



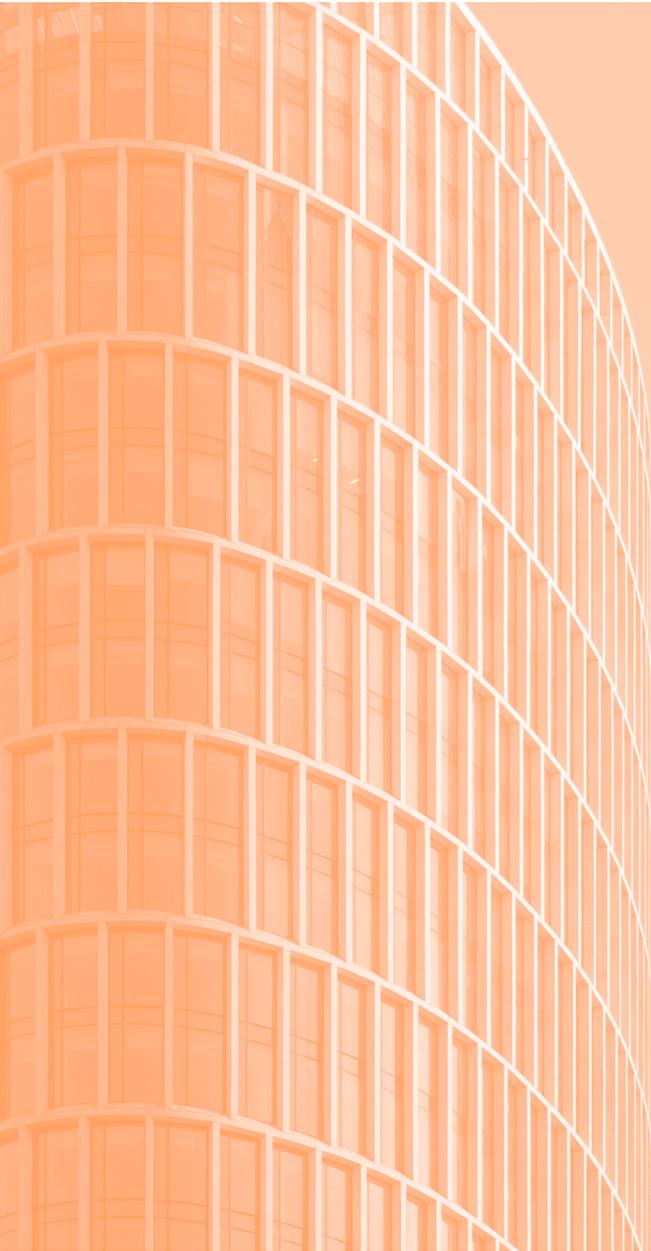
HARBIN BANK CO., LTD.

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

Stock Code: 6138

2021 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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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 2021
“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:

Deng Xinquan (Acting on Behalf)

Company Secretary:

Ngai Wai Fung

Registered Address:

No. 160 Shangzhi 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

Telephone:

86-451-86779933

Facsimile:

86-451-86779829

電子信箱:

ir@hrbb.com.cn

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. The Company, as a controlling shareholder, has promoted the establishment of HB Leasing, the first financial leasing company in Northeastern China, and HBCF, the first consumer finance company in Heilongjiang Province, respectively. As at 31 December 2021, the Group had 392 business outlets with branches and sub-branches across seven administrative regions in China.

As at 31 December 2021, the Bank had total assets of RMB645.0462 billion, total loans and advances to customers of RMB294.3592 billion and total customer deposits of RMB501.7512 billion.

In 2021, the Bank was ranked 261st in “2021 Brand Finance Global 500” published by Brand Finance (a famous UK-based branded business valuation consulting firm), 204th in “Top 1000 World Banks 2021” according to The Banker of United Kingdom, 34th in the “2021 China Banking Top 100 (2021 年中國銀行業 100 強)” published by China Banking Association. The Bank also received the 2021 “Stars of China Awards: Best Corporate Governance Bank” awarded by Global Finance of United States, the “Best Cross-border Payment Innovation Small and Medium-sized Banks of the Year” in the 2021 Golden Medal List of Chinese Financial Institutions • Golden Dragon Award (2021 中國金融機構金牌榜•金龍獎“年度最佳跨境支付創新中小銀行”獎), the “2021 Bank of Inclusive Finance Business” of the 21st Century Financial Competitiveness Selection (21 世紀金融競爭力評選“2021 年度普惠金融業務銀行”獎), the “Belt and Road Initiative” Financial Services Bank Award of the 2021 Financial Industry Selection by Caijing.com.cn (2021 年度財經網金融業評選“一帶一路’金融服務銀行”獎), the “4th ‘Iron-horse’ Award for Small and Medium-sized Banks: Small and Medium-sized Banks with Best Asset Management Business” (“第四屆‘鐵馬’中小銀行：最佳資管業務中小銀行”獎), the “Outstanding Banks for Retail Banking 2021” in the 19th China Finance Billboard, and the “2021 Rural Rejuvenation Bank (2021 年度鄉村振興責任銀行)”.

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Major Awards for 2021

List of Major Awards for 2021

No.	Name of Award	Awarding Party	Time of Award
1	2020 Good News in China Banking Industry (2020年中國銀行業示範好新聞)	China Banking Association	January 2021
2.	2020 Responsible Brand Award (2020年度責任品牌獎)	10th China Charity Festival (第十屆中國公益節)	January 2021
3	2020 Charity Promotion Award (2020年度公益推動力大獎)	10th China Charity Festival	January 2021
4	2020 Excellent Bank for Banking Wealth Management Registration (2020年度銀行業理財登記優秀銀行獎)	Banking Wealth Management Registration & Depository Center (銀行業理財登記 託管中心)	January 2021
5	261st in "2021 Brand Finance Banking 500"	Brand Finance	February 2021
6	2020 China Banking Top 100 List: ranked 32nd	China Banking Association	March 2021
7	Youth League Branch for Business Department of Mudanjiang Branch – National May 4th Red Flag Youth League Branch in 2020 (牡丹江分行營業部 團支部—2020年度全國五四紅旗團支部)	The Central Committee of the Communist Young League	April 2021
8	The "Unified Intelligent Risk Control Platform" (統一智能風控平台) won the 2021 China Outstanding Financial Digital Innovation Cases Award (中國優秀金融數字化創新案例獎)	China Computerworld, CCW New Finance Institute (計世新金融研究院)	April 2021
9	2021 China Customer Service Festival – Best Happiness Team (2021中國客戶服務節：最佳幸福團隊)	The Organising Committee of China Customer Service Festival	May 2021
10	Top 1000 World Banks 2021: ranked 204th	The Banker of the United Kingdom	June 2021
11	The "Retail Customer Data Intelligent Analysis Platform" (零售客戶數據智能分析平台) won the "Gold Award for Technological Innovation Application" in the 2021 FinTech Innovation Contest (金融數字科技創新大賽—技術創新應用金獎)	Cebnet.com.cn	June 2021
12	2021 China Banking Top 100 List: ranked 34th	China Banking Association	July 2021
13	2020 Outstanding Organization for Data Quality in the Corporate Credit Reference System (2020年度徵信系統(企業業務)數據質量工作優秀機構)	Credit Reference Center, The People's Bank of China	August 2021

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No.	Name of Award	Awarding Party	Time of Award
14	Rated as AAA Credit Enterprise by Enterprise Credit Rating Committee	China Commerce Association, China Entrepreneurs Association	August 2021
15	Best Corporate Governance Bank of the 14th Stars of China (第14屆“中國之星”評選：最佳公司治理銀行獎)	Global Finance	August 2021
16	Nangang Sub-branch of Harbin Branch – 20th National Youth Civilization	The Central Committee of the Communist Young League	September 2021
17	2021 IDC Technology Application Scenario Innovation Award in the Chinese Financial Sector (IDC 中國金融行業技術應用場景創新獎)	IDC (China)	September 2021
18.	The “Community-based Elderly Care Financial Characteristic Model Innovation Cases” (社區養老金融特色模式創新案例) won the Top 10 Retail Banking Innovation Award of 2021 China's Financial Innovation Award (2021 中國金融創新獎—十佳零售銀行創新獎)	The Banker	September 2021
19	Golden Reputation Award – Outstanding Innovative Financial Product Award (金譽獎—優秀創新理財產品獎)	PYSTANDARD & Financial Investment News (普益標準與金融投資報社)	September 2021
20	2021 Excellent Cases of Financial Services for Micro, Small and Medium-Sized Enterprises (2021年金融服務中小微企業優秀案例)	The Organising Committee of China SME Investment & Financing Expo	September 2021
21	Small and Medium-sized Bank with the Most Outstanding Asset Management Business Award of the 4rd Iron-horse Award for Small and Medium-sized Banks (第四屆“鐵馬”中小銀行評選：最佳資管業務中小銀行獎)	Modern Bankers	October 2021
22	“Excellent Group Award” for News Communication 2021 (2021 年度新聞宣傳“優秀團體獎”)	China Banking And Insurance News	October 2021
23	“2021 Inclusive Finance Business Bank Award” of the 21st Century Financial Competitiveness List (21 世紀金融競爭力評選：2021 年度普惠金融業務銀行獎)	21st Century Business Herald	November 2021
24	Golden Bridge Award – Most Valuable Commercial Bank 2021 (金橋獎—2021 年度最具投資價值商業銀行)	Thinking Finance, Investor.org.cn	November 2021
25	Business Department of Chongqing Branch – Top 1,000 Demonstration Units for Civilized and Standardised Service of Outlets in Banking Industry 2021 (2021年銀行業營業網點文明規範服務千佳示範單位)	China Banking Association	November 2021
26	The “Intelligent Upgrading Project of Mobile Banking” (手機銀行智能化升級項目) Won Outstanding Achievement Award in Shining Star Project of Banking Digital Transformation 2021 (2021 年度銀行數字化轉型星耀項目—移動銀行類優秀成果獎)	Financial Internet Branch of China Computer Users Association	November 2021

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No.	Name of Award	Awarding Party	Time of Award
27	2021 Outstanding Retail Bank Award of the 19th China Finance Billboard (第十九屆中國財經風雲榜：2021 年度傑出零售銀行獎)	Hexun.com	December 2021
28	2021 Responsible Bank for Rural Revitalization Award by the 19th China Finance Billboard (第十九屆中國財經風雲榜：2021 年度鄉村振興責任銀行獎)	Hexun.com	December 2021
29	2021 China Digital Finance List – Best Personal Mobile Banking Award (2021 中國數字金融金榜獎—最佳個人手機銀行獎)	Cebnet.com.cn	December 2021
30	Annual User Experience Award in the 4th China Financial Annual Brand Case Competition (第四屆(2021)中國金融年度品牌案例大賽—用戶體驗年度案例獎)	China Financial Publishing House	December 2021
31	2021 China Financial Gold Medal List • Golden Dragon Award – Best Cross-Border Payment Innovation Award for Small and Medium-sized Banks (2021中國金融機構金牌榜•金龍獎—年度最佳跨境支付創新中小銀行獎)	Financial Times	December 2021
32	The 6th Golden Tangerine Awards of Time Finance – Technology – empowered Financial Institutions Award (第六屆時代金融金桔獎—科技賦能金融機構獎)	Time-weekly	December 2021
33	The Financial Industry Selection (金融業評選) by Caijing.com.cn: Financial Services Banking Award for the Belt and Road Initiative (2021 年度財經網金融業評選：“一帶一路”金融服務銀行獎)	CAIJING.com.cn	December 2021

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Major Subsidiaries

The details of major subsidiaries of the Company as at 31 December 2021 are as follows:

Company Name	Place of incorporation/ registration and operations place in the PRC	Nominal value of issued share/ paid-up capital RMB million	Percentage of ownership/ voting rights directly owned by the Company %	Amount invested by the Company RMB million
Bayan Rongxing Village and Township Bank Co., Ltd.	Bayan, Heilongjiang	50	100.00	53.4
Huining Huishi Village and Township Bank Co., Ltd.	Huining, Gansu	30	100.00	30
Beijing Huairou Rongxing Village and Township Bank Co., Ltd.	Huairou, Beijing	200	85.00	207.6
Yushu Rongxing Village and Township Bank Co., Ltd.	Yushu, Jilin	30	100.00	30
Shenzhen Baoan Rongxing Village and Township Bank Co., Ltd.	Baoan, Shenzhen	220	70.00	140
Yanshou Rongxing Village and Township Bank Co., Ltd.	Yanshou, Heilongjiang	30	100.00	30
Chongqing Dadukou Rongxing Village and Township Bank Co., Ltd.	Dadukou, Chongqing	150	80.00	144.4
Suining Anju Rongxing Village and Township Bank Co., Ltd.	Suining, Sichuan	80	75.00	60
Huachuan Rongxing Village and Township Bank Co., Ltd.	Huachuan, Heilongjiang	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.	Yanshi, 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

Summary of Accounting Data and Financial Indicators

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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					
	2021	2020	2021 vs. 2020	2019	2018	2017
	(In RMB million, except percentages)					
Results of operations			Rate of change			
Net interest income	10,061.0	12,309.2	-18.26%	11,695.2	10,127.0	11,307.5
Net fee and commission income	697.0	880.0	-20.80%	1,366.5	2,391.4	2,444.6
Operating income	12,319.5	14,606.3	-15.66%	15,124.4	14,325.4	14,133.6
Operating expenses	(4,956.8)	(4,896.0)	1.24%	(5,153.0)	(4,594.3)	(4,343.5)
Credit impairment losses	(6,700.5)	(8,301.4)	-19.28%	(5,180.9)	(2,425.9)	(2,662.1)
Impairment losses of other assets	(101.0)	-	-	-	-	-
Profit before tax	561.2	1,408.9	-60.17%	4,790.5	7,305.2	7,128.0
Net profit	398.7	795.8	-49.90%	3,635.1	5,574.4	5,308.9
Net profit attributable to shareholders of the Company	274.1	745.7	-63.24%	3,558.4	5,548.6	5,249.1
For each share (RMB)			Rate of change			
Net assets per share attributable to shareholders of the Company ⁽¹⁾	4.53	4.48	1.12%	4.53	4.21	3.75
Earnings per share	0.02	0.07	-71.43%	0.32	0.50	0.48
Profitability indicators			Change			
Return on average total assets ⁽²⁾	0.06%	0.13%	decreased by 0.07 percentage point	0.61%	0.94%	0.96%
Return on average equity ⁽³⁾	0.55%	1.51%	decreased by 0.96 percentage point	7.41%	12.68%	13.50%
Net interest spread ⁽⁴⁾	1.74%	2.18%	decreased by 0.44 percentage point	2.02%	1.67%	1.95%
Net interest margin ⁽⁵⁾	1.78%	2.20%	decreased by 0.42 percentage point	2.10%	1.87%	2.15%
Net fee and commission income to operating income ratio	5.66%	6.02%	decreased by 0.36 percentage point	9.04%	16.69%	17.30%
Cost-to-income ratio ⁽⁶⁾	38.28%	32.06%	increased by 6.22 percentage points	32.71%	30.88%	29.71%

Summary of Accounting Data and Financial Indicators

	As at 31 December					
	2021	2020	2021 vs. 2020	2019	2018	2017
	(In RMB million, except percentages)					
Capital adequacy indicators⁽⁷⁾			Change			
Core tier 1 capital adequacy ratio	9.28%	10.18%	decreased by 0.90 percentage point	10.22%	9.74%	9.72%
Tier 1 capital adequacy ratio	11.33%	10.20%	increased by 1.13 percentage points	10.24%	9.75%	9.74%
Capital adequacy ratio	12.54%	12.59%	decreased by 0.05 percentage point	12.53%	12.15%	12.25%
Total equity to total assets	9.73%	8.54%	increased by 1.19 percentage points	8.86%	7.71%	7.52%
Assets quality indicators			Change			
NPL ratio ⁽⁸⁾	2.88%	2.97%	decreased by 0.09 percentage point	1.99%	1.73%	1.70%
Impairment coverage ratio ⁽⁹⁾	162.45%	133.26%	increased by 29.19 percentage points	152.50%	169.88%	167.24%
Impairment losses on loans ⁽¹⁰⁾	4.68%	3.96%	increased by 0.72 percentage point	3.04%	2.94%	2.84%
Other indicator			Change			
Loan-deposit ratio	58.67%	59.79%	decreased by 1.12 percentage points	61.92%	64.16%	62.76%
Scale indicators			Rate of Change			
Total assets	645,046.2	598,603.6	7.76%	583,089.4	615,588.5	564,255.2
Of which: total loans and advances to customers	294,359.2	280,567.2	4.92%	263,604.1	253,762.7	237,397.8
Total liabilities	582,266.3	547,494.5	6.35%	531,448.2	568,097.0	521,846.2
Of which: due to customers	501,751.2	469,280.0	6.92%	425,683.7	395,516.8	378,258.4
Share capital	10,995.6	10,995.6	–	10,995.6	10,995.6	10,995.6
Equity attributable to shareholders of the Company	60,794.2	49,247.1	23.45%	49,826.7	46,274.7	41,260.5
Non-controlling interests	1,985.7	1,862.0	6.64%	1,814.5	1,216.8	1,148.4
Total equity	62,779.9	51,109.1	22.84%	51,641.2	47,491.5	42,409.0

Summary of Accounting Data and Financial Indicators

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and Financial Indicators**
Chairman's Statement

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) 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.
- (3) The percentage of net profit attributable to the equity shareholders of the parent company during the Reporting Period to the average balance of total equity attributable to equity holders of the parent company net of other equity instruments at the beginning and the end of the Reporting Period.
- (4) 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.
- (5) Calculated by dividing net interest income by average interest-earning assets, calculated based on the daily average of the interest-earning assets.
- (6) Calculated with the operating cost after deducting tax and surcharges and divided by the operating income.
- (7) Calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation).
- (8) Calculated with the total NPLs divided by the total loans to customers.
- (9) 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.
- (10) 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

Looking back over the past year, it was of great significance. We experienced milestone events in the history of the Party and the nation. We celebrated the 100th birthday of the Party, achieved the first centennial goal, built a well-off society in an all-round way, and achieved new results in high-quality development. However, at the same time, the task of maintain stability in domestic reform and development was still difficult and arduous. The supervisions on banking industry continued to be tightened, together with accelerated exposure to risks of small and medium-sized financial institutions. Amid the severe and complicated economic and financial situation, 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, maintain stable business operations, and steadily improvement in management, so as to achieve positive results in all aspects, and have a good start in the new three-year strategic plan.

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Over the past year, the Bank's operating performance remained steady as a whole. As at the end of 2021, the Group had total assets of RMB645,046.2 million, representing a year-on-year increase of 7.8%. The customer deposits amounted to RMB501,751.2 million, representing an increase of 6.9% as compared with the end of last year. The total loans amounted to RMB294,359.2 million, representing an increase of 4.9% as compared with the end of last year. The NPL ratio was 2.88%, down by 0.09 percentage point from the end of last year, showing a positive downward inflection point for the first time since listing. All of the key regulatory indicators met regulatory standards. Moreover, the Bank successfully issued capital bonds without a fixed term amounting to RMB11 billion, creating the largest issuance scale of city commercial banks of the same size and significantly improving its capital strength. In terms of subsidiaries, HB Leasing took "agriculture-related leasing + green leasing" as its dual core and integrated into the dual-cycle pattern, so as to build a characteristic agricultural machinery leasing ecosystem. Based on the construction of Internet consumer finance platform, HBCF used cutting-edge technology to expand the national market. Besides, village and township banks focused on the main business, and developed on a standardized and sound basis, thereby enhancing the strategic determination to serve rural revitalization.

Over the past year, the Bank provided high-quality services to the real economy. With the guidance of allocating more credit resources to local applications and satisfying local financial needs, the Bank ranked the second in Heilongjiang province and the first in Harbin city among financial institutions in terms of loan increments. In particular, the Bank increased the investment in leading enterprises and key projects with a value of over RMB100 million in the province, leading to a total of 50 loans granted, with a value of RMB17 billion. The Bank also granted loans to 49 customers in Harbin New District, with a value of RMB8 billion, as well as deepened its cooperation with key enterprises in the new district such as Jianlong Group* (建龍集團), Zhonglin Group* (中林集團) and Zhongbao Group* (綜保集團).

Over the past year, the Bank's characteristic business developed well. In terms of Sino-Russia financial services, the Cross-border Interbank Payment System (CIPS) was successfully put into operation, with 12 additional Russian indirect participant banks during the year. The international settlement volume of the Bank was equivalent to RMB20 billion, representing an increase of 60% year on year, the derived local and foreign currency deposits were equivalent to RMB5.5 billion, and the investment in US dollar bonds was equivalent to RMB2 billion. The major operating indicators were the best in recent years. In terms of microfinance, the balance of inclusive small and micro loans was RMB42 billion, representing an increase of RMB2.7 billion as compared with the beginning of the year, and the "two increases" target was fully achieved. In terms of agriculture-benefiting finance, RMB14.3 billion was invested for the whole year, and the growth rate of agriculture-benefiting business of provincial branches exceeded 30%. Besides, service model for agriculture-benefiting finance was innovated, and intelligent flash loan products implemented for farmers were upgraded.

Over the past year, the Bank made continuous efforts in risk management and control. It continuously improved and optimized the intelligent risk control system, carried out the whole process credit system operation monitoring, established the real estate industry and large-value risk business management and control mechanism, and strengthened the credit concentration risk management and control. It also intensified the collection and disposal of non-performing assets, reaching a record high in disposal scale; further classified asset quality, and actively increased the provision.

Chairman's Statement

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, proactively integrated into the overall development of the province, and increased financial support in agriculture, small and micro enterprises and people's livelihood. The Bank ranked 204th in "Top 1000 World Banks 2021" according to The Banker of United Kingdom, 34th in the "China Banking Top 100 List (中國銀行業100強)" of the China Banking Association, and 261st in "2021 Brand Finance Banking 500" published by Brand Finance.

Over the past year, the Bank acted in active response to the impact of the epidemic. It actively responded to the call of the national policy and properly deal with financial services works during the epidemic. Through preferential interest rates, deferred principal and interest payments, fee reductions and exemptions, and the provision of special credit facilities, the Bank moderately reduced the financing costs of borrowers, effectively met the financing needs of enterprises during the epidemic period, and actively supported enterprises affected by the epidemic so as to quickly resume production and operation.

Currently, COVID-19 is continuing to cause damage to people all over the world and affect global economy and the financial market. In 2022, the domestic banking industry will face more challenges. As guided by Chairman Xi Jinping's Thought on Socialism with Chinese Characteristics in the New Era, the Bank will comprehensively implement the gist of the 19th CPC National Congress and all previous plenary sessions of the 19th CPC National Congress, as well as the spirit of the economic work conference of the central, provincial and municipal CPC committees. Under the general principle of strengthening the overall leadership of the Party and with the goal of high-quality development, the Bank firmly grasped the three tasks of preventing and controlling financial risks, serving the real economy and deepening financial reform, so as to ensure that the Group achieves good business performance, create greater value for shareholders, provide better financial services for customers, make greater contributions to economic and social development, and greet the victory of the 20th CPC National Congress with outstanding achievements !



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I. Past Economy and Environment and Operation Overview

(I) Past Economy and Environment

In 2021, faced with numerous challenges caused by the complex and severe international environment and the spread of the pandemic in China, under the firm leadership of the Central Committee of the Party headed by Chairman Xi Jinping, the entire party and nation conscientiously implemented the strategies and decisions of the Central Committee of the Party and the State Council and adhered to the general direction of seeking improvement in stability. The government scientifically coordinated pandemic prevention and control and economic and social development by solidly promoting the “stability on six fronts (六穩)” and comprehensively safeguarding the “security in the six areas (六保)”, and also strengthened cross-cycle regulation on macro policies and increased support for the real economy, which facilitated the recovery of our national economy. In 2021, the gross domestic product (GDP) amounted to RMB114.3670 trillion, representing an increase of 8.1% as compared to last year and an two-year average growth rate of 5.1%. On a quarterly basis, the GDP growth rates from Q1 to Q4 were 18.3%, 7.9%, 4.9% and 4.0%, respectively. On an industry basis, the growth rates of primary, secondary and tertiary industries were 7.1%, 8.2% and 8.2%, respectively. China has made new advances in pursuing high-quality development and got off to a good start in implementing the 14th Five-Year Plan with the main indicators of economic development achieving the expected targets. The balance of M2 amounted to RMB238.29 trillion, representing a year-on-year increase of 9%; the balance of M1 amounted to RMB64.74 trillion, representing a year-on-year increase of 3.5%, and the balance of M0 amounted to RMB9.08 trillion, representing a year-on-year increase of 7.7%; the balance of RMB loans amounted to RMB192.69 trillion, representing a year-on-year increase of 11.6%, and the balance of RMB deposits amounted to RMB232.25 trillion, representing a year-on-year increase of 9.3%. New RMB loans made in the year amounted to RMB19.95 trillion, representing a year-on-year increase of RMB0.3150 trillion; and new RMB deposits amounted to RMB19.68 trillion, representing a year-on-year increase of RMB0.0323 trillion. Increment of social financing scale as at the end of 2021 was RMB314.13 trillion, representing a year-on-year increase of 10.3%.

In 2021, during the new development period, Heilongjiang Province implemented the new development philosophies in a complete, accurate and comprehensive manner by adhering to the strategy of focusing on stability while seeking progress. It scientifically coordinated pandemic prevention and control and economic and social development, and effectively responded to the impact of the COVID-19 pandemic and internal and external risks and challenges, promoting the steady recovery of the economy and strengthening the development resilience. Heilongjiang Province maintained a stable economic recovery with an upward momentum from Q1 to Q4. Its main economic indicators continued to improve and the overall economic operation recorded a stable and improved performance. In 2021, the regional gross domestic product (GDP) of Heilongjiang reached RMB1,487.92 billion, representing an increase of 6.1% over the same period of last year based on constant price calculation. In terms of industries, the added value of the primary industry was RMB346.30 billion, representing a year-on-year increase of 6.6%; the added value of the secondary industry was RMB397.53 billion, representing a year-on-year increase of 5.0%; and the added value of the tertiary industry was RMB744.09 billion, representing a year-on-year increase of 6.3%. During the year, fixed asset investment made within Heilongjiang increased by 6.4% as compared to last year, higher than the national average. Total retail sales of consumer goods reached RMB554.29 billion, representing a year-on-year increase of 8.8%, and disposable income per capita of urban and rural residents increased by 8.1% and 10.6% as compared to last year, respectively.

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(II) Operation Overview

In 2021, facing the challenges brought by COVID-19 pandemic and the complicated operating environment, the Bank, under the strategic guidance of the Board and the strong supervision of the Board of Supervisors, earnestly put the national economic and financial policies into practice, and upheld the business positioning of serving the real economy, serving small and medium-sized enterprises and serving local development with a focus on the theme of “high quality development”. Adhering to the working principal of “returning to the basics, focusing on key areas, optimising the structure and innovative development”, the Bank focused on pandemic prevention and control, and performance enhancement. The Bank achieved the goals of its strategic plan at the highest standards. The development continued to optimize, with major indicators gradually recovered.

Steady business scale development

As at 31 December 2021, the Group had total assets of RMB645,046.2 million, representing an increase of RMB46,442.6 million or 7.8% as compared to the end of last year; total loans and advances to customers of the Group amounted to RMB294,359.2 million, representing an increase of RMB13,792.0 million or 4.9% as compared to the end of last year; and due to customers deposits of the Group amounted to RMB501,751.2 million, representing an increase of RMB32,471.2 million or 6.9% as compared to the end of last year.

The Group recorded a net profit of RMB398.7 million for the year of 2021, representing a year-on-year decrease of RMB397.1 million or 49.9%; and a net profit attributable to shareholders of the Company of RMB274.1 million, representing a year-on-year decrease of RMB471.6 million or 63.2%, primarily due to the combined effect from the downward migration of asset quality of some industries and customers and the continuous implementation of various profit support measures. As at 31 December 2021, the return on average total assets of the Group was 0.06%, representing a decrease as compared with 0.13% in 2020; and the return on average equity of the Group was 0.55%, representing a decrease as compared with 1.51% in 2020.

Slight decrease in NPLs

As at 31 December 2021, the balance of the Group’s NPLs was RMB8,483.1 million, and the NPL ratio was 2.88%, representing a decrease of 0.09 percentage point as compared to the end of last year; the impairment coverage ratio was 162.45%, representing an increase of 29.19 percentage points as compared to the end of last year; and impairment losses on loans was 4.68%, representing an increase of 0.72 percentage point as compared to the end of last year, showing enhanced risk resilience.

Stable development of subsidiaries

In 2021, HB Leasing, HBCF and 32 village and township banks controlled by the Company kept on stable and healthy development momentum. As of 31 December 2021, HB Leasing had total assets of RMB24,821 million, representing a decrease of 1.99% as compared to the end of last year; HBCF had total assets of RMB13,658 million, representing an increase of RMB2,265 million as compared to the end of last year. Balance of loans amounted to RMB13,040 million, representing an increase of RMB2,443 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 RMB26,457 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 was no material violation of the laws and regulations by the Company.

(III) Analysis of Key Issues

1. *Net interest margin*

In 2021, the net interest spread of the Bank was 1.74%, representing a decrease of 0.44 percentage point as compared to last year, and the net interest margin was 1.78%, representing a decrease of 0.42 percentage point as compared to last year, mainly attributable to: (1) the yield on loans and debt securities investment declined due to the combined effect of various factors, such as the impact of the COVID-19 pandemic, economic growth slowdown, declining asset quality and various profit support measures. (2) the active optimisation of its debt structure by the Bank, resulting a decrease in the customers' cost ratios of deposits and the inter-bank liabilities cost ratios. Looking forward to 2022, it is expected with the continuous impact of the COVID-19 pandemic on certain industries and the intensified market competition, the net interest spread and net interest margin will be subject to relatively great downward pressure. To this end, the Bank will further strengthen its active management of assets and liabilities, proactively adjust its credit structure, adjust its investment portfolios in due course and strengthen its risk control in order to maintain a relatively steady return on assets. In addition, the Bank will strengthen its liquidity management, consolidate its customer base, optimise its debt structure and endeavour to maintain its cost of debt to ensure a generally stable net interest spread and net interest margin.

2. *Quality of key assets*

As at 31 December 2021, the balance of the Group's NPLs was RMB8,483.1 million, and the NPL ratio was 2.88%, down from the end of last year.

During the Reporting Period, the Bank made active responses to the dual impacts of the slowdown in macroeconomic growth and the new normal of 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 formulated guidance opinions on real estate and political and credit business, set differentiated corporate customer access standards and risk limits in industry fields and key areas, so as to strictly control new business risks and improve 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 occurrence of regional systematic risks.

3. *Capital management*

During the Reporting Period, the Bank fulfilled and implemented requirements of its capital management plans, continuously strengthened its capital management fundamental capability, and further enhanced the role of capital in leading and restraining its business development. 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 2021, risk-weighted assets of the Bank amounted to RMB541,233.5 million, representing an increase of RMB53,040.8 million or 10.9% 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 9.28%, 11.33% and 12.54%, respectively. The core tier-1 capital adequacy ratio and capital adequacy ratio of the Bank decreased 0.90 percentage point and 0.05 percentage point respectively as compared to the end of last year due to the increase in risk-weighted assets. In 2021, the Bank successfully issued capital bonds without a fixed term to supplement other tier-1 capital, resulting the tier-1 capital adequacy ratio increasing 1.13 percentage points as compared to the end of last year.

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4. *Investment in debt instruments issued by financial institutions*

As at 31 December 2021, total investment by the Bank in debt instruments issued by financial institutions amounted to RMB144,664.6 million, representing an increase of 5.2% 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 2021, the balance of provision of the Bank’s investment in debt instruments issued by financial institutions amounted to RMB4,966.7 million, representing an increase of RMB573.7 million as compared to the end of last year, and the coverage ratio was 3.43%, representing an increase of 0.23 percentage point as compared to the end of last year.

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5. *Wealth Management Business*

At the end of the Reporting Period, as 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.

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6 · Net Stable Funding Ratio

As of 30 June 2021, the net stable funding ratio of the Bank was 115.56%, which was in compliance with the regulatory standards. The available stable funding (upon translation) was RMB438.896 billion and the required stable funding (upon translation) was RMB379.814 billion.

As of 30 September 2021, the net stable funding ratio of the Bank was 110.62%, which was in compliance with the regulatory standards. The available stable funding (upon translation) was RMB434.761 billion, and the required stable funding (upon translation) was RMB393.016 billion.

As of 31 December 2021, the net stable funding ratio of the Bank was 113.56%, which was in compliance with the regulatory standards. The available stable funding (upon translation) was RMB449.679 billion, and the required stable funding (upon translation) was RMB395.997 billion.

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

Item	As at 31 December 2021	As at 30 September 2021	As at 30 June 2021
	(In RMB100 million, except percentages)		
Net stable funding ratio	113.56%	110.62%	115.56%
Available stable funding	4,496.79	4,347.61	4,388.96
Required stable funding	3,959.97	3,930.16	3,798.14

7. Impact of the COVID-19 pandemic on the Bank

Under the influence of the COVID-19 pandemic, economic activities were suppressed in the short term, and there was still some uncertainty in the cash flow of enterprises and individual businesses. Especially in the Northeastern China, due to the repeated epidemic situation superimposed on the insufficient economic vitality of the region, the production and operation of some industries and customers of the Bank have been trapped, and their repayment ability has declined. Meanwhile, the Bank actively responded to the call of the national policy and made every effort to do a good job in financial services during the epidemic. Through preferential interest rates, deferred principal and interest payments, fee reductions and exemptions, and the provision of special credit lines, the Bank moderately reduced the financing costs of borrowers supported by the policies and eased the financial burden for the customers with operational difficulties. During the past two years, the Bank has cumulatively contributed more than RMB1 billion to entities to effectively meet the financing needs of enterprises during the epidemic and actively support the rapid recovery of epidemic-related enterprises.

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The Bank actively responded to the impact of the COVID-19 epidemic. While fulfilling its corporate social responsibilities, actively implementing various national support policies, and doing a good job in epidemic prevention and control as well as financial services, the Bank continued to increase the collection and disposal of non-performing assets, optimized the structure of assets and liabilities, strengthened the control of financial resources, and adopted numerous measures to internally tap the potential to reduce costs and increase efficiency, so as to ensure the overall stable operation. Firstly, the Bank continued to strengthen the monitoring of daytime liquidity, efficiently applied the monetary policy tools of the Central Bank, and effectively monitored the future cash flow of large amount of funds due and the holding of qualified high-quality liquid assets, in order to ensure stable and abundant liquidity and working capital on an ongoing basis. Secondly, adhering to the development direction of “returning to the source and focusing on the main business”, the Bank actively implemented the national and local development strategies, improved the asset industry and regional layout, and optimized the asset structure, thereby enhancing the profitability. The Bank proactively optimized the deposit structure, strengthened the management of debt costs, continuously upgraded the product service system, and formed a closed-loop management model of “product + interest + service”, so as to improve the ability to attract customers and effectively save capital costs. Thirdly, the Bank continued to optimize financial management and control as well as resource allocation based on the principle of “cautious planning, cost reduction and efficiency enhancement, and strict saving”, increased the guarantee for key aspects and fixed expenditures, strengthened cost control in the whole process, so as to reduce non-essential expenditures. Fourthly, the current epidemic greatly boosted customers’ dependence on online financial services, posing a profound impact on the future of financial services. The Bank has implemented and promoted smart operation projects based on new fintech approaches such as smart risk, smart customer service and data governance in an orderly manner in recent years, constantly enhancing the financial technology capabilities.

In the future, the Bank will continue to improve its online, intelligent and automated business operation capabilities, and innovate customer service marketing management models. Besides, the Bank will further strengthen the financial support for epidemic prevention and control, continue to deepen special services in special periods and strengthen scientific and technological service support and guarantee, strengthen the governance on IT, and steadily promote the process of digital transformation, with an aim to continuously improve the Bank’s financial service capabilities.

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II. Analysis on Income Statement

	For the year ended 31 December			
	2021	2020	Change in amount	Rate of change
	(In RMB million, except percentages)			
Interest income	26,448.1	29,003.9	(2,555.8)	-8.8%
Interest expense	(16,387.1)	(16,694.7)	307.6	-1.8%
Net interest income	10,061.0	12,309.2	(2,248.2)	-18.3%
Fee and commission income	860.0	1,110.7	(250.7)	-22.6%
Fee and commission expense	(163.0)	(230.7)	67.7	-29.3%
Net fee and commission income	697.0	880.0	(183.0)	-20.8%
Net trading income or loss	1,128.5	1,200.0	(71.5)	-6.0%
Net gains on financial investments	247.1	216.9	30.2	13.9%
Net other operating income or loss	185.9	0.2	185.7	92,850.0%
Operating income	12,319.5	14,606.3	(2,286.8)	-15.7%
Operating expenses	(4,956.8)	(4,896.0)	(60.8)	1.2%
Credit impairment losses	(6,700.5)	(8,301.4)	1,600.9	-19.3%
Impairment losses of other assets	(101.0)	-	(101.0)	-
Operating profit	561.2	1,408.9	(847.7)	-60.2%
Profit before tax	561.2	1,408.9	(847.7)	-60.2%
Income tax expense	(162.5)	(613.1)	450.6	-73.5%
Net profit	398.7	795.8	(397.1)	-49.9%

In 2021, the Bank recorded a profit before tax of RMB561.2 million, representing a year-on-year decrease of 60.2%, and a net profit of RMB398.7 million, representing a year-on-year decrease of 49.9%.

(I) Net Interest Income

In 2021, the Bank recorded a net interest income of RMB10,061.0 million, representing a decrease of RMB2,248.2 million or 18.3% 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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For the year ended 31 December

	2021		2020			
	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	290,619.5	16,517.6	5.68%	279,821.3	17,846.3	6.38%
Investments in debt securities ⁽¹⁾	177,911.7	7,315.1	4.11%	184,964.3	8,380.9	4.53%
Cash and balances with						
Central Bank	53,461.5	774.5	1.45%	53,956.5	784.9	1.45%
Due from banks and						
other financial institutions ⁽²⁾	19,204.7	416.6	2.17%	17,667.1	381.3	2.16%
Long-term receivables	24,216.6	1,424.3	5.88%	23,570.3	1,610.5	6.83%
Total interest-earning assets	565,414.0	26,448.1	4.68%	559,979.5	29,003.9	5.18%

For the year ended 31 December

	2021		2020			
	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	483,835.9	13,787.0	2.85%	471,934.0	13,673.4	2.90%
Due to banks ⁽³⁾	45,127.6	1,616.1	3.58%	34,701.7	1,299.5	3.74%
Debt securities issued and others	25,719.0	904.0	3.51%	47,014.1	1,610.4	3.43%
Due to Central Bank	3,446.6	80.0	2.32%	3,807.9	111.4	2.92%
Total interest-bearing liabilities	558,129.1	16,387.1	2.94%	557,457.7	16,694.7	2.99%
Net interest income		10,061.0			12,309.2	
Net interest spread⁽⁴⁾			1.74%			2.18%
Net interest margin⁽⁵⁾			1.78%			2.20%

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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		
	2021 vs. 2020		
	Increase/ (decrease) Volume ⁽¹⁾	Interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
	(In RMB million)		
Interest-earning assets			
Loans and advances to customers	688.7	(2,017.4)	(1,328.7)
Investments in debt securities	(319.6)	(746.2)	(1,065.8)
Cash and balances with Central Bank	(7.2)	(3.2)	(10.4)
Due from banks and other financial institutions	33.2	2.1	35.3
Long-term receivables	44.2	(230.4)	(186.2)
Change in interest income	439.3	(2,995.1)	(2,555.8)
Interest-bearing liabilities			
Due to customers	350.3	(236.7)	113.6
Due to banks	389.4	(72.8)	316.6
Debt securities issued and others	(728.7)	22.3	(706.4)
Due to Central Bank	(10.6)	(20.8)	(31.4)
Change in interest expense	0.4	(308.0)	(307.6)

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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 2021, the Bank realized an interest income of RMB26,448.1 million, representing a decrease of RMB2,555.8 million or 8.8% year on year. The decrease in interest income was primarily due to the decrease in yield ratio of loans and advances to customers, investment in securities and long-term receivables in 2021, resulting in the average yield ratio of total interest-earning assets decreasing from 5.18% in previous year to 4.68% in 2021.

1. Interest income from loans and advances to customers

In 2021, the Bank's interest income from loans and advances to customers decreased by RMB1,328.7 million or 7.4% year on year to RMB16,517.6 million, primarily due to the increase in credit risk and decrease in repayment ability in some industries and customers of the Bank affected by the market environment, proactively lowering the financing costs of the borrowers in support of the resumption of work and production in real economy etc., resulting in the average yield ratio of loans and advances to customers decreasing by 0.70 percentage point.

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					
	2021			2020		
	Average balance	Interest income	Average yield ratio	Average balance	Interest income	Average yield ratio
	(In RMB million, except percentages)					
Corporate loans	161,103.0	8,018.1	4.98%	158,977.9	9,149.0	5.75%
Personal loans	128,132.0	8,457.6	6.60%	117,902.2	8,515.6	7.22%
Discounted bills	1,384.5	41.9	3.03%	2,941.2	181.7	6.18%
Total loans and advances to customers	290,619.5	16,517.6	5.68%	279,821.3	17,846.3	6.38%

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2. *Interest income from investments in debt securities*

In 2021, the Bank's interest income from investments in debt securities decreased by RMB1,065.8 million or 12.7% to RMB7,315.1 million year on year, mainly attributable to the fact that the average yield ratio decreased by 0.42 percentage point as affected by the pandemic and the downward of market interest rates. Meanwhile, the Bank continuously adjusted its investment structure. The average balance of investments in debt securities decreased by RMB7,052.6 million as compared with last year.

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

In 2021, the Bank's interest income from cash and balances with Central Bank decreased by RMB10.4 million or 1.3% to RMB774.5 million year on year, mainly attributable to the decrease in the average balance of cash and balances with Central Bank.

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

In 2021, the Bank's interest income from amounts due from banks and other financial institutions increased by RMB35.3 million or 9.3% to RMB416.6 million year on year, primarily attributable to the increase in average balance of RMB1,537.6 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 long-term receivables*

In 2021, the Bank's interest income from long-term receivables was RMB1,424.3 million, representing a decrease of RMB186.2 million year on year, mainly affected by market environment, resulting in the average yield ratio of long-term receivables decreasing 0.95 percentage point.

(III) **Interest Expense**

In 2021, the Bank's interest expense decreased by RMB307.6 million or 1.8% to RMB16,387.1 million as compared to the same period of last year. The decrease in interest expense was mainly due to the decrease in the average cost ratio of total interest-bearing liabilities from 2.99% last year to 2.94% in 2021 resulted from the decrease in the average cost ratios of due to customers, due to banks and due to the Central Bank in 2021.

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1. Interest expense on due to customers

In 2021, the Bank's interest expense on due to customers increased by RMB113.6 million or 0.8% to RMB13,787.0 million year on year, primarily attributable to the increase of RMB11,901.9 million in the average of balance due to customers due to the fact that the Bank put more efforts in stabilizing and increasing deposits.

	For the year ended 31 December					
	2021			2020		
	Average balance	Interest expense	Average cost ratio	Average balance	Interest expense	Average cost ratio
(In RMB million, except percentages)						
Corporate deposits						
Demand	96,813.2	1,063.2	1.10%	109,259.4	1,164.7	1.07%
Time	91,660.9	3,048.8	3.33%	101,072.9	3,706.4	3.67%
Subtotal	188,474.1	4,112.0	2.18%	210,332.3	4,871.1	2.32%
Personal deposits						
Demand	46,363.3	234.3	0.51%	44,177.7	200.3	0.45%
Time	248,998.5	9,440.7	3.79%	217,424.0	8,602.0	3.96%
Subtotal	295,361.8	9,675.0	3.28%	261,601.7	8,802.3	3.36%
Total deposits						
from customers	483,835.9	13,787.0	2.85%	471,934.0	13,673.4	2.90%

2. Interest expense on due to banks

In 2021, the Bank's interest expense on due to banks increased by RMB316.6 million or 24.4% to RMB1,616.1 million year on year, primarily attributable to the increase of RMB10,425.9 million in the average balance of the underlying liabilities as compared with last year resulted from the Bank's effort in actively expanding inter-bank financing channels and enriching sources of liabilities.

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3. Interest expense on debt securities issued and others

In 2021, the Bank's interest expense on debt securities issued and others amounted to RMB904.0 million, representing a decrease of RMB706.4 million or 43.9% year on year, mainly attributable to a decrease of RMB21,295.1 million in the average balance of the underlying liabilities as compared with last year due to the expiration of certain debt securities of the Bank.

(IV) Net Interest Spread and Net Interest Margin

In 2021, the Bank's net interest spread decreased from 2.18% for last year to 1.74%, and the net interest margin decreased from 2.20% for last year to 1.78%, mainly due to the downward of market interest rate resulted from the relatively loose market liquidity in 2021. Besides, as affected by the lingering pandemic, the asset quality of certain industries and customers declined and the Bank continued to take various profit support measures, resulting in the decrease in the average yield ratio of interest-earning assets.

(V) Non-interest Income

1. Net fee and commission income

In 2021, the Bank's net fee and commission income decreased by RMB183.0 million or 20.8% year on year to RMB697.0 million, primarily attributable to the decrease in the Bank's agency and custodian fee income.

	For the year ended 31 December			
	2021	2020	Change in amount	Rate of change
	(In RMB million, except percentages)			
Fee and commission income	860.0	1,110.7	(250.7)	-22.6%
Advisory and consultancy fee	327.3	263.1	64.2	24.4%
Settlement fee	45.6	23.6	22.0	93.2%
Agency and custodian fee	223.2	576.6	(353.4)	-61.3%
Of which: non-principal protected wealth management agency fee	158.2	317.8	(159.6)	-50.2%
Bank card fee	254.9	238.6	16.3	6.8%
Others	9.0	8.8	0.2	2.3%
Fee and commission expense	(163.0)	(230.7)	67.7	-29.3%
Net fee and commission income	697.0	880.0	(183.0)	-20.8%

In 2021, the Bank's advisory and consultancy fee income increased by RMB64.2 million or 24.4% year on year to RMB327.3 million, mainly attributable to the changes in volume of advisory and consultancy business.

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In 2021, the Bank's settlement fee income increased by RMB22.0 million or 93.2% year on year to RMB45.6 million, mainly attributable to the volume change of the settlement business.

In 2021, the Bank's agency and custodian fee income decreased by RMB353.4 million or 61.3% year on year to RMB223.2 million, mainly attributable to the decrease in scale of the agency and custodian business.

In 2021, the Bank's bank card fee income increased by RMB16.3 million or 6.8% year on year to RMB254.9 million, mainly attributable to the increase in number of customers and business volume resulting from the Bank's great effort in expanding the bank card related intermediary business.

In 2021, the Bank realised other fee and commission income of RMB9.0 million, representing an increase of RMB0.2 million or 2.3% year on year.

2. Net trading income or loss

In 2021, the Bank's net trading income decreased by RMB71.5 million or 6.0% year on year to RMB1,128.5 million mainly attributable to the decrease in investment income from financial assets measured at fair value through profit or loss.

3. Net gains on financial investments

In 2021, the Bank's net gains on financial investments increased by RMB30.2 million or 13.9% year on year to RMB247.1 million, mainly attributable to the increase in gains on disposal of financial assets measured at amortised cost.

4. Net other operating income or loss

In 2021, the Bank's net other operating income or loss increased by RMB185.7 million year on year to RMB185.9 million, mainly attributable to the increase in income from disposal of real estate due to the effective revitalization of idle real estate by the Bank.

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(VI) Operating Expenses

In 2021, the Bank's operating expenses increased by RMB60.8 million or 1.2% year on year to RMB4,956.8 million.

	For the year ended 31 December			
	2021	2020	Change in amount	Rate of change
	(In RMB million, except percentages)			
Staff costs	2,333.9	2,427.2	(93.3)	-3.8%
Tax and surcharges	241.3	213.8	27.5	12.9%
Depreciation and amortisation	742.5	780.5	(38.0)	-4.9%
Others	1,639.1	1,474.5	164.6	11.2%
Total operating expenses	4,956.8	4,896.0	60.8	1.2%

Staff costs are the largest component of the Bank's operating expenses, representing 47.1% and 49.6% of the Bank's total operating expenses for 2021 and 2020, respectively.

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

	For the year ended 31 December			
	2021	2020	Change in amount	Rate of change
	(In RMB million, except percentages)			
Staff costs				
Salaries, bonuses and allowances	1,626.1	1,878.3	(252.2)	-13.4%
Social insurance	369.6	223.4	146.2	65.4%
Housing fund	166.4	167.2	(0.8)	-0.5%
Staff benefits	133.1	111.8	21.3	19.1%
Labor union expenditure and education costs	26.1	24.3	1.8	7.4%
Early retirement benefits	12.6	22.2	(9.6)	-43.2%
Total	2,333.9	2,427.2	(93.3)	-3.8%

In 2021, the staff costs of the Bank were RMB2,333.9 million, representing a decrease of RMB93.3 million or 3.8% year on year, mainly because in 2021, the Bank further enhanced the efficiency of compensation utilization, and established compensation and performance realization methods that are more suitable for the new normal of banking operations, effectively controlling the compensation costs with a steady decline through measures such as strengthening assessment efforts and optimizing performance realization methods.

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In 2021, the Bank had to pay tax and surcharges of RMB241.3 million, representing an increase of RMB27.5 million or 12.9% year on year, primarily attributable to the increase in relevant taxes as a result of the development of the Bank's business.

In 2021, depreciation and amortisation of the Bank were RMB742.5 million, representing a decrease of RMB38.0 million or 4.9% year on year.

In 2021, the Bank's other operating expenses increased by RMB164.6 million or 11.2% year on year to RMB1,639.1 million.

(VII) Credit impairment losses

In 2021, the Bank's credit impairment losses decreased by RMB1,600.9 million or 19.3% year on year to RMB6,700.5 million.

	For the year ended 31 December			
	2021	2020	Change in amount	Rate of change
	(In RMB million, except percentages)			
Impairment losses on loans and advances to customers at amortised cost	5,877.6	7,275.8	(1,398.2)	-19.2%
Impairment losses on financial assets at amortised cost	578.9	485.4	93.5	19.3%
Impairment losses on financial lease receivables	203.3	350.9	(147.6)	-42.1%
Impairment losses of others	40.7	189.3	(148.6)	-78.5%
Total	6,700.5	8,301.4	(1,600.9)	-19.3%

(VIII) Impairment Losses of Other Assets

In 2021, the Bank's impairment losses of other assets increased by RMB101.0 million year on year to RMB101.0 million, mainly representing the impairment losses of operating lease assets.

	For the year ended 31 December			
	2021	2020	Change in amount	Rate of change
	(In RMB million, except percentages)			
Impairment losses of operating lease assets	101.0	-	101.0	-
Total	101.0	-	101.0	-

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(IX) Income Tax Expenses

In 2021, the Bank's income tax expenses decreased by RMB450.6 million or 73.5% year on year to RMB162.5 million.

	For the year ended 31 December			
	2021	2020	Change in amount	Rate of change
	(In RMB million, except percentages)			
Current income tax expenses	869.0	1,643.8	(774.8)	-47.1%
Deferred income tax expenses	(706.5)	(1,030.7)	324.2	-31.5%
Effective income tax expenses	162.5	613.1	(450.6)	-73.5%

III. Analysis of Key Items of Financial Position

(I) Assets

As at 31 December 2021, the Bank's total assets increased by RMB46,442.6 million or 7.8% to RMB645,046.2 million as compared to the end of last year, mainly attributable to the increase in the Bank's investment in securities and other financial assets and loans and advances to customers.

	As at 31 December			
	2021		2020	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Loans and advances to customers, net	283,637.0	44.0%	272,350.6	45.5%
Net investment in securities and other financial assets	245,667.2	38.1%	216,849.3	36.2%
Cash and balances with the Central Bank	64,923.2	10.0%	62,771.1	10.5%
Due from banks and other financial institutions	7,116.2	1.1%	6,206.1	1.0%
Other assets	43,702.6	6.8%	40,426.5	6.8%
Total assets ⁽¹⁾	645,046.2	100.0%	598,603.6	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 2021, the Bank's total loans and advances to customers increased by RMB13,792.0 million to RMB294,359.2 million, representing an increase of 4.9% 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			
	2021		2020	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Corporate loans	161,598.6	54.9%	158,551.8	56.5%
Personal loans	132,750.1	45.1%	120,174.3	42.8%
Discounted bills	10.5	0.0%	1,841.1	0.7%
Total loans and advances to customers	294,359.2	100.0%	280,567.2	100.0%

(1) Corporate loans

As at 31 December 2021, the Bank's corporate loans increased by RMB3,046.8 million to RMB161,598.6 million, representing an increase of 1.9% as compared to the end of last year, mainly attributable to the Bank's enhanced support to loan customers to continuously support the real economy development.

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

	As at 31 December			
	2021		2020	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Loans to small enterprises ⁽¹⁾	64,025.6	39.6%	58,946.3	37.2%
Other corporate loans excluding loans to small enterprises	97,573.0	60.4%	99,605.5	62.8%
Total corporate loans	161,598.6	100.0%	158,551.8	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 2021, the Bank's loans to small enterprises increased by RMB5,079.3 million to RMB64,025.6 million, representing an increase of 8.6% as compared to the end of last year. As at 31 December 2021 and 31 December 2020, the Bank's loans to small enterprises accounted for 39.6% and 37.2% of the Bank's total corporate loans, respectively.

(2) *Personal loans*

As at 31 December 2021, the Bank's personal loans increased by RMB12,575.8 million to RMB132,750.1 million, representing an increase of 10.5% as compared to the end of last year, mainly attributable to the increase in personal consumption loans by RMB11,499.8 million or 16.9% 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			
	2021		2020	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Loans to small enterprise owners	38,101.6	28.7%	36,890.1	30.7%
Personal consumption loans	79,646.1	60.0%	68,146.3	56.7%
Loans to farmers	15,002.4	11.3%	15,137.9	12.6%
Total personal loans	132,750.1	100.0%	120,174.3	100.0%

As at 31 December 2021, loans to small enterprise owners and personal consumption loans increased by 3.3% and 16.9% respectively as compared to the end of last year, loans to farmers decreased by 0.9% as compared to the end of last year.

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2. *Investment in securities and other financial assets*

As at 31 December 2021, the total amount of the Bank's investment in securities and other financial assets was RMB247,610.0 million, representing an increase of RMB28,846.6 million or 13.2% as compared to the end of last year. The increase in such assets in 2021 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			
	2021		2020	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Financial assets measured at fair value through profit or loss	61,469.2	24.8%	53,515.3	24.5%
Financial assets measured at amortised cost	147,820.5	59.7%	145,479.9	66.5%
Financial assets measured at fair value through other comprehensive income	38,320.3	15.5%	19,768.2	9.0%
Total investment in securities and other financial assets	247,610.0	100.0%	218,763.4	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			
	2021		2020	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Debt investments:				
Bond investments	95,185.7	38.4%	80,782.7	36.9%
Debt instruments issued by financial institutions ⁽¹⁾	144,664.6	58.5%	137,452.5	62.9%
Subtotal	239,850.3	96.9%	218,235.2	99.8%
Equity investment	7,759.7	3.1%	528.2	0.2%
Total investment in securities and other financial assets	247,610.0	100.0%	218,763.4	100.0%

Note:

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

As at 31 December 2021, the Bank's total investment in debt instruments issued by financial institutions was RMB144,664.6 million, representing an increase of RMB7,212.1 million or 5.2% 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 62.9% as at 31 December 2020 to 58.5% as at 31 December 2021.

	As at 31 December			
	2021		2020	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Government bonds	41,469.3	43.6%	36,031.2	44.6%
Bonds issued by financial institutions	3,925.7	4.1%	1,642.9	2.0%
Corporate bonds	31,930.0	33.5%	22,833.1	28.3%
Bonds issued by policy banks	17,860.7	18.8%	20,275.5	25.1%
Total bond investments	95,185.7	100.0%	80,782.7	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 2021, the Bank's total cash and balances with the Central Bank increased by RMB2,156.9 million to RMB64,903.7 million, representing an increase of 3.4% as compared to the end of last year.

As at 31 December 2021, the Bank's due from banks and other financial institutions increased by RMB915.8 million to RMB7,127.2 million, representing an increase of 14.7% 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 2021, the Bank's total liabilities were RMB582,266.3 million, representing an increase of RMB34,771.8 million or 6.4% as compared to the end of last year.

	As at 31 December			
	2021		2020	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Due to customers	506,779.9	87.0%	476,333.1	87.0%
Due to banks ⁽¹⁾	35,035.3	6.0%	25,769.4	4.7%
Repurchase agreements	9,024.0	1.6%	1,499.4	0.3%
Debt securities issued	19,129.2	3.3%	33,575.1	6.1%
Due to Central Bank	4,271.0	0.7%	3,639.2	0.7%
Other liabilities ⁽²⁾	8,026.9	1.4%	6,678.3	1.2%
Total liabilities ⁽³⁾	582,266.3	100.0%	547,494.5	100.0%

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Notes:

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

1. Due to customers

As at 31 December 2021, the Bank's total due to customers increased by RMB32,471.2 million to RMB501,751.2 million, representing an increase of 6.9% as compared to the end of last year.

	As at 31 December			
	2021		2020	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Corporate deposits				
Demand deposits	86,244.5	17.2%	101,577.4	21.7%
Time deposits	104,591.3	20.8%	88,371.2	18.8%
Subtotal	190,835.8	38.0%	189,948.6	40.5%
Personal deposits				
Demand deposits	51,237.2	10.2%	57,215.4	12.2%
Time deposits	259,678.2	51.8%	222,116.0	47.3%
Subtotal	310,915.4	62.0%	279,331.4	59.5%
Total due to customers	501,751.2	100.0%	469,280.0	100.0%

2. Due to banks

As at 31 December 2021, the Bank's due to banks balance increased by RMB9,095.2 million to RMB34,577.0 million, representing an increase of 35.7% as compared to the end of last year.

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3. Repurchase agreement

As at 31 December 2021, the Bank's repurchase agreement was RMB8,998.0 million, representing an increase of RMB7,527.8 million or 512.0% as compared to the end of last year.

4. Debt securities issued

As at 31 December 2021, the Bank's debt securities issued were RMB19,098.4 million, representing a decrease of RMB14,231.5 million or 42.7% as compared to the end of last year, which was mainly due to the maturity of certain debt securities issued by the Bank.

(III) Shareholders' Equity

As at 31 December 2021, the Bank's total shareholders' equity increased by RMB11,670.8 million to RMB62,779.9 million, representing an increase of 22.8% as compared to the end of last year. As at 31 December 2021, total equity attributable to shareholders of the parent company increased by RMB11,547.1 million to RMB60,794.2 million, representing an increase of 23.4% as compared to the end of last year. The increase in shareholders' equity was mainly attributable to the issuance of capital bonds without a fixed term in 2021.

	As at 31 December			
	2021		2020	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Share capital	10,995.6	17.5%	10,995.6	21.5%
Other equity instruments	10,999.3	17.5%	–	–
Reserves	19,527.9	31.1%	19,195.3	37.6%
Undistributed profits	19,271.4	30.7%	19,056.2	37.3%
Equity attributable to shareholders of the parent company	60,794.2	96.8%	49,247.1	96.4%
Non-controlling interests	1,985.7	3.2%	1,862.0	3.6%
Total equity	62,779.9	100.0%	51,109.1	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	
	2021	2020
		(In RMB million)
Credit commitments:		
Bank bills acceptance	9,860.4	15,514.0
Issued letters of guarantee	1,298.8	1,570.6
Issued letters of credit	2,642.4	929.6
Credit limit of credit card	27,063.3	21,837.3
Subtotal	40,864.9	39,851.5
Capital expenditure commitments	212.0	203.2
Treasury bond redemption commitments	1,978.7	2,517.0
Total	43,055.6	42,571.7

In addition, as at 31 December 2021, 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 RMB72 million, and the estimated liability of RMB56 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 “create 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 2021, the NPL ratio was 2.88%, representing a decrease of 0.09 percentage point as compared to the end of the last year. The impairment coverage ratio was 162.45%, representing an increase of 29.19 percentage points as compared to the end of the last year. The impairment losses on loans ratio was 4.68%, representing an increase of 0.72 percentage point as compared to the end of the last year. The ability of risk loss resilience increased.

(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			
	2021		2020	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Pass	271,804.2	92.3%	259,989.5	92.7%
Special mention	14,071.9	4.8%	12,244.8	4.4%
Substandard	920.6	0.3%	3,648.6	1.3%
Doubtful	6,341.4	2.2%	4,076.9	1.4%
Loss	1,221.1	0.4%	607.4	0.2%
Total loans and advances to customers	294,359.2	100.0%	280,567.2	100.0%
NPLs amount and NPL ratio ⁽¹⁾	8,483.1	2.88%	8,332.9	2.97%

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					
	2021			2020		
	Loan amount	NPLs amount	NPL ratio	Loan amount	NPLs amount	NPL ratio
	(In RMB million, except percentages)					
Corporate loans						
Loans to small enterprises	64,025.6	2,401.3	3.75%	58,946.3	2,364.1	4.01%
Other corporate loans excluding loans to small enterprises	97,573.0	2,391.6	2.45%	99,605.5	2,636.6	2.65%
Subtotal	161,598.6	4,792.9	2.97%	158,551.8	5,000.7	3.15%
Personal loans						
Loans to small enterprise owners	38,101.6	1,298.1	3.41%	36,890.1	1,246.9	3.38%
Personal consumption loans	79,646.1	1,712.7	2.15%	68,146.3	985.3	1.45%
Loans to farmers	15,002.4	679.4	4.53%	15,137.9	1,100.0	7.27%
Subtotal	132,750.1	3,690.2	2.78%	120,174.3	3,332.2	2.77%
Discounted bills	10.5	–	–	1,841.1	–	–
Total	294,359.2	8,483.1	2.88%	280,567.2	8,332.9	2.97%

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In 2021, 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, formulated guiding opinions for real estate and government credit businesses, 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 2021, the NPL ratio of the Bank’s corporate loans decreased by 0.18 percentage point to 2.97% 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 the repeated COVID-19 epidemic, and asset quality declined slightly as the repayment ability of individuals has weakened.

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 examination” 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 a collective and specific level, and strengthened the management accountability for problematic loans and NPLs.

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

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

	As at 31 December							
	2021				2020			
	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	1,578.6	0.5%	159.5	10.10%	1,624.3	0.6%	199.7	12.29%
Mining	198.5	0.1%	4.2	2.12%	124.2	0.0%	2.0	1.61%
Manufacturing	6,246.5	2.1%	938.1	15.02%	6,277.8	2.2%	950.0	15.13%
Production and supply of electricity, heating, gas and water	4,868.7	1.7%	68.7	1.41%	4,920.1	1.8%	63.0	1.28%
Construction	12,936.3	4.4%	730.0	5.64%	10,919.8	3.9%	775.0	7.10%
Transportation, storage and postal services	3,266.3	1.1%	50.1	1.53%	3,389.7	1.2%	99.9	2.95%
Information transmission, software and information technology services	421.8	0.1%	19.7	4.67%	406.8	0.1%	24.7	6.07%
Wholesale and retail	27,356.4	9.3%	1,362.6	4.98%	30,656.7	10.9%	2,009.2	6.55%
Accommodations and catering	3,515.6	1.2%	169.1	4.81%	3,639.7	1.3%	58.1	1.60%
Finance	4.2	0.0%	4.2	100.00%	60.0	0.0%	-	-
Real estate	31,323.7	10.6%	219.9	0.70%	35,201.6	12.6%	168.8	0.48%
Leasing and commercial services	59,307.7	20.2%	909.0	1.53%	49,221.8	17.6%	500.3	1.02%
Scientific research and technological services	584.7	0.2%	2.8	0.48%	327.1	0.1%	2.8	0.86%
Water conservation, environment and public utility management	9,030.4	3.1%	141.1	1.56%	10,454.3	3.7%	119.5	1.14%
Residential, repair and other services	134.7	0.0%	0.2	0.15%	172.1	0.1%	11.0	6.39%
Education	155.4	0.1%	6.7	4.31%	195.4	0.1%	7.4	3.79%
Health and social work	392.7	0.1%	3.8	0.97%	637.0	0.2%	3.5	0.55%
Culture, sports and entertainment	276.4	0.1%	3.2	1.16%	323.4	0.1%	5.8	1.79%
Total corporate loans	161,598.6	54.9%	4,792.9	2.97%	158,551.8	56.5%	5,000.7	3.15%
Total personal loans	132,750.1	45.1%	3,690.2	2.78%	120,174.3	42.8%	3,332.2	2.77%
Discounted bills	10.5	0.0%	-	-	1,841.1	0.7%	-	-
Total	294,359.2	100.0%	8,483.1	2.88%	280,567.2	100.0%	8,332.9	2.97%

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As at 31 December 2021, the NPLs of corporate loans of the Bank concentrated in wholesale and retail industries and manufacturing industries, with NPLs of RMB1,362.6 million and RMB938.1 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 repeated COVID-19 pandemic and 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 addition, arising from the COVID-19 pandemic, the regional travel restrictions and the postponement of opening of court session and other circumstances affected the recovery and disposal of outstanding NPLs to a certain extent, resulting in greater proportion of NPLs in the above industries. In accordance with the national industrial policy supporting direction, the Bank actively implemented various regulatory requirements, rationally allocated credit resources, attached great importance to supporting strategic emerging industries, advanced manufacturing and modern service industries, and reinforced investment 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 measures, continuously stepped up effort to judicially dispose of NPLs, actively disposed existing NPLs and improved asset quality.

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

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

	As at 31 December							
	2021				2020			
	Loan amount	% of total	NPLs amount	NPL ratio	Loan amount	% of total	NPLs amount	NPL ratio
	(In RMB million, except percentages)							
Heilongjiang region	152,005.0	51.6%	3,082.1	2.03%	124,181.5	44.3%	3,060.2	2.46%
Other regions in								
Northeastern China	40,093.8	13.6%	2,000.1	4.99%	38,928.0	13.9%	1,003.8	2.58%
Southwestern China	63,810.8	21.7%	1,155.0	1.81%	57,043.3	20.3%	1,154.9	2.02%
Other regions	38,449.6	13.1%	2,245.9	5.84%	60,414.4	21.5%	3,114.0	5.15%
Total	294,359.2	100.0%	8,483.1	2.88%	280,567.2	100.0%	8,332.9	2.97%

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Under the guidance of national macroeconomic policy, the Bank has implemented the coordinating-development-between-regions strategy, taking boosting Helongjiang economy as its task, operating its business mainly in Northeastern and Southwestern China. The Bank strengthened its management of industry quota, products quota, credit facilities to related clients, distant loans, collateral loans to third parties and loans overdue. The Bank also set differentiated customer access standards and dynamically adjusted the credit authorisation so as to prevent the occurrence of regional systematic risks. Moreover, the Bank continued to increase efforts in resolving existing NPLs, strengthening judicial collection and matching the resources for write-off. As at the end of 2021, the NPL ratio in Heilongjiang region and Southwestern China decreased. The Bank continued to optimise the loan resources allocation in different regions, strengthened centralised management of approval, improved approval independence and enhanced asset quality control capacity.

(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							
	2021				2020			
	Loan amount	% of total	NPLs amount	NPL ratio	Loan amount	% of total	NPLs amount	NPL ratio
	(In RMB million, except percentages)							
Unsecured loans	79,032.0	26.8%	1,365.8	1.73%	52,491.1	18.7%	1,262.5	2.41%
Guaranteed loans	82,523.9	28.0%	2,615.0	3.17%	78,765.2	28.0%	3,403.3	4.32%
Collateralised loans	119,106.6	40.5%	4,449.1	3.74%	131,004.9	46.8%	3,571.4	2.73%
Pledged loans	13,696.7	4.7%	53.2	0.39%	18,306.0	6.5%	95.7	0.52%
Total	294,359.2	100.0%	8,483.1	2.88%	280,567.2	100.0%	8,332.9	2.97%

During the Reporting Period, the Bank made proactively responses to continuing effects of the COVID-19 pandemic. From the perspective of the Bank's overall loan structure, the collateralised and pledged loans accounted for a large part to 40.5% to ensure the controllability of ultimate risk on loan. In addition, the Bank, in proactive response to regulatory policies, put greater investments in inclusive loans to small and micro enterprises and the stabilization loans, and supported the real economy. Hence, there was an increase in unsecured loans and guaranteed loans. To prevent risk exposures effectively, the Bank continued to improve the professionalism of its collateral risk evaluation and increased the clients' default costs. Although the NPL ratio of collateralised loans increased, the ultimate risk was under control. At the same time, the Bank put more effort to deal with the guaranteed NPL based on multi-channel risk management. Hence, the NPL ratio of guaranteed loans went lower.

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(VI) Concentration of Borrowers

As of 31 December 2021, the Bank was in compliance with the lending limit of 10% of the Bank's net capital to any single borrower. The following table sets out, as at 31 December 2021, the Bank's 10 largest single borrowers (excluding group borrowers) in terms of loan balance, none of which was a NPL.

		As at 31 December 2021		
Industry		Loan balance	% of total loans	% of net capital
(In RMB million, except percentages)				
1	L-Leasing and commercial services	5,100.0	1.73%	7.50%
2	L-Leasing and commercial services	3,291.5	1.12%	4.85%
3	K – Real estate	2,985.0	1.01%	4.40%
4	K – Real estate	2,464.0	0.84%	3.63%
5	L-Leasing and commercial services	2,354.5	0.80%	3.47%
6	N-Water conservation, environment and public utility management	2,178.3	0.74%	3.21%
7	H-Wholesale and retail	2,061.0	0.70%	3.04%
8	L-Leasing and commercial services	1,885.0	0.64%	2.78%
9	K – Real estate	1,707.0	0.58%	2.51%
10	E – Construction	1,576.0	0.54%	2.32%
Total		25,602.3	8.70%	37.71%

(VII) Overdue Loans and Advances to Customers

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

		As at 31 December			
		2021		2020	
		Amount	% of total	Amount	% of total
(In RMB million, except percentages)					
Current loans and advances		251,857.7	85.6%	255,038.9	90.9%
Loans and advances past due: ⁽¹⁾					
For 1 to 90 days		20,008.3	6.8%	12,285.9	4.4%
For 91 days to 1 year		9,321.7	3.2%	8,801.1	3.1%
For 1 year and above		13,171.5	4.4%	4,441.3	1.6%
Subtotal		42,501.5	14.4%	25,528.3	9.1%
Total loans and advances to customers		294,359.2	100.0%	280,567.2	100.0%

Note:

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

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As at 31 December 2021, the overdue loans accounted for 14.4% of the total loans, higher than the end of last year. In 2021, due to the COVID-19 pandemic ricocheting, the external environment changing and industry structure recalibrating, 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 resurging of COVID-19 pandemics, most stores were temporarily closed except for those providing essential goods for daily life. That further lowered the major operating income of our clients, resulting their repayment capacity and assets quality to decline. On one hand, the Bank proactively responded to regulatory policies and offered special credit policies for enterprises affected by the pandemic. On the other hand, the Bank put greater efforts in management of renewal of existing loans and settlement of transferred loans. For the customers with potential risks, quota reduction, enhanced mitigation and comprehensive credit package design were strengthened to prevent the 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 the full amount. As at 31 December 2021, impairment losses on loans amounted to RMB13,780.8 million, which increased by RMB2,676.1 million as compared to the end of last year. The impairment losses on loans ratio was 4.68%, which increased by 0.72 percentage point as compared to the end of last year. Risk resilience holds stable.

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

Items	As at 31 December	
	2021	2020
		(In RMB million)
Balance at the beginning of the period	11,104.7	8,008.4
Exchange difference	(17.4)	(0.2)
Charged during the year	5,877.7	7,275.8
Accreted interest on impaired loans	(268.8)	(351.5)
Write-offs and transferred	(3,174.8)	(3,976.4)
Recoveries of loans and advances previously written off	259.4	148.6
Balance at the end of the period	13,780.8	11,104.7

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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 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

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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 2020						
Operating income	9,188.3	1,652.8	2,133.4	1,631.8		14,606.3
Operating expenses	(3,624.1)	(324.8)	(528.4)	(418.7)		(4,896.0)
Credit impairment losses	(4,738.8)	(682.6)	(1,058.6)	(1,821.4)		(8,301.4)
Operating profit	825.4	645.4	546.4	(608.3)		1,408.9
As at 31 December 2020						
Segment assets	446,086.0	39,816.9	59,162.3	53,538.4		598,603.6
Segment liabilities	427,857.1	25,602.4	47,498.0	46,537.0		547,494.5

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

	For the year ended 31 December			
	2021		2020	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Heilongjiang region	7,939.6	64.4%	9,188.3	62.9%
Other regions in Northeastern China	1,381.6	11.2%	1,652.8	11.3%
Southwestern China	2,152.0	17.5%	2,133.4	14.6%
Other regions	846.3	6.9%	1,631.8	11.2%
Total operating income	12,319.5	100.0%	14,606.3	100.0%

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(II) Business Segment Report

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

	For the year ended 31 December			
	2021		2020	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Corporate finance business	5,428.8	44.1%	6,936.3	47.5%
Retail finance business	2,892.3	23.5%	3,671.7	25.1%
Financial institutions business	3,792.2	30.8%	3,988.0	27.3%
Other businesses	206.2	1.6%	10.3	0.1%
Total operating income	12,319.5	100.0%	14,606.3	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 2021, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio of the Bank were 9.28%, 11.33% and 12.54%, 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 of risk-weighted assets, the core tier 1 capital adequacy ratio and capital adequacy ratio decreased by 0.90 percentage point and 0.05 percentage point respectively as compared to the end of last year. In 2021, the Bank successfully issued capital bonds without a fixed term of RMB11 billion to supplement other tier-1 capital, resulting the tier-1 capital adequacy ratio increasing 1.13 percentage points 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	
	2021	2020
	(In RMB million, except percentages)	
Core capital	50,688.5	50,073.4
Core Tier 1 Capital deductible items:		
Full deductible items	(484.6)	(397.9)
Net core tier 1 capital	50,203.9	49,675.5
Net other tier 1 capital	11,118.4	110.2
Net tier 1 capital	61,322.3	49,785.7
Net tier 2 capital	6,569.5	11,676.1
Net capital	67,891.8	61,461.8
Credit risk-weighted assets	512,698.7	456,293.3
Market risk-weighted assets	5,404.2	4,397.6
Operational risk-weighted assets	23,130.6	27,501.8
Total risk-weighted assets	541,233.5	488,192.7
Core tier 1 capital adequacy ratio	9.28%	10.18%
Tier 1 capital adequacy ratio	11.33%	10.20%
Capital adequacy ratio	12.54%	12.59%

(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	
	2021	2020
	(In RMB million, except percentages)	
Net tier 1 capital	61,322.3	49,785.7
Adjusted on- and off-balance sheet assets	686,031.4	666,202.5
Leverage ratio	8.94%	7.47%

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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 centers on digital inclusive finance and has entered a new phase of integrated development of comprehensive retail business. While serving payment and settlement, consumption credit and family wealth planning customers, the Bank gradually enriched and improved the wealth management system and eco-scenario construction, and achieved breakthroughs in charity brand building and customer market positioning. The Bank further strengthened customer relationship management with digitalisation and big data application for precision marketing, accelerated "online + offline" channel synergy and construction of smart banking 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 improve its image as a retail service brand and promote the sustainable and high-quality development of its retail finance business.

In 2021, the retail finance business of the Bank continued to improve its pricing mechanism and system construction in order to build a comprehensive service system that centers on customer, 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 services of the Bank recorded an operating income of RMB2.8923 billion, representing a decrease of 21.2% as compared to the same period of last year and accounting for 23.5% of the operating income of the Bank.

Retail customers

The Bank focuses on the diversified financial needs of retail customers and aims to improve the acquisition of retail customers and their loyalty in long run by improving our capability in customer service, building multi-channel value-added service system and exploring new marketing service models using big data. The Bank increased efforts in developing its elderly clientele by building charity community, creating space for elderly-specific network to extend as well as highlighting the service's characteristic as elderly-targeting and professional. The Bank also cultivated children clientele by building a kids-specific service brand called "Little Wealth Manager" (理財小行家), which combines "charity and finance" to meet the needs of children and parents concurrently and enriches their spare time. Meanwhile, the Bank strengthened the construction of top service network to build its private banking image of "Heartful, Professional, Sincere, Lasting" (惠心匯智至誠致遠) by simultaneous construction in private banking product system, talent team, service upgrade and technology empowerment to build a new ecology consisting of "financial and non-financial" services. As at 31 December 2021, the Company had 13.9961 million retail deposit customers, representing an increase of 344.4 thousand or 2.52% as compared to the same period of last year. The number of customers with personal financial assets (in RMB and other currencies) over RMB300,000 amounted to 334,600, representing an increase of 29.4 thousand or 9.63% 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 based on statutory interest rate and the floating interest rate range, which are mostly denominated in RMB with only a small portion being denominated in foreign currencies. As at 31 December 2021, the total retail deposits of the Bank (in RMB and other currencies) amounted to RMB310,915.4 million, representing an increase of RMB31,584.0 million or 11.3% as compared to the end of last year. The average balance of retail deposits (in RMB and other currencies) amounted to RMB295,361.8 million, representing an increase of RMB33,760.1 million or 12.9% as compared to the end of last year. Demand deposits accounted for 16.5% of retail customer deposits balance. According to the statistics provided by the Harbin branch of the PBOC, the balance of RMB retail deposits in Harbin region of the Company ranked first in the local market with a market share of 18.6% as at the end of the Reporting Period, ranking first in the regional market in terms of the increase in retail deposits for the fourth year in a row.

Retail loans

During the Reporting Period, upholding a customer-oriented principle, the retail credit business of 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. Step-by-step talent training mode was adopted to continuously improve the professional level of small and micro financial teams. By accelerating the integration of internet big data technology and traditional financial services, the Bank continued to improve 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 2021, the balance of the Bank's personal loans reached RMB132,750.1 million, representing an increase of 10.5% year on year and accounting for 45.1% of the Bank's total loans to customers, of which the balance of loans to small and medium enterprise owners, personal consumption loans and loans to farmers amounted to RMB38,101.6 million, RMB79,646.1 million and RMB15,002.4 million, respectively, and accounted for 28.7%, 60.0% and 11.3% of the Bank's total personal loans, respectively.

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Bank cards

During the Reporting Period, growth of the bank card business of the Bank remained steady. With steady progress in the construction of the credit card business system and management structure, there was rapid development in the credit card business and steady increase in the number of debit card clients in 2021. The Bank moved from the stage of “refined customer management and operation” into the period of “digital financial transformation”, continuously adhering to the customer-oriented concept and promoting and optimising innovative credit card products. Leveraging on big data, customer portraits and other technologies, the Bank launched various marketing activities in a targeted and paced manner in order to improve customer loyalty, maintain customer stickiness and deepen customers’ impression of the brand. Taking advantage of UnionPay’s product concept of “Unlimited” (無界), we launched the Harbin Bank Platinum Ultimate Card (哈行雲閃付無界主題白金信用卡), which laid a solid foundation for the Bank’s digital construction, commenced the transformation from physical credit cards to digital credit cards, representing a milestone of transition from traditional IC chip credit cards to digital credit cards. By catering to the “fast-paced, high-efficiency” trend of technology development, the Bank built a fast issuance mode of “instant application instant approval” (即申即領). Relying on UnionPay’s innovative payment application to complete the R&D of OTA function, the Bank created a brand new card use experience featured by “using the card before receiving it” (卡未到、先用卡) for its users. Adhering to the concept of “instant approval instant use” (即領即用), the Bank has completed one-click card binding function docking with several mainstream payment institutions to fully achieve the “one-stop” card use experience.

In 2021, the Bank continued to improve the functions of debit cards, optimise the service charging policy and promote localised services for people’s livelihood. According to the Proposal of Payment & Clearing Association of China and China Banking Association on the Reduction of ATM Cross-bank Cash Withdrawal Fees (《中國銀行業協會、中國支付清算協會關於降低自動取款機(ATM)跨行取現手續費的倡議書》), it proposed to eliminate the cash withdrawal fees for ATM cross-bank from ATMs in the same city and different places. The Bank proactively carried forward the business philosophy of “Inclusive Finance” and responded to the call for the construction of social security service projects from Heilongjiang Human Resources and Social Security Bureau. Since the official launch of the issuance of the third generation social security card in Heilongjiang Province on 29 November 2021, the Bank has provided the third generation social security card issuance and replacement services to 55,300 residents in Heilongjiang Province. At the same time, the Bank worked with Heilongjiang Human Resources and Social Security Bureau and a number of cooperative banks to create an innovative service mode of “customisation” of social security cards, to realise the “creations done while you wait” (即時制卡·立等可取) of the third generation social security cards, further improving the customer experience.

As at 31 December 2021, the total number of issued credit cards reached 1,586.9 thousand, representing an increase of 24.2% as compared to the end of last year, of which 309,400 were newly issued during the Reporting Period, representing an increase of 48.2% as compared to the number of new cards issued in the same period of last year. The credit card asset balance amounted to RMB16.151 billion, representing an increase of 7.7% as compared to the end of last year.

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As at 31 December 2021, the number of debit cards issued by the Company recorded a steady increase. The total number of issued debit cards reached 17.556 million, of which 362 thousand were newly issued during the Reporting Period, representing an increase of 2.11% as compared to the total number of issued debit cards at the end of last year.

Wealth management business

The wealth management business of the Company revolves around the appreciation of the value of customers' family wealth management. The Bank continues to diversify its product offerings, widens its online sales channels, with a focus on the financial scenarios such as healthcare for the elderly, children, education and issuing for others. It keeps a foothold in its physical networks while expand its businesses online. It provides integrated services deeply within the community, and dedicates itself to providing professional, convenient and high-quality wealth management service to customers' families. During the Reporting Period, the Company realised total sales of personal wealth management products, such as wealth management, fund and insurance, of RMB96.195 billion.

(II) Corporate Finance Business

Since 2021, the Company's corporate finance business closely focused on the theme of "high-quality development" with "returning to the basics, focusing on key areas, optimising the structure and innovative development" as its main goal. The Company actively implemented the service philosophy of "being customer-oriented and focusing on team management", 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 an operating income amount of RMB5,428.8 million, representing a decrease of 21.7% as compared to the same period of last year and accounting for 44.1% of the operating income of the Bank. The profit before tax amounted to RMB394.4 million, accounting for 70.3% of the profit before tax of the Bank.

Corporate customers

By leveraging the Bank's strengths in cross-regional operation and outlet resources and closely following the direction of the national strategy, the Bank adhered to customer-orientation, took consolidating and expanding strategic (key) customers as its foundation, and focused on the promotion of key projects, service mechanism improvement and team capacity building, to continuously improve product innovation and comprehensive service capabilities, realizing precise marketing to core customers and comprehensive financial service management. According to the the national, provincial and municipal "14th Five-Year" development plan, the Bank focused on financial services, continued to deepen strategic cooperation with provincial and municipal enterprise groups, and enhanced cooperation with customer groups and core customer groups in key regions and industries. In particular, for the Heilongjiang region, the Bank actively participated in key industries advocated by provincial and municipal governments, and supported the development and construction of the Free Trade Zone and Harbin New District. Through further deepening the mode transformation of direct sales teams within the province, a customer service mode of "professional team, professional solutions, special products and exclusive process" has been formed. After the transformation, the Bank will be capable to provide more professional, distinctive and efficient financial services. As of 31 December 2021, the Company had 89 thousand corporate deposits customers.

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Corporate deposits

During the Reporting Period, the Bank proactively carried out green deposit marketing, continued to optimise its debt structure, and enhanced deposit stability. Based on the local market, the Bank continued to optimize its institutional business layout, strengthened business cooperation with governments at various levels, expanded and improved the level of business cooperation, obtained more institutional business qualifications and increased the scale of institutional deposits. The Bank also put greater efforts to grow its customer base, and cultivated core customers in debt, in order to cover more customer groups. The Bank attached importance to scenario-based marketing, continuously paid attention to the changes of local policy and formulated marketing guidelines to further improve the scenario-based marketing system and attract target customer groups in an accurate way. As at 31 December 2021, the total average balance (in RMB and other currencies) of corporate deposits of the Bank amounted to RMB188,474.1 million. The deposit structure has been further optimized. According to the statistics provided by the Harbin branch of the PBOC, as at the end of the Reporting Period, the balance of RMB corporate deposits in Harbin region accounted for 18.0% of corporate deposits in the local market, ranking first in this region.

Corporate loans

During the Reporting Period, the Bank cooperated with local governments to scale up support for urban infrastructure, transformation of resource-based cities, water and heating supply and other livelihood construction, and actively guided credit funds to give preference within Heilongjiang province so as to increase financing support for provincial and municipal state-owned enterprises. The Bank also actively promoted the implementation of a series of policy measures such as the “top 100 projects”, key projects in Heilongjiang province, and the list of key industrial projects in Harbin, so as to support the development of seven major industrial groups in Heilongjiang. Meanwhile, the Bank increased credit supply to various industries and enterprises, and increased its financial support for the private sector and micro and small enterprises. In 2021, the total corporate loans of the Bank amounted to RMB22,579 million, and RMB11,347 million was invested in new state-owned enterprises. In 2021, the Company’s corporate loan growth in Heilongjiang province was 12.43%, 19.59 percentage points higher than that outside Heilongjiang province. The Bank ranked the second in Heilongjiang province and the first in Harbin city among financial institutions in terms of loan increments.

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During the Reporting Period, the Company strengthened financial services for key projects in Harbin New District, The Bank also granted loans to customers in Harbin New District, with a value of RMB22 billion. The Bank has successively signed cooperation agreements with entities including Harbin New District Management Committee, Harbin Pingfang District People's Government, Harbin Comprehensive Bonded Zone Management Committee, Harbin Songbei Investment and Development Group Co., Ltd., and Harbin Water Investment Group Co., Ltd. In addition, the Bank concentrated on increasing support in the field of technology and finance, promoted work in multiple dimensions such as product innovation, system innovation and system construction, and actively performed its corporate social responsibilities.

As of 31 December 2021, the total corporate loans of the Bank amounted to RMB161,598.6 million, representing an increase of RMB3,046.8 million as compared with the beginning of the year and accounting for 54.9% of total loans.

Intermediary services

During the Reporting Period, the Bank continued to strengthen its management of intermediary business by combining market environment with policy guidance, focusing on the diverse financial service needs of customers, actively promoting the construction of corporate payment and settlement product systems and platforms, and constantly improving treasury management platforms and bill 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 RMB363.3 million, representing an increase of 51.7% as compared to the same period of last year.

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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 in China, a member of the underwriting syndicate of financial bonds of China Development Bank and Agricultural Development Bank of China, a member of the underwriting syndicates of local government bonds of Heilongjiang Province, Sichuan Province, Liaoning Province, Tianjin and Chongqing, a quoting bank of China Bond Valuation, a member of the SHIBOR quoting syndicate of National Interbank Funding Center, a deposit cooperative bank of the National Council for Social Security Fund and a member of the underwriting syndicate of debt financing instruments of non-financial enterprises. The Bank is qualified for Standing Lending Facility and derivative transactions, and has multiple business qualifications including as a Rouble market maker.

During the Reporting Period, financial institutions businesses of the Bank recorded an operating income of RMB3,792.2 million with a year-on-year decrease of 4.9%, accounting for 30.8% 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 RMB233 million.

In 2021, the Bank's aggregate cash exchange in the interbank market amounted to RMB6.16 trillion. The Bank ranked 23th among the city commercial banks, and was awarded "Top 100 Proprietary Clearing House of Bond Trading and Investment (債券交易投資類自營結算 100 強)" by CCDIC. The Bank actively participated in innovative trading varieties of the National Interbank Funding Center, such as X-bond and X-lending. The Bank received the title of Active Institution for Intended Quotation of Repurchase, and ranked among the X-Lending Active Institutions for 9 months throughout the year. In 2021, the Bank's transaction volume of bond lending amounted to RMB167,583 million, ranking eighth among city commercial banks. The brand and influence of the Bank's bond investment and trading has 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 regulatory guidelines. Amidst the normalization of epidemic prevention and control, 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 Bank's development strategy and annual plan. The Bank continuously increased the investment in standardised products, and rationally deployed asset allocation. As at 31 December 2021, the balance of investment in debt instruments issued by financial institutions amounted to RMB144,664.6 million, the balance of investment in standardised debt assets of exchange amounted to RMB7,621 million and the balance of investment in overseas bonds issued by domestic institutions amounted to USD379 million, thus effectively supported the real economy in overcoming difficulties during the pandemic and achieving healthy development.

Wealth management business

During the Reporting Period, the Company was committed to issuing long-term net-value products that adopted fair value valuation and complied with regulation standards, and there was no monetary market product needing readjustment, hence our unique regional advantages gradually took shape. The Company has developed a diversified product portfolio including fixed-income products, fixed income enhancement, hybrid and equity products. The term of products covers short term, mid-and-long term and long term to meet various needs of different investors as far as possible. In the meanwhile, through focusing on service experience, profit experience and transaction experience of investors, the Company continued to enrich investment products and explore mainstream investment targets in market in the process of transformation. We also actively developed high-quality standardised assets, continuously improved investment strategies and strictly controlled risks, striving to create sound investment returns for investors while increasing our income.

As of 31 December 2021, the total sales of wealth management products issued by the Company were RMB93,225 million, the balance of non-principal protected wealth management products amounted to RMB48,772 million, among which net-value wealth management products accounted for 100%. The liquidity structure of products was sound. The products with remaining terms over a year accounted for 47.07% while the proportion of long-term products continued to increase, which is conducive to the long-term development of asset management and wealth management business. We educated investors about the concept of long-term rational investment, and gained a remarkable effect from investor education and guidance.

The Company recorded stable growth in the number of wealth management customers, which reached 1,184.5 thousand as at the end of the Reporting Period, representing an increase of 25.24% as compared to the end of last year. Product services cover 16 provinces/municipalities nationwide. The balance of wealth management products held by retail customers reached 99.46% of the total. Our large retail customer base ensured a stable source of wealth management funds, and provided better protection against liquidity risk in the process of wealth management business transformation.

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During the Reporting Period, the Company was awarded the “2020 Excellent Bank for Banking Wealth Management Registration (2020 年度銀行業理財登記優秀銀行獎)” issued by the National Banking Wealth Management Registration & Depository Center (全國銀行業理財登記託管中心). The Company has been awarded by the National Banking Wealth Management Registration & Depository Center (全國銀行業理財登記託管中心) for five consecutive years. In the selection of “Gold Honor Award (金譽獎)” in 2021 Asset Management and Wealth Management Industry by PY Standard, the 3-month product of Dingxianghua Ruiying (丁香花理財睿贏) was awarded the “Outstanding Innovative Wealth Management Product (優秀創新理財產品)” and received recognition and high praise in the industry. In the selection of the fourth “Iron-horse Award for Small and Medium-sized Banks (鐵馬中小銀行)” by Modern Bankers, the Company was awarded the “Iron-horse – the Best Small and Medium-sized Bank in Asset Management and Wealth Management Business (鐵馬—最佳資管業務中小銀行)”. The Company has been awarded with “Iron-horse Bank (鐵馬銀行)” for four consecutive times.

(IV) Key Featured Businesses

1. *Microcredit business*

During the Reporting Period, the Company continued to put the philosophy of “Inclusive Finance” into practice by vigorously developing microcredit business and establishing an all-rounded comprehensive microcredit service system, constantly expanded the quality business scenarios, enriched and innovated products and services and fully utilized cutting-edge technologies to improve service efficiency and customer experience. By centring on microcredit development strategy, accelerating digital construction, constantly promoting the development and application of cutting-edge technologies and the in-depth 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, risk control capabilities and product innovation capabilities of its microcredit business, and promoted the smart, efficient and inclusive development of microcredit services. During the Reporting Period, 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 2021, the balance of the Bank’s microcredit loans reached RMB196,775.7 million, representing an increase of RMB17,655.1 million as compared to the end of last year and accounting for 66.8% 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			
	2021		2020	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Loans to small enterprises	64,025.6	32.5%	58,946.3	32.9%
Personal loans	132,750.1	67.5%	120,174.3	67.1%
Total balance of microcredit loans	196,775.7	100.0%	179,120.6	100.0%

Small and micro enterprise finance business

During the Reporting Period, the Bank has been committed to establishing an inclusive finance service system, focused on customer positioning and market expansion, strengthened the iteration and upgrading of products and services, created featured products for small and micro financial services and constantly improved its service capabilities to provide microfinance customers with a full range of financial services that integrate “professional team, exclusive solutions, and dedicated channels”, constantly consolidate customer base and promote the development of inclusive finance business.

During the Reporting Period, the Bank closely followed the economic trend to continuously improve its risk management and control capabilities by carrying out comprehensive risk investigation in an “on-site + off-site” manner, implementing whole-process risk management and establishing a long-term risk monitoring mechanism. By refining default and early warning characteristic indicators and through the optimization of internal assessment system, early warning screening and whole-process internal control layout, the Bank continued to improve the active risk management mechanism for small and micro businesses, so as to promote the healthy development of inclusive finance business.

During the Reporting Period, the Bank continued to promote the establishment of an “online + offline” operation service system for small and micro financial business, and actively deployed online service channels based on the principles of intensive, professional and efficient, which effectively improved the performance of client end and business process operation services. At the same time, the Bank strengthened the construction of talent teams, and adopted a progressive and hierarchical training model to improve the professional level of small and micro financial teams and promote the sustainable development of inclusive finance business.

As at 31 December 2021, the Bank’s loans to small enterprises amounted to RMB64,025.6 million, representing an increase of 8.6% as compared to the end of last year. The balance of NPLs for the small enterprises was RMB2,401.3 million and the NPL ratio was 3.75%.

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Consumer finance business

During the Reporting Period, the Bank continued to carry out the philosophy of “Inclusive Finance” by establishing an all-rounded comprehensive consumer finance service system. Depending on scenario-based model for comprehensive retail business, with a focus on residence scenario and supplemented with health, education, culture and entertainment, consumption, transportation and finance scenarios, the Bank gave full play to its advantages in the comprehensive value of retail loans. By focusing on the “full life cycle” demand of customers, the Bank accelerated the combination of big data technology and traditional financial services, upgraded the “touch net” operation model and realised the integration of online and offline, thereby broadening consumer financial service scenarios and customer coverage.

During the Reporting Period, the Bank focused on creating a standardised, digital, and professional product service model for retail loans, realised a full-product online operating system, and improved marketing accuracy and effectiveness in securing a huge number of customers, which contributed to the Bank’s brand reshaping and value enhancement.

During the Reporting Period, the Bank continued to optimize the risk control and management of consumer credit business in order to control the overall business risk. The Bank significantly improved its core competencies in consumer credit business, including big data risk control, intelligent operation capabilities and refined management capabilities, further accelerating the process of digitalisation transformation.

As at 31 December 2021, the balance of the Bank’s personal consumption loans amounted to RMB79,646.1 million.

2. Sino-Russia financial services

During the Reporting Period, the Company achieved breakthroughs in various indicators of its cross-border business with Russia. The international settlement volume exceeded RMB20.0 billion, with nearly RMB10.0 billion of assets being invested, and the total balance of on- and off-balance sheet assets reached RMB7.5 billion.

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In 2015, the Company, as the Chinese promoter and the chairing company, together with Sberbank of Russia initiated the establishment of the first platform for the cooperation and interaction among financial institutions of China and Russia, namely the Sino-Russian Financial Council. There were 35 founding members, and the number of members has grown to 76 through continued attraction of new members during the Reporting Period. Based on the development objective of “resources sharing, complementary advantages and mutually beneficial cooperation”, the Council is committed to giving full play to the advantages of an open and integrated platform, exploring the development space of the Sino-Russian cross-border financial cooperation, consolidating the advantages and resources of member institutions, upgrading the cross-border financial cooperation model, innovating Russian financial products and improving comprehensive service capabilities, and enhancing the participation and integration of financial institutions of the two countries in cross-border industrial projects. During the Reporting Period, the Company actively established RMB and Rouble correspondent accounts for domestic and foreign banks, promoting the development of Sino-Russian local currency settlement.

During the Reporting Period, the Company successfully completed the development, launch and implementation of the CIPS (Cross-border Interbank Payment System), becoming the third domestic city commercial bank to access the CIPS as a direct participant. As at 31 December 2021, 12 Russian banks have participated in the CIPS indirectly through the Company, with the amount of business processed by the system exceeding RMB4.75 billion. During the Reporting Period, the Company won two awards, namely, the Advanced Participant in Cross-border Renminbi Payment and Clearing Market Expansion for 2021 (2021年度人民幣跨境支付清算市場拓展先進參與者), and the Advanced Participant in Cross-border Renminbi Payment and Clearing Institution Services (人民幣跨境支付清算機構服務先進參與者), becoming a major force in the development and promotion of cross-border Renminbi business and CIPS in the Russian market. At the same time, in order to optimise cross-border clearing and settlement services, the Company fully launched the SWIFT GPI service, which may achieve full transparency of fund transaction costs in cross-border remittance transactions, trackable and traceable entire process of remittance status, and complete transmission of remittance information, significantly improving the efficiency and transparency of cross-border remittances.

During the Reporting Period, focused on the development plan of the Heilongjiang Free Trade Zone, the Company concentrated on the innovation of Russian financial products, and launched the “Russian Express” (俄速匯), a Russian featured settlement product, and the featured exchange rate hedging products for foreign exchange trading in Rouble, which achieved innovative breakthroughs in key business such as cross-border RMB direct investment business, foreign investment, cross-border direct investment in Russia and Chinese-funded US dollar bonds. At the same time, the Company continuously strengthened the strategic cooperation with key state-owned enterprise engaged in Russian business, leading private enterprises and comprehensive free trade zone open cooperation platforms, and further improvement and upgrade in the financing model of “cross-border commercial banks + cross-border investment banks”. In addition, the Company leveraged its geographical advantages to actively provide high-quality quotations of Rouble for banks and counter customers, and once again ranked first in the ranking of the best Rouble price quotes in terms of market making activities in the interbank foreign exchange market.

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Cross-border E-commerce payment and settlement

During the Reporting Period, the cross-border E-commerce financial business of the Company maintained its robust development and constantly enriched the variety of Sino-Russia online settlement products. It can now support more than ten mainstream payment tools in Russia, such as MIR, YooMoney E-wallet and the online real-time payment, collection and settlement of more than 60 currencies with international credit cards such as MASTERCARD and JCB. During the Reporting Period, the volume of transaction settlement increased by RMB543 million, and the aggregate transaction settlement volume reached RMB15.8 billion. The Bank received the “Best Risk Control Performance of the Year Award” and the “Outstanding Contribution of the Year Award” granted by MasterCard International, as well as the “Best Cooperation Efficiency Award of the Year Award” granted by JCB International Credit Card.

3. *Agriculture-benefiting finance business*

During the Reporting Period, the Company had established an effective financial service system centered the groups of “agriculture, rural areas and farmers” under the guidance of national strategic policy of rural revitalization to satisfy their various financing needs, which will continuously provide internal driving force for the agricultural modernization and new rural construction.

During the Reporting Period, the size of the Company’s loans to farmers reached the highest level in history. Based on which, the Company kept expanding and exploring its business in those national key support areas, such as innovating the first black soil land protection loan product in Heilongjiang province, upgrading the services specific for new agricultural operation entities, formulating exclusive service strategy for characteristic planting and raising customers, providing services covering the lifecycle and all scenarios and introducing agricultural big data to establish a smart online loan granting system for agriculture covering all customer groups, which satisfied various financing needs of inclusive agricultural customer groups regarding to food, “beef and dairy cattle and hog” (兩牛一豬) raising, characteristic crops, black soil protection and high-standard farmland construction and thus consolidated the growth driving forces at county level; the Company also linked the safeguarding of poverty alleviation achievements with rural revitalization, and to this end, it formulated targeted plans to incorporate the rural revitalization into its internal performance appraisal process to gather supports from the whole Bank for rural revitalization and poverty alleviation achievements safeguarding as well as provide constant financial assistance during such transition period. Moreover, the Company held over 100 publicity activities for the “Chinese Farmers’ Harvest Festival”, and it’s worth noting that the exhibition and broadcast of harvest stories telling by customers was awarded the “2021 Good News Award for Banking Financial Institutions Serving Agriculture, Rural Areas and Farmers” by the China Banking Association, which effectively increased its influence as a regional agricultural brand and demonstrated its inclusive finance philosophy of providing “warmth and emotional support (有溫度、有情懷)”. The Company was rated as “Excellent” in the assessment and evaluation of financial institutions in serving rural revitalization conducted by the People’s Bank of China and other regulatory authorities, and bagged the “2021 Bank Contributing to Rural Revitalization” award in the 19th China Finance Billboard (第十九屆中國財經風雲榜“2021 年度鄉村振興責任銀行”獎).

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As of 31 December 2021, the balance of agricultural loans granted by the Company amounted to RMB32,815.0 million, and the balance of the loans to farmers amounted to RMB15,002.4 million. The business covered the majority of rural markets of 11 cities and 6 major Agricultural Cultivation Bureau of Heilongjiang and some rural villages of Chengdu, Chongqing, Shenyang, Tianjin and Dalian outside Heilongjiang Province. The Bank greatly promoted the economic development and the prosperity of rural financial markets in the counties, and supported the rural areas to achieve comprehensive revitalisation.

(V) Information on Controlling Subsidiaries

1. *Village and township banks*

As at 31 December 2021, the Company had a controlling interest in 32 village and township banks and 47 village and township sub-branches, which were mainly located in the eastern, central and western regions of China. As at 31 December 2021, the total assets of the 32 village and township banks amounted to RMB26,457 million, of which the total amount of loans amounted to RMB12,593 million, representing a year-on-year decrease of 3.94%; and the balance of deposit amounted to RMB21,281 million, representing a year-on-year increase of 5.63%.

2. *HB Leasing*

Since its establishment, HB Leasing has made some achievements in respect of asset scale, accumulated leased amount, business innovation model and etc., and initially maintained leading position in domestic leasing market to farmers. As at 31 December 2021, the total assets of HB Leasing amounted to RMB24,821 million. The accumulated leased amount during the year amounted to RMB10,273 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 follows the path of becoming a leasing company engaging in real leasing business.

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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”. Capitalising on the extensive experience in product, customer and technology that the Company has accumulated across over a decade of in-depth operation in micro credit business, and leveraging the shareholders’ resource advantages in leading financial technology and diverse business scenarios, HBCF targets at customers who are young and ambitious with consumption credit needs, relatively stable jobs, a certain degree of debt repayment ability and certain growth and development potential in the future, as well as the entrepreneur of small and micro businesses with certain consumption capacity and profitability. HBCF is committed to build the company into a domestic first-class consumer financial company with sound risk quality, good economic benefits and high market reputation by actively exploring cutting-edge technologies such as artificial intelligence, big data and cloud computing,

As at 31 December 2021, the total assets of HBCF amounted to RMB13,658 million, representing a year-on-year increase of 19.88%; the balance of loans increased by 23.05% year on year to RMB13.040 billion; the operating income was RMB960 million; and the total number of people served exceeded 29 million. HBCF continues to build the “Star” (星斗) risk control system based on digital technologies such as a big data and artificial intelligence, and promotes the refinement and intelligence of business, in bid to establish a business development model featuring with “integration of online and offline, and linkage between platform and self-operation”. HBCF therefore embraces continued improvements in risk management, technology research and development, product services and other aspects.

(VI) Distribution Channels

1. Physical Network

As at 31 December 2021, the Company had a total of 311 branch outlets, including 17 branches, 292 sub-branches, 1 branch-level financial service centre for small enterprises and 1 headquarters business department. In addition, the Company had controlling interest in 32 village and township banks, 47 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. As at 31 December 2021, the replacement rate of business transactions through the Bank’s electronic banking reached 97%, and that of mobile banking reached 73%, representing an increase of 2 percentage points and 6 percentage points as compared to the end of last year respectively.

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(1) *Self-service banking*

The Bank has provided various convenient services to customers through self-service terminals, including deposit and withdrawal, account inquiry, passbook updating, bill payment, wealth management, QR code withdrawal, passcode changing and transfer services. While enriching the equipment functions, the Bank made scientific arrangement and assignment of the use of self-service terminals of customers, thus enhancing the management efficiency of all self-service terminals of the Bank. As at 31 December 2021, the Bank had 1,370 self-service terminals, including 484 BCDMs, 265 ATMs, 249 smart cabinets, 217 non-cash super counters, 87 multi-media inquiry machines, 15 card issuance machines and 53 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 2021, a total of 4,434.4 thousand customers maintained their online banking accounts with the Bank, representing an increase of 12.93% 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, which includes account inquiries, bill payment, credit card business, verbal report of card loss, operator inquiry and outgoing calls. In 2021, the telephone banking customer service centre recorded a total of 2.46 million business calls, representing an increase of 2.50% as compared to the same period of last year.

The Bank provides services including credit card consultancy, complaint and advice, reporting for loss and instalment through the unified national customer service hotline for credit card 4006695537. In 2021, the credit card customer service centre recorded a total of 1.90 million business calls, representing an increase of 3.83% 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 2021, the Bank had 3,198.6 thousand active mobile banking users, representing an increase of 19.06% 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 2021, WeChat banking had over 3,624 thousand followers, representing an increase of 16.95% as compared to the same period of last year.

(VII) Information Technology

In 2021, the Bank focused on the strategic development objective of the group, adhered to the working principal of “returning to the basics, focusing on key areas, optimising the structure and innovative development”, and accelerated the application and promotion of new technologies. 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.

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

During the Reporting Period, the Bank attached great importance to the daily management of business continuity, fully completed the overall construction of three centres in two regions of Harbin Bank pursuant to the regulatory requirements and safety production demands, and application-level disaster backup coverage rate of key information technology systems of the same city reached 100%. Besides, actual takeover of business scenarios, the disaster recovery and emergency drill of the same city with different places of core systems, second-generation payment system, mobile phone banking, online banking and other systems were carried out, meeting regulatory authorities' relevant requirements for business continuity of small and medium banks.

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

During the Reporting Period, IT governance was divided into 9 categories covering 175 areas, including project management and information security, and was implemented in step-by-step manner as priority pursuant to the regulatory requirements, taking into account the business needs and cost management requirements and other actual situations of the Bank. In 2021, with the main objectives of optimizing the construction and management of information project and enhancing data security management, a total of 38 new or revised systems and rules were introduced to clarify management objectives and technical regulations to ensure that data security and technical risks can be well-controlled while meeting business needs efficiently. 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 99.98%. The Bank accepted and resolved over 19,500 operational technology issues. The establishment of cloud-based office and business processing channels effectively supported the normal operation of the business of the Bank during the pandemic. After three years of construction, 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 highest regulatory requirements.

4. *Continuously promoting data management*

During the Reporting Period, based on the National Data Security Law and the financial industry regulatory standards, and taking into account the actual needs of the Bank, the data governance was broken down into three main areas such as governance implementation, electronic file construction and data asset management, and was carried out in the areas of solving actual production problems, standardizing business requirements and implementing data standards on a case-by-case basis, so as to form a regular working mechanism. At the same time, in accordance with the management requirements of the whole life cycle of business data, the Bank has completed the design and confirmation of data management protocols for 123 of our key application systems in this year, and completed the development of supporting technical platforms and operation scheduling systems to ensure that historical data of various business scenarios can be archived and queried in a complete, secure and reliable manner.

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5. *Continuously empowering the financial services*

During the Reporting Period, the Bank continued to improve its R&D capabilities independently through promoting structural transformation. The Bank currently has its independent R&D capabilities for 164 key business systems in 116 categories, including core systems, mobile bank, intermediate services and other businesses, which fully support and protect its business operation and transformation needs. At the same time, the Bank continuously optimized and adjusted the overall architecture of application systems according to the characteristics of application system architecture, which significantly reduced its construction cost and further enhanced its reliability. The Bank has been working with business departments to explore practical projects through case studies and other forms of work, so as to promote and assist in the implementation of technology empowerment.

6. *Constantly enhancing data security capability*

During the Reporting Period, the Bank continued to promote the construction of information security protection systems, established a complete life cycle security management mechanism for information system, and realized the whole-process security management of the information system from its development, testing, production and launching, operation to exiting. Through covering physical and environmental, host, network, application, data, access control and other security dimensions, the Bank normalized and carried out system-level protection, loophole scanning, code security tests, penetration tests, etc., providing reliable technical guarantee for the risk prevention and data security of information technology.

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 comprehensive 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 prevention, control, monitoring and correction, and proactively addressed and prevented 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, given the current economic situation, national policies and regulatory requirements, based on new development pattern and with the purpose of serving its customers, the Bank provided support to strategic emerging industries, advanced manufacturing industries and modern service industries, and increased its investment in green economy, low-carbon economy and recycling economy, contributing to achieve the goal of “carbon peaking and carbon neutrality”. The Bank also vigorously developed inclusive finance by paying great attention to precise poverty alleviation and implementing the rural revitalization strategy to provide support to “agriculture, rural area and farmer” and focus on micro and small businesses. Besides, the Bank continued to deepen the restructuring of its existing customers and strictly control the risks of new customers, solidly promoted the credit risk management capabilities, and strengthened the empowerment of financial technology, thereby continuously advancing the refinement of risk management to push forward the sound development of all businesses.

Affected by external factors such as the repeated COVID-19 pandemic and economic growth slowdown, the scale of potential risk assets in the banking industry has increased. With aims of preventing and dissolving the financial risk, maintain financial stability and serving the real economy, the Bank kept on financial risk mitigation, proactively increased efforts in the disposal and solution of risk assets, expanded the channels of disposal, thereby properly managing the potential risk assets. At the same time, the Bank comprehensively considered the pressure scenarios of asset quality uncertainty, prudently estimated the capital gap under pressure, formulated capital replenishment plans, enhanced the ability to cope with uncertainties of the external environment, and continuously improved the Bank's various operating indicators, so as to promote the high-quality development of the Bank. The Bank solidly advanced the credit risk management level, continued to improve the standardisation and regulation of the collateral risk evaluation system, optimised and updated models and real estate parameters, and improved the accuracy and timeliness of collateral risk evaluation. The Bank promoted compulsory enforcement notarisation for collateral credit business, strengthened risk control and improved the security of tenure. The Bank continued to promote the retail and non-retail internal assessment model optimisation and systems, improved the reliability and stability of the Bank's internal rating system, continued to improve the standardisation and regulation of risk-based data management, laying a solid foundation for sound business development. 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, continuously optimized credit approval mechanism, enhanced the credit risk control capabilities, and properly prevent credit risks.

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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, fulfil other payment obligations or meet other capital requirements for normal operation.

During the Reporting Period, the Bank coordinated the epidemic prevention and control and its operation development, strictly followed its risk management policies, and effectively balanced the relationship among liquidity, safety and profitability on the premise of ensuring the liquidity safety, so as to provide a solid safeguard for the steady development of the Bank. The Bank actively adjusted the structure of assets and liabilities, coordinated and stabilized various sources of debt funds of the Bank, continuously optimised the large capital position provision forecasting system for domestic and foreign currency, and ensured liquidity security while fully improved the efficiency of capital operation. In active response to the national call, the Bank proactively employed various instruments introduced by the Central Bank including small enterprises supporting re-lending, rediscounted bills and loan extension tools in order to effectively broaden the financing channels of the Central Bank, increase credit and cut cost, as well as practice the inclusive responsibility. Besides, the Bank enhanced day-time position monitoring, prudently assessed its future liquidity needs and effectively monitored the future cash flow of large amount of funds due and the holding of qualified high-quality liquid assets. Furthermore, the Bank measured its pressure bearing capacity by the means such as stress testing, effectively improved the effectiveness of various liquidity emergency measures, and increased the allocation of high-quality liquid assets in a timely manner to ensure that qualified and high-quality liquid assets are sufficient and the overall liquidity risk is under control. Analysis of the maturity of the financial assets and financial liabilities of the Group is set out below:

	As at 31 December 2021								
	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
Total financial assets	57,780.2	46,497.7	15,361.2	20,232.5	107,425.9	221,066.4	117,555.3	44,860.6	630,779.8
Total financial liabilities	-	145,818.8	44,158.7	75,875.0	169,257.7	145,425.3	34.9	-	580,570.4
Net position	57,780.2	(99,321.1)	(28,797.5)	(55,642.5)	(61,831.8)	75,641.1	117,520.4	44,860.6	50,209.4

(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 transaction book interest rate risk, during the Reporting Period, the Bank continually improved the market risk quota system, optimised the setting up of market risk quota system, and improved risk management level. The Bank diversified its measurement means of market risks, and conducted sensitivity analysis, duration analysis and PVBP analysis to market risk and position with reference to actual situation, keeping the market risks of the Bank under effective prevention and control and ensuring its overall interest rate risk level within the acceptable scope. As to the bank book interest rate risk, during the Reporting Period, the Bank continued to increase the research and judgment on trends of the market interest rate, measured the Bank's book interest rate risk through reasonable use of gap analysis, scenario simulation, stress testing and other methods. The Bank, through the simulation of interest rate fluctuation scenarios, analysed the impact on its net interest income and economic value, thereby reasonably measuring the Bank's book interest rate risk.

The following table sets out the results of the Bank's gap analysis as at 31 December 2021, based on the earlier of (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 2021						
	Within 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest bearing	Total
	(In RMB million)					
Total financial assets	102,529.1	99,498.0	202,925.0	112,205.7	113,622.0	630,779.8
Total financial liabilities	258,699.0	167,460.4	142,969.3	1.5	11,440.2	580,570.4
Interest rate sensitivity gap	(156,169.9)	(67,962.4)	59,955.7	112,204.2	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. 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 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 2021.

As at 31 December 2021						
	RMB	USD equivalent to RMB	HKD equivalent to RMB	RUB equivalent to RMB	Other Currencies equivalent to RMB	Total (RMB equivalent)
	(In RMB million)					
Total financial assets	625,251.5	5,173.8	15.8	57.8	280.9	630,779.8
Total financial liabilities	578,218.6	2,099.6	34.3	10.1	207.8	580,570.4
Net position of financial assets and liabilities	47,032.9	3,074.2	(18.5)	47.7	73.1	50,209.4
Credit commitments	39,377.8	1,487.1	-	-	-	40,864.9

(IV) Operational Risk

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

During the Reporting Period, the Bank further promoted the substantive application of the three major tools of operational risk. As for risk and control self-assessment (RCSA), the Bank constantly streamlined risk processes and RCSA assessment of the main process of each business line. For new products, new businesses and process for material changes, the Bank established the RCSA assessment mechanisms for new products and new businesses and constructed a triggering assessment mechanism for key risk exposures, serving as a precaution from flawed measures of internal control and ensuring that the operational risks are effectively mitigated. As for key risk indicators (KRI), the Bank re-assessed its KRIs regularly in order to strengthen synergistic implementation between management of key indicators and other tools. As for loss data collection (LDC), the Bank carried out LDC by combining active and passive methods, emphasizing results over conducted forms, so as to promote the efficiency of the three major tools in all round way and effectively reduce operational risks. The Bank advocated the suspension and resumption mechanism for customer managers who have fraud behaviours across the Bank, aiming at achieving prior warning and prevention and control for operational risk of customer managers. The Bank continued to improve operational risks management through on-site inspections, off-site monitoring and other risk control measures. By conducting frontline research, summarising risks control key points from actual business cases and communicating in a timely manner for systematic and effective control, the Bank effectively improved management capabilities for operational risk.

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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. The Bank has included management of information technology risk into its general risk management system and established an information technology governance organization structure with reasonable division of labour, clear responsibilities, mutual checks and balances, and clear reporting relationships. An information technology risk management system with three defensive lines of information technology, risk management and internal audit has been formed to gradually fulfill the responsibilities of information technology risk management. At the systematic level, the Bank regulated information technology management with the establishment of information technology management systems to improve its management of information technology risks. At the implementation level, the Bank regularly conducted information technology risk identification, evaluation, monitoring and measurement through the use of management tools such as risk and control self-assessment, key risk indicators, and loss event collection.

During the Reporting Period, the Bank effectively strengthened information technology risk management at key times, continued to reinforce various work measures such as security protection, monitoring and early warning, and emergency response, and enhanced risk management in the construction of major informatization projects to help improve the construction level of informatization projects. The Risk Management Department continuously optimised and improved business impact analysis and methodology, and conducted questionnaire surveys with various relevant business departments using the analytic hierarchy process model. Combining the practical experience of business experts, the Bank established a set of scientific and systematic tools as well as analysis and evaluation standards that met the Bank's actual business conditions. The Bank regularly conducted self-assessment on the management level of the business continuity. By coordinating all departments of the technology line, the Bank actively promoted the construction of its disaster recovery for major information systems, and conducted emergency combat drills in relation to important business and information systems in an orderly and gradual manner as planned, ensuring that the Bank shall continue to operate on an ongoing basis. Meanwhile, in addition to the continuous quantified project service evaluation on the outsourcers' project service quality, 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

Compliance management is a core risk management activity of the Company. During the Reporting Period, the Company resolutely landed the decision-making arrangements of the Central Committee and the State Council to prevent and resolve financial risks, conscientiously implemented the requirements of the regulatory authorities to strengthen internal control and compliance management, adhered to the tasks of "risk prevention" and "steady growth", continuously improved the level of refined compliance risk management, persistently deepened the efficiency of internal control compliance governance, and promoted 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 fully implemented the regulators' work requirements of the "Internal Control Compliance Management and Construction Year", focused

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on the promotion of self-examination and self-correction of internal control management and special treatment of repeated investigations and repeated crimes, adhered to comprehensive policies, sought both temporary and permanent solutions, and continuously improved the comprehensive internal control compliance risk management system that adapts to business development and transformation. Second, the Company improved the “Comprehensive Task System for Rectification and Implementation” and made overall management of the rectification of internal and external risk problems and the speech keynotes of important speeches, so as to ensure the successful and effective rectification, avoid the recurrence of homogeneous and similar problems, and comprehensively prevent, resolve and dispose of risks. Third, the Company revised and improved the accountability mechanism for violations, further demonstrated the integrity, completeness, comprehensiveness and overall situation of the accountability mechanism, and effectively exerted the warning and deterrent power of accountability for violations. Fourth, risk-oriented, the Company focused on important management activities, key business links and high-risk business areas, conducted special compliance inspections and compliance investigations in a refined manner, thoroughly screened out and continuously monitored the Bank’s major risk problems, found major loopholes, promoted rectification and accountability, and continuously improved the level of compliance risk management. Fifth, the Company kept a close eye on key areas where cases were prone to occur frequently, looked through phenomena, identified the crux of risks, further promoted the special action of centralized case clean-up, and continuously maintained the high-pressure situation of “zero tolerance” for case risks. Sixth, the Company systematically and finely implemented the construction of compliance culture, conducted compliance education and training in a normal way, enhanced the professional level of compliance and the compliance awareness of all employees, and actively advocated and strictly supervised institutions at all levels and all personnel to strictly abide by the compliance bottom line. Seventh, taking the promulgation of the Civil Code as an opportunity, the Company strengthened the study of domestic and foreign bills, regulatory policies and laws and regulations, paid attention to the transmission of various regulatory policies, systems and regulations, and provided legal compliance services with full coverage and high quality. Eighth, the Company improved the working mechanism and structure of consumer rights protection, strengthened source governance, and addressed customer conflicts and disputes in diversified manners so as to maintain a good financial consumption relationship.

(VII) Anti-money Laundering (AML) Management

During the Reporting Period, the Bank continuously improved its money laundering risk management system geared to its development strategy, risk appetite and business scale, established a money laundering risk management framework with sound organization, complete structure and clear responsibilities, built a working mechanism with clear levels, orderly operation, strong coordination and effective compliance, formulated scientific, complete and feasible money laundering risk management strategies, policies and procedures, and actively fulfilled anti-money laundering obligations. The Company’s money laundering risk management system ran smoothly, and the money laundering risk was generally controllable. First, the Company always adhered to the “risk-based” management philosophy in terms of anti-money laundering management, sharply focused on various laws, regulations and regulatory requirements, further enhanced its political position, continuously enhances its sense of responsibility and mission, deeply practiced the concept that compliance leads business development, strengthened coordination among the first, second and third defensive lines, and continuously enhanced its work initiative, consciousness and enthusiasm.

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Second, according to the actual situation of money laundering risk and business development, the Company further improved the anti-money laundering internal control system, optimized the institutional money laundering risk assessment mechanism, and incorporated money laundering risk into the overall risk management system for overall management. Third, the Company launched the anti-money laundering related system upgrade and optimization projects, by focusing on data governance, list monitoring, model early warning, interface specification and other fields, vigorously promoting the improvement of basic information of customer identity, continuously optimizing the machine control efficiency of blacklist system, improving the effectiveness of suspicious case early warning and customer risk level assessment, and strengthening the whole process control of customer money laundering risk. Fourth, the Company deepened joint prevention and control, self-examination and self-correction, and timely checked out deficiencies and made up for shortcomings through anti-money laundering inspection, risk investigation, problem rectification, assessment and notification, so as to promote institutions at all levels to enhance their independent management ability and performance of duties. Fifth, the Company conducted multi-channel and multi-form anti-money laundering publicity and training for the public and the Company, strengthened the construction of personnel team, cultivated the thinking of all employees keeping the bottom line, and actively created a good financial environment.

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 and organising Marathon races for the employees to participate in. 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 interest 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.

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 through the following means: (1) as affected by the pandemic, the 2020 annual results presentation was held online in April 2021, attracting more than 100 analysts and investors to attend the presentation; (2) In 2021, 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; (3) 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 Company for investors.

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The Bank adheres to its customer-oriented approach and strictly implements the Measures for Administration of Consumers' Rights and Interests, as formulated by the Board, to establish an administration system for customers' rights and interest protection. The Bank places emphasis on communication with customers, and provides timely feedback to customers. The Bank, 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 1.90 million transactions. Better communication with customers provided a solid customer base for the Bank.

XI. Corporate Social Responsibilities

The year of 2021 marked the beginning of China's 14th Five-Year Plan and the Bank's new three-year strategic plan. The Bank deeply studied and adhered to the spirit of the 19th National Congress of the Communist Party of China and the 19th Plenary Session and the relevant policies of the provincial and municipal governments, i.e., "to gain accurate understanding of new development stage, deepen the implementation of new development philosophy, and speed up the establishment of a new development pattern". Under the strong leadership of the Bank's Party Committee, the Bank adhered to the business philosophy of "Inclusive Finance, Harmonious Co-enrichment" to ensure stable operation with focus on its principal business, i.e., Inclusive Finance, committed to fulfilling its social responsibilities. The Bank continued to improve its "Environmental, Social and Governance" (ESG) capabilities, and pushed its implementation of corporate social responsibilities to a new stage by enhancing the participation of the board of directors in ESG matters. 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 financial services for special groups and groups with specific needs, and continued to fulfill various social responsibilities such as helping rural revitalization, building happy communities, supporting education, developing green finance, and volunteering. With the integration of the brand philosophy of "trust, warmth, connection and commitment" into the daily social welfare practice and management, the Bank was committed to developing a prominent public welfare brand winning respects with profound cultural heritage. In 2021, total expenditure on social charitable business of the Bank amounted to RMB17.3359 million, and the green credit balance was RMB218.3 million.

In 2021, actively responding to the call of national, provincial and municipal policies, the Bank continued to explore the development of green finance by drafting the Green Finance Work Plan of Harbin Bank (Draft for Comments) (《哈爾濱銀行綠色金融工作方案》(徵求意見稿)). In response to the call of China and Heilongjiang Province on the protection of black soil in Northeast China, the Bank launched the product called "Black Soil Loan (黑土貸)" in a timely manner to advocate and support farmers to pay attention to the protection of black soil, so as to promote the development of green agriculture. The Bank officially launched "Harbin Bank's Unbounded Theme Platinum Credit Cards on Mobile QuickPass (哈行"雲閃付"無界主題白金信用卡)", in an attempt to reduce the potential impact of physical cards on the ecological environment from the source. The Bank also joined the "Double Carbon Action+" initiated by Caixin Insight to become a partner of the Double Carbon Action Initiative. During the Reporting Period, with the starting point of "doing practical work for the people", the Bank expanded the beneficiary groups of "Inclusive Finance" by paying special attention to the aging-appropriate transformation of its business outlets and mobile terminal services, and helped to issue the third-generation social security cards in Heilongjiang Province to implement expense reduction policies. The Bank further

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consolidated and expanded its achievements in poverty alleviation, with more than 8,500 rural households granted targeted assistance loans for rural revitalization. The poverty alleviation team dispatched by the Bank to Shuanglong Village, Liutuan Town, Yanshou County, Heilongjiang Province continued to work in the village in 2021 after achieving the poverty alleviation of the entire village in 2020. In addition, the fixed-point poverty alleviation in Yilan County, Tonghe County, Bin County of Harbin City, Hulin City and Jidong County of Jixi City has also been carried out simultaneously.

In 2021, the Bank continued to cooperate with the United Charity Foundation, and deepened the construction of a new type of bank-community relationship in the “Happy Community” development programme they jointly initiated. Specifically, the Bank provided venues and volunteer services in various activities such as financial knowledge popularization, environmental protection education, and exchanges among community residents to promote harmonious community relations. During the Reporting Period, the project covered eight cities, namely Harbin, Mudanjiang, Shenyang, Dalian, Tianjin, Chongqing, Chengdu and Shenzhen, with a total of 1,243 various events carried out, covering 396 residential communities and benefiting 100,000 person-head. During the Reporting Period, the Bank made donation to the Harbin Institute of Technology Education Foundation of Development for the twelfth consecutive year to finance its development and construction. As of the end of 2021, the “Harbin Bank Lilac Blossom, Dream Achievement Hope Project”, which was initiated in 2018, had financed the education of 720 poverty-stricken students.

XII. Dividend

(I) Dividend

As approved at the meeting of the Board held on 31 March 2022, no final cash dividend for the year of 2021 would be distributed to all shareholders. Such dividend distribution plan is subject to the approval of the 2021 annual general meeting of the Company.

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 2021, 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 2021, the distributable reserve of the Company and its subsidiaries under the China Accounting Standards for Business Enterprises was RMB19,271 million and the distributable reserve of the Company was RMB18,334 million.

(V) Debentures

In order for the replenishment of additional Tier-1 capital of the Company, 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 is to be determined by the Board or its designated person within the abovementioned scope, in accordance with the capital needs of the Company and the market condition at the time of the issuance. The capital supplemental bonds are to be issued at the par value. All target investors shall subscribe for the capital supplemental bonds in cash. The initial term of the capital supplemental bonds shall not be less than 5 years. There will be no fixed expiration date prior to the exercise of redemption right by the Company. Interests on the capital supplemental bonds shall be paid in cash. The interest-bearing principal amount of the capital supplemental bonds shall be the aggregate amount of the relevant series of the capital bonds without a fixed term then issued and outstanding. After receiving the interests at the prescribed interest rate, the holders of the capital supplemental bonds shall not be entitled to any distribution of residual profits of the Company together with the ordinary shareholders. Relevant matters in respect of the

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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 Company has successfully issued the "Capital Bonds Without a Fixed Term of Harbin Bank Co., Ltd. in 2021" in the national inter-bank bond market. The bookkeeping of the bonds has been filed on 25 June 2021, and the issuance of the bonds has been completed on 29 June 2021 with a total issuing scale of RMB8 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 Company has successfully issued the Second Tranche of Capital Bonds Without a Fixed Term of Harbin Bank Co., Ltd. in 2021 in the national inter-bank bond market. The bookkeeping of the bonds has been filed on 12 November 2021, and the issuance of the bonds has been completed on 16 November 2021 with a total issuing scale of RMB3 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 Company has successfully issued the capital bonds without a fixed term with a total issuing scale of RMB11 billion in 2021 in the national inter-bank bond market.

(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 2021 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 RMB17.3359 million for the year ended 31 December 2021.

(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.

On 11 June 2021, the Bank entered into an equity transfer agreement with Dongninglizhi Decoration Engineering Co., Ltd. ("Dongninglizhi"), pursuant to which the Bank acquired from Dongninglizhi the 15% equity interest held by it in Harbin Bank Financial Leasing Co., Ltd. ("Harbin Bank Financial Leasing") for a consideration of RMB489 million. Before the completion of the equity transfer, Harbin Bank Financial Leasing was held as to 80% by the Bank and 15% by Dongninglizhi, therefore, Dongninglizhi constitutes a connected person of the Bank at the subsidiary level and the equity transfer constitutes a connected transaction.

The acceptance of transfer of the 15% equity interest of Harbin Bank Financial Leasing held by Dongninglizhi is mainly due to its optimistic view of the future development prospects of Harbin Bank Financial Leasing, and recognition of its strong profitability. The acceptance of transfer is in line with the Bank's long and medium term development strategies and is beneficial to increasing the level of investment returns of the Bank. At the same time, it is also conducive for the Bank to focus on the finance leasing industry and consolidate the characteristics of agricultural leasing, which is in the interests of the Bank and its shareholders as a whole. Through this transaction, the position of the Bank as the controlling shareholder of Harbin Bank Financial Leasing will be further strengthened, which helps further support the development of Harbin Bank Financial Leasing and increase the market competitiveness of Harbin Bank Financial Leasing.

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Pursuant to Rule 14A.101 of the Listing Rules, as (i) the Board of the Bank has approved the equity transfer; and (ii) the Directors (including the independent non-executive Directors) of the Bank have confirmed that the equity transfer was fair and reasonable, and the equity transfer was conducted on normal commercial terms in the normal course of business of the Bank and is in the interests of the Bank and the shareholders as a whole, the equity transfer is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules. The Bank has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules in respect of the connected transaction conducted during the year ended 31 December 2021.

The transfer of equity interest is subject to the approval by the approval authority.

Save as disclosed above, 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 48 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.

(XIII) Connected Transactions as Defined by the CBIRC

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

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

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

1. Information of the related parties

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Name of enterprise	Relationship with the Bank	Business nature or type	Principal business	Legal representative	Place of registration	Registered capital and its changes
Harbin Economic Development and Investment Company Limited (哈爾濱經濟開發投資有限公司)	Major shareholder	Limited liability company	Financial investments in fixed-assets of municipally-owned enterprises and others and receipt of dividends in return.	Zhang Xianjun	Harbin City	RMB2,307.522 million
Heilongjiang Financial Holdings Group Co., Ltd. (黑龍江省金融控股集團有限公司)	Major shareholder	Limited liability company	Investment and asset management and capital investment services; non-public offering of securities investment funds; holding company services; and financial information services.	Yu Hong	Harbin City	RMB9,230.00 million

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Name of enterprise	Relationship with the Bank	Business nature or type	Principal business	Legal representative	Place of registration	Registered capital and its changes
Harbin Heli Investment Holdings Co., Ltd. (哈爾濱合力投資控股有限公司)	Major shareholder	Limited liability company	Management and operation of self-owned assets, development, external investment and investment consultation for projects of hiotech enterprises and projects favourable for the development of the development zone (except for those subject to special national approval); real estate development and operation, land development, contracting and construction management of infrastructure construction, municipal and building construction; procurement of construction materials, and provision of relevant technical consultation and technical services; heat supply within the operation scope as approved under the qualification certification issued by provincial construction department; coal operation (no high-pollution fuels inside combustion forbidden).	Cui Xitao	Harbin City	RMB1,900 million
Harbin Investment Group Corporation Limited (哈爾濱投資集團有限責任公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company	Engaging in investment and investment information consulting for fixed assets, infrastructure, energy, heating, high-tech industries, resource development projects; organizing the implementation of thermal power projects and heating projects, infrastructure construction, land consolidation, and equity investment operations (the above projects require special national approval certificates for operation).	Zhao Hongbo	Harbin City	RMB5,000 million

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Name of enterprise	Relationship with the Bank	Business nature or type	Principal business	Legal representative	Place of registration	Registered capital and its changes
Harbin Daoli Real Estate Operation and Property Management Co., Ltd. (哈爾濱道裡房產經營物業管理有限責任公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company	Direct and entrusted management of real estate operation and management, property management, heat supply and collection of related fees as an agent; heat supply energy saving technology development services, centralized heat supply project for the preparation, construction and installation of GB type GB(2) grade pressure pipes (for branch operations only); pipeline installation (excluding pressure pipes), plastic steel window production and installation.	Wang Yuzhe	Harbin City	RMB10.00 million
Harbin Daowai Real Estate Operation and Property Management Co., Ltd. (哈爾濱道外房產經營物業管理有限責任公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company	Real estate operations, property management, heat supply	Wang Yuzhe	Harbin City	RMB5.00 million
Harbin Jinshanbao Heat Supply Co., Ltd. (哈爾濱金山堡供熱有限公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company	Centralized heat supply; property management and collection of related fees as an agent.	Zhang Xueming (Changed in January 2022)	Harbin City	RMB50.00 million
Harbin Huaneng Centralized Heat Supply Co., Ltd. (哈爾濱市華能集中供熱有限公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company	Heat supply and property management for urban residents and industrial and commercial properties; warehousing (excluding dangerous goods).	Wang Yuzhe	Harbin City	RMB553.341 million

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Name of enterprise	Relationship with the Bank	Business nature or type	Principal business	Legal representative	Place of registration	Registered capital and its changes
Harbin Taiping Real Estate Property Operation Co., Ltd. (哈爾濱市太平房產物業經營有限責任公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company	Real estate operation (public housing management, rent management, real estate replacement), heat supply, property management; maintenance of heat supply facilities and equipments; providing heat supply facilities and insulation materials for subsidiaries; cleaning: heat supply pipes, heaters; sewage cleaning.	Ji Hongyuan	Harbin City	RMB5.00 million
Harbin Property Heating Supply Group Co., Ltd. (哈爾濱物業供熱集團有限責任公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company	Property management, heating source and heating network construction, real estate operation and management, heating supply production, and car park operation and management.	Luan Biao	Harbin City	RMB687.811 million
Harbin Xiangfang Property Heat Supply Co., Ltd. (哈爾濱香坊物業供熱有限責任公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company	Operations of state-owned real estate and real estate under entrusted management, property management, house heating supply, house repair, road transportation of ordinary cargo, loading, unloading and carrying services for ordinary cargo, ordinary cargo warehousing services (excluding dangerous chemicals and toxic goods).	Yang Yanjie	Harbin City	RMB12.842 million

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Name of enterprise	Relationship with the Bank	Business nature or type	Principal business	Legal representative	Place of registration	Registered capital and its changes
Harbin Automobile Exchange Market Co., Ltd. (哈爾濱汽車交易市場有限公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company	Purchase and sales of: motors, automobile accessory and daily goods; wholesale of: automobile decoration and accessory; organise automobile exchange market; market property management; automobile after-sale service (exclude maintenance); acquisition, sales, consign, agency buy and sell, lease of used automobile, as well as accessory provision and information service; provision of automobile transfer, registration and agency insurance service; organise automobile exhibition and convention; organise corporate culture and exchange activities; lease of commercial equipments; venue leasing and property leasing.	Hu Xiaoping	Harbin City	RMB50.00 million
Harbin Nangang Real Estate and Property Management Co., Ltd. (哈爾濱市南崗房產經營物業管理有限責任公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company	Transfer of real estate and property management; heat supply service in accordance with the qualification; agency service for paid transfer and swap of public housing, escrow of reserved properties and real estate brokerage and consultation service.	Zhang Xueming (Changed in January 2021)	Harbin City	RMB10.00 million

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Name of enterprise	Relationship with the Bank	Business nature or type	Principal business	Legal representative	Place of registration	Registered capital and its changes
Harbin Huahui Thermoelectric Co., Ltd. (哈爾濱華匯熱電股份有限公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company	Provision of urban heat supply in accordance with the approval; provision of property management in accordance with the qualification; warehousing (except for those restricted in accordance with nation laws and regulations).	Xing Bo	Harbin City	RMB20.00 million
Harbin Entrusted Property Heat Supply Co., Ltd. (哈爾濱信託物業供熱有限責任公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company	Urban heat supply; centralised heat supply, collection and payment of heating fees; sales and installation of measuring equipment; property management, property swap, property leasing, property management agency service for collection of relevant fees; thermal power generation; ordinary cargo transportation.	Yang Yanjie	Harbin City	RMB5.50 million
Harbin New Residential Zone Heat Supply Property Co., Ltd. (哈爾濱住宅新區供熱物業有限責任公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company	Property management (class I), heat supply, paid transfer of rights of use of public residential properties and public non-residential properties, and real estate agency services.	Zhao Dexin	Harbin City	RMB7.90 million
Harbin Pingfang Property Heat Supply Co., Ltd. (哈爾濱平房物業供熱有限責任公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company	Property management companies: property management; general projects: house heating, house management, house maintenance, heat source construction. Distribution: water supply equipment.	Xing Bo	Harbin City	RMB20.00 million

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Harbin Heat Power Co., Ltd. (哈爾濱市熱力有限公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company	Supply and sale of steam and hot water, heat supply and equipment maintenance and management, repairmen of electric instruments; construction of pipeline works; installation for building heating system; property leasing.	Zhang Xueming (Changed in February 2022)	Harbin City	RMB163.861 million
Heilongjiang Suibao Thermolectric Co., Ltd. (黑龍江歲寶熱電有限公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company	Power generation, heating, coal operation and sales. Production of cement, cement products, composite calcium-increasing liquid slag powder, calcium-increasing high-efficiency ash, calcium-increasing compound ash, calcium-increasing slag, calcium-increasing slag powder and compound fertiliser (limited to branch operation); heating project construction.	Zhang Xianjun	Harbin City	RMB93.70 million
Harbin Venture Capital Group Co., Ltd. (哈爾濱創業投資集團有限公司)	A related party of the Bank's major shareholder Harbin Economic Development	Limited liability company (state-owned)	Engaging in venture capital business; venture capital consulting business; providing business venture management services for venture enterprises; participating in the establishment of venture capital enterprises and venture capital management consulting institutions; accepting government commissioned services; entrepreneurial space services, entrepreneurial guidance services; socioeconomic consulting (excluding futures investment consulting); real estate lease operation.	Xu Songdan	Harbin City	RMB1,124.50 million

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Name of enterprise	Relationship with the Bank	Business nature or type	Principal business	Legal representative	Place of registration	Registered capital and its changes
Harbin Junxin Financing Guarantee Co., Ltd. (哈爾濱均信融資擔保股份有限公司)	A related party of the Bank's major shareholder Harbin Economic Development	Other joint stock company	Financing guarantee business.	Li Mingzhong	Harbin City	RMB651.555 million
Heilongjiang University Student Startup Financing Guarantee Co., Ltd. (黑龍江省大學生創業融資擔保有限公司)	A related party of the Bank's major shareholder Heilongjiang Financial Holdings	Limited liability company	Financing guarantee business: including loan guarantee, bonds issuance guarantee and other financing guarantee business; non-financial guarantee business: including tender guarantee, construction contract performance guarantee, litigation preservation guarantee and other nonfinancing guarantee business; service business including consultation related to guarantee business; other businesses in compliance with the laws and regulations.	Gu Tiaojiao	Harbin City	RMB200.00 million
Heilongjiang Xinzheng Financing Guarantee Group Co., Ltd. (黑龍江省鑫正融資擔保集團有限公司)	A related party of the Bank's major shareholder Heilongjiang Financial Holdings	Limited liability company	Financing guarantee; re-financing; guarantee for bond issuance; litigation provision guarantee; performance guarantee; entrusted loans; logistic supervision; financing consultation in relation to guarantee operation, intermediary services such as financial consultation; investment using self-owned funds.	Li Jinsong	Harbin City	RMB4,551.00 million

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Name of enterprise	Relationship with the Bank	Business nature or type	Principal business	Legal representative	Place of registration	Registered capital and its changes
Yungu Technology Co., Ltd. (雲谷科技有限公司)	A related party of the Bank's major shareholder Heli	Limited liability company	Investment, construction and management of international data city; incubation and cultivation of technology enterprises and high-tech projects, development of computer software and hardware; computer system integration; computer network engineering; development, consultation and transfer of electronic, communication and optomechatronics system and network information technology; provision of planning, construction, management and organisational services for enterprises; exhibition and convention services; investment and investment management in technology industry, commercial industry, industrial industry and agriculture industry using self-owned assets; domestic trade; import and export of goods and technologies.	Liu Bo	Harbin City	RMB465.633 million
Harbin Economic and Technologic 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)	A related party of the Bank's major shareholder Heli	Limited liability company	Planning, design, contracting and construction management of infrastructure works inside the development zone; development and construction of residential zone inside the development zone; sales of construction materials (exclude flammable materials); provision of heat supply service in accordance with the scope approved under the certification; coal operation (no high-pollution fuels inside combustion forbidden zones; asset management services for self-owned capital investment).	Yang Xuemei	Harbin City	RMB500 million

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Name of enterprise	Relationship with the Bank	Business nature or type	Principal business	Legal representative	Place of registration	Registered capital and its changes
Shanghai Tonglian Financial Services Co., Ltd. (上海通聯金融服務有限公司)	A related party of the Bank's director Hou Bojian	Limited liability company	Provision of back-office business technical services for financial institutions including banks in the form of service outsourcing	Huang Xinghai	Shanghai City	RMB240.00 million
Beijing Zhongwen Law Firm	A related party of the Bank's senior management Gong Tiemin	Partnership enterprise	Provision of comprehensive legal services	Wu Ge	Beijing City	—

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

As at the end of the Reporting Period, Harbin Economic Development, a major shareholder of the Bank, together with its related parties had a deposit balance amounted to RMB2,950.1660 million in the Bank. Heilongjiang Financial Holdings and its related parties had a deposit balance amounted to RMB2,008.1173 million in the Bank. Heli and its related parties had a deposit balance amounted to RMB126.3436 million in the Bank.

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

(1) On-balance sheet transactions

During the Reporting Period, there were a total of 15 loan transactions conducted between Harbin Economic Development (a major Shareholder of the Bank) and its related parties, including Harbin Huahui Thermolectric Co., Ltd., Harbin Jinshanbao Heat Supply Co., Ltd., Harbin Pingfang Property Heat Supply Co., Ltd., Harbin Huaneng Centralized Heat Supply Co., Ltd., Harbin Entrusted Property Heat Supply Co., Ltd., Harbin New Residential Zone Heat Supply Property Co., Ltd., Harbin Venture Capital Group Co., Ltd., Harbin Investment Group Corporation Limited and the Bank with a transaction amount totaling RMB1,432.0800 million. As at the end of the Reporting Period, the aggregate credit balance of the on-balance sheet the Bank granted to Harbin Economic Development and its related parties amounted to RMB4,875.8756 million, accounting for 8.33% of the net capital of the Bank.

During the Reporting Period, there was no loan transactions conducted between Heilongjiang Financial Holdings, a major shareholder of the Bank, and the Bank. As at the end of the Reporting Period, Heilongjiang Financial Holdings and its related parties, including Heilongjiang University Student Startup Financing Guarantee Co., Ltd., and Heilongjiang Xinzheng Financing Guarantee Group Co., Ltd., conducted guarantee transactions with the Bank with a total guarantee balance of RMB162.2274 million. During the Reporting Period, all the related party transactions conducted between Heilongjiang Financial Holdings (a major shareholder of the Bank) and its related parties and the Bank were ordinary related party transactions.

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During the Reporting Period, there were a total of 1 loan transactions conducted between Heli (a major shareholder of the Bank) and its related parties and the Bank, with a transaction amount totaling RMB105.5500 million. As at the end of the Reporting Period, the aggregate credit balance granted to Heli and its related parties amounted to RMB3,173.8128 million, accounting for 5.42% of the net capital of the Bank.

(2) *Off-balance sheet transactions*

During the Reporting Period, there were a total of 8 off-balance sheet transactions conducted between Harbin Economic Development (a major Shareholder of the Bank) and its related parties and the Bank, with a transaction amount totaling RMB200.5779 million. The credit balance was RMB500.2429 million. The amount of each single transaction was less than 1% of the net capital of the Bank.

As at the end of the Reporting Period, the aggregate credit balance of the on- and off-balance sheet the Bank granted to Harbin Economic Development and its related parties amounted to RMB5,376.1185 million, accounting for 9.18% of the net capital of the Bank.

4. *Service transactions with the major shareholders and their related parties*

In 2021, the Bank and Shanghai Tonglian Financial Services Co., a related entity of Hou Bojian, an independent non-executive Director of the Bank, conducted Service transactions, with a transaction amount totaling RMB6.4261 million; the Bank and Beijing Zhongwen Law Firm, a related entity of Gong Tiemin, an executive officer of the Bank, conducted Service transactions, with a transaction amount totaling RMB141,500; All transactions above are ordinary related party transactions and have been considered and approved by the 20th Meeting of the Seventh Session of the Board of the Bank and the the 18th Meeting of the Seventh Session of the Board of the Bank respectively, and have been reported to the Supervisory Committee simultaneously.

(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 "Directors, Supervisors, Senior Management and Institutions", which constitutes a part of the Report of the Board of Directors.

The Proposal on the Appointment of Directors of the Eighth Session of the Board and the Proposal on the Appointment of External Supervisors and Shareholder Representative Supervisor of the Eighth Session of the Board of Supervisors were considered and approved at the 2021 first extraordinary general meeting of the Company held on 24 February 2021, pursuant to which, Mr. Deng Xinquan was appointed as a new executive Director; Mr. Jin Qinglu was appointed as a new independent non-executive Director; and Mr. Wang Haibin was appointed as a new employee representative Supervisor of the eighth session of the Board of Supervisors of the Company.

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(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 2021, 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
Sun Feixia (resigned on 31 March 2022)	Executive Director	Beneficial owner	Domestic Shares	378,907	0.003
Lang Shufeng	Non-executive Director	Spouse interest	Domestic Shares	10,032	0.00009

Note: Ms. Zheng Xiaohong, the spouse of Mr. Lang Shufeng, held 10,032 domestic shares of the Bank. By virtue of the SFO, Mr. Lang Shufeng is deemed to be interested in the shares held by Ms. Zheng Xiaohong.

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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 2021, 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 2021, 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 47. ASSETS PLEDGED AS SECURITY of “Notes to Consolidated Financial Statements”.

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XIV. Prospects

2022 is a crucial year for the implementation of the 14th Five-Year Plan. With accelerated conversion between old and new forces, new industries, new structures and new growth points are expected to reserve power and momentum for development. Against the backdrop of “stability” prioritized above all policies, China’s economy is expected to remain at a reasonable level. Looking ahead to 2022, despite more downward pressure, China’s economy is still expected to maintain a higher growth rate of 5.8% if the epidemic has properly prevented and controlled and various policies have adjusted in place. In addition, as the State implements a moderate monetary policy with slightly loosen, it is conducive for banks to reduce the cost of debt. With further promotion of national strategies such as coordinated development of regions and urban and rural areas, together with enhanced coordination in livelihood areas such as elderly care, education, health and hygiene, the Bank will acquire new business and profit growth points. However at the same time, challenges and opportunities coexist, for example, more downward pressure on the economy, insufficient effective credit demand, continual exposure to credit risks in certain sectors, and higher pressure on market risk and liquidity risk management. 2022 is a crucial year for the Bank to enter into high-quality development. The Bank will adhere to the main theme of seeking improvement amidst stability, In pursuit of high-quality development, the Bank will practically enhance the quality and effectiveness of supporting and serving the real economy with reform and innovation as the driving forces and improvement of internal control mechanism as the guarantee, in bid to resolutely win the battle against non-performing asset recovery and disposal. The Bank will continue to implement the work objectives of “stability on six fronts and advancements in the six areas” and better complete the business objectives of “ensuring security in the six areas”, so as to maintain stable profits and promote the overall high-quality development of Harbin Bank.

By order of the Board
Deng Xinquan
Chairman

Harbin, PRC
31 March 2022

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 2021		Increase/decrease during the Reporting Period (+/-)					Unit: Shares 31 December 2021	
	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	745,628,000	6.78%	-	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.

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

As at 31 December 2021, 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 Mr. Zhang Xianjun (張憲軍) being the legal representative. The business scope of Harbin Economic Development is to make financial investments in areas like fixed-assets to municipally owned enterprises and to receive dividends in return (business subject to approval by law shall be conducted upon approval by competent authorities).

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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 RMB9,230,000,000 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	745,628,000	24.66%	6.78%
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 745,628,000 H Shares of the Company through its 100% owned corporation, Fubon Life Insurance Co., Ltd.. Fubon Life Insurance Co., Ltd. was established in March 2007 with a registered capital of TWD110.83114 billion and Mr. 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. The CBIRC decided to extend the takeover period for one year after the expiry of term. 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.

Changes in Share Capital and Information on Shareholders

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 2021.

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 2021, Harbin Economic Development, the largest shareholder of the Company, held 29.63% of the total issued shares of the Company. According to the Business License (Unified Social Credit Code: 91230100424004064C) issued by the Market Supervision and Administration Bureau of Harbin on 17 December 2019, and the Articles of Association of Harbin Economic Development and Investment Company amended on 27 November 2019, Harbin Economic Development is a validly subsisting economic entity with limited liability (sole proprietorship invested or controlled by non-natural person). Harbin Economic Development is owned as to 100% by Harbin Investment Group Corporation Limited, which in turn is owned as to 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 2021, 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 economic entity with limited liability (wholly state-owned). Heilongjiang Financial Holdings is wholly owned by the Department of Finance of Heilongjiang Province.

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

As at 31 December 2021, 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 2021.

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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 2021 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

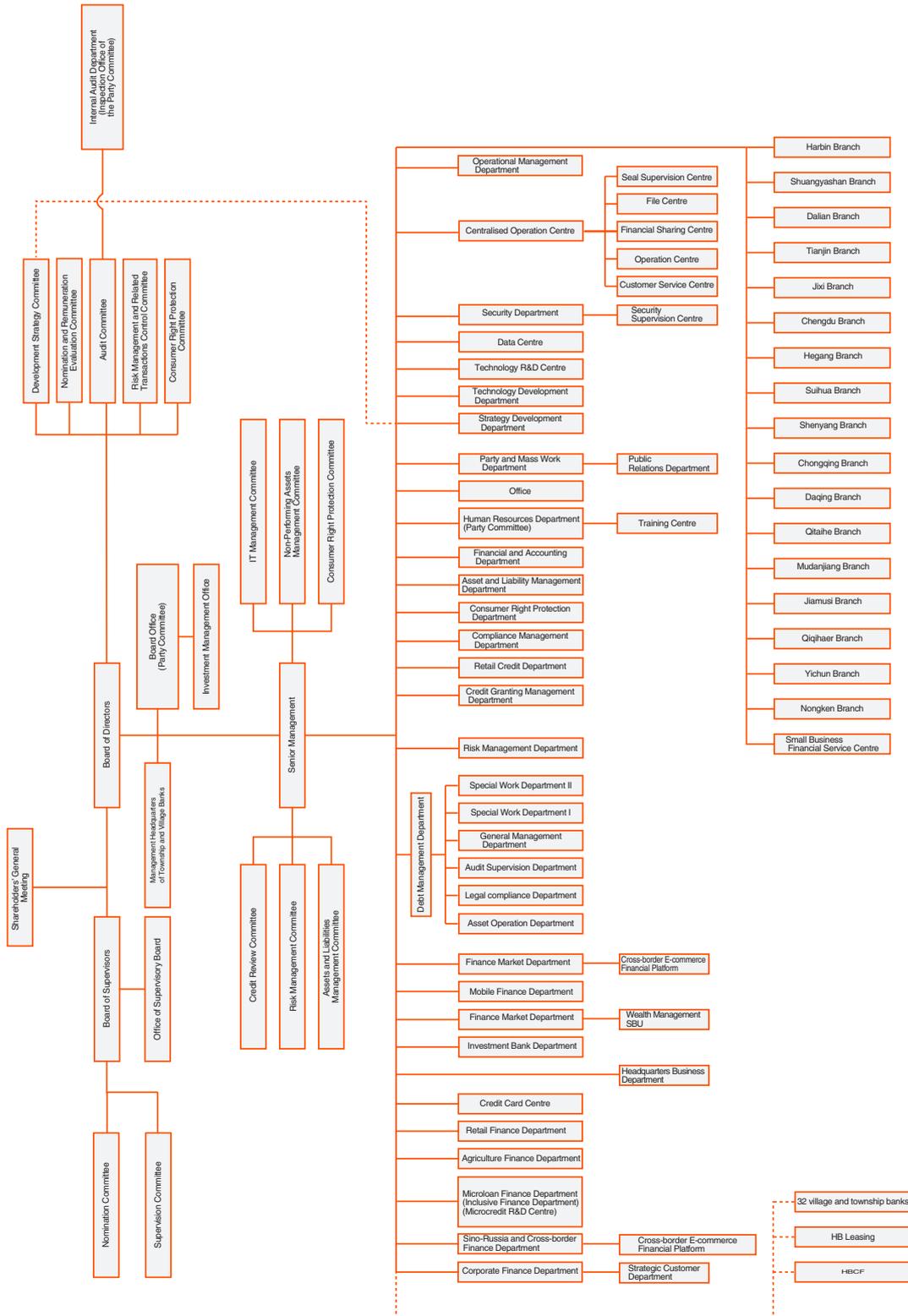
Name of shareholders	Director nominated	Supervisor nominated
Harbin Economic Development and Investment Company Limited	Zhao Hongbo, Zhang Xianjun	-
Heilongjiang Financial Holdings Group Co., Ltd.	Yu Hong, Lang Shufeng	-
Harbin Heli Investment Holding Co., Ltd.	-	Yang Xuemei

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I. Organisation Chart of Corporate Governance

Organisation Chart of Harbin Bank



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I. Corporate Governance Overview

Sound corporate governance is the responsibility of the Board of the Company. In 2021, 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 2021 to 31 December 2021, the Company had complied with the requirements of the provisions of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules.

In 2021, the shareholders' general meetings of the Company passed the following resolutions relating to corporate governance of the Company:

At the 2021 first extraordinary general meeting convened by the Company on 14 February 2021, the Proposal on the Election of Directors of the Eighth Session of the Board, and the Proposal on the Election of External Supervisors and Shareholder Representative Supervisor of the Eighth Session of the Board of Supervisors were considered and approved.

At the 2020 annual general meeting convened by the Company on 21 May 2021, proposals namely the Proposal on the 2020 Work Report of the Board of Directors, the Proposal on the 2020 Work Report of the Board of Supervisors, the Proposal on the 2020 Final Account Report, the Proposal on the 2021 Financial Budgets, the Proposal on the 2020 Profit Distribution Plan, the Proposal on the 2020 Annual Report, the Proposal on the Appointment of Auditors for 2021, the Proposal on the Report on the Management of Related Party Transactions in 2020, the Proposal on the Remuneration Distribution Plan for the Executive Directors for 2020, the Proposal on the Remuneration Distribution Plan for the Chairman of the Board of Supervisors for 2020, the Proposal on the 2021-2023 Strategic Development Plan of Harbin Bank, and the Proposal on Granting the Board a General Mandate to Issue H Shares were considered and approved.

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At the 2021 first domestic shareholders' class meeting convened by the Company on 21 May 2021, the Proposal on Granting the Board a General Mandate to Issue H Shares was considered and approved.

At the 2021 first H shareholders' class meeting convened by the Company on 21 May 2021, the Proposal on Granting the Board a General Mandate to Issue H Shares was considered and approved.

In 2021, the Company organised and held 68 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 4 general meetings and class meetings of shareholders in total, 13 meetings of the Board, 30 meetings of the special committees of the Board, 10 meetings of the Board of Supervisors and 11 meetings of the special committees of the Board of Supervisors. At the meetings, the Company considered and approved 340 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 report to the shareholders' general meeting;
2. Implementing the resolutions of the shareholders' general meeting;
3. Deciding on the development plans of the Company and formulating business development strategy of the Company and supervising the implementation of the strategy;
4. Deciding on operation plans, investment plans and major assets disposal plans of the Company;
5. Formulating the risk tolerance level, risk management and internal control policies of the Company;
6. Formulating annual financial budgets and final account plan of the Company;
7. Formulating profit distribution plans and loss make-up plans of the Company;

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8. Formulating proposals on the increase or decrease of registered capital, the issuance of bonds or other securities and the listing of the Company;
9. Formulating capital plans and bearing the ultimate responsibility of capital management;
10. Formulating proposals on major acquisitions of the Company, acquisitions of the stock of the Company or merger, division, dissolution and change of the corporate form;
11. Regularly evaluating and improving the Company's corporate governance;
12. Deciding on external investment, acquisition and disposal of assets, assets mortgage, external security, related party/connected transactions, external donations and other matters of the Company, within the scope of authorisation of the shareholders' general meeting;
13. Determining arrangement plans for the Company's internal management agencies, branches and capacity, and the number of management personnel;
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. Deciding on remuneration and disciplinary matters of senior management personnel and supervising and ensuring that senior management effectively fulfil management responsibilities;
16. Formulating basic management system and validating work rules for the president;
17. Formulating proposal on amendments to the Articles of Association;
18. Managing the information disclosure matters of the Company and bearing the ultimate liability of the authenticity, accuracy, completeness, and timeliness of the Company's accounting and financial report;
19. Proposing the engagement or replacement of the accounting firm that audits the Company to the shareholders' general meeting;
20. Establishing the mechanism of the identification, investigation and management of the conflict of interests between the Company and shareholders, especially major shareholders;
21. Hearing the work report of the president of the Company and checking the work of the president;
22. Safeguarding the legitimate rights and interests of the depositors and other stakeholders;

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23. Verifying the Company's compliance with the Corporate Governance Code specified in the Listing Rules of Hong Kong Stock Exchange and the information disclosed in the Corporate Governance Report; and
24. Being responsible for determining the green credit development strategy, 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;
25. Reviewing and monitoring the training and continuous professional development of the Directors and senior management;
26. Formulating and reviewing the Company's policies and practices on corporate governance;
27. Reviewing and monitoring the Company's policies and practices on compliance with the legal and regulatory requirements;
28. Other functions and powers granted by laws, administrative regulations, department rules or the Articles of Association of the Company.

IV. Board Members

The Board of the Company consists of 9 Directors, including 1 executive Director (Mr. Deng Xinquan), 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 1 executive Director has worked in the areas of banking and management for a long time and possesses 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.

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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.

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

During the Reporting Period, the proposal on the election of Directors of the eighth session of the Board was considered and approved at the 2021 first extraordinary general meeting of the Company held on 24 February 2021, and Mr. Deng Xinquan was appointed as an executive Director of the Company, while Mr. Jin Qinglu was appointed as an independent non-executive Director of the Company. The qualification of Mr. Deng Xinquan as a Director had been approved by the Heilongjiang Regulatory Bureau of the CBIRC, and his appointment was effective from 10 March 2021. The qualification of Mr. Jin Qinglu as a Director had been approved by the Heilongjiang Regulatory Bureau of the CBIRC, and his appointment was effective from 25 March 2021. The former executive Director of the Company, namely Mr. Guo Zhiwen, and the former independent non-executive Director of the Company, namely Mr. Ma Yongqiang, resigned from their positions on expiry of their respective term of office. Mr. Lyu Tianjun, an executive Director of the Company, has reigned as executive Director, member of the Development Strategy Committee, member of the Consumer Right Protection Committee and

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the president of the Company due to personal reasons. Ms. Sun Feixia has resigned as executive Director, member of the Risk Management and member of Related Transactions Control Committee, vice chairman of the Board, secretary of the Board and company secretary of the Company due to personal reasons. The above resignations are all effective from 31 March 2022. The Board of the Company has now initiated the selection of a new president and will complete the appointment of the president of the Company and report to the banking and insurance regulatory authority under the State Council for approval of the qualification as soon as possible. Prior to the appointment of new president by the Board of the Company and the approval for the qualification by the banking and insurance regulatory authority under the State Council being obtained, in order to maintain the Company's normal operation and management, the Board of the Company designated Mr. Wang Haibin, chairman of the Board of Supervisors of the Company to act on behalf and performed the duties of the president of the Company. Mr. Wang Haibin will remain acting as the chairman of the Board of Supervisors of the Company while acting on behalf and performed the duties of the president of the Company. Prior to the appointment of new board secretary by the Board of the Company and the approval for the qualification by the banking and insurance regulatory authority under the State Council being obtained, Mr. Deng Xinquan, chairman of the Company, will act on behalf and performed the duties of the board secretary of the Company. The Board of Directors of the Company will complete the appointment of new board secretary in accordance legal procedures as soon as possible.

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. Wang Haibin, acting on behalf and performing the duties of 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.

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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. Deng Xinquan had an attendance of 91%; Mr. Lyu Tianjun had an attendance of 85%; Ms. Sun Feixia had an attendance of 77%; Mr. Zhao Hongbo, Mr. Yu Hong, Mr. Lang Shufeng and Mr. Sun Yan had an attendance of 92% respectively; Mr. Jin Qinglu had an attendance of 90%; 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.

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 2021, 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 169 of this report.

IX. Board Meetings and the Directors' Attendance

During the Reporting Period, the Company held 13 Board meetings to consider and approve major proposals on development strategies, operation plans, financial policies, rule amendments and other matters, including 129 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 22nd meeting of the seventh session of the Board	5 February 2021	Video conference
The 1st meeting of the eighth session of the Board	24 February 2021	Video conference
The 2021 first extraordinary general meeting of the Board	16 March 2021	Video conference
The 2nd meeting of the eighth session of the Board	31 March 2021	On-site conference
The 3rd meeting of the eighth session of the Board	29 April 2021	Video conference
The 4th meeting of the eighth session of the Board	28 May 2021	Video conference
The 2021 second extraordinary general meeting of the Board	13 July 2021	Video conference
The 5th meeting of the eighth session of the Board	30 August 2021	Video conference
The 2021 third extraordinary general meeting of the Board	24 September 2021	Video conference
The 2021 fourth extraordinary general meeting of the Board	29 November 2021	Video conference
The 6th meeting of the eighth session of the Board	3 December 2021	Video conference
The 2021 fifth extraordinary general meeting of the Board	24 December 2021	Video conference
The 7th meeting of the eighth session of the Board	30 December 2021	Video conference

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The attendance of each Director in the Board meetings and Shareholders' general meetings/class meetings in 2021 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 (newly appointed on 10 March 2021)	11	10	1	91%	4/4
Guo Zhiwen (resigned on 24 February 2021)	1	1	0	100%	0/1
Lyu Tianjun (resigned on 31 March 2022)	13	11	0	85%	4/4
Sun Feixia (resigned on 31 March 2022)	13	10	1	77%	4/4
Zhao Hongbo	13	12	1	92%	0/0
Zhang Xianjun	13	13	0	100%	0/0
Yu Hong	13	12	1	92%	0/0
Lang Shufeng	13	12	1	92%	0/0
Ma Yongqiang (resigned on 24 February 2021)	1	1	0	100%	1/1
Zhang Zheng	13	13	0	100%	4/4
Sun Yan	13	12	1	92%	4/4
Hou Bojian	13	13	0	100%	4/4
Jin Qinglu (newly appointed on 25 March 2021)	10	9	1	90%	3/3

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

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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 2021 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 2021, 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 30 meetings, at which 126 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 2021 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 2021, the Audit Committee held 7 meetings, at which 28 proposals and reports, including the Proposal on the 2020 Annual Results Announcement and Annual Report, the Proposal on 2020 Profit Distribution Plan, the Proposal on the 2021 Financial Budgets, the Proposal on the Appointment of Auditors for 2021, the Proposal on the 2020 Internal Control Evaluation Report of Harbin Bank Co., Ltd., the Proposal on Approval of 2021 Unaudited Interim Financial Statements Prepared according to the International Financial Reporting Standards, and the Proposal on Consideration of 2021 Interim Results Announcement and Interim Report, were considered and approved. In 2021, 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 2020 annual report and 2021 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 28 March 2022, the Audit Committee reviewed the audited consolidated financial statements for the year ended 31 December 2021 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 2021 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 (newly appointed on 25 March 2021)	6	6	0	100%
Ma Yongqiang (resigned on 24 February 2021)	1	1	0	100%
Hou Bojian	7	7	0	100%
Lang Shufeng	7	7	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 policy, making and implementing the remuneration policy 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 2021, the Nomination and Remuneration Evaluation Committee held 5 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, 9 proposals and reports including the Proposal on the Nomination of Directors for the Eighth Session of the Board of Directors, the Proposal on 2020 Remuneration Distribution Plan for Executive Directors, the Proposal on 2020 Directors' Performance Assessment Report, the Report on 2020 Performance Appraisal and Remuneration Payment, the Proposal on Amending the Work Rules of the Nomination and Remuneration Evaluation Committee under the Board of Directors of Harbin Bank Co., Ltd., the Proposal on 2021 Personal Performance Appraisal Indicators for Senior Management and the Proposal on Amending Harbin Bank's Management Measures for Deferred Payment of Performance-based Remuneration and Recovery of Remuneration were considered and approved. The attendance of each member in the meetings of the Nomination and Remuneration Evaluation Committee in 2021 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	5	5	0	100%
Zhang Zheng	5	5	0	100%
Hou Bojian	5	5	0	100%
Zhao Hongbo	5	5	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 strategy;
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;
11. other matters authorised by the Board of Directors.

In 2021, the Risk Management and Related Transactions Control Committee held 9 meetings, at which 64 proposals and reports were considered and approved, including the Proposal on the Risk Management Report of Harbin Bank in 2020, the Proposal on the General Evaluation Report on Information Technology Risk of Harbin Bank in 2020, the Proposal on the Risk Inspection Report of Harbin Bank in 2020 and the Proposal on the Significant Related Transactions between Harbin Bank and Harbin Investment Group Corporation Limited in 2021. The attendance of each member in the meetings of Risk Management and Related Transactions Control Committee in 2021 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 (newly appointed on 25 March 2021)	9	9	0	100%
Ma Yongqiang (resigned on 24 February 2021)	0	0	0	–
Sun Feixia (resigned on 31 March 2022)	9	8	0	89%
Sun Yan	9	9	0	100%
Zhang Zheng	9	9	0	100%
Zhang Xianjun	9	9	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, independent non-executive Directors and non-executive Directors. The current members include an executive Director, namely Mr. Deng Xinquan (chairman of the committee), 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 research 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 2021, the Development Strategy Committee held 6 meetings, at which 21 proposals were considered and approved including the Proposal on the Work Report of the Board of Harbin Bank Co., Ltd. for 2020, the Proposal on the Operational Plan of Harbin Bank Group for 2021, the Proposal on the Performance Assessment on Senior Management for 2021, the Proposal on the External Investment Programme for 2021, the Proposal on the Capital Management Planning for 2021-2023, the Proposal on the Capital Adequacy Management Plan for 2021, the Proposal on the Institutional Development Plan of Harbin Bank Co., Ltd. for 2021, the Proposal on the Establishment of A Party and Group of Harbin Bank Co., Ltd., the Proposal on the Material Issues of Environmental, Social and Governance (ESG) of Harbin Bank Co., Ltd. for 2021, the Proposal on Granting the Board a General Mandate for Additional Issuance of H Shares, the Proposal on the Environmental, Social and Governance Report of Harbin Bank Co., Ltd. for 2020, the Proposal on the Strategic Executive Assessment Report of Harbin Bank Group for 2018-2020, the Proposal on the Strategic Development Planning of Harbin Bank Group for 2021-2023, the Proposal on the Internet Leading Business Plan of Harbin Bank Co., Ltd. for 2021-2023, the Proposal on the Amendments to the Working Rules of the Development Strategy Committee of the Board of Harbin Bank Co., Ltd., and one report, 2020 Work Summary and 2021 Work Plan of the Development Strategy Committee of the Board was reported. The attendance of each member in the meetings of Development Strategy Committee in 2021 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 ^(Not)
Deng Xinquan (newly appointed on 10 March 2021)	6	6	0	100%
Lyu Tianjun (resigned on 31 March 2022)	6	5	0	83%
Yu Hong	6	6	0	100%
Hou Bojian	6	6	0	100%
Guo Zhiwen (resigned on 24 February 2021)	0	0	0	0%

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

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(V) Consumer Rights Protection Committee

The Consumer Rights Protection Committee consists of independent non-executive Directors and non-executive Directors. The current members include independent non-executive Directors, namely Mr. Zhang Zheng (chairman of the committee) and Mr. Sun Yan, and non-executive Director, namely Mr. Zhang Xianjun.

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 2021, the Consumer Rights Protection Committee held 3 meetings, at which 5 proposals and reports were considered and approved, namely the Proposal on the Work Conclusions of the Consumer Rights Protection Committee of the Board for 2020 and the Work Plan for 2021, the Proposal on the Report of Consumer Rights Protection of Harbin Bank for 2020, the Proposal on the Work Scheme of Consumer Rights Protection of Harbin Bank for 2021, the Proposal on the Report of Consumer Rights Protection of Harbin Bank for the First Half of 2021 and the Proposal on the Analysis Report of Consumer Complaint by Letters and Visits of Harbin Bank for 2021. The attendance of each member in the meetings of Consumer Rights Protection Committee in 2021 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	3	3	0	100%
Lyu Tianjun (resigned on 31 March 2022)	3	2	0	67%
Sun Yan	3	3	0	100%
Zhang Xianjun	3	3	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 7 Supervisors, including 3 external Supervisors, 3 employee representative Supervisors and 1 shareholder representative Supervisor. The number and composition of the Board of Supervisors of the Company are in compliance with the provisions of relevant laws and regulations. During the Reporting Period, the Board of Supervisors held 10 meetings, at which 48 proposals and reports were considered and approved including the Nomination of Supervisor Candidate for the Eighth Session of the Board of Supervisors, the Election of Chairman for the Board of Supervisors, the Measures for Internal Control and Risk Supervision of the Board of Supervisors, the annual and interim report of the Company, the Work Report of the Board of Supervisors, the report of profit distribution, the performance evaluation reports of the directors, supervisors and senior management, the audit report of the resignation of executive officers, the evaluation report of strategy execution, the assessment report of internal control, the measures for the evaluation of directors' duties, the measures for the evaluation for supervisors' duties, the evaluation work of the engagement of Deloitte for duty performance, the work plans for the evaluation of duty performance and others. The attendance of each Supervisor in the meetings of the Board of Supervisors in 2021 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)
Deng Xinquan (resigned on 24 February 2021)	1	1	0	100%
Wang Haibin (newly appointed on 24 February 2021)	9	9	0	100%
Li Dong	10	10	0	100%
Li Zhaohua	10	10	0	100%
Sun Yi	10	10	0	100%
Yang Xuemei	10	9	1	90%
Luo Zhonglin	10	10	0	100%
Fang Shang	10	10	0	100%

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

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. 11 meetings were held throughout the year at which 19 proposals were studied and considered including the annual evaluation report of internal control, periodic reports and the profit distribution plan.

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(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; and
8. Other matters authorised by the Board of Supervisors.

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During the Reporting Period, the Nomination Committee held 3 meetings, at which a total of 5 proposals were considered and approved, namely the Proposal on the Nomination of Supervisor Candidates for the Eighth Session of the Board of Supervisors, the Evaluation Report on the Performance of the Board and the Directors in 2020 Issued by the Board of Supervisors, the Evaluation Report on the Performance of the Senior Management and its Members in 2020 Issued by the Board of Supervisors, the Evaluation Report on the Performance of the Board of Supervisors and Supervisors in 2020 and the Remuneration Distribution Plan for the Chairman of the Board of Supervisors for 2020. The attendance of each Supervisor in the meetings of the Nomination Committee in 2021 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	3	3	0	100%
Sun Yi	3	3	0	100%
Luo Zhonglin	3	3	0	100%

(II) Supervision Committee

The Supervision Committee consists of an external Supervisor, a shareholder representative Supervisor and an employee representative Supervisor. The members include an external Supervisor, namely Ms. Li Zhaohua (chairperson of the committee), a shareholder representative Supervisor, namely Ms. Yang Xuemei, and an employee representative Supervisor, namely Mr. Fang Shang.

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 8 meetings, at which 14 proposals and reports were considered and approved, namely the Proposal on the Off-office Auditing for Deng Xinquan, the Proposal on the Off-office Auditing for Guo Zhiwen, Wang Haibin and others, the Proposal on the Off-office Auditing Report for Deng Xinquan, the Proposal on the Off-office Auditing for Wang Tao, the 2020 Profit Distribution Plan, the 2020 Annual Report, the 2020 Internal Capital Adequacy Evaluation Report of Harbin Bank Co., Ltd., the Proposal on the Off-office Auditing Report for Sun Jiawei, the Evaluation Report on the 2018-2020 Strategy Implementation of Harbin Bank (Group), the 2021-2023 Strategic Development Plan of Harbin Bank (Group), the 2020 Internal Control Evaluation Report of Harbin Bank, the Off-office Auditing Report for Guo Zhiwen, the Off-office Auditing Report for Wang Haibin and the Proposal on the 2021 Interim Report. The attendance of each Supervisor in the meetings of the Supervision Committee in 2021 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	8	8	0	100%
Yang Xuemei	8	8	0	100%
Fang Shang	8	8	0	100%

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

On 24 February 2021, Mr. Deng Xinquan resigned as the chairman of the Board of Supervisors, Mr. Wang Haibin, Mr. Luo Zhonglin and Mr. Fang Shang were elected as the employee representative supervisors of the Company at the eighth meeting of the fifth session of the employee representative of the Company, and the Proposal on the Election of Chairman of the Board of Supervisors was considered and approved at the first meeting of the eighth session of the Board of Supervisors of the Company in 2021, pursuant to which, Mr. Wang Haibin was elected as the chairman of the eighth session of the Board of Supervisors 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 Company, including financial, business and family relationship or other material relationship.

XV. Securities Transactions by Directors, Supervisors and Relevant Employees

The Bank 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 Bank. 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 2021 to 31 December 2021. 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 independent Directors of the Company have actively made full use of their professional expertise. Sun Yan, being an independent Director, the chairman of the Nomination and Remuneration Evaluation Committee and an attorney, conducted the “Training on the Data Compliance Management of Financial Enterprise” for Directors, Supervisors and senior management. During the Reporting Period, the Board of Directors also organised specific trainings for all Directors, Supervisors and senior management, such as the trainings with themes of “Achieving Carbon Neutrality and Enhancing Development Quality”, data compliance management of financial enterprise, interpretation of the latest developments and regulatory policies related to the requirements on directors’ and supervisors’ duty performance in China’s banking sector. In addition, they also participated in the training on “Management of Major Transactions, Connected Transactions and Insider Dealings” provided by the Hong Kong Institute of Chartered Secretaries to have a better understanding of the overview of the latest development of Hong Kong’s capital market and the interpretation of its cutting-edge issues, with an adequate appreciation of the duties and liabilities of directors, supervisors and senior management of a listed company. Hence, the duties and obligations of Directors, Supervisors and senior management have been clarified, and the risk awareness and management activities has been further enhanced, thereby promoting the healthy development of the Company.

During the Reporting Period, the Board of the Company also arranged independent Directors to carry out investigation and research on its subsidiaries, certain branches and head office departments. In-camera meetings of independent Directors and seminars between the Chairman and 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 laws and regulations, understand the spirit of supervision and their responsibilities. One of the actions was to arrange Supervisors to participate in the trainings with themes of “Achieving Carbon Neutrality and Enhancing Development Quality” and “Data Compliance Management of Financial Enterprise”. The second was to participate in the training on “Management of Major Transactions, Connected Transactions and Insider Dealings” organised by the Hong Kong Institute of Chartered Secretaries. The third was to invite internal control experts from Deloitte to conduct the training on the “Analysis of the Policy and Practice of Performance Evaluation of Directors and Supervisors (2021)” for Supervisors to continuously improve the theoretical level and performance ability of Supervisors. The fourth was to arrange Supervisors to participate in the training on “Interpretation of the Measures on the Assessment of Performance of Duties of the Board of Supervisors in Commercial Banks issued by CBRC and Enhancement of the Performance Ability of Supervisors” on www.auditcn.com (中審網).

During the Reporting Period, the Board of Supervisors of the Bank conducted survey interviews with 2 executives, 2 institutions, 4 branches, 12 village and township banks and 5 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, and provided suggestions for rectification.

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The attendance of each Director in training sessions on specific topics and on-site business visits in 2021 is as follows:

Name of Directors	Number of training sessions on specific topics attended	Number of on-site business visits
Deng Xinquan (newly appointed on 10 March 2022)	3	15
Guo Zhiwen (resigned on 24 February 2021)	0	0
Lyu Tianjun (resigned on 31 March 2022)	3	4
Sun Feixia (resigned on 31 March 2022)	5	2
Zhao Hongbo	4	0
Zhang Xianjun	4	0
Yu Hong	4	0
Lang Shufeng	4	0
Ma Yongqiang (resigned on 24 February 2021)	0	0
Zhang Zheng	4	5
Sun Yan	4	7
Hou Bojian	4	6
Jin Qinglu (newly appointed on 25 March 2022)	5	5

The attendance of each Supervisor in training sessions on specific topics and on-site business visits in 2021 is as follows:

Name of Supervisors	Number of training sessions on specific topics attended	Number of on-site business visits
Deng Xinquan (resigned on 24 February 2021)	–	–
Wang Haibin (newly appointed on 24 February 2021)	4	14
Luo Zhonglin	3	11
Fang Shang	4	8
Li Zhaohua	4	8
Sun Yi	5	4
Li Dong	3	6
Yang Xuemei	4	5

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XVII. Amendments to the Articles of Association

Pursuant to laws, regulations and regulatory requirements including the Company Law of the People's Republic of China, the Reply of the State Council on the Adjustment of the Provisions Applicable to the Notice Period for the Convention of Shareholders' General Meeting for Overseas Listed Companies (Guo Han [2019] No.97) (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019]97號)), the Guidelines on the Corporate Governance of Commercial Banks (《商業銀行公司治理指引》), the Notice of the CBRC on Strengthening Management of Pledge of Equity Interest in Commercial Banks (Yin Jian Fa [2013] No. 43) (《中國銀監會關於加強商業銀行股權質押管理的通知》(銀監發[2013]43號)) and the Administrative Measures for the Related Party Transactions between the Commercial Banks and their Insiders or Shareholders (《商業銀行與內部人和股東關聯交易管理辦法》), the Board passed relevant resolution on 30 March 2020. The Board intended to amend the notification date of written notice regarding the convene of general meeting and other matters. It is proposed to make further amendments to the Articles of Association which is currently in effect and the Articles of Association which came into effect after the issuance of offshore preference shares. Relevant resolutions on the amendments to the Articles of Association were considered and passed at the 2019 annual general meeting held on 15 May 2020. Pursuant to requirements of the Company Law of the People's Republic of China, the Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》), the Administrative Measures for the Related Party Transactions between the Commercial Banks and their Insiders or Shareholders (《商業銀行與內部人和股東關聯交易管理辦法》), the Guidelines on the Corporate Governance of Commercial Banks (《商業銀行公司治理指引》), the Reply of the State Council on the Adjustment of the Provisions Applicable to the Notice Period for the Convention of Shareholders' General Meeting for Overseas Listed Companies (Guo Han [2019] No. 97) (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》(國函[2019]97號)) and the Notice of the CBRC on Strengthening Management of Pledge of Equity Interest in Commercial Banks (Yin Jian Fa [2013] No. 43) (《中國銀監會關於加強商業銀行股權質押管理的通知》(銀監發[2013]43號)), the Board passed relevant resolutions on 28 August 2020. The Board intended to amend the obligations of shareholders of the Company and other matters. It is proposed to make further amendments to the Articles of Association which is currently in effect. Relevant resolutions on the amendments to the Articles of Association were considered and passed at the 2020 first extraordinary general meeting held on 15 October 2020. The aforesaid amendments became effective on 23 December 2020 after obtaining the approval of the Heilongjiang Regulatory Bureau of CBIRC.

During the Reporting Period, the Bank has not made amendments to the Articles of Association.

XVIII. Company Secretary under the Hong Kong Listing Rules

Mr. Ngai Wai Fung (魏偉峰) has acted as the company secretary of the Bank independently since 31 March 2022. Each Director may discuss with, seek advice and obtain materials from the company secretary. Mr. Wu Siliang is the primary contact person for Mr. Ngai at the Bank. Mr. Ngai has confirmed her receipt of no less than 15 hours of relevant professional training during the Reporting Period.

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Ngai Wai Fung 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.

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, rural credit and Sino-Russia 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 Sino-Russia 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) as affected by the pandemic, the 2020 annual results presentation was held online in April 2021, attracting more than 100 analysts and investors to attend the presentation; (2) In 2021, 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; (3) The Bank timely responded to the questions and recommendations from investors through various channels, including answering over 100 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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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.

(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.

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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 318 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 paragraph before the 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 321 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.

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 321 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. 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.

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- (IV) Pursuant to Article 121(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 2020 annual general meeting held on 21 May 2021, the Bank engaged BDO China Shu Lun Pan CPAs LLP and BDO Limited instead of Ernst & Young Hua Ming LLP and Ernst & Young to respectively act as auditors for 2021 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.

For the year ended 31 December 2021, 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 2021.

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 2021 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 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.

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(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 and internal audit functions. 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 2021 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 key internal 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;
- 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 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

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- 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 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.

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, development 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 management and 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 training and lectures normal,

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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 good internal control environment and a corporate culture of “compliance with high efficiency”.

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 Company. Specifically, with inspection and investigation, rectification and accountability, performance appraisal, internal audit and other working mechanisms, the Company developed a working pattern in which business units and business departments, full-time departments of internal control compliance management, internal audit and other supervision departments 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. All levels and institutions of the Bank execute standardized and uniform business regulations and management process. At the same time, the Bank gave full play to the risk control efficiency of intelligent operation and intelligent risk control. Through the effective combination of internal control process, business operating system and management information system, the Bank 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.

Fourth, the Company was standardized and reasonable in the establishment of information transmission and communication channels. The Company established information reporting and feedback 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 external documents.

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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 continuous and effective operation of internal control mechanism.

Internal Audit

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

During the Reporting Period, 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 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 urged and 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 2021, the Board of Supervisors held 10 meetings, at which 26 proposals and reports were considered and approved, namely the Nomination of Supervisors of the Eighth Session of the Board of Supervisors, the Administrative Measures on the Supervision for the Performance of the Board of Supervisors of Harbin Bank Co., Ltd. (For Trial Implementation), the Administrative Measures on Internal Control and Risk Management Supervision of the Board of Supervisors of Harbin Bank Co., Ltd. (For Trial Implementation), the Proposal on the Election of the Chairman of the Board of Supervisors, the Proposal on the Composition of the Committees under the Eighth Session of the Board of Supervisors, the Audit Report of Mr. Deng Xinquan in respect of his Resignation, the 2020 Profit Distribution Plan, the 2020 Annual Report, the 2020 Internal Capital Adequacy Evaluation Procedure Report of Harbin Bank Co., Ltd., the Evaluation Report on the Performance of the Board and the Directors in 2020 Issued by the Board of Supervisors, the Evaluation Report on the Performance of Senior Management and its Members in 2020 Issued by the Board of Supervisors, the Evaluation Report on the Performance of the Board of Supervisors and the Supervisors in 2020, the Proposal on the Remuneration Distribution Plan for the Chairman of the Board of Supervisors for 2020, the 2020 Work Report of Board of Supervisors, the 2021 Work Plan of Board of Supervisors, the Audit Report of Ms. Sun Jiawei in respect of her Resignation, the Evaluation Report of 2018-2020 Strategy Implementation of Harbin Bank (Group), the 2021-2023 Strategic Development Plan of Harbin Bank (Group), the Proposal on the 2020 Internal Control Evaluation Report of Harbin Bank, the Audit Report of Mr. Guo Zhiwen in respect of his Resignation, the Audit Report of Mr. Wang Haibin in respect of his Resignation, the 2021 Interim Report, the Methods of Evaluation on Duty Performance of Directors of Harbin Bank Co., Ltd. (For Trial Implementation), the Methods of Evaluation on Duty Performance of Supervisors of Harbin Bank Co., Ltd. (For Trial Implementation), the Proposal on the Appointment of Deloitte Consulting (Shanghai) Co., Ltd. to Assist in the Evaluation on Duty Performance of Directors, Supervisors and Senior Management in 2021, the Proposal on the Evaluation on Duty Performance of Directors, Supervisors and Senior Management in 2021.

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. In accordance with the management requirements of the Measures for the Evaluation on Duty Performance of Directors and Supervisors of Banking and Insurance Institutions (for Trial Implementation) issued by the CBIRC, the Board of Supervisors arranged the formulation of the Methods of Evaluation on Duty Performance of Directors of Harbin Bank Co., Ltd. (For Trial Implementation), the Methods of Evaluation on Duty Performance of 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 16 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. 16 meeting minutes were formed and 1 special research report was compiled, containing 95 proposals on risk prevention measures, compliance operation, team building, group development, corporate governance, and honest and clean Party conduct, 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, Deloitte Consulting was engaged to carry out the performance evaluation of Directors and Supervisors in 2021 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.

Report of the Board of Supervisors

(V) Self-enrichment

Firstly, re-election of the Board of Supervisors was successfully completed. During the Reporting Period, re-election of the Board of Supervisors was successfully completed and the chairman of the Board of Supervisors was elected. Secondly, the Board of Supervisor improved the institutional system. During the Reporting Period, the Board of Supervisors comprehensively streamlined its evaluation on the performance of the the Board of Directors and the Board of Supervisors of the Bank in accordance with management requirements of the Measures for the Evaluation on Duty Performance of Directors and Supervisors of Banking and Insurance Institutions (for Trial Implementation) issued by the CBIRC, amended the Methods of Evaluation on Duty Performance of Directors of Harbin Bank Co., Ltd. (For Trial Implementation), the Methods of Evaluation on Duty Performance of 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 strengthened the training of Supervisors. During the Reporting Period, the Board of Supervisors invited internal control experts from Deloitte to conduct the special training on Policies and Practical Analysis of Performance Evaluation of Directors and Supervisors, and arranged Supervisors to participate in the special training on the 58th Lecture on Strengthening Continuous Professional Improvement for affiliated members of the Hong Kong Chartered Governance Institute organized by the Board of Directors of the Company to continuously improve the theoretical level of Supervisors and their ability to perform duties. Fourthly, the Board of Supervisors strengthened the quantitative management of Supervisors' performance of duties, conducted detailed assessments of meeting attendance, performance time, and opinions expressed, mobilized 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

Wang Haibin

Chairman of the Board of Supervisors

Harbin, PRC
31 March 2022

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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 is to be determined by the Board or its designated person within the abovementioned scope, in accordance with the capital needs of the Company and the market condition at the time of the issuance. The capital supplemental bonds are to be issued at the par value. All target investors shall subscribe for the capital supplemental bonds in cash. The initial term of the capital supplemental bonds shall not be less than 5 years. There will be no fixed expiration date prior to the exercise of redemption right by the Company. Interests on the capital supplemental bonds shall be paid in cash. The interest-bearing principal amount of the capital supplemental bonds shall be the aggregate amount of the relevant series of the capital bonds without a fixed term then issued and outstanding. After receiving the interests at the prescribed interest rate, the holders of the capital supplemental bonds shall not be entitled to any distribution of residual profits of the Company together with the ordinary shareholders. Relevant matters in respect of the proposed issuance of the capital supplemental bonds by the Company were disclosed in the circular dated 6 April 2018 and the announcement dated 18 May 2018 of the Company. 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 Company has successfully issued the Capital Bonds Without a Fixed Term of Harbin Bank Co., Ltd. in 2021 in the national inter-bank bond market. The bookkeeping of the bonds has been filed on 25 June 2021, and the issuance of the bonds has been completed on 29 June 2021 with a total issuing scale of RMB8 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 Company has successfully issued the second tranche of Capital Bonds Without a Fixed Term of Harbin Bank Co., Ltd. in 2021 in the national inter-bank bond market. The bookkeeping of the bonds has been filed on 12 November 2021, and the issuance of the bonds has been completed on 16 November 2021 with a total issuing scale of RMB3 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.

In 2021, the Company has successfully issued capital bonds without a fixed term in the national inter-bank bond market with a total issuing scale of RMB11 billion.

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(II) Previous Financial Bonds Issuance

1. *2016 tier-2 capital bonds*

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

The issuance size of the 2016 tier-2 capital bonds of Harbin Bank Co., Ltd. was RMB8.0 billion with right allowing issuer to redeem subject to conditions precedent at the end of the 5th year. The bonds have a term of 10 years with a fixed coupon rate of 4.00% and its short name as "16 Harbin Bank Tier-2" (bond code: 1620026), and its principal and interests were due and paid on 16 June 2021.

2. *2017 green financial bonds*

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

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

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

3. *2018 HB Leasing Second Tranche of Financial Bonds*

HB Leasing obtained the consent and permission from the CBRC and the PBOC for the issuance of the “Harbin Bank Financial Leasing Co., Ltd. 2018 First Tranche of Financial Bonds” on 2 May 2018. The issuance size was RMB1.0 billion with a term of 3 years and a coupon rate of 5.48%, and the interest is calculated annually at a fixed rate, and its short name was “18 HB Leasing Bond 01” (bond code: 1822011), with principal and interest payment due and paid on 4 May 2021.

(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 bookkeeping or other means. The interest will be paid annually, and the repayment of principal is in a lump sum when it becomes due. The proceeds raised from the issuance of the bonds will be used in the investment in agriculture, greening projects and leasing business in the province.

Important Events

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 RMB72 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 2021 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 2021 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 2020 Profit Distribution Plan was considered and approved at the 2020 annual general meeting held on 21 May 2021, pursuant to which, the Company would not distribute cash dividends to all shareholders. The Company has not distributed any interim dividend for the six months ended 30 June 2021.

VIII. Appointment and Dismissal of Auditors

Pursuant to the resolutions of the 2020 annual general meeting of the Company held on 21 May 2021, the Company was approved to appoint BDO China Shu Lun Pan CPAs LLP and BDO Limited to respectively act as auditors for 2021 annual financial report of the Bank prepared in accordance with the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively, and ceased to engage Ernst & Young Hua Ming LLP and Ernst & Young to respectively act as auditors for 2021 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

The Bank has no subsequent material events from the end of the Reporting Period to the date of this Report.

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

I. Incumbent Directors, Supervisors and Senior Management

Directors

Name	Gender	Age	Position	Term of office
Deng Xinquan	Male	57	Executive Director and Chairman of the Board (acted on behalf and performed the duties of the board secretary since 31 March 2022)	2021.3.10 – expiry of Eighth Session of the Board
Zhao Hongbo	Male	53	Non-Executive Director	2021.2.24 – expiry of Eighth Session of the Board
Zhang Xianjun	Male	47	Non-Executive Director	2021.2.24 – expiry of Eighth Session of the Board
Yu Hong	Male	58	Non-Executive Director	2021.2.24 – expiry of Eighth Session of the Board
Lang Shufeng	Male	51	Non-Executive Director	2021.2.24 – expiry of Eighth Session of the Board
Zhang Zheng	Male	49	Independent Non-Executive Director	2021.2.24 – expiry of Eighth Session of the Board
Sun Yan	Male	53	Independent Non-Executive Director	2021.2.24 – expiry of Eighth Session of the Board
Hou Bojian	Male	62	Independent Non-Executive Director	2021.2.24 – expiry of Eighth Session of the Board
Jin Qinglu	Male	49	Independent Non-Executive Director	2021.3.25 – expiry of Eighth Session of the Board

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Supervisors

Name	Gender	Age	Position	Term of office
Wang Haibin	Male	52	Chairman of the Board of Supervisors and Employee Representative Supervisor (acted on behalf and performed the duties of the president since 31 March 2022)	2021.2.24 – expiry of Eighth Session of the Board of Supervisors
Luo Zhonglin	Male	56	Employee Representative Supervisor	2021.2.24 – expiry of Eighth Session of the Board of Supervisors
Fang Shang	Male	50	Employee Representative Supervisor	2021.2.24 – expiry of Eighth Session of the Board of Supervisors
Yang Xuemei	Female	50	Shareholder Representative Supervisor	2021.2.24 – expiry of Eighth Session of the Board of Supervisors
Li Dong	Male	63	External Supervisor	2021.2.24 – expiry of Eighth Session of the Board of Supervisors
Li Zhaohua	Female	56	External Supervisor	2021.2.24 – expiry of Eighth Session of the Board of Supervisors
Sun Yi	Male	51	External Supervisor	2021.2.24 – expiry of Eighth Session of the Board of Supervisors

Senior Management

Name	Gender	Age	Position	Term of office
Zhou Jie	Female	47	Assistant to the President	2021.2.24 – expiry of Eighth Session of the Board
Qi Yilei	Male	50	Chief Credit Approval Officer	2021.2.24 – expiry of Eighth Session of the Board
Yang Dazhi	Male	45	Assistant to the President	2021.2.24 – expiry of Eighth Session of the Board
Wang Ying	Female	50	Chief Audit Officer	2021.2.24 – expiry of Eighth Session of the Board
Gong Tiemin	Male	46	Chief Risk Officer	2021.2.24 – expiry of Eighth Session of the Board
Liang Yong	Male	50	Chief Information Officer	2021.2.24 – expiry of Eighth Session of the Board

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II. Information on Remuneration Paid to Directors, Supervisors and Senior Management of the Bank for 2021

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 2021 is set out below:

Remuneration band	Number of individuals
RMB1,000,000 and below	0
RMB1,000,001 to RMB1,500,000	2
RMB1,500,001 to RMB2,000,000	1
RMB2,000,001 to RMB2,500,000	1
RMB2,500,001 to RMB3,000,000	2
RMB3,000,001 to RMB3,500,000	1
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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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; an executive director and the general manager of Harbin Economic Development and Investment Company Limited since December 2019; 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 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 general manager of Harbin Economic Development and Investment Company (now Harbin Economic Development and Investment Company Limited) from October to December in 2019; 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. 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 CCB Trust Co., Ltd. since July 2019; and a supervisor of China Cinda Asset Management Co., Ltd. since June 2016. Mr. Zhang served as 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限公司), a director and chief financial officer of Hong Kong Guangdong Transportation Co., Ltd. (香港廣東交

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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. Wang Haibin (王海濱), has been the chairman of the Board of Supervisors and employee representative Supervisor of the Company since February 2021. From July 1997 to February 2021, Mr. Wang held a number of positions in the Company, including the president of the Bank's Dazhi Sub-branch, general manager of the Operational Management Office, general manager of the Corporate Finance Department, general manager of the Human Resources Department, the president of the Bank's Harbin Branch, assistant to the president of the Company and executive vice president. Prior to joining the Company, from February 1997 to July 1997, Mr. Wang worked as a general officer of the Preparatory Office set for the establishment of the Bank. From August 1991 to February 1997, he worked as a vice director officer at the Harbin Branch of the People's Bank of China (the "PBOC"). Mr. Wang received a Master's degree in Engineering from Northeast Forestry University in January 2007. He is an economist as accredited by the PBOC.

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Mr. Luo Zhonglin (羅忠林), has been an employee representative Supervisor of the Company since May 2018. Mr. Luo has been the chairman of the Labour Union of the Company since December 2016. Mr. Luo joined the Company in August 2004. From August 2004 to December 2016, he was previously a deputy manager and manager of the office, deputy secretary to the Discipline Committee of the Company and vice chairman of the Labour Union of the Bank. From April 1997 to August 2004, he was a deputy head of the secretariat of Harbin Municipal Government Offices Administration, deputy head and head of the secretariat of Harbin Municipal People's Government. From March 1993 to April 1997, he was the director of the office of Xinghe Hotel (星河賓館) of Heilongjiang Agricultural Supply Company (黑龍江省農資公司). From March 1989 to March 1993, he worked in the personnel division, statistics division, import and export division of Heilongjiang Local Product Company (黑龍江省土產公司). From August 1988 to March 1989, he worked in the division of cadres of Heilongjiang Provincial Supply and Marketing Cooperative. From July 1986 to August 1988, he worked in the cadres training department of Heilongjiang Supply and Marketing School (黑龍江省供銷學校). Mr. Luo graduated from the Correspondence School of Party School of the Central Committee of the Communist Party of China with a major of politics and law in December 2000. He is an economist as accredited by the Personnel Department of Heilongjiang Province.

Mr. Fang Shang (房尚) (former name: Fang Minghui (房明輝)), has been an employee representative Supervisor of the Company since May 2018. Mr. Fang has been the general manager of the Compliance Management Department (Customers' Rights and Interests Protection Department) of the Company since November 2013. Mr. Fang has been an arbitrator of the fifth session of committee of Harbin Arbitration Commission since September 2018. Mr. Fang joined the Company in February 1997. From February 1997 to November 2013, he held various positions including a clerk in the Financial and Accounting Department, a clerk, assistant to the general manager and deputy general manager of the Human Resources Department, deputy general manager of the Asset Recovery Center, deputy general manager of the Asset Management Department, the vice president (in charge of work) and president of Longjiang Branch (governing branch), general manager of the Risk Asset Management Department and general manager of the Financial Planning Department. From July 1993 to February 1997, he worked in Harbin Urban Credit United Cooperative (哈爾濱市城市信用聯社). 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. 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 Co., Ltd. (哈爾濱曼哈頓多元集團有限公司) 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.

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.

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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.

Ms. Yang Xuemei (楊雪梅), has been a Shareholder representative Supervisor of the Company since October 2020. Ms. Yang has served as the deputy general manager and a supervisor of Harbin Heli Investment Holding Co., Ltd. (哈爾濱合力投資控股有限公司) since August 2018 and the chairman of Infrastructure Development and Construction Corporation of Harbin Economic and Technology Development Zone (哈爾濱經濟技術開發區基礎設施開發建設總公司) since December 2020. Ms. Yang was the chairman of Harbin Kaishengyuan Real Estate Co., Ltd. (哈爾濱凱盛源置業有限責任公司) from November 2017 to December 2020, the deputy general manager of Infrastructure Development and Construction Corporation of Harbin Economic and Technology Development Zone (哈爾濱經濟技術開發區基礎設施開發建設總公司) from August 2014 to August 2018, a staff and the deputy head of the engineering and technology department of Infrastructure Development and Construction Corporation of Harbin Economic and Technology Development Zone from May 2002 to August 2014, a supervisor of Aidi Engineering Construction Supervision Co., Ltd. of Harbin Economic and Technology Development Zone (哈爾濱經濟技術開發區愛迪工程建設監理有限責任公司) from April 2000 to May 2002, and a staff of design office of the infrastructure division and technical department of infrastructure company of Harbin No. 1 Machinery Manufacturer (哈爾濱第一機器製造廠) from July 1991 to April 2000. Ms. Yang received a college degree from Heilongjiang Institute of Construction Technology in July 2005, and is currently a senior engineer as accredited by the Personnel Department of Heilongjiang Province.

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(III) Information on Senior Management

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 head of the Small Business Financial Services Center of the Company since June 2021. Ms. Zhou 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. 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 Personnel.

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.

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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.

(IV) Information on Company Secretary

For the biography of Mr. Ngai Wai Fung, the 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, the Methods of Evaluation of Duty Performance of Supervisors and the Methods of Evaluation by the Board of Supervisors on Duty Performance of Directors, the Company has completed the evaluation on Directors through self-evaluation, mutual 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 to 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 to 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 Incentive Plan during the Reporting Period

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

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VII. Employees

(I) Personnel Composition

As at 31 December 2021, the Company (excluding subsidiaries) had 6,910 employees, among which 1,167 were headquarters staff, accounting for 16.89% of the total, and 2,316 were Harbin Branch staff, accounting for 33.52% of the total. Regarding the age composition, the average age of employees of the Company is 36.55, among which 1,087 are between 21 and 30 years old, accounting for 15.73% of the total. Regarding the educational background composition, there are 6,248 employees with a bachelor's degree or above in the Company, accounting for 90.42% of the total. Regarding the number of years of services, the Company had 3,419 employees with 10 years or more banking experiences, accounting for 49% of the total. Staff turnover rate of the Company (excluding subsidiaries) was 3.52%. Key talents' turnover rate of the Bank was 0.44%.

Subsidiaries had 1,683 employees in total.

(II) Staff training Programmes

During the Reporting Period, the Bank, adhering to the work theme of "high-quality development", focused on the training needs of staff from different levels with respect to job competency and core competency improvement, with particular emphasis on "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 2021, the Company (excluding subsidiaries) arranged 529 training sessions in total, including 480 internal training sessions, and 49 external training sessions for selected staff of the Company. The total training hours amounted to 2,850.

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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 multi-dimensional measurement to evaluate employee performance and a forced distribution method for the performance review results which ensures 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 the financial and asset liability management talent reserve. Through the written test and interview selection, 15 people were added to the system; 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, with over 1,900 employees achieving promotion in rank or salary during the year; fourthly, in 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 expenses 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.

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

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 2021, staff costs of the Bank were RMB2,333.9 million.

(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 34 of "Notes to Consolidated Financial Statements". Save as disclosed in Note 34 of "Notes to 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 2021, no forfeited contribution under the retirement benefits schemes of the Group is available to reduce the contribution payable in future years.

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VIII. Basic Information of Branches under the Parent Company

No.	Name of branch	Business address	Notes
1	Harbin Branch	No. 160 Shangzhi Street, Daoli District, Harbin	132 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	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)	12 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	14 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	No. 160, Shangzhi Street, Daoli District, Harbin	

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- II. Financial Statements (Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows)
- III. Notes to Consolidated Financial Statements
- IV. Unaudited Supplementary Financial Information

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Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

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 176 to 303, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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.

Independent Auditor's Report

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 21 and note 23 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 2021, gross loans and financial investments at amortised cost amounted to RMB442,180 million, representing 69% of total assets, and impairment allowance for loans and financial investments at amortised cost amounted to RMB18,840 million), impairment assessment 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

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KEY AUDIT MATTERS (Continued)

How the matter was addressed in our audit

Our audit procedures to the impairment assessment of loans 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.

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Consolidation assessment of structured entities

Refer to the accounting policies in note 3.21 and note 46 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.

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OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2021.

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.

Independent Auditor's Report

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.

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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, 31 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021
(Amount in thousands of RMB, unless otherwise stated)

	Note	Year ended 31 December	
		2021	2020
Interest income	5	26,448,105	29,003,891
Interest expense	5	(16,387,094)	(16,694,713)
NET INTEREST INCOME	5	10,061,011	12,309,178
Fee and commission income	6	859,998	1,110,720
Fee and commission expense	6	(162,989)	(230,713)
NET FEE AND COMMISSION INCOME	6	697,009	880,007
Net trading income	7	1,128,509	1,200,005
Net gain on financial investments	8	247,071	216,924
Other operating income, net	9	185,938	226
OPERATING INCOME		12,319,538	14,606,340
Operating expenses	10	(4,956,760)	(4,895,987)
Credit impairment losses	13	(6,700,502)	(8,301,465)
Other assets impairment loss	14	(101,027)	–
OPERATING PROFIT		561,249	1,408,888
PROFIT BEFORE TAX		561,249	1,408,888
Income tax expense	15	(162,561)	(613,056)
PROFIT FOR THE YEAR		398,688	795,832
Attributable to:			
Equity holders of the Bank		274,133	745,676
Non-controlling interests		124,555	50,156
		398,688	795,832
EARNINGS PER SHARE (RMB yuan)			
Basic and diluted	18	0.02	0.07

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021
(Amount in thousands of RMB, unless otherwise stated)

	Note	Year ended 31 December	
		2021	2020
Profit for the year		398,688	795,832
Other comprehensive income, net of tax:			
Other comprehensive income attributable to equity holders of the Bank	38	273,622	(223,442)
Items that will not be reclassified to profit or loss			
– Net gains on investments in equity instruments designated at fair value through other comprehensive income		(16,670)	45,982
Items that may be reclassified to profit or loss in subsequent years			
– Net losses on investments in debt instruments measured at fair value through other comprehensive income		283,715	(298,204)
– Allowance for credit impairment on investments in debt instruments measured at fair value through other comprehensive income		6,577	28,780
Subtotal of other comprehensive income for the year, net of tax		273,622	(223,442)
Total comprehensive income for the year		672,310	572,390
Total comprehensive income attributable to:			
Equity holders of the Bank		547,755	522,234
Non-controlling interests		124,555	50,156
Total		672,310	572,390

Consolidated Statement of Financial Position

As at 31 December 2021
(Amount in thousands of RMB, unless otherwise stated)

	Note	As at 31 December	
		2021	2020
ASSETS			
Cash and balances with the central bank	19	64,923,188	62,771,096
Due from banks and other financial institutions	20	7,116,203	6,206,118
Loans and advances to customers	21	283,637,048	272,350,602
Derivative financial assets	22	1,796,713	16,395
Financial investments	23	245,667,152	216,849,308
– financial assets at fair value through profit or loss	(a)	61,516,234	53,573,633
– financial assets at fair value through other comprehensive income	(b)	38,843,525	20,152,230
– financial assets at amortised cost	(c)	145,307,393	143,123,445
Finance lease receivables	24	22,921,300	23,089,177
Property and equipment	25	8,677,876	9,098,535
Deferred income tax assets	26	4,355,864	3,743,549
Other assets	27	5,950,832	4,478,837
TOTAL ASSETS		645,046,176	598,603,617
LIABILITIES			
Due to the central bank	28	4,270,983	3,639,219
Borrowings from banks and other financial institutions	29	12,397,767	9,847,931
Due to banks	30	22,637,571	15,921,469
Derivative financial liabilities	22	1,811,571	16,395
Repurchase agreements	31	9,023,970	1,499,442
Due to customers	32	506,779,946	476,333,139
Income tax payable		586,077	885,597
Debt securities issued	33	19,129,158	33,575,110
Other liabilities	34	5,629,301	5,776,183
TOTAL LIABILITIES		582,266,344	547,494,485

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	Note	As at 31 December	
		2021	2020
EQUITY			
Share capital	35	10,995,600	10,995,600
Other equity instruments	36	10,999,290	–
Capital reserves	37	7,661,124	7,661,124
Other comprehensive income	38	378,929	96,484
Surplus reserves	39	3,903,227	3,886,909
General and regulatory reserves	40	7,584,624	7,550,747
Undistributed profits	41	19,271,378	19,056,263
Equity attributable to equity holders of the Bank		60,794,172	49,247,127
Non-controlling interests		1,985,660	1,862,005
TOTAL EQUITY		62,779,832	51,109,132
TOTAL EQUITY AND LIABILITIES		645,046,176	598,603,617

DENG Xinquan	WANG Haibin (Acting on behalf)	YANG Dazhi	Dong Kai
Chairman	President	Assistant to the President (in Charge of Finance)	General Manager of Finance and Accounting Department

Consolidated Statement of Changes in Equity

For the Year ended 31 December 2021
(Amount in thousands of RMB, unless otherwise stated)

	Note	Equity attributable to equity holders of the Bank								Total
		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 in this year		-	10,999,290	-	282,445	16,318	33,877	215,115	123,655	11,670,700
Total comprehensive income		-	-	-	273,622	-	-	274,133	124,555	672,310
Issuance of perpetual bonds	36	-	10,999,290	-	-	-	-	-	-	10,999,290
Profit distribution		-	-	-	-	16,318	33,877	(50,195)	(900)	(900)
1. Appropriation to surplus reserves		-	-	-	-	16,318	-	(16,318)	-	-
2. Appropriation to general and regulatory reserves	40	-	-	-	-	-	33,877	(33,877)	-	-
3. Distribution to shareholders		-	-	-	-	-	-	-	(900)	(900)
Others		-	-	-	-	-	-	-	-	-
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

	Note	Equity attributable to equity holders of the Bank								Total
		Share capital	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserves	General and regulatory reserves	Undistributed profits	Non-controlling interests	
Balance at 1 January 2020		10,995,600	-	7,663,342	319,926	3,782,467	7,520,778	19,544,558	1,814,493	51,641,164
Movements during the year		-	-	(2,218)	(223,442)	104,442	29,969	(488,295)	47,512	(532,032)
Total comprehensive income		-	-	-	(223,442)	-	-	745,676	50,156	572,390
Profit distribution		-	-	-	-	104,442	29,969	(1,233,971)	(4,862)	(1,104,422)
1. Appropriation to surplus reserves		-	-	-	-	104,442	-	(104,442)	-	-
2. Appropriation to general and regulatory reserves	40	-	-	-	-	-	29,969	(29,969)	-	-
3. Distribution to shareholders		-	-	-	-	-	-	(1,099,560)	(4,862)	(1,104,422)
Others		-	-	(2,218)	-	-	-	-	2,218	-
Transfer of loss on disposal of financial asset at fair value through other comprehensive income to retained earnings		-	-	-	-	-	-	-	-	-
Balance at 31 December 2020		10,995,600	-	7,661,124	96,484	3,886,909	7,550,747	19,056,263	1,862,005	51,109,132

Consolidated Statement of Cash Flows

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	Note	Year ended 31 December	
		2021 RMB	2020 RMB
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		561,249	1,408,888
Adjustments for:			
Depreciation and amortisation	10	742,559	780,526
Net trading gains	7	(1,128,509)	(1,200,005)
Dividend income	8	(13,894)	(2,608)
Interest income on financial investments		(7,315,107)	(8,380,871)
Credit impairment losses	13	6,700,502	8,301,465
Other assets impairment loss	14	101,027	–
Unrealised foreign exchange (gain)/loss		(54,880)	39,235
Interest expense on debt securities issued	5	882,206	1,579,925
Interest expense on lease liabilities		21,800	30,478
Accreted interest on impaired loans	21	(268,760)	(351,490)
Net gain on disposal of financial investments	8	(233,177)	(214,316)
Net (gain)/loss on disposal of property and equipment		(124,940)	4,496
		(129,924)	1,995,723
Net decrease/(increase) in operating assets:			
Due from the central bank		10,566,722	(9,389,080)
Due from banks and other financial institutions		(2,148,234)	525,391
Loans and advances to customers		(17,088,909)	(19,140,538)
Finance lease receivables		(35,383)	(315,663)
Other assets		(784,813)	(2,506,012)
		(9,490,617)	(30,825,902)
Net increase/(decrease) in operating liabilities:			
Due to the central bank		631,764	35,685
Borrowings from banks and other financial institutions		2,549,836	(3,205,639)
Due to banks		6,716,102	3,357,197
Repurchase agreements		7,524,528	(16,862,300)
Due to customers		30,446,807	44,971,474
Other liabilities		(446,402)	85,730
		47,422,635	28,382,147

Consolidated Statement of Cash Flows

For the year ended 31 December 2021
(Amount in thousands of RMB, unless otherwise stated)

	Note	Year ended 31 December	
		2021 RMB	2020 RMB
Net cash flows from operating activities before tax		37,802,094	(448,032)
Income tax paid		(1,105,568)	(1,588,634)
Net cash flows from operating activities		36,696,526	(2,036,666)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment, intangible assets and other long-term assets		(534,704)	(802,323)
Proceeds from disposal of property and equipment		202,212	13,816
Cash paid for investments		(661,359,592)	(1,296,556,105)
Proceeds from sales and redemption of investments		632,038,623	1,309,426,047
Return on investments		8,982,779	9,342,735
Net cash flows from investing activities		(20,670,682)	21,424,170
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of perpetual bonds		10,999,290	–
Proceeds from issue of debt securities		54,829,204	96,793,550
Payment for redemption of debt securities		(68,388,552)	(108,678,780)
Interest and issue expenses paid on debt securities		(1,768,810)	(2,082,408)
Dividends paid on ordinary shares		(8,120)	(1,045,851)
Payment for lease liabilities		(90,137)	(200,659)
Distribution of dividends to non-controlling shareholders		(900)	(4,862)
Net cash flows from financing activities		(4,428,025)	(15,219,010)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		20,522,212	16,414,032
Effect of exchange rate changes on cash and cash equivalents		(111,862)	(60,314)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	42	32,008,169	20,522,212
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		20,953,603	19,444,078
Interest paid		(15,824,629)	(13,863,832)

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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. The Bank obtained its business licence No. 912301001275921118 from the Market Supervision Administration of Harbin. As at 31 December 2021, the legal representative was Deng Xinquan and the registered office was located at No. 160 Shangzhi Avenue, Daoli District, Harbin, Heilongjiang Province.

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

The subsidiaries of the Bank as at 31 December 2021 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.		15 Dec 2010	Dadukou, Chongqing	150,000	80.00	144,420	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.	(i)	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.	(i)	19 Apr 2011	Yanshi, Henan	90,000	100.00	90,000	Village and township bank
Leping Rongxing Village and Township Bank Co., Ltd.	(i)	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.	(i)	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 Majji 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 2021, the major changes to the structure of the Group are as follows:

- (i) With the approval of Qiqihar Banking and Insurance Regulatory Bureau, the Bank made a capital injection of RMB16 million into Baiquan Rongxing Village and Township Bank Co., Ltd. in December 2021, and after the capital injection, the Bank's equity interest remained 100%. With the approval of Luoyang Banking and Insurance Regulatory Bureau, the Bank made a capital injection of RMB40 million into Yanshi Rongxing Village and Township Bank Co., Ltd. in December 2021, and after the capital injection, the Bank's equity interest remained 100%. With the approval of Jingdezhen Banking and Insurance Regulatory Bureau, the Bank made a capital injection of RMB134 million into Leping Rongxing Village and Township Bank Co., Ltd. in December 2021, and after the capital injection, the Bank's equity interest remained 100%. With the approval of Xiaogan Banking and Insurance Regulatory Bureau, the Bank made a capital injection of RMB102 million into Yingcheng Rongxing Village and Township Bank Co., Ltd. in December 2021, and after the capital injection, the Bank's equity interest remained 100%.

Other than the major changes mentioned as above, the group structure remained unchanged during the year ended 31 December 2021.

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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. All IFRSs effective for the accounting period commencing from 1 January 2021, 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 2021. 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 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 2021

On 1 January 2021, the Group adopted the following new standards and amendments.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to IFRS 16 (Early adopted)	Covid-19-Related Rent Concessions beyond 30 June 2021

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments address the accounting issues that arise when financial instruments that reference Interbank Offered Rates (“IBOR”) transition to nearly RFRs. The amendments include a practical expedient for modifications, which permits contractual changes, or changes to cash flows that are directly required by the IBOR reform, to be treated as changes to a floating interest rate. The amendments also permit changes required by IBOR reform to be made to hedge designations and hedge documentation under both IFRS 9 and IAS 39 without the hedging relationship being discontinued. In addition, while IFRS 9 and IAS 39 require that a risk component (or a designated portion) is “separately identifiable” to be eligible for hedge accounting, the amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates is required by the amendments.

The Group has early applied the amendment to IFRS 16 Leases (“IFRS 16”) Covid-19-Related Rent Concessions beyond 30 June 2021 in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of IFRS 16 by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

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 2021

		Effective for annual periods beginning on or after
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to IAS 16	<i>Property, plant and equipment: Proceed before Intended Use</i>	1 January 2022
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>	1 January 2022
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	<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 IFRSs	<i>Annual Improvements to IFRSs 2018-2020</i>	1 January 2022

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 loans and advances to customers, finance lease receivables, due from banks and other financial institutions and debt securities, and 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, and 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 and 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 50(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 Bank'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 Bank. 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.

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 ratably over the period in which the service is provided. The risk of loss is borne by those trustors.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 effect interest rate of the financial assets.

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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Income Tax (Continued)

Deferred income tax (Continued)

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.

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 Bank 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 46 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 Bank 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 Bank'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 Bank 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 Bank 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 Bank 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 Bank determines whether to consolidate the structural entities into the financial statements according to whether the Bank is an agent or a main responsible party and whether the economic interest of the Bank 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 of 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	
	2021	2020
Interest income on:		
Loans and advances to customers	16,517,651	17,846,290
– Corporate loans and advances	8,018,072	9,148,997
– Personal loans	8,457,660	8,515,603
– Discounted bills	41,919	181,690
Reverse repurchase agreements	242,062	236,310
Financial assets at fair value through other comprehensive income	1,030,073	1,124,599
Financial assets at amortised cost	6,285,034	7,256,272
Due from the central bank	774,455	784,898
Due from banks and other financial institutions	174,557	145,044
Financial lease receivables	1,424,273	1,610,478
Subtotal	26,448,105	29,003,891
Interest expense on:		
Due to customers	(13,787,006)	(13,673,442)
Repurchase agreements	(282,309)	(222,080)
Due to banks	(784,586)	(563,589)
Debt securities issued	(882,206)	(1,579,925)
Due to the central bank	(80,020)	(111,336)
Borrowings from banks and other financial institutions	(549,167)	(513,863)
Lease liabilities	(21,800)	(30,478)
Subtotal	(16,387,094)	(16,694,713)
Net interest income	10,061,011	12,309,178
Including: interest income on impaired loans	268,760	351,490

	Year ended 31 December	
	2021	2020
Interest income from:		
Listed debt instruments	3,563,157	3,042,255
Unlisted debt instruments	22,884,948	25,961,636
Subtotal	26,448,105	29,003,891

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6. NET FEE AND COMMISSION INCOME

	Year ended 31 December	
	2021	2020
Fee and commission income:		
Advisory and consulting fees	327,293	263,117
Agency and custodian fees	223,247	576,611
Including: non-guaranteed wealth management products	158,169	317,824
Bank card fees	254,859	238,623
Settlement and clearing fees	45,621	23,609
Others	8,978	8,760
Subtotal	859,998	1,110,720
Fee and commission expense:		
Settlement and clearing fees	(33,268)	(121,314)
Agency fees	(4,562)	(3,732)
Bank card fees	(55,400)	(34,716)
Others	(69,759)	(70,951)
Subtotal	(162,989)	(230,713)
Net fee and commission income	697,009	880,007

7. NET TRADING INCOME

	Year ended 31 December	
	2021	2020
Financial assets at fair value through profit or loss	1,128,509	1,201,645
Derivative financial instruments	-	(1,640)
Total	1,128,509	1,200,005

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	
	2021	2020
Gain on disposal of financial assets at amortised cost, net	113,332	–
Gain on disposal of financial assets at fair value through other comprehensive income, net	119,845	214,316
Dividends from equity investments at fair value through other comprehensive income	13,894	2,608
Total	247,071	216,924

9. OTHER OPERATING INCOME, NET

	Year ended 31 December	
	2021	2020
Net gain/(loss) on sale of property and equipment	124,940	(1,804)
Loss on foreign exchange, net	(56,982)	(99,549)
Leasing income	47,101	63,603
Government grants and subsidies	25,708	24,810
Others	45,171	13,166
Total	185,938	226

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10. OPERATING EXPENSES

	Year ended 31 December	
	2021	2020
Staff costs:		
Salaries, bonuses and allowances	1,626,112	1,878,304
Social insurance	369,564	223,440
Housing fund	166,392	167,190
Staff benefits	133,106	111,751
Labour union expenditure and education costs	26,078	24,311
Early retirement benefits	12,606	22,164
Subtotal	2,333,858	2,427,160
General and administrative expenses	1,289,036	820,477
Tax and surcharges	241,280	213,816
Depreciation and amortisation	742,559	780,526
Leasing expense	168,163	162,346
Auditors' remuneration	4,850	8,113
Others	177,014	483,549
Total	4,956,760	4,895,987

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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 2021						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 (i) & (iv)	Executive Director, Chairman and Secretary of the Board (Acting on Behalf)	-	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.
- (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.
- (iii) At the 2021 supervisor general meeting held on 24 February 2021, Mr. Wang Haibin was appointed as a 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).

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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 2020						
		Fees RMB'000	Remuneration paid RMB'000	Discretionary bonuses RMB'000	Contributions to defined contribution schemes RMB'000	Total emoluments before tax RMB'000	Of which: deferred payment RMB'000	Actual amount of remuneration paid (pre-tax) RMB'000
		(1)	(2)	(3)	(4)	(5)=(1)+(2) +(3)+(4)	(6)	(7)=(5)-(6)
Guo Zhiwen	Executive Director and Chairman	-	774	4,483	207	5,464	1,996	3,468
Lyu Tianjun	Executive Director and President	-	587	4,634	165	5,386	1,856	3,530
Sun Feixia	Executive Director, Vice Chairman, Secretary of the Board and Company Secretary	-	468	4,205	149	4,822	1,103	3,719
Zhao Hongbo (ii)	Non-executive Director	-	-	-	-	-	-	-
Zhang Xianjun (ii)	Non-executive Director	-	-	-	-	-	-	-
Yu Hong (ii)	Non-executive Director	-	-	-	-	-	-	-
Lang Shufeng (ii)	Non-executive Director	-	-	-	-	-	-	-
Zhang Taoxuan (ii)	Non-executive Director	-	-	-	-	-	-	-
Ma Pao-Lin (ii)	Non-executive Director	96	-	-	-	96	-	96
Chen Danyang (ii)	Non-executive Director	96	-	-	-	96	-	96
Peng Xiaodong (ii)	Non-executive Director	96	-	-	-	96	-	96
Ma Yongqiang	Independent Non-executive Director	264	-	-	-	264	-	264
Sun Yan	Independent Non-executive Director	288	-	-	-	288	-	288
Zhang Zheng	Independent Non-executive Director	288	-	-	-	288	-	288
Hou Bojian	Independent Non-executive Director	364	-	-	-	364	-	364
Deng Xinquan	Chairman of the Board of Supervisors and Employee Supervisor	-	552	2,710	75	3,337	1,627	1,710
Luo Zhonglin	Employee Supervisor	-	443	901	143	1,487	450	1,037
Fang Shang	Employee Supervisor	-	497	577	187	1,261	115	1,146
Yang Xuemei (i)	Supervisor	15	-	-	-	15	-	15
Liu Mo (i)	Supervisor	40	-	-	-	40	-	40
Li Dong	External Supervisor	144	-	-	-	144	-	144
Sun Yi	External Supervisor	120	-	-	-	120	-	120
Li Zhaohua	External Supervisor	144	-	-	-	144	-	144

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 2020 first extraordinary general meeting held on 15 October 2020, Ms. Yang Xuemei was elected as shareholder representative supervisor. Mr. Liu Mo ceased to act as supervisor since 28 August 2020.
- (ii) At the 2020 first extraordinary general meeting held on 15 October 2020, Mr. Zhao Hongbo, Mr. Zhang Xianjun, Mr. Yu Hong and Mr. Lang Shufeng were elected as Non-executive Director, effective since 24 November 2020. Mr. Zhang Taoxuan, Mr. Ma Pao-Lin, Mr. Peng Xiaodong and Mr. Chen Danyang ceased to act as Non-executive Director since 28 August 2020.

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11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

During the year ended 31 December 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. (2020: Zhao Hongbo, Zhang Xianjun, Yu Hong, Lang Shufeng, and Zhang Taoxuan, non-executive Directors of the Bank, agreed to waive remuneration before tax of RMB12 thousand, RMB14 thousand, RMB12 thousand, RMB12 thousand, and RMB96 thousand, respectively).

There was no amount paid during the year to the directors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join the Group. There was no other arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year.

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 2021 and 2020, the five highest paid individuals of the Group comprised one directors and three directors of the Bank, respectively, whose emoluments are disclosed in notes 11 and 48(b) to the consolidated financial statements. During the year ended 31 December 2021 and 2020, the emoluments of remaining four and two highest paid individuals are set out below:

	Year ended 31 December	
	2021	2020
Salaries, allowances and discretionary bonuses	13,387	10,655
Contribution to defined contribution schemes	762	261
Total	14,149	10,916

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	
	2021	2020
RMB2,000,001 to RMB3,000,000	2	–
RMB3,000,001 to RMB4,000,000	1	–
RMB4,000,001 to RMB5,000,000	1	1
RMB5,000,001 to RMB6,000,000	–	1
Total	4	2

During the year ended 31 December 2021, 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 (2020: Nil).

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13. CREDIT IMPAIRMENT LOSSES

	Year ended 31 December	
	2021	2020
Impairment losses on:		
Loans and advances to customers at amortised cost	5,877,626	7,275,792
Financial investments at amortised cost	578,919	485,446
Finance lease receivables	203,260	350,875
Others	40,697	189,352
Total	6,700,502	8,301,465

14. OTHER ASSETS IMPAIRMENT LOSS

	Year ended 31 December	
	2021	2020
Impairment loss on:		
Property and equipment	101,027	–
Total	101,027	–

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15. INCOME TAX EXPENSE

(a) Income tax

	Year ended 31 December	
	2021	2020
Current income tax	869,024	1,643,840
Deferred income tax	(706,463)	(1,030,784)
Total	162,561	613,056

(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	
	2021	2020
Profit before tax	561,249	1,408,888
Tax at the PRC statutory income tax rate	140,312	352,222
Effect of different tax rates for certain subsidiaries	(10,071)	2,368
Items not deductible for tax purposes	398,811	628,597
Non-taxable income (i)	(386,890)	(411,267)
Adjustment for income tax from prior years	20,399	41,136
Tax expense at the Group's effective income tax rate	162,561	613,056

- (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 2021 includes a profit of RMB274 million (2020: RMB746 million) which has been dealt with in the financial statements of the Bank.

17. DIVIDENDS

	Year ended 31 December	
	2021	2020
Dividends on ordinary shares proposed for approval (not recognised as at 31 December): Final dividend for 2021: nil* (2020: nil*)	-	-
Dividends on ordinary shares declared and paid: 2019: RMB0.10 per share**	-	1,045,851

* The Bank proposed not to distribute any dividend for the year ended 31 December 2021 and 2020.

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

18. EARNINGS PER SHARE

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

	Year ended 31 December	
	2021	2020
Earnings:		
Profit attributable to equity holders of the Bank	274,133	745,676
Shares:		
Weighted average number of ordinary shares in issue (in thousands)	10,995,600	10,995,600
Basic and diluted earnings per share (in RMB yuan)	0.02	0.07

The Group had no potentially dilutive ordinary shares for both the current and prior years.

Basic earnings per share for the years ended 31 December 2021 and 2020 were computed by dividing the profit attributable to ordinary equity holders of the bank by the weighted average number of ordinary shares in issue during the year.

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19. CASH AND BALANCES WITH THE CENTRAL BANK

	As at 31 December	
	2021	2020
Cash	1,202,797	782,714
Mandatory reserves with the central bank (i)	36,648,127	47,403,114
Surplus reserves with the central bank (ii)	26,700,197	14,401,466
Fiscal deposits with the central bank	352,579	159,517
Subtotal	64,903,700	62,746,811
Accrued interest	19,488	24,285
Total	64,923,188	62,771,096

- (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 2021 and 2020, 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

	At 31 December	
	2021	2020
Nostro accounts:		
Banks operating in Mainland China	3,182,084	2,694,400
Other financial institutions operating in Mainland China	171,310	204,936
Banks operating outside Mainland China	693,781	1,282,036
Subtotal	4,047,175	4,181,372
Accrued interest	429	2,656
Less: Allowance for impairment losses	(1,422)	(14,244)
Subtotal	4,046,182	4,169,784
Placements with banks and other financial institutions:		
Banks operating in Mainland China	50,000	200,000
Other financial institutions operating in Mainland China	1,030,000	1,530,000
Banks operating outside Mainland China	2,000,000	300,000
Subtotal	3,080,000	2,030,000
Accrued interest	11,258	9,457
Less: Allowance for impairment losses	(21,237)	(3,123)
Subtotal	3,070,021	2,036,334
Total	7,116,203	6,206,118

As at 31 December 2021 and 31 December 2020, 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. LOANS AND ADVANCES TO CUSTOMERS

	At 31 December	
	2021	2020
Measured at amortised cost		
Corporate loans and advances	161,598,638	158,551,787
Personal loans	132,750,043	120,174,328
Subtotal	294,348,681	278,726,115
Measured at fair value through other comprehensive income		
Discounted bills	10,475	1,841,061
Total loans and advances to customers	294,359,156	280,567,176
Accrued interest	3,058,702	2,888,133
Less: Allowance for impairment losses	(13,780,810)	(11,104,707)
Loans and advances to customers, net	283,637,048	272,350,602

	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

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21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

	At 31 December 2020			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
Total loans and advances at amortised cost	253,603,790	11,018,817	14,103,508	278,726,115
Accrued interest	2,831,592	56,509	32	2,888,133
Allowance for impairment losses at amortised cost	(2,807,065)	(1,940,480)	(6,357,162)	(11,104,707)
Loans and advances to customers at amortised cost, net	253,628,317	9,134,846	7,746,378	270,509,541

Movements of allowance for impairment losses 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 2021	2,807,065	1,940,480	6,357,162	11,104,707
Exchange difference	(17,302)	–	(70)	(17,372)
Charge for the year	949,158	119,631	4,808,837	5,877,626
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	–
Write-offs and transferred	–	–	(3,174,843)	(3,174,843)
Recovery of loans and advances previously written off	–	–	259,452	259,452
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.

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21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

Movements of allowance for impairment losses 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 2020	2,660,191	1,746,632	3,601,531	8,008,354
Exchange difference	–	–	(186)	(186)
Charge for the year	375,190	805,779	6,094,823	7,275,792
Stage conversion	(228,316)	(611,931)	840,247	–
Converted to Stage 1	163,143	(109,197)	(53,946)	–
Converted to Stage 2	(153,706)	163,476	(9,770)	–
Converted to Stage 3	(237,753)	(666,210)	903,963	–
Write-offs and transferred	–	–	(3,976,376)	(3,976,376)
Recovery of loans and advances previously written off	–	–	148,613	148,613
Accreted interest on impaired loans	–	–	(351,490)	(351,490)
As at 31 December 2020	2,807,065	1,940,480	6,357,162	11,104,707

The loan principal transferred from stage 1 to stage 2 and stage 3 was RMB16,248 million, and corresponding impairment provision increased by RMB5,225 million. The loan principal transferred from stage 2 to stage 3 was RMB3,133 million, impairment provision increasing by RMB976 million. The loan principal transferred from stage 2 to stage 1 was RMB4,833 million, impairment provision decreasing by RMB98 million. The loan principal transferred from stage 3 to stage 1 and stage 2 was not significant.

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22. 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					
	2021			2020		
	Contractual/ notional amount	Fair value		Contractual/ notional amount	Fair value	
Assets		Liabilities	Assets		Liabilities	
Foreign exchange forwards and swaps	1,513,862	-	(14,858)	-	-	-
Option contract	214,738,684	1,796,713	(1,796,713)	727,830	16,395	(16,395)
	216,252,546	1,796,713	(1,811,571)	727,830	16,395	(16,395)

23. FINANCIAL INVESTMENTS

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

	As at 31 December	
	2021	2020
Government debt securities	374,533	559,927
Financial institution debt securities	-	344,321
Corporate debt securities	2,912,845	2,937,970
Funds (i)	14,370,853	7,663,828
Trust fund plans and asset management plans (ii)	43,491,851	41,731,606
Subtotal	61,150,082	53,237,652
Equity instruments	319,140	277,626
Accrued interest	47,012	58,355
Total	61,516,234	53,573,633

As at 31 December 2021 and 2020, no debt securities measured at fair value through profit or loss were pledged.

- (i) The Group's fund investments were debt instruments and could not pass the SPPI testing.
- (ii) 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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23. FINANCIAL INVESTMENTS (Continued)

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

	As at 31 December	
	2021	2020
Government debt securities	14,559,059	9,521,517
Policy bank debt securities	3,209,442	2,226,333
Financial institution debt securities	2,355,748	628,245
Corporate debt securities	10,755,497	7,141,561
Subtotal	30,879,746	19,517,656
Equity investments	7,440,558	250,561
Accrued interest	523,221	384,013
Net balance	38,843,525	20,152,230

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 2020, debt securities of RMB68,557 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 RMB6,074 thousand.

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. As at 31 December 2020, debt securities of RMB382,539 thousand at fair value through other comprehensive income of the Group were pledged in due to the central bank.

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23. FINANCIAL INVESTMENTS (Continued)

(c) Financial assets at amortised cost

	As at 31 December	
	2021	2020
Government debt securities	26,535,764	25,949,771
Policy bank debt securities	14,651,243	18,049,199
Financial institution debt securities	1,569,955	670,279
Corporate debt securities	18,261,657	12,753,587
Trust investments and asset management plans	86,801,887	88,057,105
Subtotal	147,820,506	145,479,941
Accrued interest	2,546,567	2,124,265
Allowance for impairment losses (i)	(5,059,680)	(4,480,761)
Net balance	145,307,393	143,123,445

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. As at 31 December 2020, debt securities of RMB1,756,069 thousand, RMB2,757,014 thousand and RMB2,823,843 thousand at amortised cost of the Group were pledged in repurchase agreements, due to the central bank and fixed time deposits respectively.

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

	Stage 1	Stage 2	Stage 3	Total
	(12-month ECL)	(Lifetime ECL)	(Lifetime ECL- impaired)	
As at 1 January 2021	743,992	322,254	3,414,515	4,480,761
Impairment loss charge during 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
	Stage 1	Stage 2	Stage 3	Total
	(12-month ECL)	(Lifetime ECL)	(Lifetime ECL- impaired)	
As at 1 January 2020	660,360	261,546	3,073,409	3,995,315
Impairment loss charge during the year	83,632	60,708	341,106	485,446
As at 31 December 2020	743,992	322,254	3,414,515	4,480,761

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24. FINANCE LEASE RECEIVABLES

	As at 31 December	
	2021	2020
Finance lease receivables	26,468,716	26,770,922
Less: Unearned financial lease income	(2,363,140)	(2,782,870)
Finance lease receivables, net	24,105,576	23,988,052
Accrued interest	217,558	299,699
Less: Allowance for impairment losses	(1,401,834)	(1,198,574)
Net balance	22,921,300	23,089,177

The Group divided finance lease receivables into stage 1, stage 2 and stage 3. 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 2020, the gross amounts were RMB22,042,743 thousand, RMB1,354,906 thousand, and RMB590,403 thousand respectively, and allowances for impairment losses were RMB270,662 thousand, RMB356,799 thousand, and RMB571,113 thousand, respectively.

Finance lease receivables, unearned finance lease income and net finance lease receivables analysed by the remaining period as follows:

	As at 31 December					
	2021			2020		
	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	11,886,314	(1,276,452)	10,609,862	11,990,672	(1,037,320)	10,953,352
1 year to 2 years	7,720,014	(651,409)	7,068,605	7,263,748	(779,993)	6,483,755
2 years to 3 years	4,180,759	(282,684)	3,898,075	4,911,466	(628,459)	4,283,007
3 years to 5 years	2,659,986	(151,738)	2,508,248	2,549,976	(330,385)	2,219,591
More than 5 years	21,643	(857)	20,786	55,060	(6,713)	48,347
	26,468,716	(2,363,140)	24,105,576	26,770,922	(2,782,870)	23,988,052

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(Amount in thousands of RMB, unless otherwise stated)**25. PROPERTY AND EQUIPMENT**

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment	Motor vehicles	Operating lease fixed assets	Total
Cost:							
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
At 1 January 2020	6,774,871	2,354,283	600,002	2,099,326	70,729	314,398	12,213,609
Additions	104,715	373,534	34,207	99,045	3,747	-	615,248
Transfer from construction in progress	42,831	(69,862)	-	27,031	-	-	-
Disposals	(3,292)	-	-	(92,263)	(5,531)	-	(101,086)
At 31 December 2020	6,919,125	2,657,955	634,209	2,133,139	68,945	314,398	12,727,771
Accumulated depreciation:							
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
At 1 January 2020	1,159,099	-	476,115	1,502,489	53,914	74,670	3,266,287
Depreciation charge for the year	202,916	-	48,874	179,461	5,132	15,013	451,396
Disposals	(2,036)	-	-	(80,948)	(5,463)	-	(88,447)
At 31 December 2020	1,359,979	-	524,989	1,601,002	53,583	89,683	3,629,236
Impairment loss:							
At 1 January 2021	-	-	-	-	-	-	-
Provided for the year	-	-	-	-	-	101,027	101,027
At 31 December 2021	-	-	-	-	-	101,027	101,027
Net carrying amount:							
At 31 December 2021	5,375,502	2,651,014	88,304	441,793	12,509	108,754	8,677,876
At 31 December 2020	5,559,146	2,657,955	109,220	532,137	15,362	224,715	9,098,535

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25. 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	
	2021	2020
Held in China:		
10 to 50 years	5,351,499	5,524,610
Less than 10 years	24,003	34,536
	5,375,502	5,559,146

As at 31 December 2021, the process of obtaining the titles for the Group's properties and buildings with an aggregate net carrying value of RMB496 million (31 December 2020: RMB2,299 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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26. DEFERRED INCOME TAX ASSETS

(a) Analysed by nature

	As at 31 December			
	2021		2020	
	Deductible temporary differences	Deferred income tax assets/ (liabilities)	Deductible temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets:				
Allowance for impairment losses	18,086,079	4,465,550	14,924,262	3,715,285
Provisions	138,196	34,549	63,458	15,865
Salaries, bonuses, allowances and subsidies payable	240,548	56,908	188,717	45,726
Early retirement benefits	39,229	9,807	38,005	9,501
Deferred revenue	37,595	8,998	75,067	18,383
Others	144,764	34,854	94,398	23,397
Subtotal	18,686,411	4,610,666	15,383,907	3,828,157
Deferred income tax liabilities:				
Changes in fair value of financial assets at fair value through profit or loss	(633,811)	(158,453)	(320,859)	(80,215)
Changes in fair value of financial assets at fair value through other comprehensive income	(385,395)	(96,349)	(17,571)	(4,393)
Subtotal	(1,019,206)	(254,802)	(338,430)	(84,608)
Total	17,667,205	4,355,864	15,045,477	3,743,549

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26. DEFERRED INCOME TAX ASSETS (Continued)

(b) Movements in deferred income tax

At 31 December 2021

	At 1 January 2021	Total gains/ (losses) recorded in profit or loss	Total 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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26. DEFERRED INCOME TAX ASSETS (Continued)

(b) Movements in deferred income tax (Continued)

At 31 December 2020

	At 1 January 2020	Total gains/ (losses) recorded in profit or loss	Total gains/(losses) recorded in other comprehensive income	At 31 December 2020
Deferred income tax assets/(liabilities):				
Allowance for impairment losses	2,734,247	981,038	–	3,715,285
Provisions	16,703	(838)	–	15,865
Changes in fair value of financial assets at fair value through profit or loss	(102,609)	22,394	–	(80,215)
Changes in fair value of financial assets at fair value through other comprehensive income	(88,467)	–	84,074	(4,393)
Allowance for impairment losses on the financial assets at fair value through other comprehensive income	–	9,593	(9,593)	–
Changes in fair value of derivatives	(410)	410	–	–
Salaries, bonuses, allowances and subsidies payable	28,321	17,405	–	45,726
Early retirement benefits	7,160	2,341	–	9,501
Deferred revenue	26,869	(8,486)	–	18,383
Deductible losses	11,272	(11,272)	–	–
Others	5,198	18,199	–	23,397
Total	2,638,284	1,030,784	74,481	3,743,549

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27. OTHER ASSETS

	As at 31 December	
	2021	2020
Interest receivables (a)	389,738	1,189,879
Right-of-use assets (b)	399,232	494,839
Land use rights (c)	4,339	4,527
Advance payments	322,706	164,027
Settlement and clearing accounts	3,628,340	2,039,270
Intangible assets (d)	484,516	397,844
Other receivables	975,643	586,044
Others	21,819	7,236
Subtotal	6,226,333	4,883,666
Less: Allowance for impairment losses	(275,501)	(404,829)
Total	5,950,832	4,478,837

(a) Interest receivables

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. As at 31 December 2020, the carrying amounts of the Group's overdue interest receivables in stage 1, 2 and 3 were RMB320,639 thousand, RMB786,241 thousand and RMB82,999 thousand, respectively. The allowance for impairment losses were RMB13,244 thousand, RMB92,777 thousand and RMB37,340 thousand, respectively.

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27. OTHER ASSETS (Continued)

(b) Right-of-use assets

	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
	Properties and buildings	Motor vehicles and others	Total
Cost			
At 1 January 2020	711,270	124,735	836,005
Additions	124,019	2,865	126,884
Decrease	(124,813)	(39,792)	(164,605)
At 31 December 2020	710,476	87,808	798,284
Accumulated depreciation			
At 1 January 2020	188,078	47,139	235,217
Additions	192,508	34,652	227,160
Decrease	(120,888)	(38,044)	(158,932)
At 31 December 2020	259,698	43,747	303,445
Net value			
At 31 December 2020	450,778	44,061	494,839
At 1 January 2020	523,192	77,596	600,788

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27. OTHER ASSETS (Continued)

(c) Land use rights

	As at 31 December	
	2021	2020
	RMB	RMB
Located in Mainland China		
10 to 50 years	4,339	4,527

(d) Intangible assets

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

28. DUE TO THE CENTRAL BANK

	As at 31 December	
	2021	2020
Medium-term lending facility	–	1,000,000
Small enterprises supporting re-lending	3,885,517	1,915,130
Agricultural supporting re-lending	311,050	559,150
Poverty alleviation re-lending	71,845	71,845
Rediscounted bills	–	72,771
Subtotal	4,268,412	3,618,896
Interest payable	2,571	20,323
Total	4,270,983	3,639,219

29. BORROWINGS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2021	2020
Unsecured borrowings	11,934,519	9,727,612
Pledged borrowings	354,660	–
Subtotal	12,289,179	9,727,612
Interest payable	108,588	120,319
Total	12,397,767	9,847,931

As at 31 December 2021, the pledged borrowings of RMB355 million were secured by the finance lease receivables of RMB584 million (2020:nil).

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30. DUE TO BANKS

	As at 31 December	
	2021	2020
Deposits:		
Banks operating in Mainland China	20,002,619	14,271,065
Banks operating outside Mainland China	8,772	3,407
Subtotal	20,011,391	14,274,472
Interest payable	319,436	150,481
Subtotal	20,330,827	14,424,953
Placements:		
Banks operating in Mainland China	1,251,469	859,756
Other financial institutions operating in Mainland China	1,025,000	620,000
Subtotal	2,276,469	1,479,756
Interest payable	30,275	16,760
Subtotal	2,306,744	1,496,516
Total	22,637,571	15,921,469

31. REPURCHASE AGREEMENTS

	As at 31 December	
	2021	2020
Repurchase agreements analysed by counterparty:		
Banks operating in Mainland China	500,000	1,470,165
Other financial institutions operating in Mainland China	8,497,950	–
Interest payable	26,020	29,277
Total	9,023,970	1,499,442
Repurchase agreements analysed by collateral:		
Bonds	8,497,950	1,470,165
Bills	500,000	–
Interest payable	26,020	29,277
Total	9,023,970	1,499,442

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32. DUE TO CUSTOMERS

	As at 31 December	
	2021	2020
Demand deposits:		
Corporate deposits	86,244,481	101,577,440
Personal deposits	51,237,218	57,215,361
Subtotal	137,481,699	158,792,801
Fixed time deposits:		
Corporate deposits	104,591,300	88,371,236
Personal deposits	259,678,183	222,115,974
Subtotal	364,269,483	310,487,210
Demand and fixed time deposits	501,751,182	469,280,011
Interest payable	5,028,764	7,053,128
Total	506,779,946	476,333,139

33. DEBT SECURITIES ISSUED

	As at 31 December	
	2021	2020
Financial bonds issued	1,000,000	1,997,742
Tier 2 capital bonds issued	–	8,000,000
Negotiable certificates of deposit issued (Note 1)	18,098,445	23,332,177
Subtotal	19,098,445	33,329,919
Interest payable	30,713	245,191
Total	19,129,158	33,575,110

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33. 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 (Note 2)	5 years	5 May 2017	10 May 2017	10 May 2022	1,000,000	30,713	1,000,000

As at 31 December 2020, the relevant information on these financial bonds and tier 2 capital bonds are set out below:

Name	Maturity	Issue date	Value date	Maturity date	Par value	Interest payable	Ending balance
16 Harbin Bank tier 2 capital bonds (Note 3)	10 years	14 June 2016	16 June 2016	16 June 2026	8,000,000	174,466	8,000,000
17 Harbin Bank green financial bonds 03 (Note 2)	5 years	5 May 2017	10 May 2017	10 May 2022	1,000,000	30,713	1,000,000
18 Harbin Bank leasing financial bonds 01 (Note 4)	3 years	2 May 2018	4 May 2018	4 May 2021	1,000,000	40,012	997,742

Note 1: In 2021 and 2020 the Group issued at discount 319 and 341 interbank negotiable certificates of deposit with face value of RMB100 through domestic interbank bond market, respectively. As at 31 December 2021, 123 negotiable certificates of deposit issued by the Group, with annual interest rates between 2.60% and 3.70% and maturities between one month and one year, were undue, amounting to RMB18,098 million. (As at 31 December 2020: 104 negotiable certificates of deposits issued by the Group, with annual interest rates between 2.65% and 3.82% and maturities between one month and one year, were undue, amounting to RMB23,332 million.

Note2: 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.

Note3: As approved by the PBOC and the CBIRC, the Group issued tier 2 capital bonds with fixed coupon rates 4.0% and maturities for 10 years, amounting to RMB8 billion on 14 June 2016 through the open market and has early exercised the redemption right subject to precondition on 16 June 2021.

Note4: As approved by the PBOC and the CBIRC, Harbin Bank Financial Leasing Co., Ltd. issued financial bonds with fixed annually coupon rates 5.48% and maturities for 3 years, amounting to RMB1 billion on 2 May 2018 through the open market and has due on 4 May 2021.

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34. OTHER LIABILITIES

	As at 31 December	
	2021	2020
Wealth management products payable	4,529	4,467
Settlement and clearing accounts	1,332,908	1,002,263
Accounts payable from agency services	307,470	226,388
Salaries, bonuses, allowances and subsidies payable (a)	633,230	636,688
Sundry tax payables	168,795	290,586
Deferred revenue (b)	174,293	191,685
Dividends payable	74,568	82,688
Accrued expenses	97,848	95,106
Lease guarantee fee	1,780,779	2,028,199
Provisions	138,196	63,458
Lease liabilities	377,487	467,624
Other payables	539,198	687,031
Total	5,629,301	5,776,183

(a) Salaries, bonuses, allowances and subsidies payable

	As at 31 December	
	2021	2020
Salaries, bonuses and allowances	565,979	567,310
Social insurance	12,357	13,035
Housing fund	4,462	5,985
Staff benefits	—	829
Labour union expenditure and education costs	9,198	9,592
Early retirement benefits	41,234	39,937
Total	633,230	636,688

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 2021 and 2020, no forfeited contribution under the pension scheme of the Group is available for deduction of contribution payable in coming years.

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34. OTHER LIABILITIES (Continued)

(b) Deferred revenue

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

	As at 31 December	
	2021	2020
Intermediary services	174,293	191,685

35. SHARE CAPITAL

	As at 31 December			
	2021		2020	
	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

36. OTHER EQUITY INSTRUMENTS

	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						
Perpetual bonds with no maturity date – Phase 1 (i)	-	-	80,000	7,999,830	80,000	7,999,830
Perpetual bonds with no maturity date – Phase 2 (ii)	-	-	30,000	2,999,460	30,000	2,999,460
Total	-	-	110,000	10,999,290	110,000	10,999,290

- (i) 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.
- (ii) 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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36. 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.

During the year ended 31 December 2021, no interest payment was paid by the Group to the holders of perpetual bonds (2020: nil).

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.

37. CAPITAL RESERVE

	Share premium	Other capital reserves	Total
At 1 January 2020	7,624,993	38,349	7,663,342
Decrease during the year	–	(2,218)	(2,218)
At 31 December 2020, 1 January and 31 December 2021	7,624,993	36,131	7,661,124

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38. COMPONENTS OF OTHER COMPREHENSIVE INCOME

Transactions of other comprehensive income attributed to equity holders in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2021	2020
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)	61,309
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	(197,449)
Allowance for impairment losses on debt instruments at fair value through other comprehensive income	8,769	38,373
Transfer to the consolidated statement of profit or loss arising from disposal	(44,895)	(200,156)
Income tax effect	(94,148)	74,481
Total	273,622	(223,442)

Other comprehensive income attributed to equity holders of the Bank in the consolidated statement of financial position:

	1 January 2021	Changes during the year	31 December 2021
Losses on debt instruments at fair value through other comprehensive income	2,104	290,292	292,396
Gains on equity instruments at fair value through other comprehensive income	94,380	(7,847)	86,533
Total	96,484	282,445	378,929

	1 January 2020	Changes during the year	31 December 2020
Losses on debt instruments at fair value through other comprehensive income	271,528	(269,424)	2,104
Gains on equity instruments at fair value through other comprehensive income	48,398	45,982	94,380
Total	319,926	(223,442)	96,484

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39. SURPLUS RESERVES

	Statutory surplus reserves	Discretionary surplus reserves	Total
At 1 January 2020	3,756,281	26,186	3,782,467
Appropriation during the year	104,442	–	104,442
At 31 December 2020 and 1 January 2021	3,860,723	26,186	3,886,909
Appropriation during the year	16,318	–	16,318
At 31 December 2021	3,877,041	26,186	3,903,227

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.

40. GENERAL AND REGULATORY RESERVES

	Year ended 31 December	
	2021	2020
Balance as at the beginning of the year	7,550,747	7,520,778
Increase during the year (i)	33,877	29,969
Balance as at the end of the year	7,584,624	7,550,747

(i) In 2021, the appropriation made by the Group in the amount of RMB33,877 thousand (2020: RMB29,969 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.

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41. UNDISTRIBUTED PROFITS

	Year ended 31 December	
	2021	2020
Balance as at the beginning of the year	19,056,263	19,544,558
Profit for the year attributable to owners of the parent	274,133	745,676
Net of: Appropriation to surplus reserves	(16,318)	(104,442)
Appropriation to general and regulatory reserves	(33,877)	(29,969)
Dividends	–	(1,099,560)
Transfer of loss on disposal of financial asset at fair value through other comprehensive income to retained earnings	(8,823)	–
Balance as at the end of the year	19,271,378	19,056,263

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.

As approved by the equity holders of the Group at the 2019 Annual General Meeting held in May 2020, the Bank distributed a cash dividend of RMB1.00 per 10 shares for the year ended 31 December 2019.

42. 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	
	2021	2020
Cash on hand (note 19)	1,202,797	782,714
Balances with the central bank (note 19)	26,700,197	14,401,466
Due from banks and other financial institutions	4,105,175	5,338,032
Total	32,008,169	20,522,212

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43. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

During the reporting period, the Group had capital commitments as follows:

	As at 31 December	
	2021	2020
Contracted, but not provided for	211,410	201,771
Approved, but not contracted	589	1,408
Total	211,999	203,179

(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.

	As at 31 December	
	2021	2020
Bank bill acceptances	9,860,350	15,514,035
Letters of guarantee issued	1,298,804	1,570,625
Letters of credit	2,642,433	929,584
Undrawn credit card limits	27,063,337	21,837,315
Total	40,864,924	39,851,559

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43. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(b) Credit commitments (Continued)

Credit risk-weighted amount of financial guarantees and credit related commitments

	As at 31 December	
	2021	2020
Financial guarantees and credit related commitments	7,498,626	7,252,861

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 2021 and 2020, significant legal proceedings exceeding RMB10,000 thousand outstanding against the Group (for itself or as a third party) amounted to RMB72,430 thousand and RMB21,305 thousand, respectively. As at 31 December 2021, the Group expects that there will be a loss caused by these litigations and made provisions amounted to RMB55,961 thousand (31 December 2020: Nil).

(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 2021, the Bank had underwritten and sold bonds with an accumulated amount of RMB1,979 million (31 December 2020: RMB2,517 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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44. FIDUCIARY ACTIVITIES

	As at 31 December	
	2021	2020
Designated funds	1,900,107	1,819,533
Designated loans	1,900,107	1,819,533

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.

45. 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 2021 and 2020, none of the above-mentioned financial assets which did not qualify for derecognition was transferred to third parties.

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46. 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:

46.1 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 2021, the balance of the unconsolidated wealth management products issued by the Group amounted to RMB48,772 million (31 December 2020: RMB52,986 million). For the year ended 31 December 2021, fee and commission income included commission and custodian fee and management fee income from the wealth management business that amounted to RMB158,169 thousand (2020: RMB317,824 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 2021, the Group did not provide any financing to the unconsolidated wealth management products (2020: Nil).

46.2 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 financial products, specific asset management plans, investment trust plans, etc. These structured entities' nature and purpose are to earn management fees by managing the investors' assets, and the way of financing is to issue investment products to investors. For the years ended 31 December 2021 and 2020, the Group has not provided liquidity support for those kinds of structured entities.

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46. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

46.2 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 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

	As at 31 December 2020			
	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total	Maximum exposure to loss
Trust investments and asset management plans	41,731,606	88,057,105	129,788,711	125,395,601
Funds	7,663,828	–	7,663,828	7,663,828

47. 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 2021, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB22,513 million (31 December 2020: RMB7,719 million).

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48. 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	
	2021 %	2020 %
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	6.78	6.87

(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 or significantly influenced by the key management personnel of the Group and their close family members.

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48. 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			
	2021		2020	
	Amount	Interest rate	Amount	Interest rate
Heilongjiang Financial Holding Group Company Limited	48,196	0.42-3.00%	20,933	0.42-3.00%
Harbin Economic Development and Investment Company Limited	10	0.42%	13	0.42%

Interest income on loans and advances to customers

Name	Year ended 31 December			
	2021		2020	
	Amount	Interest rate	Amount	Interest rate
Heilongjiang Financial Holding Group Company Limited	-	-	44,695	4.65-4.75%

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

Transaction	Year ended 31 December			
	2021		2020	
	Amount	Interest rate	Amount	Interest rate
Interest income	421	3.28-5.39%	332	3.43-6.55%
Interest expense	572	0.05-4.75%	190	0.05-4.75%

- (iii) Transactions between the Bank and its subsidiaries

Transaction	Year ended 31 December			
	2021		2020	
	Amount	Interest rate	Amount	Interest rate
Interest income	766,210	3.00-4.60%	643,188	3.25-5.00%
Interest expense	285,308	0.72-3.80%	154,826	0.35-3.90%

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48. RELATED PARTY DISCLOSURES (Continued)

(b) Related party transactions (Continued)

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

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

Interest expense on due to customers

Name	Year ended 31 December			
	2021		2020	
	Amount	Interest rate	Amount	Interest rate
Sino Russian Financial Union (Harbin)	25	0.42%	25	0.42%

Operating expenses

Name	Year ended 31 December	
	2021	2020
Shanghai Tonglian Financial Services Co., Ltd.	6,426	N/A
Beijing Zhongwen Law Firm	142	N/A

(v) Transactions with other related parties

Transaction	Year ended 31 December	
	2021	2020
Emoluments of key management personnel and their close family members	32,533	52,814

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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48. 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			
	2021		2020	
	Balance	Interest rate	Balance	Interest rate
Heilongjiang Financial Holding Group Company Limited	920,537	0.42%	1,183,645	0.42-3.00%
Harbin Economic Development and Investment Company Limited	1,975	0.42%	1,076	0.42%

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

Transaction	As at 31 December			
	2021		2020	
	Balance	Interest rate	Balance	Interest rate
Loans and advances to customers	10,242	3.28-5.39%	5,539	3.43-6.55%
Due to customers	19,151	0.05-4.75%	11,381	0.05-4.75%

- (iii) *Balances between the Group and entities that are controlled or jointly controlled or significantly influenced by the key management personnel of the Group or their close family members*
Due to customers

Name	As at 31 December			
	2021		2020	
	Balance	Interest rate	Balance	Interest rate
Sino Russian Financial Union (Harbin)	5,859	0.42%	5,842	0.42%

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48. 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			
	2021		2020	
	Balance	Interest rate	Balance	Interest rate
Due from banks and other financial institutions	17,594,465	3.00-4.60%	18,268,578	3.25-5.00%
Due to banks	10,645,232	0.72-3.80%	8,801,447	0.72-3.90%
Due to customers	719,933	0.99%	332,502	0.42-0.99%

49. 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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49. 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)
Others	(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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(Amount in thousands of RMB, unless otherwise stated)**49. SEGMENT INFORMATION** (Continued)**(a) Operating segments** (Continued)

	Corporate financial business	Retail financial business	Interbank financial business	Other business	Total
<u>Year ended 31 December 2020</u>					
External net interest income/(expense)	5,768,041	(498,970)	7,129,563	(89,456)	12,309,178
Internal net interest income/(expense)	928,722	3,962,596	(4,891,318)	-	-
Net fee and commission income	239,544	208,096	432,367	-	880,007
Other income, net (i)	-	-	1,317,380	99,775	1,417,155
Operating income	6,936,307	3,671,722	3,987,992	10,319	14,606,340
Operating expenses	(1,737,100)	(1,367,174)	(1,694,453)	(97,260)	(4,895,987)
Credit impairment losses on:					
Loans and advances to customers	(4,160,273)	(3,115,519)	-	-	(7,275,792)
Others	(398,185)	(35,431)	(532,729)	(59,328)	(1,025,673)
Operating profit/(loss)	640,749	(846,402)	1,760,810	(146,269)	1,408,888
Profit/(loss) before tax	640,749	(846,402)	1,760,810	(146,269)	1,408,888
Income tax expense					(613,056)
Profit for the year					795,832
Other segment information:					
Depreciation and amortisation	276,328	217,482	284,253	2,463	780,526
Capital expenditure	284,044	223,556	292,191	2,532	802,323
<u>As at 31 December 2020</u>					
Segment assets	210,195,475	157,451,419	228,983,037	1,973,686	598,603,617
Segment liabilities	196,423,993	284,384,197	65,359,341	1,326,954	547,494,485
Other segment information:					
Credit commitments	17,985,559	21,802,542	-	-	39,788,101

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

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49. 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.

For the year ended 31 December 2021, the management of the Group has re-organised its internal reporting structure after considering the volume of the business. The geographical areas of Northern China has combined with other regions. The Group is currently re-organised into four geographical areas – Heilongjian region, Northeastern China, Southwestern China and other regions. Accordingly, the comparative segment information has been re-presented to conform to current period's presentation.

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49. 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)
Others	(821,512)	(21)	–	(1,343)	(822,876)
Other assets impairment loss	(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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49. SEGMENT INFORMATION (Continued)

(b) Geographical information (Continued)

	Mainland China				Total
	Heilongjiang region	Northeastern China	Southwestern China	Other regions (Re-presented)	
<u>Year ended 31 December 2020</u>					
External net interest income	8,098,312	1,401,912	1,517,475	1,291,479	12,309,178
Internal net interest (expense)/income	(1,000,935)	226,931	472,728	301,276	-
Net fee and commission income	679,554	22,953	141,968	35,532	880,007
Other income, net (i)	1,411,380	1,022	1,253	3,500	1,417,155
Operating income	9,188,311	1,652,818	2,133,424	1,631,787	14,606,340
Operating expenses	(3,624,088)	(324,803)	(528,454)	(418,642)	(4,895,987)
Credit impairment losses on:					
Loans and advances to customers	(3,747,881)	(677,118)	(1,040,671)	(1,810,122)	(7,275,792)
Others	(990,965)	(5,527)	(17,942)	(11,239)	(1,025,673)
Operating profit/(loss)	825,377	645,370	546,357	(608,216)	1,408,888
Profit/(loss) before tax	825,377	645,370	546,357	(608,216)	1,408,888
Income tax expense					(613,056)
Profit for the year					795,832
Other segment information:					
Depreciation and amortisation	584,318	46,608	119,743	29,857	780,526
Capital expenditure	504,750	90,727	117,317	89,529	802,323
<u>As at 31 December 2020</u>					
Segment assets	446,086,000	39,816,874	59,162,350	53,538,393	598,603,617
Segment liabilities	427,857,061	25,602,363	47,498,012	46,537,049	547,494,485
Other segment information:					
Credit commitments	25,301,543	2,314,741	7,514,017	4,657,800	39,788,101

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

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50. 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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50. 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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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Risk concentration (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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50. 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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50. 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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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (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 GDP, IVA, CPI, and PPI.

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 experts' judgement, the Group forecasts these economic indicators on a quarterly basis and also determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

In addition to providing a baseline economic scenario, the Group combines statistical analysis and experts' judgement to determine the weight of other possible scenarios based on the baseline economic scenario. The Group measures the weighted average ECL of 12 months (stage 1) or lifetime (stage 2 and stage 3). The weighted average credit loss above is calculated by multiplying the ECLs for each scenario by the weight of the corresponding scenario.

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50. 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 2021, the carrying value of corporate loans covered by collateral amounted to RMB78,459 million (31 December 2020: RMB85,959 million).

Personal loans are mainly collateralised by residential properties. As at 31 December 2021, the carrying value of personal loans covered by collateral amounted to RMB54,344 million (31 December 2020: RMB61,510 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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50. 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 50(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	
	2021	2020
Balances with the central bank	63,720,391	61,988,382
Due from banks and other financial institutions	7,116,203	6,206,118
Loans and advances to customers	283,637,048	272,350,602
Derivative financial assets	1,796,713	16,395
Financial investments		
– Financial assets at fair value through profit or loss	61,197,094	53,296,007
– Financial assets at fair value through other comprehensive income	31,402,967	19,901,669
– Financial assets at amortised cost	145,307,393	143,123,445
Finance lease receivables	22,921,300	23,089,177
Others	4,718,220	3,410,364
	621,817,329	583,382,159
Credit commitments	40,781,262	39,788,101
Total maximum credit risk exposure	662,598,591	623,170,260

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50. 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 50(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	
	2021	2020
Corporate loans and advances		
Agriculture, forestry, animal husbandry and fishing	1,578,622	1,624,309
Mining	198,540	124,225
Manufacturing	6,246,513	6,277,753
Production and supply of electricity, gas and water	4,868,721	4,920,067
Construction	12,936,272	10,919,784
Commercial trade	27,356,384	30,656,796
Transportation, storage and postal services	3,266,254	3,389,690
Lodging and catering	3,515,631	3,639,735
Information transmission, software and information technology services	421,771	406,836
Finance	4,200	60,000
Real estate	31,323,696	35,201,566
Leasing and commercial services	59,307,606	49,221,834
Scientific research and technological services	584,726	327,099
Water, environment and public utility management	9,030,395	10,454,268
Resident services and other services	134,720	172,061
Education	155,449	195,413
Health and social affair	392,730	636,989
Culture, sports and entertainment	276,408	323,362
Subtotal	161,598,638	158,551,787
Discounted bills	10,475	1,841,061
Personal loans		
Personal business	38,101,568	36,890,084
Mortgages	14,770,968	15,081,309
Personal consumption	64,875,089	53,064,995
Loans to farmers	15,002,418	15,137,940
Subtotal	132,750,043	120,174,328
Total	294,359,156	280,567,176

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50. 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	
	2021	2020
Heilongjiang region	152,004,989	124,181,453
Northeastern China excluding Heilongjiang	40,093,810	38,928,038
Southwestern China	63,810,847	57,043,279
Other regions	38,449,510	60,414,406
Total	294,359,156	280,567,176

By type of guarantees

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

	As at 31 December	
	2021	2020
Unsecured loans	79,032,033	52,491,070
Guaranteed loans	82,523,894	78,765,213
Loans secured by mortgages	119,106,494	131,004,937
Pledged loans	13,696,735	18,305,956
Total	294,359,156	280,567,176

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50. 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	
	2021	2020
Corporate loans and advances		
Neither past due nor impaired	131,444,394	141,520,933
Past due but not impaired	19,485,360	9,151,739
Impaired	10,679,359	9,720,176
Subtotal	161,609,113	160,392,848
Personal loans		
Neither past due nor impaired	120,167,659	113,016,709
Past due but not impaired	3,995,283	2,774,287
Impaired	8,587,101	4,383,332
Subtotal	132,750,043	120,174,328
Total	294,359,156	280,567,176

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 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

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50. 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 2020		
	Pass	Special Mention	Total
Corporate loans and advances	138,868,727	2,652,206	141,520,933
Personal loans	112,877,348	139,361	113,016,709
Total	251,746,075	2,791,567	254,537,642

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 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

Overdue days	As at 31 December 2020			Total
	Within 1 month	1 to 3 months	Over 3 months	
Corporate loans and advances	5,699,079	3,452,660	–	9,151,739
Personal loans	1,194,625	1,579,662	–	2,774,287
Total	6,893,704	5,032,322	–	11,926,026

As at 31 December 2021, the fair value of collateral that the Group holds relating to corporate loans which are past due but not impaired amounted to RMB22,789,855 thousand (31 December 2020: RMB10,257,557 thousand), and the fair value of collateral that the Group holds relating to personal loans which are past due but not impaired amounted to RMB2,914,104 thousand (31 December 2020: RMB3,080,058 thousand).

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50. 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	
	2021	2020
Corporate loans and advances	10,679,359	9,720,176
Personal loans	8,587,101	4,383,332
Total	19,266,460	14,103,508

As at 31 December 2021, the fair value of collateral that the Group holds relating to loans individually determined to be impaired amounted to RMB20,225,726 thousand (31 December 2020: RMB8,375,638 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 2021, the gross value of the loans and advances rescheduled held by the Group amounted to RMB15,056 million (31 December 2020: RMB13,429 million).

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) **Credit risk** (Continued)

Collateral (Continued)

(iv) *Financial lease receivables*

	As at 31 December	
	2021	2020
Financial lease receivables, net		
Neither past due nor impaired	22,624,167	22,325,087
Past due but not impaired	1,121,474	1,372,261
Impaired	577,493	590,403
	24,323,134	24,287,751
Less: Allowance for impairment losses	(1,401,834)	(1,198,574)
Net amount	22,921,300	23,089,177

(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 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

	As at 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
AAA	4,768,218	–	–	4,768,218
AA – to AA+	3,921,550	–	–	3,921,550
A+ or below	–	–	68,557	68,557
Unrated	11,143,344	–	–	11,143,344
Total	19,833,112	–	68,557	19,901,669

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Collateral (Continued)

(v) *Financial assets (Continued)*

Financial assets at amortised cost

	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

	As at 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
AAA	12,316,665	-	-	12,316,665
AA- to AA+	11,050,312	-	-	11,050,312
A+ or below	-	-	59,700	59,700
Unrated	111,583,787	5,676,666	6,917,076	124,177,529
Total	134,950,764	5,676,666	6,976,776	147,604,206
Less: Allowance for impairment losses	(743,992)	(322,254)	(3,414,515)	(4,480,761)
Net balance	134,206,772	5,354,412	3,562,261	143,123,445

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50. 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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(Amount in thousands of RMB, unless otherwise stated)**50. 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:*

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	245,667,152
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	-	145,818,934	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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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk

(i) Analysis of the remaining maturity of the financial assets and financial liabilities is set out below:

31 December 2020	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	-	15,208,465	-	-	-	-	-	47,562,631	62,771,096
Due from banks and other financial institutions	-	3,984,020	1,349,430	22,176	384,788	465,395	309	-	6,206,118
Loans and advances to customers	17,774,633	-	23,241,193	14,982,176	64,714,667	76,485,687	75,152,246	-	272,350,602
Derivative financial assets	-	-	13,892	2,503	-	-	-	-	16,395
Financial investments	7,098,041	7,663,828	5,338,261	4,011,743	57,299,420	94,133,928	40,775,900	528,187	216,849,308
Finance lease receivables	169,353	-	1,192,308	1,910,530	7,044,531	12,724,729	47,726	-	23,089,177
Other financial assets	1,047,565	228,271	243,955	44,812	1,789,922	53,482	2,357	-	3,410,364
Total financial assets	26,089,592	27,084,584	31,379,039	20,973,940	131,233,328	183,863,221	115,978,538	48,090,818	584,693,060
Financial liabilities:									
Due to the central bank	-	-	551	721,772	2,916,896	-	-	-	3,639,219
Borrowings from banks and other financial institutions	-	-	1,835,461	2,278,006	5,734,464	-	-	-	9,847,931
Due to banks	-	55,610	1,146,396	5,084,669	9,634,794	-	-	-	15,921,469
Derivative financial liabilities	-	-	13,892	2,503	-	-	-	-	16,395
Repurchase agreements	-	-	-	481,434	1,018,008	-	-	-	1,499,442
Due to customers	-	161,029,669	16,225,117	49,226,273	138,511,604	111,340,476	-	-	478,333,139
Debt securities issued	-	-	1,288,024	9,596,532	13,710,554	1,000,000	8,000,000	-	33,575,110
Other financial liabilities	-	1,367,081	349,178	169,384	949,330	1,659,200	99,593	-	4,593,766
Total financial liabilities	-	162,452,360	20,838,619	67,560,573	172,475,650	113,999,676	8,099,593	-	545,426,471
Net position	26,089,592	(135,367,776)	10,540,420	(46,586,633)	(41,242,322)	69,863,545	107,878,945	48,090,818	39,266,589

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50. 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 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
Financial 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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50. 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								
- Continued								
Financial liabilities:								
Due to the central bank	-	151,541	97,198	4,079,919	-	-	-	4,328,658
Borrowings from banks and other financial institutions	1,601	1,588,351	5,797,058	4,839,335	382,723	-	-	12,609,068
Due to banks and repurchase agreements	14,391	5,521,547	14,554,402	11,508,366	394,440	-	-	31,993,146
Due to customers	145,084,384	34,831,972	50,694,180	137,031,577	155,463,553	1,796	-	523,107,462
Debt securities issued	-	1,807,082	4,145,185	13,193,678	-	-	-	19,145,945
Other financial liabilities	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	-	192,945	360,808	2,693,338	15,640	-	-	3,262,731
Total outflow	-	(192,945)	(360,884)	(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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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

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

31 December 2020	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Overdue/ Undated	Total
Non-derivative cash flows								
Financial assets:								
Cash and balances with the central bank	15,208,465	-	-	-	-	-	47,562,631	62,771,096
Due from banks and other financial institutions	3,986,817	1,356,158	17,781	509,353	348,303	309	-	6,218,721
Loans and advances to customers	-	24,711,203	17,770,347	74,371,673	103,527,888	105,558,721	19,948,823	345,888,655
Financial investments	7,663,828	6,077,684	5,401,424	62,944,760	110,336,735	49,535,087	7,702,971	249,662,489
Finance lease receivables	-	1,267,318	2,060,052	7,685,404	14,337,452	52,770	169,353	25,572,349
Other financial assets	228,271	243,955	44,812	1,784,922	58,482	2,357	1,047,565	3,410,364
Total financial assets	27,087,381	33,656,318	25,294,416	147,296,112	228,608,860	155,149,244	76,431,343	693,623,674

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

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

31 December 2020	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Overdue/ Undated	Total
Financial liabilities:								
Due to the central bank	-	7,879	736,347	2,938,686	-	-	-	3,682,912
Borrowings from banks and other financial institutions	-	1,870,558	2,332,965	5,823,807	-	-	-	10,027,330
Due to banks and repurchase agreements	55,610	1,208,293	5,650,706	10,734,710	-	-	-	17,649,319
Due to customers	161,029,669	16,805,525	50,712,329	143,361,151	119,876,099	-	-	491,784,773
Debt securities issued	-	1,270,000	9,660,000	14,092,300	2,327,500	8,320,000	-	35,669,800
Other financial liabilities	1,367,081	349,623	169,620	957,686	1,680,353	99,800	-	4,624,163
Total financial liabilities	162,452,360	21,511,878	69,261,967	177,908,340	123,883,952	8,419,800	-	563,438,297
Net position	(135,364,979)	12,144,440	(43,967,551)	(30,612,228)	104,724,908	146,729,444	76,431,343	130,085,377
Derivative cash flows								
Derivative financial instruments settled on a gross basis								
Total inflow	-	13,892	2,503	-	-	-	-	16,395
Total outflow	-	(13,892)	(2,503)	-	-	-	-	(16,395)
Credit commitments	22,441,220	398,870	6,349,548	9,828,066	833,855	-	-	39,851,559

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50. 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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50. 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	
		2021	2020
USD	-1%	(30,742)	(14,668)
HKD	-1%	185	187
RUB	-1%	(477)	(264)

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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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)**(c) Market risk (Continued)****(i) Currency risk (Continued)**

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

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	-	-	-	-	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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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

31 December 2020	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	RUB (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial assets:						
Cash and balances with the central bank	62,726,267	27,766	784	14,335	1,944	62,771,096
Due from banks and other financial institutions	4,886,429	917,022	15,760	18,483	368,424	6,206,118
Loans and advances to customers	272,264,306	86,221	-	-	75	272,350,602
Derivative financial assets	-	16,395	-	-	-	16,395
Financial investments	216,379,515	469,793	-	-	-	216,849,308
Financial lease receivables	23,089,177	-	-	-	-	23,089,177
Other financial assets	3,410,364	-	-	-	-	3,410,364
Total financial assets	582,756,058	1,517,197	16,544	32,818	370,443	584,693,060
Financial liabilities:						
Due to the central bank	3,639,219	-	-	-	-	3,639,219
Borrowings from banks and other financial institutions	9,847,931	-	-	-	-	9,847,931
Due to banks	15,916,795	888	-	3,786	-	15,921,469
Derivative financial liabilities	-	16,395	-	-	-	16,395
Repurchase agreements	1,499,442	-	-	-	-	1,499,442
Due to customers	475,962,182	33,126	928	2,642	334,261	476,333,139
Debt securities issued	33,575,110	-	-	-	-	33,575,110
Other financial liabilities	4,559,473	-	34,293	-	-	4,593,766
Total financial liabilities	545,000,152	50,409	35,221	6,428	334,261	545,426,471
Net position	37,755,906	1,466,788	(18,677)	26,390	36,182	39,266,589
Credit commitments	39,647,373	186,416	-	-	17,770	39,851,559

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50. 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 equity 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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50. 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 equity	
	31 December		31 December	
	2021	2020	2021	2020
+100 basis points	(1,704,195)	(718,597)	(1,097,794)	(468,680)
-100 basis points	1,704,195	718,597	1,213,189	502,248

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 equity 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 equity in the case where some rates change while others remain unchanged.

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(Amount in thousands of RMB, unless otherwise stated)**50. 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:

	Less than three months	Three months to one year	One to five years	More than five years	Non-interest- bearing	Total
31 December 2021						
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
Financial investments	7,827,140	17,785,715	88,566,501	43,699,552	87,788,244	245,667,152
Derivative financial assets	-	-	-	-	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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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

31 December 2020	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	61,964,097	-	-	-	806,999	62,771,096
Due from banks and other financial institutions	5,349,678	510,622	333,396	309	12,113	6,206,118
Loans and advances to customers	98,849,311	57,672,759	61,975,558	33,250,072	20,602,902	272,350,602
Derivative financial assets	-	-	-	-	16,395	16,395
Financial investments	7,323,857	31,971,189	78,947,395	40,488,197	58,118,670	216,849,308
Financial lease receivables	20,702,516	636,553	1,281,056	-	469,052	23,089,177
Other financial assets	-	-	-	-	3,410,364	3,410,364
Total financial assets	194,189,459	90,791,123	142,537,405	73,738,578	83,436,495	584,693,060
Financial liabilities:						
Due to the central bank	721,320	2,897,576	-	-	20,323	3,639,219
Borrowings from banks and other financial institutions	4,079,600	5,648,012	-	-	120,319	9,847,931
Due to banks	6,196,895	9,557,334	-	-	167,240	15,921,469
Derivative financial liabilities	-	-	-	-	16,395	16,395
Repurchase agreements	470,200	999,965	-	-	29,277	1,499,442
Due to customers	225,076,625	134,437,964	109,765,422	-	7,053,128	476,333,139
Debt securities issued	10,864,556	13,465,363	1,000,000	8,000,000	245,191	33,575,110
Other financial liabilities	-	221,804	171,037	-	4,200,925	4,593,766
Total financial liabilities	247,409,196	167,228,018	110,936,459	8,000,000	11,852,798	545,426,471
Total interest sensitivity gap	(53,219,737)	(76,436,895)	31,600,946	65,738,578	N/A	N/A

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50. 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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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(d) Capital management (Continued)

	As at 31 December	
	2021	2020
Core capital		
Qualified part of share capital	10,995,600	10,995,600
Qualified part of capital reserves	7,661,124	7,661,124
Surplus reserve and general reserves	11,487,851	11,437,656
Undistributed profits	19,271,378	19,056,263
Qualified part of non-controlling interests	893,620	826,252
Other comprehensive income	378,929	96,484
Core tier 1 capital deductible items:		
Fully deductible items	(484,601)	(397,844)
Net core tier 1 capital	50,203,901	49,675,535
Net other tier 1 capital	11,118,401	110,167
Net tier 1 capital	61,322,302	49,785,702
Net tier 2 capital	6,569,516	11,676,143
Net capital	67,891,818	61,461,845
Total risk-weighted assets	541,233,473	488,192,700
Core tier 1 capital adequacy ratio	9.28%	10.18%
Tier 1 capital adequacy ratio	11.33%	10.20%
Capital adequacy ratio	12.54%	12.59%

51. 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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51. 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 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

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51. 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: (Continued)

31 December 2020	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value</u>				
Derivative Financial assets	-	16,395	-	16,395
Financial assets at fair value through profit or loss				
- Debt securities	-	3,842,218	-	3,842,218
- Funds	-	7,663,828	-	7,663,828
- Trust investments and asset management plans	-	39,736,831	1,994,775	41,731,606
- Equity instruments	15,906	-	261,720	277,626
Subtotal	15,906	51,242,877	2,256,495	53,515,278
Financial assets at fair value through other comprehensive income				
- Debt securities	-	19,517,656	-	19,517,656
- Equity instruments	-	96,935	153,626	250,561
Subtotal	-	19,614,591	153,626	19,768,217
Loan and advance measured at fair value through other comprehensive income				
- Discounted bills	-	1,841,061	-	1,841,061
Total	15,906	72,714,924	2,410,121	75,140,951
<u>Financial liabilities measured at fair value</u>				
Derivative financial liabilities	-	16,395	-	16,395

During the year ended 31 December 2021, there is no significant transfer among each level (2020: 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.

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 measured at fair value through other comprehensive income, the fair value are determined based on discounted cash flow. The determination are based on a valuation technique for which all significant inputs are observable market data.

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets and liabilities measured at fair value (Continued)

The financial instruments classified as Level 3 by the Group are mainly unlisted equity instruments and trust fund plans and asset management plans. 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 2021 and 31 December 2020, 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:

	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

The movement in Level 3 financial instruments measured at fair value is not significant in FY2020.

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(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 2021		As at 31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at amortised cost	142,760,826	148,592,449	140,999,180	141,287,462
Financial liabilities				
Debt securities issued	19,098,445	18,972,900	33,329,919	33,107,228

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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52. SUBSEQUENT EVENTS

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 2021.

As approved at the Board of Directors’ meeting held on 31 March 2022, the profit distribution plan of 2021 was as follows:

1. 10% of 2021 net profit amounting to RMB16,318 thousand is appropriated to the statutory surplus reserve;
2. Withdrawal of general and regulatory reserves of RMB209,182 thousand; and
3. The Bank proposed not to distribute any dividend for the year ended 31 December 2021.

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.

53. COMPARATIVE FIGURES

In accordance with the presenting pattern of the financial statements, the Group has reclassified some comparative figures.

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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	
	2021	2020
ASSETS		
Cash and balances with the central bank	62,966,454	60,532,808
Due from banks and other financial institutions	23,113,949	22,012,820
Loans and advances to customers	258,848,258	249,364,567
Derivative financial assets	1,796,713	16,395
Financial investments	245,667,152	216,849,308
– financial assets at fair value through profit or loss	61,516,234	53,573,633
– financial assets at fair value through other comprehensive income	38,843,525	20,152,230
– financial assets at amortised cost	145,307,393	143,123,445
Investments in subsidiaries	5,002,420	4,710,420
Property and equipment	8,187,950	8,485,285
Deferred income tax assets	3,742,357	3,209,170
Other assets	5,540,664	4,100,932
TOTAL ASSETS	614,865,917	569,281,705
LIABILITIES		
Due to the central bank	3,466,623	2,554,018
Due to banks	33,282,796	24,721,000
Derivative financial liabilities	1,811,571	16,395
Repurchase agreements	8,512,417	1,499,442
Due to customers	485,691,092	456,161,838
Income tax payable	469,756	750,934
Debt securities issued	19,129,158	32,537,355
Other liabilities	3,329,243	3,303,548
TOTAL LIABILITIES	555,692,656	521,544,530
EQUITY		
Share capital	10,995,600	10,995,600
Other equity instruments	10,999,290	–
Capital reserves	7,639,362	7,639,362
Other comprehensive income	378,929	96,484
Surplus reserves	3,903,227	3,886,909
General and regulatory reserves	6,922,570	6,922,570
Undistributed profits	18,334,283	18,196,250
TOTAL EQUITY	59,173,261	47,737,175
TOTAL EQUITY AND LIABILITIES	614,865,917	569,281,705

	WANG Haibin		
DENG Xinquan	(Acting on Behalf)	YANG Dazhi	Dong Kai
Chairman	President	Assistant to the President (in Charge of Finance)	General Manager of Finance and Accounting Department

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54. STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK (Continued)

(b) Statement of financial changes of equity position of the Bank

	Share capital	Other equity instruments	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserves	General and regulatory reserves	Undistributed profits	Total
Balance as at 1 January 2021	10,995,600	-	-	7,639,362	96,484	3,886,909	6,922,570	18,196,250	47,737,175
Movements during the year									
Total comprehensive income	-	10,999,290	-	-	282,445	16,318	-	138,033	11,436,086
Issuance of perpetual bonds	-	-	-	-	273,622	-	-	163,174	436,796
Profit distribution	-	10,999,290	-	-	-	-	-	-	10,999,290
1. Appropriation to surplus reserves	-	-	-	-	-	16,318	-	(16,318)	-
2. Appropriation to general and regulatory reserves	-	-	-	-	-	16,318	-	(16,318)	-
3. Distribution to shareholders	-	-	-	-	-	-	-	-	-
Transfer of loss on disposal of financial asset at fair value through other comprehensive income to retained earnings	-	-	-	-	-	-	-	(8,823)	-
Balance as at 31 December 2021	10,995,600	10,999,290	-	7,639,362	378,929	3,903,227	6,922,570	18,334,283	59,173,261
Balance as at 1 January 2020	10,995,600	-	-	7,639,362	319,926	3,782,467	6,922,570	18,355,826	48,015,751
Movements during the year									
Total comprehensive income	-	-	-	-	(223,442)	104,442	-	(159,576)	(278,576)
Profit distribution	-	-	-	-	(223,442)	-	-	1,044,426	820,984
1. Appropriation to surplus reserves	-	-	-	-	-	104,442	-	(1,204,002)	(1,099,560)
2. Appropriation to general and regulatory reserves	-	-	-	-	-	104,442	-	(104,442)	-
3. Distribution to shareholders	-	-	-	-	-	-	-	(1,099,560)	(1,099,560)
Balance as at 31 December 2020	10,995,600	-	-	7,639,362	96,484	3,886,909	6,922,570	18,196,250	47,737,175

55. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2022.

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	
	2021	2020
RMB current assets to RMB current liabilities	65.21%	57.56%
Foreign currency current assets to foreign currency current liabilities	164.14%	372.83%

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 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
31 December 2020					
Spot assets	1,500,802	16,544	32,818	370,443	1,920,607
Spot liabilities	(34,014)	(35,221)	(6,428)	(334,261)	(409,924)
Net long/(short) position	1,466,788	(18,677)	26,390	36,182	1,510,683

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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 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
31 December 2020			
Asia Pacific excluding Mainland China	147,461	–	147,461
– of which attributed to Hong Kong	79,053	–	79,053
Europe	640,880	–	640,880
North America	793,696	–	793,696
Total	1,582,037	–	1,582,037

Unaudited Supplementary Financial Information

For the year ended 31 December 2021
(In RMB thousands, unless otherwise stated)

(d) LOANS AND ADVANCES TO CUSTOMERS

(i) Overdue loans and advances to customers:

Overdue days	31 December 2021				
	Within 90 days	91 days to 1 year	1 to 5 years	Over 5 years	Total
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

Overdue days	31 December 2020				
	Within 90 days	91 days to 1 year	1 to 5 years	Over 5 years	Total
Unsecured loans	665,931	1,168,446	93,731	4,179	1,932,287
Guaranteed loans	5,671,450	3,556,585	1,485,983	8,823	10,722,841
Loans secured by mortgages	5,922,387	3,414,172	2,727,714	44,231	12,108,504
Pledged loans	26,091	661,931	76,352	310	764,684
Total	12,285,859	8,801,134	4,383,780	57,543	25,528,316

(ii) Overdue loans and advances to customers by geographical location:

	As at 31 December	
	2021	2020
Heilongjiang region	17,629,714	6,931,319
Northeastern China excluding Heilongjiang	6,894,644	4,084,608
Southwestern China	6,430,903	4,433,295
Other regions	11,546,217	10,079,094
Total	42,501,478	25,528,316

Unaudited Supplementary Financial Information

For the year ended 31 December 2021
(In RMB thousands, unless otherwise stated)

Basic Information on Directors,
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(e) OVERDUE AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

As at 31 December 2021 and 2020, 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 2021 and 2020, 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 2021, substantial amounts of the Bank's exposures arose from businesses with mainland China entities or individuals.

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

