment liabilities	192,693,860	380,845,178	74,327,552	1,545,837	649,412,427
Other segment information:					
Credit commitments	13,324,203	32,168,103	-	-	45,492,306

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

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(Amount in thousands of RMB, unless otherwise stated)**50. SEGMENT INFORMATION** (Continued)**(a) Operating segments** (Continued)

	Corporate financial business	Retail financial business	Interbank financial business	Other business	Total
<u>Year ended 31 December 2021</u>					
External net interest					
income/(expense)	5,515,618	(1,295,923)	5,863,081	(21,765)	10,061,011
Internal net interest					
(expense)/income	(450,189)	3,941,057	(3,490,868)	-	-
Net fee and commission income	363,340	247,151	86,518	-	697,009
Other income, net (i)	-	-	1,333,457	228,061	1,561,518
Operating income	5,428,769	2,892,285	3,792,188	206,296	12,319,538
Operating expenses	(1,657,112)	(1,459,336)	(1,685,013)	(155,299)	(4,956,760)
Credit impairment losses on:					
Loans and advances to customers	(3,124,553)	(2,753,073)	-	-	(5,877,626)
Other credit impairment losses	(252,726)	25,265	(623,399)	27,984	(822,876)
Other assets impairment loss	-	-	-	(101,027)	(101,027)
Operating profit/(loss)	394,378	(1,294,859)	1,483,776	(22,046)	561,249
Profit/(loss) before tax	394,378	(1,294,859)	1,483,776	(22,046)	561,249
Income tax expense					(162,561)
Profit for the year					398,688
Other segment information:					
Depreciation and amortisation	241,183	201,988	294,654	4,734	742,559
Capital expenditure	174,190	144,798	214,345	1,371	534,704
<u>As at 31 December 2021</u>					
Segment assets	210,405,680	176,166,694	256,831,720	1,642,082	645,046,176
Segment liabilities	198,845,335	314,094,619	67,940,385	1,386,005	582,266,344
Other segment information:					
Credit commitments	13,773,331	27,007,931	-	-	40,781,262

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

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50. SEGMENT INFORMATION (Continued)

(b) Geographical information

The Group operates principally in Mainland China.

The distribution of the geographical areas is as follows:

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

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50. SEGMENT INFORMATION (Continued)

(b) Geographical information (Continued)

	Mainland China				Total
	Heilongjiang region	Northeastern China	Southwestern China	Other regions	
<u>Year ended 31 December 2022</u>					
External net interest income	5,219,586	345,782	2,106,450	1,335,359	9,007,177
Internal net interest (expense)/income	(123,799)	(219,271)	(181,069)	524,139	–
Net fee and commission income/ (expense)	709,078	9,658	15,600	(2,736)	731,600
Other income, net (i)	3,084,964	778	16,380	29,650	3,131,772
Operating income	8,889,829	136,947	1,957,361	1,886,412	12,870,549
Operating expenses	(4,025,498)	(332,911)	(471,511)	(455,283)	(5,285,203)
Impairment losses on:					
Loans and advances to customers	(4,109,470)	(397,656)	(450,954)	(151,928)	(5,110,008)
Other credit impairment losses	(1,460,565)	(13,592)	–	2	(1,474,155)
Other assets impairment losses	–	–	–	–	–
Operating (loss)/profit	(705,704)	(607,212)	1,034,896	1,279,203	1,001,183
(Loss)/profit before tax	(705,704)	(607,212)	1,034,896	1,279,203	1,001,183
Income tax expense					(288,686)
Profit for the year					712,497
Other segment information:					
Depreciation and amortisation	527,167	60,420	116,802	75,630	780,019
Capital expenditure	314,227	1,169	6,235	28,675	350,306
<u>As at 31 December 2022</u>					
Segment assets	552,770,672	41,683,760	57,910,064	60,368,558	712,733,054
Segment liabilities	494,736,652	41,371,076	55,754,423	57,550,276	649,412,427
Other segment information:					
Credit commitments	22,772,001	6,349,643	12,184,675	4,185,987	45,492,306

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

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50. SEGMENT INFORMATION (Continued)

(b) Geographical information (Continued)

	Mainland China				Total
	Heilongjiang region	Northeastern China	Southwestern China	Other regions	
<u>Year ended 31 December 2021</u>					
External net interest income	6,163,071	1,312,758	1,927,180	658,002	10,061,011
Internal net interest (expense)/income	(208,837)	25,985	38,979	143,873	-
Net fee and commission income	449,708	51,399	167,621	28,281	697,009
Other income, net (i)	1,535,705	(8,569)	18,212	16,170	1,561,518
Operating income	7,939,647	1,381,573	2,151,992	846,326	12,319,538
Operating expenses	(3,447,198)	(408,729)	(614,071)	(486,762)	(4,956,760)
Credit impairment losses on:					
Loans and advances to customers	(3,115,028)	(744,448)	(1,042,205)	(975,945)	(5,877,626)
Other credit Impairment losses	(821,512)	(21)	-	(1,343)	(822,876)
Other assets impairment losses	(101,027)	-	-	-	(101,027)
Operating profit/(loss)	454,882	228,375	495,716	(617,724)	561,249
Profit/(loss) before tax	454,882	228,375	495,716	(617,724)	561,249
Income tax expense					(162,561)
Profit for the year					398,688
Other segment information:					
Depreciation and amortisation	567,741	46,904	74,651	53,263	742,559
Capital expenditure	408,821	33,775	53,755	38,353	534,704
<u>As at 31 December 2021</u>					
Segment assets	493,185,612	40,744,766	64,847,646	46,268,152	645,046,176
Segment liabilities	446,983,299	32,946,573	57,568,834	44,767,638	582,266,344
Other segment information:					
Credit commitments	22,044,484	5,564,681	9,570,305	3,601,792	40,781,262

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

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT

A description and an analysis of the major risks faced by the Group are as follows:

The Board has the ultimate responsibility for risk management and oversees the Group's risk management functions through the Risk Management Committee and the Audit Committee of the Board.

The President supervises the risk management strategies and reports directly to the Board. He chairs two management committees including the Risk Management Committee and the Asset and Liability Management Committee. These two committees formulate and make recommendations in respect of risk management strategies and policies through the President to the Risk Management Committee of the Board. The Chief Risk Officer assists the President to supervise and manage various risks.

The Group has also assigned departments to monitor financial risks within the Group, including the Risk Management Department to monitor credit risk and operational risk as well as the Asset and Liability Management department together with the Risk Management Department to monitor market and liquidity risks. The Risk Management Department is primarily responsible for coordinating and establishing a comprehensive risk management framework, preparing consolidated reports on credit risk, market risk, liquidity risk and operational risk and reporting directly to the Chief Risk Officer.

The Group maintains a dual-reporting line structure at the branch level for risk management purposes. Under this structure, the risk management departments of the branches report to both the corresponding risk management departments at the head office and management of the relevant branches.

(a) Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate guarantee, commitment or investment of funds. Credit risk affecting the group is primarily due to loans, debt instruments, guarantees, commitment as well as other risks both on and off the statement of financial position.

The principal features of the Group's credit risk management function include:

- Centralised credit management procedures;
- Risk management rules and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit rating, granting of credit limits, loan evaluation, loan review and approval, granting of loan and post-disbursement loan monitoring;
- A stringent qualification system for the loan approval officers; and
- Information management systems designed to enable a real time risk monitoring.

To enhance the credit risk management practices, the Group also launches training programs periodically for credit officers at different levels.

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Risk concentration

Credit risk is often greater when counterparties are concentrated in one single industry, or geographic location or have comparable economic characteristics.

Measurement of ECLs

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

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

- Stage 1: The financial instruments without significant increases in credit risk after initial recognition are included in stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instrument for the next 12 months;
- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in stage 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;
- Stage 3: Financial assets with objective evidence of impairment at the financial reporting date are included in stage 3, with their impairment allowance measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

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

For credit-impaired financial assets that have been purchased or owned, the Group only recognises the accumulated amount equivalent to the ECL for the lifetime as impairment allowance since the initial recognition at the financial reporting date. The Group recognises the amount of the change to the ECL for the lifetime as an impairment loss or gain in profit on each financial reporting date.

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Measurement of ECLs (Continued)

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

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

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

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

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

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each financial reporting date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments at the financial reporting date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

- At the reporting date, the rating or the Probability of Default (“PD”) of the financial instruments reaches a certain extent, compared with the one at initial recognition.

Qualitative criteria

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

Upper limit criteria

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

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Definition of credit-impaired financial asset

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

- The issuer or the debtor encounters significant financial difficulty;
- The debtor is in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, has granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- An active market for that financial asset disappears because of financial difficulties of the issuer or the debtor;
- The purchase or origination of a financial asset at a deep discount reflects the incurred credit losses; and
- Any principal, advances, interest and corporate bond investments held by debtors are overdue for more than 90 days.

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

Parameters of ECL measurement

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

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Parameters of ECL measurement (Continued)

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collateral, the LGD varies.
- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECLs both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECLs of various business types, such as Gross domestic product ("GDP"), Industrial added value, Consumer Price Index, and Producer Price Index.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. In this process, the Group mainly applies the experts' judgement. According to the result, the Group forecasts these economic indicators regularly and also determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

When calculating the weighted average ECL provision, the Group determines the optimistic, neutral and pessimistic scenarios and their weightings through a combination of macro-statistical analysis and expert judgement.

As at 31 December 2022, the Group has taken into account different macro-economic scenarios, made forward-looking forecasts of macro-economic indicators. Of which, the quarterly year-on-year GDP growth rate used to estimate ECL is 5% in the neutral scenario for 2023.

The Group has carried out sensitivity analysis of macro-economic indicators used in forward-looking measurement. As at 31 December 2022, when the key economic indicators in the neutral scenario moved up or down by 10%, the ECL did not change by more than 5% (31 December 2021: less than 5%).

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Modification of contractual cash flows

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

Collateral

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. Guidelines are in place specifying the types of collateral and valuation parameters which can be accepted.

Reverse repurchase business is mainly collateralised by bills or investment securities. 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.

Corporate loans are mainly collateralised by properties or other assets. As at 31 December 2022, the carrying value of corporate loans covered by collateral amounted to RMB60,665 million (31 December 2021: RMB78,459 million).

Personal loans are mainly collateralised by residential properties. As at 31 December 2022, the carrying value of personal loans covered by collateral amounted to RMB41,945 million (31 December 2021: RMB54,344 million).

The Group prefers more liquid collateral with a relatively stable market value and does not accept the collateral that is illiquid, with difficulties in registration or high fluctuations in market value. The value of collateral should be assessed and confirmed by the Group or valuation agents identified by the Group. The value of collateral should adequately cover the outstanding balance of loans. The loan-to-value ratio depends on types of collateral, usage condition, liquidity, price volatility and realisation cost. All collateral has to be registered in accordance with the relevant laws and regulations. The credit officers inspect the collateral and assess the changes in the value of collateral regularly.

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Collateral (Continued)

Although collateral can be an important mitigation of credit risk, the Group grants loans based on the assessment of the borrowers' ability to meet obligations out of their cash flows, instead of the value of collateral. The necessity of collateral is dependent on the nature of the loan. In the event of default, the Group might sell the collateral for repayment. The fair values of collateral of past due but not impaired loans and impaired loans are disclosed in note 51(a)(iii).

The credit business management department monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement when it is considered necessary.

It is the Group's policy to dispose of repossessed assets in an orderly manner. In general, the Group does not occupy repossessed assets for business use.

(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:

	As at 31 December	
	2022	2021
Balances with the central bank	75,762,970	63,720,391
Due from banks and other financial institutions	25,852,261	7,116,203
Reverse repurchase agreements	1,000,750	–
Loans and advances to customers	271,784,821	283,637,048
Derivative financial assets	936,460	1,796,713
Financial investments		
– Financial assets at fair value through profit or loss	82,367,230	61,197,094
– Financial assets at fair value through other comprehensive income	52,726,640	31,402,967
– Financial assets at amortised cost	149,235,344	145,307,393
Finance lease receivables	20,816,866	22,921,300
Others	4,456,654	4,718,220
	684,939,996	621,817,329
Credit commitments	45,483,641	40,781,262
Total maximum credit risk exposure	730,423,637	662,598,591

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Collateral (Continued)

(ii) *Risk concentrations*

By industry distribution

The credit risk exposures of the Group mainly comprise loans and advances to customers, finance lease receivables and investments in debt securities. Details of the composition of the Group's investments in debt securities are set out in note 51(a)(v) to the consolidated financial statements. The composition of the Group's gross loans and advances to customers by industry is analysed as follows:

	As at 31 December	
	2022	2021
Corporate loans and advances		
Agriculture, forestry, animal husbandry and fishing	1,478,161	1,578,622
Mining	91,074	198,540
Manufacturing	6,948,919	6,246,513
Production and supply of electricity, gas and water	4,922,892	4,868,721
Construction	10,716,808	12,936,272
Commercial trade	24,950,244	27,356,384
Transportation, storage and postal services	2,796,616	3,266,254
Lodging and catering	3,413,049	3,515,631
Information transmission, software and information technology services	357,065	421,771
Finance	7,200	4,200
Real estate	29,847,521	31,323,696
Leasing and commercial services	64,013,162	59,307,606
Scientific research and technological services	535,587	584,726
Water, environment and public utility management	9,875,138	9,030,395
Resident services and other services	174,134	134,720
Education	136,200	155,449
Health and social affair	423,780	392,730
Culture, sports and entertainment	355,583	276,408
Subtotal	161,043,133	161,598,638
Discounted bills	6,011,014	10,475
Personal loans		
Personal business	25,268,997	38,101,568
Mortgages	13,138,592	14,770,968
Personal consumption	64,993,844	64,875,089
Loans to farmers	13,959,289	15,002,418
Subtotal	117,360,722	132,750,043
Total	284,414,869	294,359,156

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) **Credit risk** (Continued)

Collateral (Continued)

(ii) *Risk concentrations (Continued)*

By geographical distribution

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

	As at 31 December	
	2022	2021
Heilongjiang region	156,440,954	152,004,989
Northeastern China excluding Heilongjiang	38,253,928	40,093,810
Southwestern China	57,847,408	63,810,847
Other regions	31,872,579	38,449,510
Total	284,414,869	294,359,156

By type of guarantees

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

	As at 31 December	
	2022	2021
Unsecured loans	88,388,383	79,032,033
Guaranteed loans	78,810,715	82,523,894
Loans secured by mortgages	104,389,713	119,106,494
Pledged loans	12,826,058	13,696,735
Total	284,414,869	294,359,156

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Collateral (Continued)

(iii) *Loans and advances to customers*

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

	As at 31 December	
	2022	2021
Corporate loans and advances		
Neither past due nor impaired	128,146,978	131,444,394
Past due but not impaired	23,114,805	19,485,360
Impaired	15,792,364	10,679,359
Subtotal	167,054,147	161,609,113
Personal loans		
Neither past due nor impaired	102,573,693	120,167,659
Past due but not impaired	3,045,933	3,995,283
Impaired	11,741,096	8,587,101
Subtotal	117,360,722	132,750,043
Total	284,414,869	294,359,156

Neither past due nor impaired

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

	As at 31 December 2022		
	Pass	Special Mention	Total
Corporate loans and advances	126,796,699	1,350,279	128,146,978
Personal loans	102,362,152	211,541	102,573,693
Total	229,158,851	1,561,820	230,720,671

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Collateral (Continued)

(iii) Loans and advances to customers (Continued)

Neither past due nor impaired (Continued)

	As at 31 December 2021		
	Pass	Special Mention	Total
Corporate loans and advances	128,845,517	2,598,877	131,444,394
Personal loans	119,937,741	229,918	120,167,659
Total	248,783,258	2,828,795	251,612,053

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:

Overdue days	As at 31 December 2022			Total
	Within 1 month	1 to 3 months	Over 3 months	
Corporate loans and advances	6,182,131	16,932,674	–	23,114,805
Personal loans	1,508,201	1,537,732	–	3,045,933
Total	7,690,332	18,470,406	–	26,160,738

Overdue days	As at 31 December 2021			Total
	Within 1 month	1 to 3 months	Over 3 months	
Corporate loans and advances	11,396,822	8,088,538	–	19,485,360
Personal loans	1,332,949	2,662,334	–	3,995,283
Total	12,729,771	10,750,872	–	23,480,643

As at 31 December 2022, the fair value of collateral that the Group holds relating to corporate loans which are past due but not impaired amounted to RMB28,999,505 thousand (31 December 2021: RMB22,789,855 thousand), and the fair value of collateral that the Group holds relating to personal loans which are past due but not impaired amounted to RMB2,755,708 thousand (31 December 2021: RMB2,914,104 thousand).

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Collateral (Continued)

(iii) Loans and advances to customers (Continued)

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.

	As at 31 December	
	2022	2021
Corporate loans and advances	15,792,364	10,679,359
Personal loans	11,741,096	8,587,101
Total	27,533,460	19,266,460

As at 31 December 2022, the fair value of collateral that the Group holds relating to loans individually determined to be impaired amounted to RMB26,922,043 thousand (31 December 2021: RMB20,225,726 thousand). The collateral mainly consists of land, buildings, equipment and others.

Loans and advances rescheduled

Loans and advances rescheduled represent the loans and advances whose original contract repayment terms have been modified as a result of the deterioration of borrowers' financial conditions or inability to repay the loans and advances according to contractual terms. Forms of loans and advances rescheduled include deferral of payments, borrowing for repayment, deduction of interest or part of the principal, modification of the repayment method, improvement of collateral, changing the type of guarantee, etc. As at 31 December 2022, the gross value of the loans and advances rescheduled held by the Group amounted to RMB16,201 million (31 December 2021: RMB15,056 million).

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) **Credit risk** (Continued)

Collateral (Continued)

(iv) *Financial lease receivables*

	As at 31 December	
	2022	2021
Financial lease receivables, net		
Neither past due nor impaired	20,356,468	22,624,167
Past due but not impaired	1,091,570	1,121,474
Impaired	296,850	577,493
	21,744,888	24,323,134
Less: Allowance for impairment losses	(928,022)	(1,401,834)
Net amount	20,816,866	22,921,300

(v) *Financial assets*

The following tables represent an analysis of the carrying value of financial assets by credit or issuer rating and credit risk characteristic:

Financial assets at fair value through other comprehensive income

	As at 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
AAA	13,356,112	–	–	13,356,112
AA – to AA+	13,771,702	–	–	13,771,702
A+ or below	–	–	150,000	150,000
Unrated	25,448,826	–	–	25,448,826
Total	52,576,640	–	150,000	52,726,640

	As at 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
AAA	4,569,876	–	–	4,569,876
AA – to AA+	8,195,410	–	–	8,195,410
A+ or below	–	–	136,553	136,553
Unrated	18,501,128	–	–	18,501,128
Total	31,266,414	–	136,553	31,402,967

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Collateral (Continued)

(v) Financial assets (Continued)

Financial assets at amortised cost

	As at 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
AAA	26,586,267	–	–	26,586,267
AA – to AA+	13,063,883	–	–	13,063,883
A+ or below	3,379,428	–	–	3,379,428
Unrated	90,958,159	9,570,510	11,816,110	112,344,779
Total	133,987,737	9,570,510	11,816,110	155,374,357
Less: Allowance for impairment losses	(788,574)	(804,663)	(4,545,776)	(6,139,013)
Net balance	133,199,163	8,765,847	7,270,334	149,235,344

	As at 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
AAA	19,242,755	–	–	19,242,755
AA – to AA+	11,943,585	–	–	11,943,585
A+ or below	2,121,442	–	91,546	2,212,988
Unrated	92,461,556	16,177,902	8,328,287	116,967,745
Total	125,769,338	16,177,902	8,419,833	150,367,073
Less: Allowance for impairment losses	(760,830)	(746,569)	(3,552,281)	(5,059,680)
Net balance	125,008,508	15,431,333	4,867,552	145,307,393

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk

Liquidity risk is the risk that capital will not be sufficient or funds will not be raised at reasonable cost in a timely manner for the repayment of debts. This may arise from mismatches of amount or maturity between assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims at:

- optimising the structure of assets and liabilities;
- maintaining the stability of the deposit base;
- projecting cash flows and evaluating the level of current assets; and
- in terms of liquidity of the branches, maintaining an efficient internal fund transfer mechanism.

The Group expected the remaining maturity of their financial 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.

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31 December 2022	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 the central bank and other financial institutions	-	38,181,074	-	-	-	-	-	38,593,810	76,775,514
Loans and reverse repurchase agreements	-	11,147,439	8,069,426	501,312	7,134,834	-	-	-	26,853,011
Loans and advances to customers	41,750,035	-	17,317,914	10,182,375	77,235,114	74,889,453	50,409,930	-	271,784,821
Derivative financial assets	-	-	69,514	138,138	728,808	-	-	-	936,460
Financial investments	21,115,852	25,187,379	2,010,613	4,476,920	39,941,118	109,810,999	69,333,792	19,951,039	291,827,712
Finance lease receivables	374,962	-	922,098	1,683,241	6,938,884	10,871,832	25,849	-	20,816,866
Other financial assets	458,032	2,739,587	184,198	132,521	338,163	473,110	131,043	-	4,456,654
Total financial assets	63,698,881	77,256,109	28,573,763	17,114,507	132,316,921	196,045,394	119,900,614	58,544,849	693,451,038
Financial liabilities:									
Due to the central bank	-	-	1,108,269	718,558	1,141,967	-	-	-	2,968,794
Borrowings from banks and other financial institutions	-	-	3,396,510	5,093,522	5,394,283	521,120	-	-	14,405,435
Due to banks and repurchase agreements	-	1,872,773	3,407,877	6,082,016	18,893,617	-	-	-	30,256,283
Derivative financial liabilities	-	-	69,514	138,138	815,490	-	-	-	1,023,142
Due to customers	-	140,674,206	42,069,989	50,848,240	139,247,660	192,746,379	722	-	565,587,196
Debt securities issued	-	-	5,289,899	8,422,769	14,857,232	-	-	-	28,569,900
Other financial liabilities	-	434,414	554,509	291,023	1,239,505	2,310,710	274,664	-	5,104,825
Total financial liabilities	-	142,981,393	55,896,567	71,594,266	181,589,754	195,578,209	275,386	-	647,915,575
Net position	63,698,881	(65,725,284)	(27,322,804)	(54,479,759)	(49,272,833)	467,185	119,625,228	58,544,849	45,535,463

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

(i) Analysis of the remaining maturity of the financial assets and financial liabilities is set out below: (Continued)

31 December 2021	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 the central bank	-	27,922,482	-	-	-	-	-	37,000,706	64,923,188
Due from banks and other financial institutions	-	4,033,405	699,988	3,577	697,003	1,682,230	-	-	7,116,203
Loans and advances to customers	32,412,822	-	10,711,118	11,913,264	70,784,340	93,943,343	63,872,161	-	283,637,048
Derivative financial assets	-	-	192,752	295,542	1,293,072	15,347	-	-	1,796,713
Financial investments	24,418,652	14,370,853	2,560,669	4,364,404	26,042,301	112,407,925	53,642,395	7,859,953	246,667,152
Finance lease receivables	558,960	-	1,194,907	1,664,259	6,665,726	12,818,102	19,346	-	22,921,300
Other financial assets	389,738	170,986	1,807	1,991,450	1,943,448	199,400	21,391	-	4,718,220
Total financial assets	57,780,172	46,497,726	15,361,241	20,232,496	107,425,890	221,066,347	117,555,293	44,860,659	630,779,824
Financial liabilities:									
Due to the central bank	-	-	146,339	82,896	4,041,748	-	-	-	4,270,983
Borrowings from banks and other financial institutions	-	1,600	1,584,374	5,746,773	4,709,977	355,043	-	-	12,397,767
Due to banks	-	14,391	2,001,691	9,480,514	10,749,093	391,882	-	-	22,637,571
Derivative financial liabilities	-	-	192,752	295,542	1,307,930	15,347	-	-	1,811,571
Repurchase agreements	-	-	3,510,639	5,001,777	511,554	-	-	-	9,023,970
Due to customers	-	145,421,508	34,784,457	50,358,125	134,165,411	142,048,940	1,505	-	506,779,946
Debt securities issued	-	-	1,807,082	4,145,185	13,176,891	-	-	-	19,129,158
Other financial liabilities	-	381,335	131,328	764,160	595,088	2,614,118	33,450	-	4,519,479
Total financial liabilities	-	145,818,834	44,158,662	75,874,972	169,257,692	145,425,330	34,955	-	580,570,445
Net position	57,780,172	(99,321,108)	(28,797,421)	(55,642,476)	(61,831,802)	75,641,017	117,520,338	44,860,659	50,209,379

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

(ii) 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.

31 December 2022	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Overdue/Undated	Total
Non-derivative cash flows								
Financial assets:								
Cash and balances with the central bank	38,181,704	-	-	-	-	-	38,593,810	76,775,514
Due from banks and other financial institutions and reverse purchase agreements	11,147,439	8,074,310	519,792	7,336,308	-	-	-	27,077,849
Loans and advances to customers	-	17,411,439	10,332,104	81,614,902	88,700,956	84,989,056	49,968,736	333,017,093
Financial investments	25,047,693	2,196,951	5,133,655	44,756,280	128,966,310	84,656,611	41,789,844	322,547,344
Financial lease receivables	-	1,043,800	1,905,397	7,854,690	12,306,716	29,261	424,450	23,564,314
Other financial assets	2,739,587	184,198	132,521	338,163	473,110	131,043	458,032	4,456,654
Total financial assets	77,116,423	28,910,698	18,023,469	141,900,343	230,446,992	169,805,971	131,234,872	797,438,768

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

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

31 December 2022	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Overdue/ Undated	Total
Non-derivative cash flows (Continued)								
Financial liabilities:								
Due to the central bank	-	1,108,913	719,188	1,148,642	-	-	-	2,976,743
Borrowings from banks and other financial institutions	-	3,408,265	5,146,212	5,520,423	562,431	-	-	14,637,331
Due to banks and repurchase agreements	1,956,291	3,596,615	6,452,768	18,927,395	-	-	-	30,933,069
Due to customers	140,674,205	42,104,676	51,140,232	142,117,037	209,846,035	861	-	585,883,046
Debt securities issued	-	5,300,000	8,470,000	15,150,000	-	-	-	28,920,000
Other financial liabilities	434,414	561,299	306,873	1,278,720	2,329,260	228,555	-	5,139,121
Total financial liabilities	143,064,910	56,079,768	72,235,273	184,142,217	212,737,726	229,416	-	668,489,310
Net position	(65,948,487)	(27,169,070)	(54,211,804)	(42,241,874)	17,709,266	169,576,555	131,234,872	128,949,458
Derivative cash flows								
Derivative financial instruments settled on a gross basis	-	69,544	138,361	2,872,034	-	-	-	3,079,939
Total inflow	-	(69,544)	(138,361)	(2,897,742)	-	-	-	(3,105,647)
Credit commitments	15,433,851	26,000	3,113,643	9,469,469	61	17,473,976	-	45,517,000

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

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

31 December 2021	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Overdue/ Undated	Total
Non-derivative cash flows								
Financial assets:								
Cash and balances with the central bank	27,922,481	-	-	-	-	-	37,000,707	64,923,188
Due from banks and other financial institutions	4,047,886	700,440	25,101	781,770	1,724,730	-	-	7,279,927
Loans and advances to customers	-	12,313,535	15,061,560	82,633,809	120,298,272	90,137,441	32,466,851	352,911,468
Financial investments	14,370,853	2,582,583	4,728,485	30,837,698	131,590,458	63,722,498	32,217,430	280,050,005
Finance lease receivables	-	1,435,379	1,952,681	7,912,299	14,561,238	21,163	585,956	26,468,716
Other financial assets	170,986	1,807	1,991,450	1,943,448	199,400	21,391	389,738	4,718,220
Total financial assets	46,512,206	17,033,744	23,759,277	124,109,024	268,374,098	153,902,493	102,660,682	736,351,524

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

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

31 December 2021	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Overdue/ Undated	Total
Financial liabilities:								
Due to the central bank	-	151,541	97,198	4,079,919	-	-	-	4,328,658
Borrowings from banks and other financial institutions								
Due to banks and repurchase agreements	1,601	1,588,351	5,797,058	4,839,335	382,723	-	-	12,609,068
Due to customers	14,391	5,521,547	14,554,402	11,508,366	394,440	-	-	31,993,146
Debt securities issued	145,084,384	34,831,972	50,694,180	137,031,577	155,463,553	1,796	-	523,107,462
Other financial liabilities	-	1,807,082	4,145,185	13,193,678	-	-	-	19,145,945
	381,335	131,328	764,160	595,088	2,660,405	33,450	-	4,565,766
Total financial liabilities	145,481,711	44,031,821	76,052,183	171,247,963	158,901,121	35,246	-	595,750,045
Net position	(98,969,505)	(26,998,077)	(52,292,906)	(47,138,939)	109,472,977	153,867,247	102,660,682	140,601,479
Derivative cash flows								
Derivative financial instruments settled on a gross basis								
Total inflow	-	192,945	360,808	2,693,338	15,640	-	-	3,262,731
Total outflow	-	(192,945)	(360,684)	(1,307,375)	(15,640)	-	-	(1,876,644)
Credit commitments	28,333,173	250,513	2,465,268	9,675,140	140,830	-	-	40,864,924

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk

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

The Group's market risk 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 risks, including 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.

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies in which the Group has significant exposure on its monetary assets and liabilities and its forecasted cash flows. The analysis shows the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before tax and equity. A negative amount in the table reflects a potential net reduction in profit before tax or equity, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the 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.

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.

Currency	Change in rate	Effect on profit before tax	
		As at 31 December	
		2022	2021
USD	-1%	(38,973)	(30,742)
HKD	-1%	221	185
RUB	-1%	(77)	(477)

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.

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

31 December 2022	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	RUB (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial assets:						
Cash and balances with the central bank	76,719,981	22,219	712	31,069	1,533	76,775,514
Due from banks and other financial institutions and reverse repurchase agreements	26,015,072	580,544	15,204	37,113	205,078	26,853,011
Loans and advances to customers	271,673,814	86,437	-	-	24,570	271,784,821
Derivative financial assets	-	936,460	-	-	-	936,460
Financial investments	288,355,169	3,472,543	-	-	-	291,827,712
Financial lease receivables	20,816,866	-	-	-	-	20,816,866
Other financial assets	4,455,196	1,353	-	105	-	4,456,654
Total financial assets	688,036,098	5,099,556	15,916	68,287	231,181	693,451,038
Financial liabilities:						
Due to the central bank	2,968,794	-	-	-	-	2,968,794
Borrowings from banks and other financial institutions	14,405,435	-	-	-	-	14,405,435
Due to banks and repurchase agreements	30,148,551	81,387	-	26,345	-	30,256,283
Derivative financial liabilities	-	1,023,142	-	-	-	1,023,142
Due to customers	565,283,235	85,287	967	3,193	214,514	565,587,196
Debt securities issued	28,569,900	-	-	-	-	28,569,900
Other financial liabilities	5,068,315	113	36,397	-	-	5,104,825
Total financial liabilities	646,444,230	1,189,929	37,364	29,538	214,514	647,915,575
Net position	41,591,868	3,909,627	(21,448)	38,749	16,667	45,535,463
Credit commitments	44,922,253	594,288	-	-	459	45,517,000

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

31 December 2021

	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	RUB (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial assets:						
Cash and balances with the central bank	64,856,481	35,909	684	28,518	1,596	64,923,188
Due from banks and other financial institutions	6,391,488	443,759	15,108	29,314	236,534	7,116,203
Loans and advances to customers	283,141,766	452,495	-	-	42,787	283,637,048
Derivative financial assets	-	1,796,713	-	-	-	1,796,713
Financial investments	243,222,217	2,444,935	-	-	-	245,667,152
Financial lease receivables	22,921,300	-	-	-	-	22,921,300
Other financial assets	4,718,220	35,909	-	-	-	4,718,220
Total financial assets	625,251,472	5,173,811	15,792	57,832	280,917	630,779,824
Financial liabilities:						
Due to the central bank	4,270,983	-	-	-	-	4,270,983
Borrowings from banks and other financial institutions	12,387,293	6,494	-	3,980	-	12,397,767
Due to banks	22,637,571	-	-	-	-	22,637,571
Derivative financial liabilities	-	1,811,571	-	-	-	1,811,571
Repurchase agreements	9,023,970	-	-	-	-	9,023,970
Due to customers	506,283,418	281,584	984	6,119	207,841	506,779,946
Debt securities issued	19,129,158	-	-	-	-	19,129,158
Other financial liabilities	4,486,165	-	33,314	-	-	4,519,479
Total financial liabilities	578,218,558	2,099,649	34,298	10,099	207,841	580,570,445
Net position	47,032,914	3,074,162	(18,506)	47,733	73,076	50,209,379
Credit commitments	39,377,801	1,487,123	-	-	-	40,864,924

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk

The Group's bank account interest rate risk mainly arises from the mismatches of the repricing dates between interest-generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB. The PBOC establishes interest rate policy for RMB which includes a cap for RMB deposit rates and a floor for RMB loan rates.

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may have an impact on the PBOC benchmark interest rates;
- optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities; and
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue.

The sensitivity of the net interest income is the effect of the assumed changes in interest rates on the net interest income, arising from the financial assets and financial liabilities held at the year end that are subject to repricing within the coming year. The sensitivity of other comprehensive income is the effect of the assumed changes in interest rates on other comprehensive income, calculated by revaluing financial assets measured at fair value through other comprehensive income held at the year end.

Interest rate risk of the Group's trading book mainly exists in transactions, including those of bonds. For the management of interest rate risk, the Group uses explicit criteria for the classification of financial assets in the trading account, re-evaluates the market value of trading account assets daily, sets trading limits, stop-loss limits and risk limitation for the purpose of limit management, and monitors and controls the limits by frequency.

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net interest income and equity.

Change in basis points	Effect on net interest income		Effect on other comprehensive income	
	31 December		31 December	
	2022	2021	2022	2021
+100 basis points	(1,385,620)	(1,704,195)	(1,725,020)	(1,097,794)
-100 basis points	1,385,620	1,704,195	1,903,501	1,213,189

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the proforma movements in net interest income and other comprehensive income based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of all maturities fluctuate by the same amount and, therefore, do not reflect the potential impact on net interest income and other comprehensive income in the case where some rates change while others remain unchanged.

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

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest- bearing	Total
31 December 2022						
Financial assets:						
Cash and balances with the central bank	75,742,531	-	-	-	1,032,983	76,775,514
Due from banks and other financial institutions and reverse repurchase agreements	19,699,086	7,134,834	-	-	19,091	26,853,011
Loans and advances to customers	27,204,572	76,671,694	73,995,059	49,966,736	43,946,760	271,784,821
Derivative financial assets	-	-	-	-	936,460	936,460
Financial investments	5,888,849	37,567,935	109,708,728	69,264,041	69,398,159	291,827,712
Financial lease receivables	2,598,170	6,919,786	10,841,910	25,778	431,222	20,816,866
Other financial assets	-	-	-	-	4,456,654	4,456,654
Total financial assets	131,133,208	128,294,249	194,545,697	119,256,555	120,221,329	693,451,038
Financial liabilities:						
Due to the central bank	1,825,060	1,141,967	-	-	1,767	2,968,794
Borrowings from banks and other financial institutions	8,354,155	5,329,820	520,568	-	200,892	14,405,435
Due to banks and repurchase agreements	11,039,664	18,820,984	-	-	395,635	30,256,283
Derivative financial liabilities	-	-	-	-	1,023,142	1,023,142
Due to customers	225,831,080	139,247,660	192,746,379	722	7,761,355	565,587,196
Debt securities issued	13,712,668	14,857,232	-	-	-	28,569,900
Other financial liabilities	13,168	42,224	264,259	131,238	4,653,936	5,104,825
Total financial liabilities	260,775,795	179,439,887	193,531,206	131,960	14,036,727	647,915,575
Total interest sensitivity gap	(129,642,587)	(51,145,638)	1,014,491	119,124,595	N/A	N/A

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

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

31 December 2021	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 the central bank	63,700,903	-	-	-	1,222,285	64,923,188
Due from banks and other financial institutions	4,733,407	689,046	1,682,230	-	11,520	7,116,203
Loans and advances to customers	23,365,133	74,244,828	100,201,760	68,488,041	17,337,286	283,637,048
Derivative financial assets	7,827,140	17,785,715	88,566,501	43,699,552	87,788,244	245,667,152
Financial investments	-	-	-	-	1,796,713	1,796,713
Financial lease receivables	2,902,520	6,778,392	12,474,476	18,131	747,781	22,921,300
Other financial assets	-	-	-	-	4,718,220	4,718,220
Total financial assets	102,529,103	99,497,981	202,924,967	112,205,724	113,622,049	630,779,824
Financial liabilities:						
Due to the central bank	229,235	4,041,748	-	-	-	4,270,983
Borrowings from banks and other financial institutions	7,239,819	4,694,700	354,660	-	108,588	12,397,767
Due to banks	11,244,391	10,662,000	381,470	-	349,710	22,637,571
Derivative financial liabilities	-	-	-	-	1,811,571	1,811,571
Repurchase agreements	8,497,949	511,554	-	-	14,467	9,023,970
Due to customers	225,535,327	134,165,411	142,048,940	1,505	5,028,763	506,779,946
Debt securities issued	5,952,268	13,146,178	-	-	30,712	19,129,158
Other financial liabilities	-	238,871	184,197	-	4,096,411	4,519,479
Total financial liabilities	258,698,989	167,460,462	142,969,267	1,505	11,440,222	580,570,445
Total interest sensitivity gap	(156,169,886)	(67,962,481)	59,955,700	112,204,219	N/A	N/A

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51. FINANCIAL INSTRUMENT 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, issue long-term subordinated bonds, etc.

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management based on regulations issued by the CBIRC. The required information is filed with the CBIRC 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 year, the Group has fully complied with all the 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 "Capital Rules for Commercial Banks (Provisional)" and will continue to promote the content of this disclosure. According to the requirements of the CBIRC, commercial banks should meet the regulatory requirement of the capital adequacy ratio by the end of 2018. The regulatory requirements request a commercial bank to maintain its core tier 1 capital adequacy ratio above 7.5%, the tier 1 capital adequacy ratio above 8.5% and the capital adequacy ratio above 10.5%.

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51. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(d) Capital management (Continued)

	As at 31 December	
	2022	2021
Core capital		
Qualified part of share capital	10,995,600	10,995,600
Qualified part of capital reserves	7,657,284	7,661,124
Surplus reserve and general reserves	11,800,668	11,487,851
Undistributed profits	18,971,130	19,271,378
Qualified part of non-controlling interests	906,718	893,620
Other comprehensive income	50,810	378,929
Core tier 1 capital deductible items:		
Fully deductible items	(473,909)	(484,601)
Net core tier 1 capital	49,908,301	50,203,901
Net other tier 1 capital	11,819,903	11,118,401
Net tier 1 capital	61,728,204	61,322,302
Net tier 2 capital	7,051,161	6,569,516
Net capital	68,779,365	67,891,818
Total risk-weighted assets	577,632,754	541,233,473
Core tier 1 capital adequacy ratio	8.64%	9.28%
Tier 1 capital adequacy ratio	10.69%	11.33%
Capital adequacy ratio	11.91%	12.54%

52. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

The Group uses the following hierarchy for the determination and disclosure of the fair value 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.

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52. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

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

31 December 2022	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value</u>				
Derivative financial assets	–	936,460	–	936,460
Financial assets at fair value				
through profit or loss				
– Debt securities	–	2,688,131	92,124	2,780,255
– Funds	–	25,047,693	–	25,047,693
– Trust investments and asset management plans	–	40,546,712	13,822,495	54,369,207
– Equity instruments	9,525	–	327,770	337,295
Subtotal	9,525	68,282,535	14,242,389	82,534,449
Financial assets at fair value through				
other comprehensive income				
– Debt securities	–	52,003,687	–	52,003,687
– Equity instruments	71,922	47,350	7,041,931	7,161,203
Subtotal	71,922	52,051,037	7,041,931	59,164,890
Loan and advance measured at				
fair value through other				
comprehensive income				
– Discounted bills	–	6,011,014	–	6,011,014
Total	81,447	127,281,046	21,284,320	148,646,813
<u>Financial liabilities measured</u>				
at fair value				
Derivative financial liabilities	–	1,023,142	–	1,023,142

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52. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

31 December 2021	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value</u>				
Derivative Financial assets	-	1,796,713	-	1,796,713
Financial assets at fair value through profit or loss				
- Debt securities	-	3,194,856	92,522	3,287,378
- Funds	-	14,370,853	-	14,370,853
- Trust investments and asset management plans	-	41,553,117	1,938,734	43,491,851
- Equity instruments	8,542	-	310,598	319,140
Subtotal	8,542	59,118,826	2,341,854	61,469,222
Financial assets at fair value through other comprehensive income				
- Debt securities	-	30,879,746	-	30,879,746
- Equity instruments	-	200,684	7,239,874	7,440,558
Subtotal	-	31,080,430	7,239,874	38,320,304
Loan and advance measured at fair value through other comprehensive income				
- Discounted bills	-	10,475	-	10,475
Total	8,542	92,006,444	9,581,728	101,596,714
<u>Financial liabilities measured at fair value</u>				
Derivative financial liabilities	-	1,811,571	-	1,811,571

During the year ended 31 December 2022, there is no significant transfer among each level. (2021: Nil)

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 are adopted to determine the fair values of these assets and liabilities.

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52. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

The financial instruments classified as Level 2 by the Group are mainly debt investment, derivative financial instruments and discounted bills measured at fair value through other comprehensive income. 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; For derivative financial instruments, the fair values are determined based on discounted cash flow and other valuation methods; For discounted bills, the fair values are determined based on discounted cash flow. The determination are based on a valuation technique for which all significant inputs are observable market data.

The financial instruments classified as Level 3 by the Group are mainly unlisted equity instruments and trust fund plans and asset management. The valuation methods used are mainly market method and discounted cash flow method, and the unobservable parameters involved are mainly net assets, discount rate, liquidity discount, etc.

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.

As at 31 December 2022 and 31 December 2021, the Group and the Bank had no assets or liabilities measured at fair value that were discontinued.

Reconciliation of movements in Level 3 financial instruments measured at fair value is as follows:

	2022	
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
As at 1 January	2,341,854	7,239,874
Additions	12,837,977	86,744
Disposals/transfers	(753,117)	(190,018)
Loss through profit or loss	(184,325)	–
Loss through other comprehensive income	–	(94,669)
As at 31 December	14,242,389	7,041,931

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52. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

	2021	
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
As at 1 January	2,256,495	153,626
Additions	1,019,718	7,100,460
Disposals/transfers	(896,933)	–
Loss through profit or loss	(37,426)	–
Loss through other comprehensive income	–	(14,212)
As at 31 December	2,341,854	7,239,874

(b) Financial assets and liabilities not measured at fair value

Financial assets and financial liabilities not measured at fair value in the balance sheet mainly include: Balances with the central bank, Due from banks and other financial institutions, Reverse repurchase agreements, Loans and advances to customers measured at amortised cost, Investment in debt securities measured at amortised cost, Due to the central bank, Borrowings from banks and other Financial institutions, Repurchase agreements, Due to customers, Financial bonds payables, etc.

For debt securities measured at amortised cost and financial bonds payable not reflected or disclosed at fair value, the following table sets forth their book value and fair value:

	As at 31 December 2022		As at 31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at amortised cost	146,908,243	158,465,028	142,760,826	148,592,449
Financial liabilities				
Debt securities issued	28,569,900	28,353,857	19,098,445	18,972,900

Other than the financial assets and financial liabilities disclosed in above table, other financial assets and financial liabilities that are not measured at fair value in the balance sheet, the valuation methods used is discounted cash flow method, the carrying amounts approximate the fair values.

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53. SUBSEQUENT EVENTS

Pursuant to the announcement of the Group on 17 March 2023, the Group and Harbin Municipal Finance Bureau entered into a convertible negotiated deposit subscription agreement. For further details, please refer to the announcements of the Group dated 17 March 2023. Up to the report date, RMB10,000 million of convertible negotiated deposit has been subscribed by Harbin Municipal Finance Bureau.

On 11 June 2021, the Group and Dongning Lizhi Building Decoration Engineering Co., Ltd. (東寧麗致建築裝飾工程有限公司) (“Dongning Lizhi”) entered into an equity transfer agreement that Dongning Lizhi agreed to dispose and the Group agreed to purchase 15% equity shares of HB Leasing. After completion of the equity transfer transaction, the Group will own 95% shareholding of the Harbin Bank Financial Leasing. The transaction is not yet completed until 31 December 2022.

As approved at the Board of Directors’ meeting held on 30 March 2023, the profit distribution plan of 2022 was as follows:

1. 10% of 2022 net profit amounting to RMB16,846 thousand is appropriated to the statutory surplus reserve;
2. Withdrawal of general and regulatory reserves of RMB313,984 thousand; and
3. The bank proposed not to distribute any dividend for the year ended 31 December 2022.

The above profit distribution plan will be processed after the approval by shareholders in annual general meeting.

Except for the above, there were no significant events after the reporting period.

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54. STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK

(a) Statement of financial position of the Bank

	As at 31 December	
	2022	2021
ASSETS		
Cash and balances with the central bank	74,592,485	62,966,454
Due from banks and other financial institutions	39,672,322	23,113,949
Loans and advances to customers	245,035,918	258,848,258
Derivative financial assets	936,460	1,796,713
Reverse repurchase agreements	1,000,750	–
Financial investments	291,827,712	245,667,152
– financial assets at fair value through profit or loss	82,704,525	61,516,234
– financial assets at fair value through other comprehensive income	59,887,843	38,843,525
– financial assets at amortised cost	149,235,344	145,307,393
Investments in subsidiaries	5,032,420	5,002,420
Property and equipment	8,014,150	8,187,950
Deferred income tax assets	4,200,729	3,742,357
Other assets	9,773,588	5,540,664
TOTAL ASSETS	680,086,534	614,865,917
LIABILITIES		
Due to the central bank	2,376,839	3,466,623
Due to banks	38,475,412	33,282,796
Derivative financial liabilities	1,023,142	1,811,571
Repurchase agreements	3,003,201	8,512,417
Due to customers	543,732,843	485,691,092
Income tax payable	350,286	469,756
Debt securities issued	28,569,900	19,129,158
Other liabilities	3,383,794	3,329,243
TOTAL LIABILITIES	620,915,417	555,692,656
EQUITY		
Share capital	10,995,600	10,995,600
Other equity instruments	11,699,007	10,999,290
Capital reserves	7,639,362	7,639,362
Other comprehensive income	50,810	378,929
Surplus reserves	3,920,073	3,903,227
General and regulatory reserves	7,131,754	6,922,570
Undistributed profits	17,734,511	18,334,283
TOTAL EQUITY	59,171,117	59,173,261
TOTAL EQUITY AND LIABILITIES	680,086,534	614,865,917

DENG Xinquan

Chairman

YAO Chunhe

President

YANG Dazhi

Assistant to the
President
(in Charge of Finance)

DONG Kai

General Manager of
Finance and Accounting
Department

Unaudited Supplementary Financial Information

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

(a) LIQUIDITY RATIO

	AS at 31 December	
	2022	2021
RMB current assets to RMB current liabilities	97.97%	66.29%
Foreign currency current assets to foreign currency current liabilities	257.92%	164.14%

These liquidity ratios are calculated based on relevant regulations provided by the CBIRC and Chinese accounting policies.

(b) CURRENCY CONCENTRATIONS

	USD	HKD	RUB	Others	Total
31 December 2022					
Spot assets	4,169,539	37,352	–	301,001	4,507,892
Spot liabilities	(3,805,467)	(37,364)	–	(301,222)	(4,144,053)
Forward purchases	17,467	–	–	6,124	23,591
Forward sales	(2,226,478)	–	–	–	(2,226,478)
Net long/(short) position	(1,844,939)	(12)	–	5,903	(1,839,048)
31 December 2021					
Spot assets	3,377,098	15,792	57,832	280,917	3,731,639
Spot liabilities	(288,078)	(34,298)	(10,099)	(207,841)	(540,316)
Forward purchases	63,757	–	–	–	63,757
Forward sales	(1,491,914)	–	–	–	(1,491,914)
Net long/(short) position	1,660,863	(18,506)	47,733	73,076	1,763,166

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(c) INTERNATIONAL CLAIMS

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

International claims are included in Due from banks and other financial institutions.

International claims have been disclosed by major country or geographical area. A country or geographical area is reported when the claims from the country or area constitute 10% or more of the aggregate amount of international claims, after taking into account risk transfers.

	Banks	Others	Total
31 December 2022			
Asia Pacific excluding Mainland China	2,007,117	–	2,007,117
– of which attributed to Hong Kong	1,717,318	–	1,717,318
Europe	136,325	–	136,325
North America	201,326	–	201,326
Total	2,344,768	–	2,344,768
31 December 2021			
Asia Pacific excluding Mainland China	69,152	–	69,152
– of which attributed to Hong Kong	15,226	–	15,226
Europe	2,205,953	–	2,205,953
North America	418,676	–	418,676
Total	2,693,781	–	2,693,781

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(d) LOANS AND ADVANCES TO CUSTOMERS

(i) Overdue loans and advances to customers:

Overdue days	31 December 2022				Total
	Within 90 days	91 days to 1 year	1 to 5 years	Over 5 years	
Unsecured loans	1,374,570	2,688,645	4,589,176	136,913	8,789,304
Guaranteed loans	8,691,986	2,173,704	5,394,155	10,328	16,270,173
Loans secured by mortgages	16,145,235	2,867,088	7,701,650	345,330	27,059,303
Pledged loans	71,901	1,040,761	431,814	173	1,544,649
Total	26,283,692	8,770,198	18,116,795	492,744	53,663,429

Overdue days	31 December 2021				Total
	Within 90 days	91 days to 1 year	1 to 5 years	Over 5 years	
Unsecured loans	2,618,841	3,548,540	611,010	132,736	6,911,127
Guaranteed loans	5,088,621	2,015,265	6,249,909	10,007	13,363,802
Loans secured by mortgages	10,858,994	3,336,599	6,034,423	82,625	20,312,641
Pledged loans	1,441,815	421,300	50,793	–	1,913,908
Total	20,008,271	9,321,704	12,946,135	225,368	42,501,478

(ii) Overdue loans and advances to customers by geographical location:

	As at 31 December	
	2022	2021
Heilongjiang region	22,358,405	17,629,714
Northeastern China excluding Heilongjiang	10,496,037	6,894,644
Southwestern China	8,560,131	6,430,903
Other regions	12,248,856	11,546,217
Total	53,663,429	42,501,478

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(e) OVERDUE AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

As at 31 December 2022 and 2021, there were no overdue amounts due from banks and other financial institutions in respect of principal or interest.

(f) OVERDUE PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

As at 31 December 2022 and 2021, there were no overdue placements with banks and other financial institutions in respect of principal or interest.

(g) EXPOSURES TO MAINLAND CHINA NON-BANK ENTITIES

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. At 31 December 2022, substantial amounts of the Bank's exposures arose from businesses with mainland China entities or individuals.

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Documents for Inspection

- I. Financial Statements with Signature and Seal of Legal Representative, Person in Charge of Accounting Work and Person in Charge of Accounting Firms
- II. Original Audit Report with Accounting Firms' Seals and Certified Public Accountants' Signatures and Seals
- III. Text of Annual Report Autographed by Directors of the Company
- IV. Articles of Association of the Company

