



HARBIN BANK CO., LTD.

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

Stock Code: 6138

2022 INTERIM REPORT



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Harbin Bank Co., Ltd.
Interim Report 2022

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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.

Definitions

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

“Articles of Association”	the Articles of Association of Harbin Bank Co., Ltd.
“Board” or “Board of Directors”	the board of directors of the Company
“Board of Supervisors”	the board of supervisors of the Company
“CBIRC”/“CBRC”	the China Banking and Insurance Regulatory Commission/China Banking Regulatory Commission (before 17 March 2018)
“China” or “PRC”	the People’s Republic of China
“Company”	Harbin Bank Co., Ltd. (哈爾濱銀行股份有限公司), a joint stock company incorporated in the PRC on 25 July 1997 with limited liability in accordance with PRC laws
“CSRC”	the China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Domestic Shares”	ordinary shares of a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as paid in RMB
“Group” or “Bank”	the Company and all of its subsidiaries and branches
“H Share(s)”	overseas-listed foreign invested ordinary shares of a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed and traded in Hong Kong dollars
“Harbin Economic Development”	Harbin Economic Development and Investment Company
“HBCF”	Harbin Bank Consumer Finance Co., Ltd.
“HB Leasing”	Harbin Bank Financial Leasing Co., Ltd.
“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
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“PBOC” or “Central Bank”	the People’s Bank of China
“Reporting Period”	the six months ended 30 June 2022
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Supervisor(s)”	the supervisor(s) of the Company

Company Profile

Basic Information

Legal Chinese Name:

哈爾濱銀行股份有限公司(Abbreviation: 哈爾濱銀行)

English Name:

HARBIN BANK CO., LTD. (Abbreviation: HARBIN BANK)

Legal Representative:

Deng Xinquan

Authorised Representatives for the Hong Kong Stock Exchange:

Deng Xinquan and Ngai Wai Fung

Board Secretary:

Wu Siliang

Joint Company Secretaries:

Wu Siliang and Ngai Wai Fung

Registered Address:

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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

Company Profile

Company Profile

The Company, headquartered in Harbin, was granted its finance permit to carry on financial business by the PBOC in February 1997, and obtained its corporate business license on 25 July 1997. At present, the Company has established 17 branches in Tianjin, Chongqing, Dalian, Shenyang, Chengdu, Harbin, Daqing, etc. and 32 village and township banks in 14 provinces and municipalities, including Beijing, Guangdong, Jiangsu, Jilin and Heilongjiang, etc. The Company, as a controlling shareholder, has promoted the establishment of each of HB Leasing, the first financial leasing company in Northeastern China, and HBCF, the first consumer finance company in Heilongjiang Province. As at 30 June 2022, the Group had 390 business outlets with branches and sub-branches across seven administrative regions in China.

As at 30 June 2022, the Bank had total assets of RMB661.6549 billion, total loans and advances to customers of RMB287.0476 billion and total customers deposits of RMB509.5103 billion.

As at 30 June 2022, the Bank ranked 178th in “Top 1000 World Banks 2022”, moving up 26 places as compared to last year, published by The Banker in the United Kingdom, 249th in “2022 Brand Finance Global 500” published by Brand Finance (a famous brand valuation consulting firm in the United Kingdom), and 34th in “2021 China Banking Top 100 (2021年中國銀行業100強)” published by China Banking Association.

The Bank was awarded the “2021 City Commercial Bank” by China Times, the “2021 Good News Award for Banking Financial Institutions Serving Agriculture, Rural Areas and Farmers” by China Banking Association, 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 for 2021 (2021年度人民幣跨境支付清算機構服務先進參與者)” by CIPS Co., Ltd., and the “Gold Award of the 5th (2022) FinTech Innovation Contest” by the Joint Promotion Year of Cebnet.com.cn and Digital Finance. In addition, the Bank was rated as “Excellent” in the assessment and evaluation of financial institutions in serving rural revitalization conducted by the PBOC and other regulatory authorities.

Major Subsidiaries

The details of major subsidiaries of the Company as at 30 June 2022 are as follows:

Company Name	Place of incorporation/ registration and operations place in the PRC	Nominal value of issued share/ paid-up capital RMB million	Percentage of ownership/ voting rights directly owned by the Company %	Amount invested by the Company RMB million
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 Bao'an Rongxing Village and Township Bank Co., Ltd.	Bao'an, 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

Company Profile

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
Xin'an Rongxing Village and Township Bank Co., Ltd.	Xin'an, Henan	33.3	90.09	30
Anyi Rongxing Village and Township Bank Co., Ltd.	Anyi, Jiangxi	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

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

	For the six months ended 30 June			For the year ended
	2022	2021	2022 vs. 2021	31 December 2021
(In RMB million, except percentages)				
Results of operations			Rate of change	
Net interest income	5,318.6	5,055.8	5.20%	10,061.0
Net fee and commission income	375.8	300.3	25.14%	697.0
Operating income	6,993.2	6,134.5	14.00%	12,319.5
Operating expenses	(2,167.7)	(1,971.7)	9.94%	(4,956.8)
Credit impairment losses	(3,876.3)	(2,907.8)	33.31%	(6,700.5)
Impairment losses of other assets	–	–	–	(101.0)
Profit before tax	949.2	1,255.0	-24.37%	561.2
Net profit	588.0	940.3	-37.47%	398.7
Net profit attributable to shareholders of the Company	494.6	851.2	-41.89%	274.1
For each share (RMB)			Rate of change	
Net assets per share attributable to shareholders of the Company ⁽¹⁾	4.52	4.55	-0.66%	4.53
Earnings per share	0.01	0.08	-87.50%	0.02
Profitability indicators			Change	
Return on average total assets ⁽²⁾	0.18%	0.31%	decreased by 0.13 percentage point	0.06%
Return on average equity ⁽³⁾	0.44%	3.43%	decreased by 2.99 percentage points	0.55%
Net interest spread ⁽⁴⁾	1.79%	1.81%	decreased by 0.02 percentage point	1.74%
Net interest margin ⁽⁵⁾	1.82%	1.83%	decreased by 0.01 percentage point	1.78%
Net fee and commission income to operating income ratio	5.37%	4.90%	increased by 0.47 percentage point	5.66%
Cost-to-income ratio ⁽⁶⁾	29.37%	30.14%	decreased by 0.77 percentage point	38.28%

Summary of Accounting Data and Financial Indicators

	As of		30 June 2022 vs. 31 December 2021
	As of 30 June 2022	31 December 2021	
(In RMB million, except percentages)			
Capital adequacy indicators⁽⁷⁾			Change
Core tier 1 capital adequacy ratio	8.87%	9.28%	decreased by 0.41 percentage point
Tier 1 capital adequacy ratio	10.84%	11.33%	decreased by 0.49 percentage point
Capital adequacy ratio	12.00%	12.54%	decreased by 0.54 percentage point
Total equity to total assets	9.50%	9.73%	decreased by 0.23 percentage point
Assets quality indicators			Change
NPL ratio ⁽⁸⁾	2.95%	2.88%	increased by 0.07 percentage point
Impairment coverage ratio ⁽⁹⁾	174.67%	162.45%	increased by 12.22 percentage points
Impairment losses on loans ⁽¹⁰⁾	5.15%	4.68%	increased by 0.47 percentage point
Other indicators			Change
Loan-deposit ratio	56.34%	58.67%	decreased by 2.33 percentage points
Scale indicators			Rate of change
Total assets	661,654.9	645,046.2	2.57%
Of which: total loans and advances to customers	287,047.6	294,359.2	-2.48%
Total liabilities	598,822.3	582,266.3	2.84%
Of which: due to customers	509,510.3	501,751.2	1.55%
Share capital	10,995.6	10,995.6	–
Equity attributable to shareholders of the Company	60,753.5	60,794.2	-0.07%
Non-controlling interests	2,079.1	1,985.7	4.70%
Total equity	62,832.6	62,779.9	0.08%

Summary of Accounting Data and Financial Indicators

Notes:

- (1) The equity attributable to shareholders of the Company divided by the share capital at the end of the period, after deducting other equity instruments 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 ordinary shareholders of the Company during the Reporting Period to the average balance of total equity attributable to ordinary shareholders of the Company 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 Measures for the Administration of 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.
- (10) Calculated with the allowance for impairment loss on loans divided by the total loans to customers.

Management Discussion and Analysis

I. Past Economy and Environment and Operation Overview

(I) Past Economy and Environment

In the first half of 2022, against the increasing downward pressure on economy arising from complex and intense international environment and the frequent and spasmodic pandemic in China, under the firm leadership of the Central Committee of the Communist Party of China headed by President Xi Jinping, China, by conscientiously implementing the strategies and decisions of the Central Committee of the Communist Party of China and the State Council, efficiently coordinated pandemic prevention and control with economic and social development, and solidly promoted the implementation of a raft of policies and measures to firmly stabilise the economy, achieving the stabilisation and recovery of the economy. In the first half of the year, the gross domestic product (GDP) amounted to RMB56.26 trillion, representing a year-on-year increase of 2.5%. On an industrial structure basis, the growth rates of primary, secondary and tertiary industries were 5.0%, 3.2% and 1.8%, respectively. The balance of M2 amounted to RMB258.15 trillion, representing a year-on-year increase of 11.4%; the balance of M1 amounted to RMB67.44 trillion, representing a year-on-year increase of 5.8%, and the balance of M0 amounted to RMB9.6 trillion, representing a year-on-year increase of 13.8%. The balance of RMB loans amounted to RMB206.35 trillion, representing a year-on-year increase of 11.2%, and the balance of RMB deposits amounted to RMB257.68 trillion, representing a year-on-year increase of 10.5%. New RMB loans amounted to RMB13.68 trillion, representing a year-on-year increase of RMB919.2 billion; and new RMB deposits amounted to RMB18.82 trillion, representing a year-on-year increase of RMB4.77 trillion. The outstanding social financing was RMB334.27 trillion, representing a year-on-year increase of 10.8%.

In the first half of 2022, the governments at all levels in Heilongjiang confidently seized the opportunity and took the initiative to implement the important requests of the Central Committee of the Communist Party of China of “preventing the COVID-19 outbreak, stabilizing the economy, and ensuring safe development”. They focused on the objectives and tasks of building up Heilongjiang Province from six aspects and advancing revitalization in eight areas and efficiently coordinated pandemic prevention and control with economic and social development. They adhered to the keynote of seeking improvement in stability and took various measures to stabilize economic growth. While ensuring safe development, they gradually saw the synergy of policies of stabilizing the economy, such as providing support for the recovery of market entities, working hard to stabilize employment and cost of living, speeding up the resumption of business production and operation and expanding channels to alleviate enterprises’ difficulties. In the first half of 2022, Heilongjiang’s major economic indicators were kept within an appropriate range. In the first half of 2022, the regional gross domestic product (GDP) of Heilongjiang reached RMB639.52 billion, representing a year-on-year increase of 2.8%. In terms of industries, the added value of the primary industry was RMB47.11 billion, representing an increase of 4.7%; the added value of the secondary industry was RMB228.22 billion, representing an increase of 1.3%; and the added value of the tertiary industry was RMB364.19 billion, representing an increase of 3.2%. During the year, the fixed asset investment made within Heilongjiang increased by 6.9% year-on-year, 0.8 percentage point higher than the national average, ranking 18th in China. Total retail sales of consumer goods reached RMB239.33 billion, representing a year-on-year decrease of 3.2%, contracting by 1.3 percentage points over that from January to May. In June, total retail sales of consumer goods in Heilongjiang achieved a positive growth rate, up by 2.8% over the same month last year. The disposable income per capita of urban and rural residents increased by 3.5% and 6.7%, respectively.

(II) Operation Overview

In the first half of 2022, facing the severe challenges caused by the economic downturn and the pandemic resurgence, and the “triple pressure” from shrinking demand, supply shock and weakening expectations, 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, upheld the development positioning of “serving the local economy, serving small and medium-sized enterprises and serving urban and rural residents” with a focus on the goal of high quality development, and worked hard to serve the real economy while managing financial risks and deepening financial reform in a coordinated way. The Bank made steady progress in the major operating indicators.

Stable business development

As at 30 June 2022, the Group had total assets of RMB661,654.9 million, representing an increase of RMB16,608.7 million or 2.57% as compared to the end of last year; total loans and advances to customers of the Group amounted to RMB287,047.6 million, representing a decrease of RMB7,311.6 million or 2.48% as compared to the end of last year; and due to customers deposits of the Group amounted to RMB509,510.3 million, representing an increase of RMB7,759.1 million or 1.55% as compared to the end of last year.

Steady profitability as compared to last year

The Group recorded a net profit of RMB588.0 million for the first half of 2022, representing a year-on-year decrease of RMB352.3 million or 37.47%, and an increase of RMB189.3 million as compared to last year, and a net profit attributable to shareholders of the Company of RMB494.6 million, representing a year-on-year decrease of RMB356.6 million or 41.89%, and an increase of RMB220.5 million as compared to last year. As at 30 June 2022, the return on average total assets of the Group was 0.18%, representing a decrease as compared with 0.31% in the same period of last year, and an increase as compared with 0.06% of last year.

Stable loan quality

As at 30 June 2022, the balance of the Bank’s NPLs was RMB8.4664 billion, and the NPL ratio was 2.95%, an increase of 0.07 percentage point as compared to that at the end of last year. Impairment coverage ratio was 174.67%, an increase of 12.22 percentage points as compared to the end of last year; and impairment losses on loans was 5.15%, representing an increase of 0.47 percentage point as compared to the end of last year, showing the Bank’s basically stable risk resilience.

Compliance with applicable laws and regulations

The Bank 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 Bank.

Management Discussion and Analysis

(III) Analysis of Key Issues

1. *Net interest margin*

In the first half of 2022, the net interest spread of the Bank was 1.79%, representing a year-on-year decrease of 0.02 percentage point, and the net interest margin was 1.82%, representing a year-on-year decrease of 0.01 percentage point, mainly attributable to the facts that: (i) in the first half of the year, mainly affected by the repeated COVID-19 pandemic, the decline in market interest rates, the intensifying competition within the industry and the adjustment of asset structure, the average yield of interest-bearing assets has decreased over the same period; (ii) the Bank proactively optimized the debt structure to continuously strengthen the customer base, resulting in the decrease in the cost ratio of customer deposits. Looking forward to the second half of 2022, the internal and external environment as well as the impact of the pandemic still remain uncertain, while the pressure of the “asset shortage” in the banking industry still exists. In light of the continuous decrease in the LPR interest rate, the competition in the deposit market is getting more intense, and the net interest spread and net interest margin are expected to remain under pressure. To this end, on the basis of supporting the development of the real economy, the Bank will further strengthen the active management of assets and liabilities. In line with the market environment, the Bank will also optimize the asset portfolio and credit structure, consolidate the customer base and expand the debt source through multiple channels, so as to gradually create a liquid and profitable asset portfolio as well as a diversified, stable, and cost-intensive financing structure, thereby ensuring that the net interest spread and net interest margin remain basically stable.

2. *Quality of key assets*

As at 30 June 2022, the balance of the Bank’s NPLs was RMB8.4664 billion, and the NPL ratio was 2.95%, an increase of 0.07 percentage point as compared to the end of last year. Impairment coverage ratio was 174.67%, an increase of 12.22 percentage points as compared to the end of last year; and impairment losses on loans was 5.15%, representing an increase of 0.47 percentage point as compared to the end of last year, showing the Bank’s basically stable risk resilience.

During the Reporting Period, the Bank conscientiously implemented various national credit policies and regulatory requirements, focused on green finance, key industries, industrial projects and leading enterprises according to the 14th five-year strategic planning in combination with regional characteristics, increased support of credit funds for enterprises with strong capability of market cultivation, and strengthened the credit support for industries severely affected by the pandemic, as well as the micro, small and medium-sized enterprises. It 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.

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, improved approval independence, intensified the risk management and control in key areas, enhanced the withdrawal of low-quality clients, further promoted the optimization and adjustment of credit structure, and improved the asset quality control capacity. The Bank strengthened its management of regional loans in terms of industry quota, products quota, credit facilities to related clients, credit facilities to non-local clients, collateral loans to third parties and loans overdue. Besides, it 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 the 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 yields in accordance with the Measures for the Administration of Capital of Commercial Banks (for Trial Implementation). During the Reporting Period, the Bank has met the regulatory requirement for the capital adequacy ratios as required by the CBIRC.

As at 30 June 2022, the core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio of the Bank were 8.87%, 10.84% and 12.00%, respectively, representing a decrease of 0.41 percentage point, 0.49 percentage point and 0.54 percentage point, respectively, as compared to the end of last year. The decrease in the core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio was mainly due to the increase in risk-weighted assets. As at the end of the Reporting Period, risk-weighted assets of the Bank amounted to RMB565,259.9 million, representing an increase of RMB24,026.4 million, or 4.44% as compared to the end of last year. Looking forward to the second half of 2022, the Bank will continue to strengthen its capital management by: (1) continuing its differentiated competition strategy with characteristic development path to further enhance internal capital generation capability; (2) actively responding to changes in current situations and strengthening its active management of capital, continuously optimising its business structure and raising awareness of intensive capital use; and (3) establishing multi-layer and multi-channel mechanisms for capital replenishment to ensure that the capital adequacy level satisfies the regulatory requirements on an ongoing basis.

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

As at 30 June 2022, total investment by the Bank in debt financial instruments issued by financial institutions amounted to RMB145,517.2 million, representing an increase of 0.6% 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 30 June 2022, the balance of provision of the Bank’s investment in debt instruments issued by financial institutions amounted to RMB5,247.4 million, representing an increase of RMB280.7 million as compared to the end of last year, and the coverage ratio was 3.61%, representing a decrease of 0.18 percentage point as compared to the end of last year.

Management Discussion and Analysis

5. Net Stable Funding Ratio

As at 31 December 2021, the net stable funding ratio of the Bank was 113.56%, which was in compliance with the net stable funding ratio of commercial banks required by the Measures for the Liquidity Risk Management of Commercial Banks (Order No. 3 [2018], CBIRC) (“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.

As at 31 March 2022, the net stable funding ratio of the Bank was 113.68%, which was in compliance with the regulatory standards. The available stable funding (upon translation) was RMB454.229 billion and the required stable funding (upon translation) was RMB399.566 billion.

As at 30 June 2022, the net stable funding ratio of the Bank was 115.67%, which was in compliance with the regulatory standards. The available stable funding (upon translation) was RMB457.797 billion and the required stable funding (upon translation) was RMB395.781 billion.

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

Item	As at 30 June 2022	As at 31 March 2022	As at 31 December 2021
	(In RMB100 million, except percentages)		
Net stable funding ratio	115.67%	113.68%	113.56%
Available stable funding	4,577.97	4,542.29	4,496.79
Required stable funding	3,957.81	3,995.66	3,959.97

II. Analysis on Income Statement

	For the six months ended 30 June			
	2022	2021	Change in amount	Rate of change
	(In RMB million, except percentages)			
Interest income	13,702.4	13,051.3	651.1	5.0%
Interest expense	(8,383.8)	(7,995.5)	(388.3)	4.9%
Net interest income	5,318.6	5,055.8	262.8	5.2%
Fee and commission income	436.6	368.9	67.7	18.4%
Fee and commission expense	(60.8)	(68.6)	7.8	-11.4%
Net fee and commission income	375.8	300.3	75.5	25.1%
Net trading income or loss	774.8	492.5	282.3	57.3%
Net gain or loss on financial investments	309.2	127.0	182.2	143.5%
Net other operating income or loss	214.8	158.9	55.9	35.2%
Operating income	6,993.2	6,134.5	858.7	14.0%
Operating expenses	(2,167.7)	(1,971.7)	(196.0)	9.9%
Credit impairment losses	(3,876.3)	(2,907.8)	(968.5)	33.3%
Operating profit	949.2	1,255.0	(305.8)	-24.4%
Profit before tax	949.2	1,255.0	(305.8)	-24.4%
Income tax expense	(361.2)	(314.7)	(46.5)	14.8%
Net profit	588.0	940.3	(352.3)	-37.5%

In the first half of 2022, the Bank recorded profit before tax of RMB949.2 million and net profit of RMB588.0 million, representing a year-on-year decrease of 24.4% and 37.5%, respectively.

Management Discussion and Analysis

(I) Net Interest Income

In the first half of 2022, the Bank recorded net interest income of RMB5,318.6 million, representing increase of RMB262.8 million or 5.2% year-on-year. The following tables set forth, for the periods indicated, the average balance of the Bank's interest-earning assets and interest-bearing liabilities, interest income and expense from these assets and liabilities, as well as the average yield ratio of interest-earning assets and the average cost ratio of interest-bearing liabilities.

	For the six months ended 30 June					
	2022			2021		
	Average balance ⁽⁶⁾	Interest income	Average yield ratio	Average balance ⁽⁶⁾	Interest income	Average yield ratio
	(In RMB million, except percentages)					
Interest-earning assets						
Loans and advances to customers	287,323.0	8,690.2	6.10%	284,112.8	8,332.5	5.91%
Investments in debt securities ⁽¹⁾	195,562.1	3,639.2	3.75%	173,628.6	3,453.6	4.01%
Cash and balances with the Central Bank	47,181.7	312.5	1.34%	54,380.6	391.0	1.45%
Due from banks and other financial institutions ⁽²⁾	36,254.7	290.3	1.61%	20,741.6	176.5	1.72%
Finance lease receivables	24,581.6	770.2	6.32%	23,924.9	697.7	5.88%
Total interest-earning assets	590,903.1	13,702.4	4.67%	556,788.5	13,051.3	4.72%

Management Discussion and Analysis

For the six months ended 30 June

	2022			2021		
	Average balance ⁽⁶⁾	Interest expense	Average cost ratio	Average balance ⁽⁶⁾	Interest expense	Average cost ratio
(In RMB million, except percentages)						
Interest-bearing liabilities						
Due to customers	497,342.2	7,026.8	2.85%	477,089.5	6,821.4	2.88%
Due to banks ⁽³⁾	55,059.6	839.8	3.08%	41,402.5	590.2	2.87%
Debt securities issued and others	28,865.8	458.9	3.21%	31,332.0	542.8	3.49%
Due to Central Bank	5,516.6	58.3	2.13%	3,430.1	41.1	2.41%
Total interest-bearing liabilities	586,784.2	8,383.8	2.88%	553,254.1	7,995.5	2.91%
Net interest income		5,318.6			5,055.8	
Net interest spread⁽⁴⁾			1.79%			1.81%
Net interest margin⁽⁵⁾			1.82%			1.83%

Notes:

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

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

Management Discussion and Analysis

	For the six months ended 30 June		
	2022 vs. 2021		
	Increase/(decrease) Volume ⁽¹⁾	Interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
	(In RMB million)		
Interest-earning assets			
Loans and advances to customers	8.0	349.7	357.7
Investments in debt securities	785.4	(599.8)	185.6
Cash and balances with the Central Bank	(64.5)	(14.0)	(78.5)
Due from banks and other financial institutions	208.5	(94.7)	113.8
Finance lease receivables	1.8	70.7	72.5
Change in interest income	939.2	(288.1)	651.1
Interest-bearing liabilities			
Due to customers	468.9	(263.5)	205.4
Due to banks	262.9	(13.3)	249.6
Debt securities issued and others	(44.6)	(39.3)	(83.9)
Due to the Central Bank	41.5	(24.3)	17.2
Change in interest expense	728.7	(340.4)	388.3

Notes:

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

(II) Interest Income

For the first half of 2022, the Bank realized an interest income of RMB13,702.4 million, representing an increase of RMB651.1 million or 5.0% year on year. The increase in interest income was primarily due to the increase in the average balance of total interest-earning assets to RMB590,903.1 million in the first half of 2022 from RMB556,788.5 million in the same period of last year.

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

For the first half of 2022, the Bank's interest income from loans and advances to customers increased by RMB357.7 million or 4.3% year on year to RMB8,690.2 million, primarily due to the 0.19 percentage point increase in the average yield ratio over the same period benefitting from the optimized loan structure.

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

	For the six months ended 30 June					
	2022			2021		
	Average balance	Interest income	Average yield ratio	Average balance	Interest income	Average yield ratio
	(In RMB million, except percentages)					
Corporate loans	164,293.0	4,326.2	5.31%	162,616.8	4,307.1	5.34%
Personal loans	122,904.1	4,363.8	7.16%	119,687.6	3,998.5	6.74%
Discounted bills	125.9	0.2	0.32%	1,808.4	26.9	3.00%
Total loans and advances to customers	287,323.0	8,690.2	6.10%	284,112.8	8,332.5	5.91%

2. *Interest income from investments in debt securities*

For the first half of 2022, the Bank's interest income from investments in debt securities increased by RMB185.6 million or 5.4% to RMB3,639.2 million year-on-year, mainly attributable to the fact that the average balance of investments in debt securities increased by RMB21,933.5 million year-on-year as the Bank increased bond investments, raised the value of capital contribution and optimized asset structure.

Management Discussion and Analysis

3. Interest income from cash and balances with Central Bank

For the first half of 2022, the Bank's interest income from cash and balances with Central Bank decreased by RMB78.5 million or 20.1% to RMB312.5 million year-on-year, mainly attributable to the decrease in the average balance of cash and balances with the Central Bank affected by the reduction in the provision rate of deposits by the Central Bank.

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

For the first half of 2022, the Bank's interest income from amounts due from banks and other financial institutions increased by RMB113.8 million or 64.5% to RMB290.3 million year-on-year, primarily attributable to the increase in average balance of RMB15,513.1 million over the same period 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 finance lease receivables

For the first half of 2022, the Bank's interest income from finance lease receivables was RMB770.2 million, representing an increase of RMB72.5 million year-on-year, mainly attributable to the fact that the average yield ratio increased by 0.44 percentage point as compared to the same period of last year as the Bank effectively utilized resources to expand markets.

(III) Interest Expense

For the first half of 2022, the Bank's interest expense increased by RMB388.3 million or 4.9% to RMB8,383.8 million year-on-year, mainly attributable to the fact that the average balance of total interest-bearing liabilities increased to RMB586,784.2 million for the first half of 2022 from RMB553,254.1 million for the same period of last year.

1. Interest expense on due to customers

For the first half of 2022, the Bank's interest expense on due to customers increased by RMB205.4 million or 3.0% to RMB7,026.8 million year-on-year, primarily attributable to an increase of RMB20,252.7 million in the average balance of deposits from customers as compared to the same period of last year, which was driven by the continuous growth of customers base due to the Bank's constant efforts to improve its service system for deposit products.

For the six months ended 30 June

	2022			2021		
	Average Balance	Interest expense	Average cost ratio	Average Balance	Interest expense	Average cost ratio
(In RMB million, except percentages)						
Corporate deposits						
Demand	73,443.0	386.6	1.06%	98,611.0	529.8	1.08%
Time	105,874.7	1,695.5	3.23%	88,731.9	1,498.9	3.41%
Subtotal	179,317.7	2,082.1	2.34%	187,342.9	2,028.7	2.18%
Personal deposits						
Demand	44,378.2	80.9	0.37%	47,551.7	136.3	0.58%
Time	273,646.3	4,863.8	3.58%	242,194.9	4,656.4	3.88%
Subtotal	318,024.5	4,944.7	3.14%	289,746.6	4,792.7	3.34%
Total deposits from customers	497,342.2	7,026.8	2.85%	477,089.5	6,821.4	2.88%

2. *Interest expense on due to banks*

For the first half of 2022, the Bank's interest expense on due to banks increased by RMB249.6 million or 42.3% year-on-year to RMB839.8 million, primarily attributable to an increase in the average balance to RMB55,059.6 million for the first half of 2022 from RMB41,402.5 million for the same period of last year, which was resulted from the increase in interest expense on due to banks as compared to the same period of last year as the Bank proactively expanded interbank financing channels to diversify the source of liabilities.

3. *Interest expense on debt securities issued and others*

For the first half of 2022, the Bank's interest expense on debt securities issued and others amounted to RMB458.9 million, representing a decrease of RMB83.9 million or 15.5% year-on-year, mainly attributable to a decrease of RMB2,466.2 million in the average balance of debt securities issued as compared to the same period of last year and a decrease of 0.28 percentage point in the cost ratio as compared to the same period of last year due to the maturity of capital bonds and price fluctuations in market funds.

Management Discussion and Analysis

(IV) Net Interest Spread and Net Interest Margin

For the first half of 2022, the Bank's net interest spread decreased from 1.81% for the same period of last year to 1.79%, and the net interest margin decreased from 1.83% for the same period of last year to 1.82%, which was mainly due to the year-on-year decrease in both interest spread and interest margin affected by the repeated COVID-19 pandemic, the decline in market interest rates and the intensifying competition within the industry.

(V) Non-interest Income

1. Net fee and commission income

For the first half of 2022, the Bank's net fee and commission income increased by RMB75.5 million or 25.1% year-on-year to RMB375.8 million, primarily attributable to the increase in non-principal protected wealth management agency fee of the Bank.

	For the six months ended 30 June			
	2022	2021	Change in amount	Rate of change
	(In RMB million, except percentages)			
Fee and commission income	436.6	368.9	67.7	18.4%
Advisory and consultancy fee	140.2	95.6	44.6	46.7%
Settlement fee	24.6	23.8	0.8	3.4%
Agency and custodian fee	152.2	122.0	30.2	24.8%
Of which: non-principal protected wealth management agency fee	129.0	43.4	85.6	197.2%
Bank card fee	118.7	125.6	(6.9)	-5.5%
Others	0.9	1.9	(1.0)	-52.6%
Fee and commission expense	(60.8)	(68.6)	7.8	-11.4%
Net fee and commission income	375.8	300.3	75.5	25.1%

For the first half of 2022, the Bank's advisory and consultancy fee income increased by RMB44.6 million or 46.7% year-on-year to RMB140.2 million, mainly attributable to the volume change of the advisory and consultancy business.

For the first half of 2022, the Bank's settlement fee income increased by RMB0.8 million or 3.4% year-on-year to RMB24.6 million, mainly attributable to the volume change of the settlement business.

For the first half of 2022, the Bank's agency and custodian fee income increased by RMB30.2 million or 24.8% year-on-year to RMB152.2 million, mainly attributable to the structure adjustment of the agency and custodian business.

For the first half of 2022, the Bank's bank card fee income decreased by RMB6.9 million or 5.5% year-on-year to RMB118.7 million.

For the first half of 2022, the Bank realised other fee and commission income of RMB0.9 million, representing a year-on-year decrease of RMB1.0 million or 52.6%.

2. Net trading income or loss

For the first half of 2022, the Bank's net trading income increased by RMB282.3 million or 57.3% year-on-year to RMB774.8 million, mainly attributable to the increase in investment income of the financial assets measured at fair value through profit or loss.

3. Net gain or loss on financial investments

For the first half of 2022, the Bank's net gains on financial investments increased by RMB182.2 million or 143.5% year-on-year to RMB309.2 million, mainly attributable to the increase in gains on disposal of financial assets measured at amortised cost.

4. Net other operating income or loss

For the first half of 2022, the Bank's net other operating income increased by RMB55.9 million year-on-year to RMB214.8 million, mainly due to the change in exchange rate.

Management Discussion and Analysis

(VI) Operating Expenses

For the first half of 2022, the Bank's operating expenses increased by RMB196.0 million or 9.9% year-on-year to RMB2,167.7 million.

	For the six months ended 30 June			
	2022	2021	Change in amount	Rate of change
	(In RMB million, except percentages)			
Staff costs	943.2	904.9	38.3	4.2%
Tax and surcharges	114.0	122.8	(8.8)	-7.2%
Depreciation and amortisation	394.7	374.4	20.3	5.4%
Others	715.8	569.6	146.2	25.7%
Total operating expenses	2,167.7	1,971.7	196.0	9.9%

Staff costs are the largest component of the Bank's operating expenses, representing 43.5% and 45.9% of the Bank's total operating expenses for the first half of 2022 and 2021, respectively.

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

	For the six months ended 30 June			
	2022	2021	Change in amount	Rate of change
	(In RMB million, except percentages)			
Staff costs				
Salaries, bonuses and allowances	590.3	602.0	(11.7)	-1.9%
Social insurance	185.7	169.4	16.3	9.6%
Housing fund	82.8	82.9	(0.1)	-0.1%
Staff benefits	44.8	36.6	8.2	22.4%
Labour union expenditure and education costs	8.9	8.5	0.4	4.7%
Early retirement benefits	2.8	5.5	(2.7)	-49.1%
Others	27.9	–	27.9	100.0%
Total	943.2	904.9	38.3	4.2%

For the first half of 2022, the staff costs of the Bank were RMB943.2 million, representing an increase of RMB38.3 million or 4.2% year-on-year, primarily attributable to the Bank has officially operated its enterprise annuity plan since October 2021.

Management Discussion and Analysis

For the first half of 2022, the Bank had to pay tax and surcharges of RMB114.0 million, representing a decrease of RMB8.8 million or 7.2% year-on-year, primarily attributable to the decrease in urban maintenance and construction tax, education and local education surcharge of the Bank.

For the first half of 2022, depreciation and amortisation of the Bank were RMB394.7 million, representing an increase of RMB20.3 million or 5.4% year-on-year.

For the first half of 2022, the Bank's other operating expenses increased by RMB146.2 million or 25.7% year-on-year to RMB715.8 million.

(VII) Credit Impairment Losses

For the first half of 2022, the Bank's credit impairment losses increased by RMB968.5 million or 33.3% year-on-year to RMB3,876.3 million.

	For the six months ended 30 June			
	2022	2021	Change in amount	Rate of change
	(In RMB million, except percentages)			
Impairment losses on loans and advances to customers at amortised cost	3,447.5	2,846.1	601.4	21.1%
Impairment losses on financial assets at amortised cost	305.2	145.4	159.8	109.9%
Impairment losses on financial lease receivables	135.2	(26.0)	161.2	-620.0%
Others	(11.6)	(57.7)	46.1	-79.9%
Total	3,876.3	2,907.8	968.5	33.3%

Management Discussion and Analysis

(VIII) Income Tax Expenses

For the first half of 2022, the Bank's income tax expenses increased by RMB46.5 million or 14.8% year-on-year to RMB361.2 million.

	For the six months ended 30 June			
	2022	2021	Change in amount	Rate of change
	(In RMB million, except percentages)			
Current income tax expenses	598.4	671.1	(72.7)	-10.8%
Deferred income tax expenses	(237.2)	(356.4)	119.2	-33.4%
Effective income tax expenses	361.2	314.7	46.5	14.8%

III. Analysis of Key Items of Financial Position

(I) Assets

As at 30 June 2022, the Bank's total assets increased by RMB16,608.7 million or 2.6% to RMB661,654.9 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, as well as due from banks and other financial institutions.

	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Loans and advances to customers, net	274,905.1	41.5%	283,637.0	44.0%
Net investment in securities and other financial assets	262,937.9	39.7%	245,667.2	38.1%
Cash and balances with the Central Bank	59,530.2	9.0%	64,923.2	10.0%
Due from banks and other financial institutions	14,474.2	2.2%	7,116.2	1.1%
Reverse repurchases	5,014.7	0.8%	–	–
Other assets	44,792.8	6.8%	43,702.6	6.8%
Total assets⁽¹⁾	661,654.9	100.0%	645,046.2	100.0%

Note:

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

1. Loans and advances to customers

As at 30 June 2022, the Bank's total loans and advances to customers decreased by RMB7,311.6 million to RMB287.0476 billion, representing a decrease of 2.5% as compared to the end of last year.

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

	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Corporate loans	162,147.6	56.5%	161,598.6	54.9%
Personal loans	122,424.5	42.6%	132,750.1	45.1%
Discounted bills	2,475.5	0.9%	10.5	0.0%
Total loans and advances to customers	287,047.6	100.0%	294,359.2	100.0%

(1) Corporate loans

As at 30 June 2022, the Bank's corporate loans increased by RMB549.0 million to RMB162.1476 billion, representing an increase of 0.3% as compared to the end of last year, mainly attributable to the increase in the Bank's loans to 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 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Loans to small enterprises ⁽¹⁾	62,608.8	38.6%	64,025.6	39.6%
Other corporate loans excluding loans to small enterprises	99,538.8	61.4%	97,573.0	60.4%
Total corporate loans	162,147.6	100.0%	161,598.6	100.0%

Note:

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

Management Discussion and Analysis

As at 30 June 2022, the Bank's loans to small enterprises decreased by RMB1,416.8 million to RMB62.6088 billion, representing a decrease of 2.2% as compared to the end of last year. As at 30 June 2022 and 31 December 2021, the Bank's loans to small enterprises accounted for 38.6% and 39.6% of the Bank's total corporate loans, respectively.

(2) Personal loans

As at 30 June 2022, the Bank's personal loans decreased by RMB10.3256 billion to RMB122.4245 billion, representing a decrease of 7.8% as compared to the end of last year, mainly attributable to the decrease in personal consumption loans by RMB6,311.6 million or 7.9% 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 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Loans to small enterprise owners	32,496.8	26.5%	38,101.6	28.7%
Personal consumption loans	73,334.5	59.9%	79,646.1	60.0%
Loans to farmers	16,593.2	13.6%	15,002.4	11.3%
Total personal loans	122,424.5	100.0%	132,750.1	100.0%

As at 30 June 2022, loans to small enterprise owners and personal consumption loans decreased by 14.7% and 7.9%, respectively, while loans to farmers increased by 10.6%, as compared to the end of last year.

2. Investment in securities and other financial assets

As at 30 June 2022, the total amount of the Bank's investment in securities and other financial assets was RMB265.0433 billion, representing an increase of RMB17.4333 billion or 7.0% as compared to the end of last year. The increase in such assets of the Bank for the first half of 2022 was mainly due to the fact that the Bank increased the use of funds and continuously expanded the channels for the use of funds under the premise of ensuring the stable and abundant liquidity.

Management Discussion and Analysis

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

	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Financial assets measured at fair value through profit or loss	68,223.3	25.7%	61,469.2	24.8%
Financial assets measured at amortised cost	142,340.3	53.7%	147,820.5	59.7%
Financial assets measured at fair value through other Comprehensive income	54,479.7	20.6%	38,320.3	15.5%
Total investment in securities and other financial assets	265,043.3	100.0%	247,610.0	100.0%

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

	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Debt investments:				
Bond investments	112,005.8	42.3%	95,185.7	38.4%
Debt instruments issued by financial institutions ⁽¹⁾	145,517.2	54.9%	144,664.6	58.5%
Subtotal	257,523.0	97.2%	239,850.3	96.9%
Equity investment	7,520.3	2.8%	7,759.7	3.1%
Total investment in securities and other financial assets	265,043.3	100.0%	247,610.0	100.0%

Note:

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

As at 30 June 2022, the Bank's total investment in debt instruments issued by financial institutions was RMB145,517.2 million, representing an increase of RMB852.6 million or 0.6% as compared to the end of last year. The investments of this class as a percentage of total investment in securities and other financial assets decreased from 58.5% as at 31 December 2021 to 54.9% as at 30 June 2022.

Management Discussion and Analysis

	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Government bonds	55,300.2	49.3%	41,469.3	43.6%
Bonds issued by financial institutions	4,804.2	4.3%	3,925.7	4.1%
Corporate bonds	33,553.8	30.0%	31,930.0	33.5%
Bonds issued by policy banks	18,347.6	16.4%	17,860.7	18.8%
Total bond investments	112,005.8	100.0%	95,185.7	100.0%

3. Other components of the Bank's assets

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

As at 30 June 2022, the Bank's total cash and balances with the Central Bank decreased by RMB5,389.9 million to RMB59,513.8 million, representing a decrease of 8.3% as compared to the end of last year.

As at 30 June 2022, the Bank's due from banks and other financial institutions increased by RMB7,341.2 million to RMB14,468.4 million, representing an increase of 103.0% as compared to the end of last year, mainly because the Bank adjusted the proportion of such assets based on its capital and changes in liquidity in the market.

As at 30 June 2022, the total amount of reverse repurchase increased by RMB5,014.7 million to RMB5,014.7 million as compared to the end of last year, mainly due to the Bank's comprehensive consideration of capital conditions and market liquidity, and the corresponding adjustment in the size of such assets.

(II) Liabilities

As at 30 June 2022, the Bank's total liabilities were RMB598,822.3 million, representing an increase of RMB16,556.0 million or 2.8% as compared to the end of last year.

	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Due to customers	515,774.4	86.1%	506,779.9	87.0%
Due to banks ⁽¹⁾	37,037.7	6.2%	35,035.3	6.0%
Repurchase agreements	496.9	0.1%	9,024.0	1.6%
Debt securities issued	32,423.1	5.4%	19,129.2	3.3%
Due to Central Bank	5,073.7	0.9%	4,271.0	0.7%
Other liabilities ⁽²⁾	8,016.5	1.3%	8,026.9	1.4%
Total liabilities⁽³⁾	598,822.3	100.0%	582,266.3	100.0%

Notes:

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

Management Discussion and Analysis

1. Due to customers

As at 30 June 2022, the Bank's total due to customers increased by RMB7,759.1 million to RMB509,510.3 million, representing an increase of 1.5% as compared to the end of last year.

	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Corporate deposits				
Demand deposits	72,104.4	14.2%	86,244.5	17.2%
Time deposits	106,147.5	20.8%	104,591.3	20.8%
Subtotal	178,251.9	35.0%	190,835.8	38.0%
Personal deposits				
Demand deposits	46,640.0	9.2%	51,237.2	10.2%
Time deposits	284,618.4	55.8%	259,678.2	51.8%
Subtotal	331,258.4	65.0%	310,915.4	62.0%
Total due to customers	509,510.3	100.0%	501,751.2	100.0%

2. Due to banks

As at 30 June 2022, the Bank's due to banks balance increased by RMB2,027.0 million to RMB36,604.0 million, representing an increase of 5.9% as compared to the end of last year.

3. Repurchase agreement

As at 30 June 2022, the Bank's repurchase agreement was RMB496.9 million, representing a decrease of RMB8,501.1 million or 94.5% as compared to the end of last year.

4. Debt securities issued

As at 30 June 2022, the Bank's debt securities issued were RMB32,423.1 million, representing an increase of RMB13,324.7 million or 69.8% as compared to the end of last year.

(III) Shareholders' Equity

As at 30 June 2022, the Bank's total shareholders' equity increased by RMB52.7 million to RMB62,832.6 million, representing an increase of 0.1% as compared to the end of last year. As at 30 June 2022, total equity attributable to shareholders of the parent company decreased by RMB40.7 million to RMB60,753.5 million, representing a decrease of 0.1% as compared to the end of last year.

	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Share capital	10,995.6	17.5%	10,995.6	17.5%
Other equity instruments	10,999.3	17.5%	10,999.3	17.5%
Reserves	19,675.5	31.3%	19,527.9	31.1%
Undistributed profits	19,083.1	30.4%	19,271.4	30.7%
Equity attributable to shareholders of				
the parent company	60,753.5	96.7%	60,794.2	96.8%
Non-controlling interests	2,079.1	3.3%	1,985.7	3.2%
Total equity	62,832.6	100.0%	62,779.9	100.0%

Management Discussion and Analysis

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 30 June 2022	As at 31 December 2021
		(In RMB million)
Credit commitments:		
Bank bills acceptance	10,812.2	9,860.4
Issued letters of guarantee	189.1	1,298.8
Issued letters of credit	2,866.3	2,642.4
Credit limit of credit card	30,718.7	27,063.3
Subtotal	44,586.3	40,864.9
Capital expenditure commitments	268.9	212.0
Treasury bond redemption commitments	1,467.5	1,978.7
Total	46,322.7	43,055.6

In addition, as at 30 June 2022, the amount involved in the significant outstanding legal proceedings against the Group (as defendant or third-party defendant) with a dispute amount of over RMB10 million was 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 commitments contracts are disclosed in "Commitments and Contingent Liabilities" in the notes to financial statements of this report.

V. Analysis of Loan Quality

During the Reporting Period, the Bank conducted proactive risk management and substantive management, pushed forward the improvement of operational risk capabilities with the idea of financial technology, led the sustainable development of business, focused on both control risks and operational risks, and realized transition from passive risk prevention to proactive risk management. The Bank continuously enhanced the development of comprehensive risk management system, and improved the risk management mechanism covering all assets, standards, processes and institutions, in order to promote the stable business development. The Bank improved risk policies and authorization mechanism, strengthened pre-management concept, strengthened centralised management of approval, improved the scientization of examination and approval, and enhanced asset quality control capacity. It also continuously upgraded the assets portfolio, gradually adjusted the asset structure, and strengthened its efforts in the collection and disposal of NPLs. Several measures such as improving relevant systems and mechanisms, strengthening resource allocation and reinforcing specialized disposal were adopted to broaden the channels for disposal of NPLs, and gradually enhance the collection and disposal of NPLs. As at 30 June 2022, the NPL ratio was 2.95%, representing an increase of 0.07 percentage point as compared to the end of the last year. The impairment coverage ratio was 174.67%, representing an increase of 12.22 percentage points as compared to that at the end of the last year. The impairment losses on loans ratio were 5.15%, representing an increase of 0.47 percentage point as compared to the end of the last year. The ability of risk loss resilience was basically stable.

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

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

	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Pass	262,845.0	91.6%	271,804.2	92.3%
Special mention	15,736.2	5.5%	14,071.9	4.8%
Substandard	1,155.3	0.4%	920.6	0.3%
Doubtful	6,443.6	2.2%	6,341.4	2.2%
Loss	867.5	0.3%	1,221.1	0.4%
Total loans and advances to customers	287,047.6	100.0%	294,359.2	100.0%
NPLs amount and NPL ratio⁽¹⁾	8,466.4	2.95%	8,483.1	2.88%

Note:

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

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

Management Discussion and Analysis

(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 30 June 2022			As at 31 December 2021		
	Loan amount	NPLs amount	NPL ratio	Loan amount	NPLs amount	NPL ratio
(In RMB million, except percentages)						
Corporate loans						
Loans to small enterprises	62,608.8	2,521.5	4.03%	64,025.6	2,401.3	3.75%
Other corporate loans excluding loans to small enterprises	99,538.8	2,311.4	2.32%	97,573.0	2,391.6	2.45%
Subtotal	162,147.6	4,832.9	2.98%	161,598.6	4,792.9	2.97%
Personal loans						
Loans to small enterprise owners	32,496.8	1,232.4	3.79%	38,101.6	1,298.1	3.41%
Personal consumption loans	73,334.5	1,910.3	2.60%	79,646.1	1,712.7	2.15%
Loans to farmers	16,593.2	490.8	2.96%	15,002.4	679.4	4.53%
Subtotal	122,424.5	3,633.5	2.97%	132,750.1	3,690.2	2.78%
Discounted bills	2,475.5	–	–	10.5	–	–
Total	287,047.6	8,466.4	2.95%	294,359.2	8,483.1	2.88%

During the first half of 2022, the Bank continued to optimise risk access standards and policy requirements in respect of industries, regions, customer structure, products, etc. in an effective and flexible way. The Bank strictly implemented the “three examinations” system for loans. It implemented in-depth customer optimisation strategies to strengthen risk mitigation for non-prime customers. Management of rating, quota, portfolio, concentration and credit policy was strengthened. With regard to corporate customers, the Bank reinforced its control over the credit risk of new businesses, further optimised the structure of credit transactions, strengthened the management of problematic loans and NPLs, spared no efforts in managing whole process and controlling key sections, and placed emphasis on preventing the downgrading risk of asset quality. In the first half of 2022, the NPL ratio of the Bank's corporate loans increased by 0.01 percentage point to 2.98% as compared to the end of last year. For retail customers, the Bank established a normalized monitoring post-supervision, intelligent post-loan management, elaborative overdue supervision system, and actively withdrew problematic customers through continuously refining the indicators featuring with default and early warning. In the first half of 2022, the NPL ratio of the Bank's personal loans increased by 0.19 percentage point to 2.97% as compared to the end of last year. As a local bank based in Heilongjiang Province, the Bank has fully implemented the various requirements of the national “rural revitalization” strategy by optimising the supply of financial products, increasing support to “agriculture, rural areas and farmers”, introducing more financial resources to “agriculture, rural areas and farmers” as a guarantee, and taking innovation in financial products and services as a breakthrough point, thereby effectively connecting the poverty alleviation work backed by financial means with rural revitalization. The Bank has always been persistent in implementing new development concepts by improving its mechanism of rural financial work and refining its system of rural financial services, so as to serving as stronger financial pillar to the solidifying and amplification of poverty alleviation achievements, the full development of rural revitalization and the modern construction of agriculture and rural areas. Among which, loans to farmers amounted to RMB16.5932 billion, representing an increase of RMB1.5908 billion as compared to the end of last year; the NPL ratio of loans to farmers was 2.96%, representing a decrease of 1.57 percentage points as compared to the end of last year.

(III) Distribution of Loans and NPLs by Industry

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

	As at 30 June 2022				As at 31 December 2021			
	Loan amount	% of total	NPLs amount	NPL ratio	Loan amount	% of total	NPLs amount	NPL ratio
(In RMB million, except percentages)								
Agriculture, forestry, husbandry and fishery	1,526.8	0.5%	124.2	8.13%	1,578.6	0.5%	159.5	10.10%
Mining	75.8	0.0%	–	–	198.5	0.1%	4.2	2.12%
Manufacturing	6,146.6	2.1%	951.0	15.47%	6,246.5	2.1%	938.1	15.02%
Production and supply of electricity, heating, gas and water	4,841.5	1.7%	58.8	1.21%	4,868.7	1.7%	68.7	1.41%
Construction	12,322.0	4.3%	741.9	6.02%	12,936.3	4.4%	730.0	5.64%
Transportation, storage and postal services	2,873.0	1.0%	26.7	0.93%	3,266.3	1.1%	50.1	1.53%
Information transmission, software and information technology services	387.2	0.1%	39.7	10.25%	421.8	0.1%	19.7	4.67%
Wholesale and retail	26,484.0	9.2%	1,395.2	5.27%	27,356.4	9.3%	1,362.6	4.98%
Accommodations and catering	3,419.9	1.2%	162.7	4.76%	3,515.6	1.2%	169.1	4.81%
Finance	7.2	0.0%	4.2	58.33%	4.2	0.0%	4.2	100.00%
Real estate	30,285.4	10.6%	211.4	0.70%	31,323.7	10.6%	219.9	0.70%
Leasing and commercial services	62,493.5	21.8%	925.4	1.48%	59,307.7	20.2%	909.0	1.53%
Scientific research and technological services	554.1	0.2%	22.5	4.06%	584.7	0.2%	2.8	0.48%

Management Discussion and Analysis

	As at 30 June 2022				As at 31 December 2021			
	Loan amount	% of total	NPLs amount	NPL ratio	Loan amount	% of total	NPLs amount	NPL ratio
	(In RMB million, except percentages)							
Water conservation, environment and public utility management	9,783.2	3.4%	137.4	1.40%	9,030.4	3.1%	141.1	1.56%
Residential, repair and other services	171.4	0.1%	0.2	0.12%	134.7	0.0%	0.2	0.15%
Education	148.2	0.1%	26.4	17.81%	155.4	0.1%	6.7	4.31%
Health and social work	370.9	0.1%	3.8	1.02%	392.7	0.1%	3.8	0.97%
Culture, sports and entertainment	256.9	0.1%	1.4	0.54%	276.4	0.1%	3.2	1.16%
Total corporate loans	162,147.6	56.5%	4,832.9	2.98%	161,598.6	54.9%	4,792.9	2.97%
Total personal loans	122,424.5	42.6%	3,633.5	2.97%	132,750.1	45.1%	3,690.2	2.78%
Discounted bills	2,475.5	0.9%	–	–	10.5	0.0%	–	–
Total	287,047.6	100.0%	8,466.4	2.95%	294,359.2	100.0%	8,483.1	2.88%

In accordance with the supporting direction of national industrial policies, the Bank actively implemented various regulatory requirements, rationally allocated credit resources, attached great importance to supporting 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 high 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 paid close attention to changes in internal and external situations, increased efforts in risk prevention in major areas such as real estate, financial platforms built by local governments and key regulated industries, continuously deepened the adjustment of 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 efforts to judicially dispose of NPLs, actively disposed existing NPLs, and improved asset quality. As at 30 June 2022, the Bank’s corporate loans business concentrated in leasing and commercial services, real estate and wholesale and retail industries. Among which, total loans to the leasing and commercial services industry was RMB62.4935 billion, representing an increase of RMB3.1858 billion as compared to the end of last year; total loans to the real estate industry was RMB30.2854 billion, representing a decrease of RMB1.0383 billion as compared to the end of last year; and total loans to wholesale and retail industries was RMB26.4840 billion, representing a decrease of RMB0.8724 billion as compared to the end of last year. The NPLs of the Bank concentrated in wholesale and retail as well as manufacturing industries with NPLs of RMB1.3952 billion and RMB0.9510 billion, respectively. The Bank has always followed its microcredit strategy and implemented policies on inclusive finance as most of its customers are small and micro enterprises who are also a relatively large group in wholesale and retail and manufacturing industries and have relatively weak abilities in fending off risks as they are, to a relatively great extent, subject to the fluctuations in the macro economy and the resurgence of the COVID-19 pandemic. Meanwhile, since the Bank fell short of its expectation for recovery and disposal due to the relatively slow proceedings process and relatively weak enforceability at present, the NPLs from the above industries accounted for a relatively large portion.

(IV) Distribution of Loans and NPLs by Geographical Region

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

	As at 30 June 2022				As at 31 December 2021			
	Loan amount	% of total	NPLs amount	NPL ratio	Loan amount	% of total	NPLs amount	NPL ratio
	(In RMB million, except percentages)							
Heilongjiang region	151,429.2	52.8%	3,034.5	2.00%	152,005.0	51.6%	3,082.1	2.03%
Other regions in								
Northeastern China	38,513.9	13.4%	2,000.6	5.19%	40,093.8	13.6%	2,000.1	4.99%
Southwestern China	60,008.7	20.9%	1,218.4	2.03%	63,810.8	21.7%	1,155.0	1.81%
Other regions	37,095.8	12.9%	2,212.9	5.97%	38,449.6	13.1%	2,245.9	5.84%
Total	287,047.6	100.0%	8,466.4	2.95%	294,359.2	100.0%	8,483.1	2.88%

Under the guidance of national macroeconomic policies, the Bank has implemented the strategy of coordinating development between regions, taken boosting Heilongjiang's economy as its task by concentrating on and fully exploring local resources and focusing on its own responsibilities and principal businesses, operated its businesses mainly in Northeastern China and the Chengdu-Chongqing region, promoted the deployment of quality projects by industry in major regions, continuously facilitated the strategic cooperation with state-owned and private enterprise groups, and proactively taken part in the construction of key industries and major projects of all kinds. The Bank strengthened the management of industry quota, products quota, credit facilities to related clients, distant loans, collateral loans to third parties and loans overdue, as well as set differentiated customer access standards and dynamically adjusted the credit authorisation, so as to prevent the occurrence of regional systematic risks. As at the first half of 2022, the NPLs amount (RMB3.0345 billion) and NPL ratio (2.00%) in Heilongjiang region both declined as compared to the end of last year.

Management Discussion and Analysis

(V) The Distribution of Loans and NPLs by Collateral

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

	As at 30 June 2022				As at 31 December 2021			
	Loan amount	% of total	NPLs amount	NPL ratio	Loan amount	% of total	NPLs amount	NPL ratio
	(In RMB million, except percentages)							
Unsecured loans	80,906.2	28.1%	1,528.2	1.89%	79,032.0	26.8%	1,365.8	1.73%
Guaranteed loans	81,523.5	28.4%	2,404.3	2.95%	82,523.9	28.0%	2,615.0	3.17%
Collateralised loans	112,123.0	39.1%	4,492.9	4.01%	119,106.6	40.5%	4,449.1	3.74%
Pledged loans	12,494.9	4.4%	41.0	0.33%	13,696.7	4.7%	53.2	0.39%
Total	287,047.6	100.0%	8,466.4	2.95%	294,359.2	100.0%	8,483.1	2.88%

During the Reporting Period, the Bank responded proactively to the adverse effects of the COVID-19 pandemic, and constantly enhanced the mitigation management capacity. From the perspective of the Bank's overall loan structure, the collateralised and pledged loans accounted for a large part to 43.5% to ensure the controllability of ultimate risks on loans. 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. At the same time, the Bank put more effort to deal with the guaranteed NPLs based on multi-channel risk management. Hence, the amount of guaranteed NPLs went lower.

(VI) Concentration of Borrowers

As of 30 June 2022, the Bank was in compliance with the lending limit of 10% of the Bank's net capital to any single borrower. The following table sets out, as at 30 June 2022, the Bank's 10 largest single borrowers (excluding group borrowers) in terms of loan balance.

Industry		As at 30 June 2022		
		Loan balance	% of total loans	% of net capital
(In RMB million, except percentages)				
1	L-Leasing and commercial services	5,300.0	1.85%	7.83%
2	L-Leasing and commercial services	5,100.0	1.78%	7.52%
3	L-Leasing and commercial services	3,253.7	1.13%	4.80%
4	K-Real estate	2,980.0	1.04%	4.39%
5	K-Real estate	2,539.5	0.88%	3.74%
6	L-Leasing and commercial services	2,349.0	0.82%	3.46%
7	N-Water conservation, environment and public utility management	2,118.8	0.74%	3.12%
8	F-Wholesale and retail	2,051.0	0.71%	3.02%
9	E-Construction	1,576.0	0.55%	2.32%
10	K-Real estate	1,570.0	0.55%	2.31%
Total		28,838.0	10.05%	42.51%

Management Discussion and Analysis

(VII) Overdue Loans and Advances to Customers

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

	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Current loans and advances	229,946.1	80.1%	251,857.7	85.6%
Loans and advances past due: ⁽¹⁾				
For 1 to 90 days	24,279.8	8.5%	20,008.3	6.8%
For 91 days to 1 year	17,041.8	5.9%	9,321.7	3.2%
For 1 year and above	15,779.9	5.5%	13,171.5	4.4%
Subtotal	57,101.5	19.9%	42,501.5	14.4%
Total loans and advances to customers	287,047.6	100.0%	294,359.2	100.0%

Note:

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

In the first half of 2022, due to the COVID-19 pandemic ricocheting and unbalance in the regional economic recovery and development, some enterprises failed to reach the expected targets after resumption of work, slowed down in operations and capital turnover, 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 multiple times except for those providing essential goods for daily life. That further lowered the major operating income of our clients, resulting in their weakened repayment capacity and stability of personal income. 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 collection and disposal of outstanding NPLs, as well as mortgage and pledge registration to a certain extent. Meanwhile, the Bank's loans and advances past due increased due to several effects such as the breaching by several large-amount corporate clients, risk exposure of high-liability real estate enterprises, and requirements of the liability committee. On one hand, the Bank proactively responded to regulatory policies and offered assistance for enterprises affected by the pandemic in resumption of work without early recovery of loans, suspension of loans or postponement of loan granting in a blind manner. Certain tolerance and period of grace for overdue repayment were offered to enterprises to prevent the breaking of the financing chain arising from the blind division of non-performing assets. The Bank offered assistance for clients affected by the pandemic while ensuring the asset safety and compliance with regulatory requirements. On the other hand, the Bank also established a department specialized in the collection and disposal, and management of risk claims composed of elites in order to further strengthen the efficiency and quality of the settlement of claims. It constantly strengthened the collection and disposal, optimized collection strategies, further developed the professional team, conducted risk mitigation for key clients, intensified collection and disposal measures, and integrated different modes of disposal in combination with the risk characteristics of NPLs, in order to realize the optimal disposal effects and enhance the efficiency of disposal and mitigation of non-performing assets.

(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 30 June 2022, impairment losses on loans amounted to RMB14,788.1 million, which increased by RMB1,007.3 million as compared to the end of last year. The impairment losses on loans ratio was 5.15%, which increased by 0.47 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 30 June 2022	As at 31 December 2021
		(In RMB million)
Balance at the beginning of the period	13,780.8	11,104.7
Exchange difference	14.7	(17.4)
Charged during the period	3,447.5	5,877.7
Accreted interest on impaired loans	(284.2)	(268.8)
Write-offs and transferred	(2,284.9)	(3,174.8)
Recoveries of loans and advances previously written off	114.2	259.4
Balance at the end of the period	14,788.1	13,780.8

Management Discussion and Analysis

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 six months ended					
30 June 2022					
Operating income	5,123.0	301.4	1,468.6	100.2	6,993.2
Operating expenses	(1,630.7)	(151.4)	(208.0)	(177.6)	(2,167.7)
Credit impairment losses	(3,074.8)	(250.8)	(144.0)	(406.7)	(3,876.3)
Operating profit	417.5	(100.8)	1,116.6	(484.1)	949.2
As at 30 June 2022					
Segment assets	541,879.1	32,046.8	46,305.8	41,423.2	661,654.9
Segment liabilities	473,905.7	32,523.8	46,576.6	45,816.2	598,822.3

Management Discussion and Analysis

	Mainland China				Total
	Heilongjiang region	Other regions in Northeastern China	Southwestern China	Other regions	
(In RMB million)					
For six months ended					
30 June 2021					
Operating income	4,073.9	704.0	1,339.2	17.4	6,134.5
Operating expenses	(1,411.0)	(152.4)	(221.1)	(187.2)	(1,971.7)
Credit impairment losses	(2,344.0)	(358.2)	(111.1)	(94.5)	(2,907.8)
Operating profit	318.9	193.4	1,007.0	(264.3)	1,255.0
As at 30 June 2021					
Segment assets	481,001.4	41,183.3	61,562.6	48,566.5	632,313.8
Segment liabilities	449,767.6	26,906.7	52,284.8	43,347.3	572,306.4

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 six months ended 30 June			
	2022		2021	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Heilongjiang region	5,123.0	73.3%	4,073.9	66.4%
Other regions in Northeastern China	301.4	4.3%	704.0	11.5%
Southwestern China	1,468.6	21.0%	1,339.2	21.8%
Other regions	100.2	1.4%	17.4	0.3%
Total operating income	6,993.2	100.0%	6,134.5	100.0%

Management Discussion and Analysis

(II) Business Segment Report

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

	For six months ended 30 June			
	2022		2021	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Corporate finance business	2,969.2	42.5%	2,565.6	41.8%
Retail finance business	3,470.3	49.6%	1,658.8	27.0%
Financial institutions business	539.8	7.7%	1,753.0	28.6%
Other businesses	13.9	0.2%	157.1	2.6%
Total operating income	6,993.2	100.0%	6,134.5	100.0%

VII. Capital Adequacy Ratio and Leverage Ratio

(I) Capital Adequacy Ratio

The Group continued to optimise its business structure and strengthen capital management. As at 30 June 2022, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio of the Bank were 8.87%, 10.84% and 12.00% 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, tier 1 capital adequacy ratio and capital adequacy ratio decreased by 0.41 percentage point, 0.49 percentage point and 0.54 percentage point respectively as compared to the end of last year.

Management Discussion and Analysis

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 30 June 2022	As at 31 December 2021
(In RMB million, except percentages)		
Core capital	50,663.9	50,688.5
Core tier 1 capital deductible items:		
Full deductible items	(505.1)	(484.6)
Net core tier 1 capital	50,158.8	50,203.9
Net other tier 1 capital	11,120.4	11,118.4
Net tier 1 capital	61,279.2	61,322.3
Net tier 2 capital	6,564.3	6,569.5
Net capital	67,843.5	67,891.8
Credit risk-weighted assets	537,237.4	512,698.7
Market risk-weighted assets	4,891.9	5,404.2
Operational risk-weighted assets	23,130.6	23,130.6
Total risk-weighted assets	565,259.9	541,233.5
Core tier 1 capital adequacy ratio	8.87%	9.28%
Tier 1 capital adequacy ratio	10.84%	11.33%
Capital adequacy ratio	12.00%	12.54%

(II) Leverage Ratio

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

	As at 30 June 2022	As at 31 December 2021
(In RMB million, except percentages)		
Net tier 1 capital	61,279.2	61,322.3
Adjusted on- and off-balance sheet assets	705,300.4	686,031.4
Leverage ratio	8.69%	8.94%

Management Discussion and Analysis

VIII. Business Operation

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

(I) Retail Finance Business

The comprehensive retail 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 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 the first half of 2022, the retail finance business of the Bank continued to improve its pricing mechanism and system construction in order to build a comprehensive customer-oriented service system, expand business channels, improve risk pricing capabilities, and promote the overall and steady development of retail finance business. During the Reporting Period, the retail finance business of the Bank recorded an operating income of RMB3,470.3 million, accounting for 49.6% 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 its capability in customer service, building multi-channel value-added service system and exploring new marketing service models by using big data. The Bank increased efforts in developing its elderly clientele by building charity community projects, building an elderly-friendly service ecology and enhancing specialized and professional services to help the elderly customers to cross the "digital divide". The Bank also insisted on serving the people's livelihood by providing comprehensive services for customers such as social insurance and medical insurance, and continuously promoted the construction of online services and platforms for people's livelihood, so as to realise the upgrade from "one visit at most" to "zero visit" for medical insurance payment services in Harbin. 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 constructions in private banking product system, talents, service upgrade and technology empowerment to build a new ecology consisting of "financial + non-financial" services. As at 30 June 2022, the Company had 14.1455 million retail deposit customers, representing an increase of 149.4 thousand or 1.07% as compared to the end of last year. The number of retail customers with personal financial assets (in RMB and other currencies) over RMB300,000 amounted to 360,700, representing an increase of 26.1 thousand or 7.8% as compared to the end of last year.

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 30 June 2022, the total retail deposits of the Bank (in RMB and other currencies) amounted to RMB331,258.4 million, representing an increase of RMB20,343.0 million or 6.5% as compared to the end of last year. The average balance of retail deposits (in RMB and other currencies) amounted to RMB318,024.5 million, representing a year-on-year increase of RMB28,277.9 million or 9.8%. Demand deposits accounted for 14.1% of retail customer deposits balance. According to the statistics provided by the Harbin sub-branch of the PBOC, the balance of retail deposits of the Harbin branch of the Company ranked first in the regional market with a market share of 18.3% as at the end of the Reporting Period. It also ranked second in the regional market in terms of the increase in retail deposits.

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 product enhancement and service upgrade. The Bank implemented the whole-process risk management and established long-term risk monitoring mechanism. A progressive and hierarchical 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. 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 30 June 2022, the balance of the Bank's personal loans reached RMB122,424.5 million, representing a decrease of 7.8% as compared to the end of last year, and accounted for 42.6% of the Bank's total loans to customers, among which the balance of loans to small enterprise owners, personal consumption loans and loans to farmers amounted to RMB32,496.8 million, RMB73,334.5 million and RMB16,593.2 million, respectively, and accounted for 26.5%, 59.9% and 13.6%, respectively, of the Bank's total personal loans.

Bank cards

During the Reporting Period, the growth of the bank card business of the Bank remained steady. As of 30 June 2022, the total number of issued credit cards reached 1,674.6 thousand, representing an increase of 5.5% as compared to the end of last year, of which 87,700 were newly issued during the Reporting Period, representing a decrease of 48.6% as compared to the number of new cards issued in the same period of last year. The credit card asset balance amounted to RMB15.93 billion, representing an increase of 3.6% as compared to the same period of last year.

Management Discussion and Analysis

In the first half of 2022, rooted in local livelihood services, the Bank continued to improve the functions of debit cards, actively promoted the issuance and application of the third-generation social security cards to create a smart social security service system, and promoted the construction of multi-dimensional card issuance channels of “online + offline” and “hall + external expansion”, so as to improve people’s social security service experience, empower people’s livelihood services with financial advantages, and provide people with efficient and convenient one-stop social security service. As one of the first batch of cooperative banks in Heilongjiang Province to activate the third-generation social security card service, as at 30 June 2022, the Bank has set up 97 social security service outlets in Heilongjiang Province and installed 153 card-making machines, and provided services such as issuance and replacement of the three-generation social security cards to 337,100 residents in Heilongjiang Province. As at 30 June 2022, the number of debit cards issued by the Company increased steadily, with a total of 17,700,400 debit cards issued, of which the number of cards issued during the Reporting Period increased by 144,400, and the cumulative number of cards issued at the end of June 2022 increased by 0.82% over the end of last year.

Wealth management business

The wealth management business of the Company focuses on 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, etc. Driven by the needs of household asset allocation, it dedicates itself to providing professional, convenient and high-quality wealth management service to customers’ families. As at 30 June 2022, the Company realised total sales of personal wealth products, such as wealth management, fund and insurance, of RMB33.376 billion.

(II) Corporate Finance Business

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

During the Reporting Period, the corporate finance business of the Bank recorded a profit before tax amount of RMB366.3 million, accounting for 38.6% of the profit before tax of the Bank; an operating income amount of RMB2,969.2 million, representing an increase of 15.7% as compared to the same period of last year and accounting for 42.5% of the operating income of the Bank.

Corporate customers

By leveraging the Bank's strengths in cross-regional operation layout and outlet resource and closely following the direction of the national strategy, the Bank adhered to customer-orientation and practicably satisfied the financing demand of customers, continuously improved product innovation and comprehensive service capabilities, and actively strengthened the cross-selling service model of the "corporate + investment bank" and the "corporate + micro and small enterprises + retail", realising precision marketing to core customers and comprehensive financial service management. The Bank focused on its local roots and concentrated its financial resources to give priority to supporting the high-quality development of Heilongjiang Province. The Bank continued to deepen its strategic cooperation with provincial and municipal enterprise groups, enhanced cooperation with customer groups and core customer groups in key regions and industries, and actively participated in key industries and major projects advocated by provincial and municipal governments. The Bank continuously consolidated, enhanced and expanded its regional advantages in Harbin and provided key financial support according to the effective measures such as the "Hundred Measures", in a bid to effectively guarantee the development and construction of the Free Trade Zone and Harbin New District. The Bank also gave full play to its team service advantages in the province to strengthen the bank-enterprise communication in the province, proactively expanded customers through diverse forms such as docking meetings, visits to institutions and on-site visits and further clarified its strategic positioning, striving to support the efficient development of Heilongjiang's economy in all aspects. As at 30 June 2022, the Company had 89 thousand corporate customers.

Corporate deposits

During the Reporting Period, the Bank continued to consolidate its deposit structure optimization results and proactively carried out green deposit marketing. The Bank fully utilized its local advantages, expanded the layout of institutional business, continuously improved its regional expansion service capabilities for institutional customers, and realised the multi-level coverage of institutional business qualifications at provincial, city and county levels, so as to increase the scale of institutions' deposits through various initiatives. The Bank broadened its customer acquisition channels, developed core customer groups, increased marketing efforts to customers, focused on key regional enterprises such as special industries, leading enterprises and livelihood enterprises, extended the marketing chain, and continuously consolidated the foundation of core customer groups in debt. The Bank also strengthened the application and promotion of its key products and systems, and improved system construction around various business scenarios based on key systems such as the treasury management platform to meet customers' customized and personalized payment and settlement demands, so as to further enhance customer loyalty. As at 30 June 2022, the balance of corporate deposits of the Bank amounted to RMB178,251.9 million. The deposit structure has been further optimized.

According to the statistics provided by the Harbin sub-branch of the PBOC, as at the end of the Reporting Period, the balance of corporate deposits of the Harbin branch of the Company accounted for 15.1% of corporate deposits in the local market, ranking first in the local market.

Management Discussion and Analysis

Corporate loans

During the Reporting Period, by adhering to the business philosophy of “Inclusive Finance, Harmonious Co-enrichment”, the Bank focused on work plans relating to key industries and major projects in Heilongjiang Province and Harbin City, and formulated hundred measures to support the development of key industries in Heilongjiang Province. The Bank carried out a series of tasks to increase investment in the province to support the rapid development of the real economy. The Bank concentrated on increasing support for green finance and technology finance, and promoted such tasks in multiple dimensions such as product innovation, system innovation and system construction, so as to actively perform its corporate social responsibilities. The Bank fully supported the manufacturing’s transformation and upgrading in the province, and explored high-quality enterprises with high added value and core position in the industrial chain. The Bank increased its support for infrastructure construction projects in line with the requirements of local governments, and strengthened financial support for private enterprises and small and micro enterprises by actively promoting the implementation of a series of policies and measures such as the “Top Hundred Projects (百大項目)” in Heilongjiang Province, key projects in Heilongjiang Province and the list of key industrial projects in Harbin City. As at 30 June 2022, the total corporate loans of the Bank amounted to RMB162,147.6 million, representing an increase of RMB549.0 million as compared to the beginning of the year and accounting for 56.5% of the total loans.

Intermediary services

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

During the Reporting Period, the finance business services of the Bank recorded a non-interest income amount of RMB93.4 million, representing a decrease of 18.9% as compared to the same period of last year.

(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, a member of the underwriting syndicates of local government bonds of Heilongjiang Province, Sichuan Province, Liaoning Province, Tianjin municipality and Chongqing municipality, a quoting bank of China Bond Valuation, a member of the SHIBOR quoting syndicate of National Interbank Funding Center, a deposit cooperative bank of National Council for Social Security Fund and a member of the underwriting syndicate of debt financing instruments of non-financial enterprises. The Bank has multiple business qualifications including standing lending facilities and derivative transactions. In terms of product innovation, during the Reporting Period, the Company launched innovative trading products such as X-Bond, X-Lending and iDeal underwriting and distribution in the National Interbank Funding Center, and mutual fund investment to replenish its product line in the financial market and set up a more diverse and operable product system for the financial market.

During the Reporting Period, financial institutions businesses of the Bank recorded an operating income of RMB539.8 million, accounting for 7.7% of the operating income of the Bank.

Bond Investments and Transactions

Impacted by the pandemic, economy boosting, Russia-Ukraine conflicts and other internal and external factors, the Central Bank maintained an easy monetary policy in the first half of the year, and the bond market experienced a narrow range of fluctuations in interest rates. Guided by the judgment that the momentum of bull market yet to cease, the Bank proactively carried out bond allocation at the latest swing high. In terms of allocation strategy, the Bank focused on optimizing the variety mix with key allocation of tax-exempt interest rate bonds such as government bonds and local government bonds.

As at 30 June 2022, the total bond investments of the Bank amounted to RMB112,005.8 million, representing an increase of RMB16,820.1 million or 17.7% as compared to the end of last year.

Investment banking business

During the Reporting Period, the Bank closely monitored the changes in economic environment and the market, and closely followed the national policies and regulatory guidelines. Externally, the Bank overcame the difficulties caused by the pandemic, bolstered its business allocation for entities and effectively supported the real economy in overcoming difficulties. Internally, the Bank continuously increased the investment in standardised products, and rationally deployed asset allocation, so as to further optimize the asset structure and effectively increase profits. As at 30 June 2022, total investment in debt instruments issued by financial institutions amounted to RMB145,517.2 million.

Wealth management business

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

During the Reporting Period, the Company raised funds of RMB32,121 million in total from wealth management products. As at 30 June 2022, the balance of wealth management products amounted to RMB52,055 million, representing an increase of 6.73% as compared to the end of last year.

During the Reporting Period, in the selection of the net-value bank wealth management products in the first quarter of 2022 issued by CSI Jinniu Financial Research Center, 3 Ruiying (睿赢) net-value products of Dingxianghua (丁香花) wealth management products of the Company was awarded 5-star rating.

Management Discussion and Analysis

(IV) Key Featured Businesses

1. Microcredit business

During the Reporting Period, the Bank resolutely implemented the “stability on six fronts (六穩)” and the “security in the six areas (六保)”, strengthened the inclusive finance services and consistently upheld its featured development strategy of microcredit. The Bank, adhering to the business philosophy of “Inclusive Finance, Harmonious Co-enrichment” with a focus on customer-orientation, developed the microcredit business, innovated the business model and management mechanism, accelerated the financial technology application and digitalisation transformation to build up its characteristic microcredit brand. As at 30 June 2022, the balance of the Bank’s microcredit loans reached RMB185,033.3 million, representing a decrease of RMB11,742.4 million as compared to the end of last year and accounting for 64.5% of the Bank’s total loans to customers.

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

	As at 30 June 2022		As at 31 December 2021	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Loans to small enterprises	62,608.8	33.8%	64,025.6	32.5%
Personal loans	122,424.5	66.2%	132,750.1	67.5%
Total balance of microcredit loans	185,033.3	100.0%	196,775.7	100.0%

Small and micro enterprise finance business

During the Reporting Period, closely following the national relief policies for enterprises, the Bank adhered to its originality of providing services for the real economy, focused on customer positioning and market expansion, constantly strengthened the enhancement and upgrading of products and optimized the business process services to provide microfinance customers with a full range of financial services that integrate “professional team, exclusive solutions and dedicated channels”, constantly consolidate customer base of the small and micro enterprises and promote the development of inclusive finance business.

During the Reporting Period, the Bank closely observed the economic trend and market changes and strictly implemented regulatory policies 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 intensification, professionalism and efficiency, 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 professionalism of small and micro financial teams and promote sustainable development of inclusive finance business.

As at 30 June 2022, the balance of the Bank’s loans to small enterprises amounted to RMB62,608.8 million, representing a decrease of 2.2% as compared to the end of last year. The balance of NPLs for the small enterprises was RMB2,521.5 million and the NPL ratio was 4.03%.

Consumer finance business

During the Reporting Period, the Bank continued to carry out the philosophy of “Inclusive Finance”. In particular, the Bank focused on daily consumption scenarios to satisfy customer’s credit needs and accelerated the combination of big data technology and traditional financial services with a focus on creating a standardised, digital, and professional product service model for retail loans. The bank also improved precision marketing and broadened service coverage, which helped rebrand the Bank and enhance its value.

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 in terms of big data risk control capabilities, intelligent operation capabilities and refined management capabilities, further accelerating the process of digitalisation transformation.

In the first half of 2022, affected by the sporadic outbreak of the pandemic, economic and regulatory environment and other uncertainties, HBCF maintained stable operation via adjusting asset structure, developing self-owned business, enhancing risk control capability and strengthening technology support. During the Reporting Period, the Bank continued to put the philosophy of “Inclusive Finance” into practice by constantly establishing an all-rounded comprehensive consumer finance service (product) system, expanding the quality business scenarios, and enriching innovative products and services to improve customer experience. Always focusing on strategic planning and accelerating the in-depth integration of digital technologies such as big data, cloud computing and AI and traditional financial services, the Bank realised the integration of online and offline services. Through continuous development of service scenarios, as well as the research and development and application of cutting-edge technologies, the Bank improved the customer acquisition capabilities, risk control capabilities, and product operation capabilities of its consumer finance business, thereby broadening consumer financial service scenarios and customer coverage, and improving the inclusiveness of consumer finance services. During the Reporting Period, the Bank significantly improved its core competencies in consumer finance business in terms of digital risk control capabilities, refined operation capabilities, and intelligent management capabilities, further accelerating the process of digitalisation transformation.

As at 30 June 2022, the balance of the Bank’s personal consumption loans amounted to RMB73,334.5 million.

Management Discussion and Analysis

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 RMB14.7 billion, with over RMB5.3 billion of assets being invested, and the balance of on-and off-balance sheet assets reached over RMB8.2 billion.

In 2015, the Company, as the Chinese promoter and the chairing company, initiated the establishment of the first platform for the cooperation and interaction among financial institutions of China and Russia, namely the Sino-Russia Financial Council, and the number of members was 76 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 potential development of the Sino-Russian cross-border financial cooperation, consolidating the strengthens 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. In the first half of 2022, the first webinar was successfully held to develop more channels to achieve growth and win-win of its members leveraging on the philosophy of “Sharing, Discussing, Building and Winning” of the Council.

During the Reporting Period, the Company was qualified as a pilot of CIPS standard transceiver, which had further broaden the cross-border financial information transmission and thus improved the timeliness, accuracy and convenience of message interaction in cross-border RMB payment once launched. As at 30 June 2022, there have been 15 domestic and foreign banks participating in the CIPS indirectly through the Bank, with the amount of business processed by the system exceeding RMB10.7 billion. At the same time, the second generation of RMB Cross-border Receipts and Payments Information Management System (RCPMIS) of the Company was successfully launched, making the Company the first corporate bank in the province passing the acceptance and being launched. Thereafter, the system may directly and automatically submit the data of cross-border RMB business, which will significantly improve the timeliness, completeness and accuracy of the data, providing systematic support for further expanding the cross-border RMB business.

During the Reporting Period, by adhering to the national, provincial and municipal economic and trade strategies with Russia, the Company deeply involved in the construction of New District and Free Trade Zone and continued to improve the clearing service functions for Russia. A branch of the Company in the Free Trade Zone was successfully established in the Administrative Service Hall in Harbin Area of Free Trade Zone and became a council member of “Alliance of Enterprises Trading with Russia”, and formulated a Russian version of financial comprehensive service resolution for Russian non-resident institutions, constantly making breakthroughs in financial innovation in terms of cross-border RMB settlement, financing and foreign investment with Russia. At the same time, the Company continuously strengthened the strategic cooperation with key central government owned enterprises and state-owned enterprises engaged in Russian business and leading private enterprises and processed an international settlement volume nearly RMB2.5 billion in the first half of 2022. Since the establishment of Heilongjiang Free Trade Zone, the accumulated international settlement volume reached over RMB4.0 billion in Harbin Area, leading the other financial institutions in the Free Trade Zone and it also grew into an important financial force in supporting the foundation of Heilongjiang Free Trade Zone.

Cross-border e-commerce payment and settlement

During the Reporting Period, the cross-border e-commerce financial business of the Company developed stably and it can now support multiple global payment and settlement methods, and the online real-time payment, collection and settlement of more than 60 currencies, including international credit cards such as MASTERCARD and JCB. During the Reporting Period, the volume of transaction settlement increased by RMB144 million, and the aggregate transaction settlement volume reached RMB16 billion.

3. *Agriculture-benefiting finance business*

During the Reporting Period, the Company fully supported the implementation of the rural revitalisation strategy and the enhancement of the ability to stabilise production and supply. Through innovating service model for agriculture-benefiting finance, improving standard of agriculture-benefiting finance service and supporting Heilongjiang's key agricultural-related fields, the Company facilitated the cultivation of new agricultural operation entities and large-scale land management to promote the high-quality development of modern agriculture.

During the Reporting Period, the scale of the agriculture-benefiting finance business of the Company was effectively expanded with the loans for spring farming in the new cycle exceeding RMB10 billion, and the growth rate of inclusive agriculture-related loans exceeding 10%, which was higher than the growth rate of various loans in the Bank. Remarkable results have been achieved in the optimization of the agriculture-benefiting structure with the investment of new agricultural subjects, as the main force of modern agriculture, accounting for 89% of the total, which promoted more than 20% of the large-scale land transfer and operation in the province. The Company continued to deepen and expand key agricultural-related fields by innovating and implementing a list-based precise service mechanism, continuing to enrich the service content for new agricultural subjects, launching loan service plans for agricultural machinery purchase in a timely manner, and upgrading the "one branch, one policy" exclusive service strategy for characteristic planting and raising customers, to efficiently satisfy the financing needs of various agriculture-related industries such as bulk grain, economic crops, understory economy, modern animal husbandry, and black soil protection. The Company's new service model has been implemented and developed by successfully granting the first "Pledge of the Right to the Expected Income of Grain + Loan to New Agricultural Operation Entities", and the cumulative online agricultural loans granted has exceeded RMB2.1 billion. The Company's agriculture-benefiting team worked efficiently in terms of its construction, and completed of the selection of "Top Ten People Who Touched Farmers", giving full play to the leading and motivating role of advanced model enterprise. The Company also helped enhance the development momentum of the counties through formulating targeted work plans, so as to further fulfill its social responsibilities as a financial enterprise. 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.

As at 30 June 2022, the accumulated loans to farmers granted by the Bank amounted to RMB31,780.0 million, and the balance of the loans to farmers amounted to RMB16,593.2 million, with the scope of service covering the majority of rural village markets of 11 cities in Heilongjiang Province and 6 major Agricultural Cultivation Bureaus as well as some rural villages of Chengdu, Chongqing, Shenyang, Tianjin and Dalian which locate outside the province, greatly promoting the economic development of county areas and the prosperity of rural financial markets, and supporting the rural areas to achieve comprehensive revitalisation.

Management Discussion and Analysis

(V) Related Party Transactions as Defined by the CBIRC

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

I. Significant related party transactions

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

1. Harbin Economic Development

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

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

The Company’s material related party transactions with Harbin Investment Group and its related parties: as at the end of June 2022, Harbin Investment Group and its related parties had credit facilities and guarantee facilities with the Company amounting to RMB7,559 million, with a business balance of RMB5,596 million, accounting for 9.4% of the Company’s net capital as at the end of the second quarter of 2022. The balance of deposits held by Harbin Investment Group and its related parties with the Company was RMB1,058 million, including time deposits of RMB98.6154 million.

Management Discussion and Analysis

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

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

Table 1: Breakdown of New Related Party Transactions with Harbin Economic Development and its Related Parties for the First Half of 2022 Unit: RMB'0,000

Name	Credit Balance	Type of business	Term	Method of guarantee
Harbin Investment Group Corporation Limited (哈爾濱投資集團有限責任公司)	22,800	Bond investment	3 years	(Standardized bond products)
Harbin Investment Group Corporation Limited (哈爾濱投資集團有限責任公司)	21,000	Bond investment	3 years	(Standardized bond products)
Harbin Investment Group Corporation Limited (哈爾濱投資集團有限責任公司)	32,000	Bond investment	3 years	(Standardized bond products)
Harbin Investment Group Corporation Limited (哈爾濱投資集團有限責任公司)	22,000	Bond investment	3 years	(Standardized bond products)
Heilongjiang Suibao Thermoelectric Co., Ltd. (黑龍江歲寶熱電有限公司)	3,000	Working capital loans	1 year	Security
Heilongjiang Suibao Thermoelectric Co., Ltd. (黑龍江歲寶熱電有限公司)	2,000	Working capital loans	1 year	Security

Management Discussion and Analysis

2. Harbin Heli Investment Holdings Co., Ltd. (哈爾濱合力投資控股有限公司)
Harbin Heli Investment Holdings Co., Ltd. (hereinafter referred to “**Heli**”), a shareholder of the Company, held 3.611% of the Shares of the Company. Harbin Economic and 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) and Yungu Technology Co., Ltd. (雲谷科技有限公司) are the controlling subsidiaries of Heli. According to the requirements of the Measures, Heli, its holding company and subsidiaries shall be included in the management of related parties of the Company.

Heli was established on 13 July 1991 with a registered capital of RMB1.9 billion and Li Lin (李琳) being the legal representative, and a shareholding of 63.16% was held by the Office of State-owned Assets Supervision and Administration Commission of Pingfang District, Harbin (哈爾濱市平房區國有資產監督管理委員會辦公室) and a shareholding of 36.84% was held by Yungu Investment Holding (Group) Co., Ltd. (雲谷投資控股(集團)有限公司), while Yungu Investment Holding (Group) Co., Ltd. was wholly-owned by the Office of State-owned Assets Supervision and Administration Commission of Pingfang District, Harbin, thus Heli is a state-controlled company.

Heli is mainly engaged in the management and operation of self-owned assets, development, external investment and investment consultation for projects of high-tech enterprises and projects favourable for the development of the development zone, real estate development and operation, land development, contracting and construction management of infrastructure construction, municipal and building construction; procurement and sales 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. These operations can be classified into the following segments: infrastructure construction, heat supply, real estate development, property management, lease of assets, external investment and others. Its head office is located at No.4, Hanan Wu Road, Pingfang District, Harbin (哈爾濱市平房區哈南五路4號).

Management Discussion and Analysis

The Company's material related party transactions between the Company and Heli and its related parties: as at the end of June 2022, the credit facilities and the credit facilities for guarantee business granted by the Company to Heli and its related parties amounted to RMB4,288.27 million in aggregate, with balance of the existing credit facilities and the credit facilities for guarantee business amounted to RMB3,196.13 million, accounting for 5.37% of the Company's net capital as at the end of the second quarter of 2022.

Pricing policy: the related party transactions between the Company and Heli and its related parties were carried out in the ordinary business of the Company within its normal business scope, which followed the principle of market-oriented pricing, were conducted on conditions that are not superior to similar transactions with non-related parties, met the principle of fairness required by the management of related party transactions, did not affect the independence of the Company, and would not have an adverse impact on the going concern, profitability and asset position of the Company.

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

Table 2: Breakdown of New Related Party Transactions with Heli and its Related Parties for the First Half of 2022 *Unit: RMB'0,000*

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

(II) Significant Related Party Transactions of Subsidiaries

1. HBCF

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

The Company contributed RMB795 million to HBCF, accounting for 53% of the registered capital.

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

2. HB Leasing

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

The Company contributed RMB1,600 million to HB Leasing, accounting for 80% of the registered capital.

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

Management Discussion and Analysis

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

Single and Consolidated Credit Lines of Related Legal Persons of Subsidiaries

Unit: RMB100 million

Name of related party	Estimated credit line for 2022	
	Single credit line of legal person	Consolidated credit line of subsidiaries of the Company
HBCF	No more than 75	No more than 175
HB Leasing	No more than 100	

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

Management Discussion and Analysis

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

As at the end of June 2022, the Company had a total of 78 related-party credit transactions with HBCF amounted to RMB26.43 billion with a balance of RMB7.1 billion, all of which were inter-bank loan and inter-bank deposit transactions.

As at the end of June 2022, the credit transactions balance of HBCF in the Company accounted for 11.93% of the Bank's unaudited net capital at the end of the second quarter of 2022.

In the first half of 2022, the Company had a total of 4 related-party service transactions with HBCF amounted to RMB216 million.

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

As at the end of June 2022, the Company had a total of 38 related-party credit transactions with HB Leasing amounted to RMB30.085 billion with a balance of RMB9.795 billion, all of which were inter-bank loan transactions.

As at the end of June 2022, the balance of the credit transactions of HB Leasing in the Bank accounted for 16.46% of the Company's net capital at the end of the second quarter of 2022.

II. Ordinary Related Party Transactions

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

As at the end of June 2022, there were 97 ordinary related party transactions that the Company was required to disclose, with total amount of RMB19.068 billion, mainly including credit transactions, inter-bank credit transactions and deposit transactions with related parties. Among which, inter-bank credit transactions with related parties were all inter-bank transactions conducted between the Bank and its related party banks, which can be excluded from the scope of calculating the proportion of credit balances and the statistics of significant related party transactions according to the requirements under Clause 3 of the Article 16 of the Measures.

1. Credit transactions with related parties: one natural person loan transaction with the Company's staff and its related parties involved in the review and approval of core businesses such as credit granting and asset transfer, with a total amount of RMB500,000.

There were 6 inter-bank credit transactions with subordinate village and township banks, with a total amount of RMB449 million, including provision of bond pledge guarantee of RMB120 million (par value) for Zhuzhou Rongxing Village and Township Bank Co., Ltd. to apply for a re-loan from the local People's Bank; provision of 3 bond pledge guarantees for Ning'an Rongxing Village and Township Bank Co., Ltd. to apply for re-loan from the local People's Bank, with a total amount of RMB29 million (par value); 2 inter-bank deposit transactions with Shenzhen Bao'an Rongxing Village and Township Bank Co., Ltd., with a total amount of RMB300 million.

There was one loan transaction with Harbin Commercial Bank Labor Service Co., Ltd., an enterprise established with capital contribution from the Company and the labor union, amounted to RMB5 million.

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

2. There were 38 deposit transactions with related parties (excluding demand deposit, data for the second quarter of 2022 only), with a total amount of RMB34.092781 million, all of which were transactions with related natural persons.

Management Discussion and Analysis

(VI) Information on Controlling Subsidiaries

1. *Village and township banks*

As at 30 June 2022, the Company had a controlling interest in 32 village and township banks with 48 village and township sub-branches, which were mainly located in the eastern, central and western regions of China. As at 30 June 2022, the total assets of the 32 village and township banks amounted to RMB27,163 million, of which the total amount of loans amounted to RMB12,856 million, representing an increase of 2.09% as compared to the end of last year and the balance of deposit amounted to RMB21,981 million, representing an increase of 3.29% as compared to the end of last year.

All village and township banks have thoroughly implemented the overall strategy of the Group. Centring on the “four adherences”, namely localisation, lower stream expansion, specialised operation and the market positioning of serving the “Agriculture, Rural Areas and Farmers” and small and micro enterprises, the village and township banks, driven by product innovation and service culture construction, focused on features at different development phases of the village and township banks, with innovative business development and management evaluation models, and gradually formulated a unique culture, ideology, management mode and working mechanism, which enhanced the core competitiveness and made significant contributions to the overall development of the Company.

2. *HB Leasing*

Since its establishment, HB Leasing has made certain achievements in respect of asset scale, accumulated leased amount, business innovation model and etc., and initially maintained its leading position in domestic agriculture related leasing market. As at 30 June 2022, the total assets of HB Leasing amounted to RMB25,421 million, representing an increase of 2.42% as compared to the end of last year. During the Reporting Period, the accumulated leased amount amounted to RMB6,549 million. The net profit during the Reporting Period was RMB252 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 managerial technique. 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 business growth source, deeply ploughs the agriculture and agricultural machinery industries, and vigorously develops the agricultural machinery leasing business. On the basis of its “contactless leasing service model”, HB Leasing continues to build and optimise the agricultural machinery leasing and retail business model under the empowerment of science and technology. Through “Rongyizu (融易租)” and other featured products and service innovation, HB Leasing follows the path of becoming a leasing company engaging in real leasing business.

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.

Capitalising on the extensive experiences 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 gives full play to its advantages such as first-class core team, agile technological research and development, strong ability of risk control on self-development, excellent asset quality and rapid market response, and delves deep into the consumption scenarios. It mainly targets at customers who are young and ambitious with consumption credit needs, with relatively stable jobs, a certain extent of debt repayment ability and certain growth and development potential in the future, as well as the entrepreneurs of small and micro businesses and new citizens with certain consumption capacity and profitability, whose short-term consumption credit needs are not related to housing and cars.

As at 30 June 2022, the total assets of HBCF amounted to RMB14,251 million, representing a year-on-year increase of 2.62%; the balance of loans was RMB13,681 million, representing an increase of 4.92% as compared to the beginning of the year and an increase of 2.90% as compared to the same period of last year; the cumulative number of people served exceeded 32 million, and the cumulative loan amount exceeded RMB140.0 billion.

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

(VII) Distribution Channels

1. *Physical network*

As at 30 June 2022, the Company had a total of 308 branch outlets, including 17 branches, 289 sub-branches, 1 branch-level financial service centre for small enterprises and 1 headquarters.

2. *Electronic banking*

The Bank has built up an electronic service system combining online means such as mobile 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 30 June 2022, the replacement rate of business transactions through the Bank's electronic banking reached 97%, and that through mobile banking reached 73%.

Management Discussion and Analysis

(1) Self-service terminals

The Bank has provided various convenient services, including deposit and withdrawal, account inquiry, passbook updating, bill payment, purchase of wealth management products, QR code withdrawal, passcode changing and transfer services to customers through self-service terminals. 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 self-service terminals of the Bank. As at 30 June 2022, the Bank had 1,313 self-service terminals, including 465 BCDMs, 247 ATMs, 249 cash smart terminals, 217 non-cash smart terminals, 56 CRS III for social security cards, 65 multi-media inquiry machines and 14 card issuance machines.

(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, investment and wealth management, credit card, loan management 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 and other functions. As at 30 June 2022, a total of 4,661.9 thousand customers using online banking, representing an increase of 11.10% as compared to the same period of last year.

(3) Phone banking

The Bank provides 24-hour phone banking services, which include account inquiries, transfer, verbal report of card loss, operator inquiry and outgoing calls, to customers through the unified national customer service hotline 95537. In the first half of 2022, the phone banking customer service centre handled a total of 1,161 thousand calls (including credit card forwarding and HBCF forwarding), representing an increase of 6.4% as compared to the same period of last year.

The Bank provides services including credit card inquiry, complaint and advice, activation and reporting for loss and application for instalments through the unified national customer service hotline for credit card 4006695537. In the first half of 2022, the credit card customer service centre handled a total of 812.5 thousand calls, representing a decrease of 16.80% as compared to the same period of last year.

(4) Mobile banking

The Bank continued to expand the functions of mobile banking. While providing customers with basic services such as account management, investment and wealth management, transfer 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 inclusive services into practice and enriched life channel functions in mobile banking, achieving the online and offline integration of financial services. As at 30 June 2022, the Bank had 3,425.5 thousand active mobile banking users, representing an increase of 15.55% 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 30 June 2022, WeChat banking had over 3,827.3 thousand followers, representing an increase of 20.76% as compared to the same period of last year.

(VIII) Information Technology

Adhering to the service philosophy of “Science and technology stand by your side”, the Bank is continuously committed to constructing digital banking capabilities, accelerating digital transformation, cultivating new technology-led dynamics and creating a new pattern of financial services.

- 1. Following the trend of technological development and strengthening the top-level design.** According to the Group’s “Digital Inclusive Finance” strategic requirements, the Bank has developed the Strategic Plan for Information Technology of Harbin Bank 《哈爾濱銀行信息科技戰略規劃》. By focusing on the objective of “consolidating infrastructure support, empowering business development and promoting digital transformation”, with data as driving force and financial technology as means, the Bank strived to improve its financial technology services, promote the digital transformation of technology lines and enhance the construction of digital financial capabilities.
- 2. Improving the technological governance structure, coordinating and promoting the digital transformation of technology.** Initiated by problems and difficulties and adopting the long-term perspective, the Bank coordinated and promoted the digital transformation of technology lines. It has compiled the Work Plan for Digital Transformation of Technology Management 《科技管理數字化轉型工作方案》 to steadily improve IT governance, data governance, risk management and digital service capabilities. The management process was optimized, and our ability to support and lead digital inclusive finance technology was comprehensively strengthened with a focus on building five capabilities for technology development.
- 3. Continuously promoting infrastructure construction and improving support for business continuity.** The Bank strengthened system structure optimisation work and formulated the Plan on 2022-2024 Business Continuity Drills of Harbin Bank 《2022-2024年哈爾濱銀行業務連續性演練計劃》, establishing the fault recovery applications for core and counter systems. Meanwhile, there was no production incident caused by the change in production in the first half of the year as the management of the commencement and change of system was strengthened and the alteration plan was optimised to guarantee the business continuity. The Bank has strengthened efforts to digitalise its production activities, continuously improved the knowledge base for judging common problems and standardised disposal solutions across different systems, and realised quick positioning and accurate processing by front-line personnel through keyword search, further improving the efficiency of service request processing and the resolving rate of front-line problems, thereby ensuring stable business operation.

Management Discussion and Analysis

4. **Accelerating technology empowerment to support the improvement of quality and efficiency of operations.** The Bank had constructed and completed the e-RMB project and promoted the steady implementation of this project. With the concern for livelihood, the Bank accelerated the construction of the domestic one-stop machine for the third-generation social security card to ensure the successful issuance of the third-generation social security card in Heilongjiang Province, making it the first group of banks in Heilongjiang Province to realise the issuance of cards by self-service machines. The Bank actively cooperated with Heilongjiang Human Resources and Social Security Bureau to upgrade the direct business connection of enterprise pension payment, which provided residents with the convenience of participating in pension insurance and supported the livelihood projects of the government. The elderly and disabled customers are provided with convenient mobile financial services as barrier-free service are increased and the barrier-free service project of mobile financial APP is implemented. At the same time, giving full play to the Bank's brand advantages of trading with Russia, the Bank has built a CIPS direct participant banks system to provide escort for the opening up of the financial industry of the PRC and the RMB internationalisation.
5. **Constantly promoting data governance work.** During the Reporting Period, the Bank focused on promoting data governance in core areas such as data standards and data quality; besides, it pushed for quality enhancement of key source systems and put emphasis on promoting data governance work of enterprise customer information. Focusing on data applications, the Bank continues to track and analyse the effectiveness of the customer loss alerting model and potential value model to further improve the quality of its services.
6. **Constantly enhancing data security capability.** The defense-in-depth of information security is achieved by building a terminal protection system and promoting the development of the security and protection system involving anti-virus prevention precaution, patch management, peripheral equipment management and accessibility administration to avoid the hidden risks caused by the information technology application innovation terminals. It is of great significance to firmly implement the relevant requirements of the regulators, regulate the inspection and control of the network between public security authorities and banking financial institutions pursuant to the law, and establish a judicial inquiry platform with a view to crack down on various economic crimes as well as terrorist activities, telecommunication fraud and other crimes, improve the efficiency of fund inspection and control, and minimise the economic losses of the PRC and its people. With the development of penetration testing and thematic testing on face recognition, fingerprint and voiceprint recognition regarding the scenarios applying biometric technology, the Bank improved the frequency of testing and the full coverage of bug discovery to effectively ensure the security of the application systems and information.

IX. Risk Exposure and Management

The Bank has always adhered to the philosophy of “create value through risk management”, routed to 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, established a comprehensive risk management perspective, and improved the risk identification, measurement, monitoring and control mechanisms, so as to promote the development of a comprehensive risk management system in line with the development strategy, organisational structure, business scale and risk characteristics. Under the unified risk preferences, the Bank continuously improved the risk management system, and strengthened the capability of cross-supervision and control of the three defensive lines for enforcing risk management responsibilities. The Bank enforced risk strategies and risk limit management and improved risk monitoring and early warning to enhance proactiveness and foresight in risk prevention and control.

During the Reporting Period, the Bank further improved its comprehensive risk management system, maintained strategic determination, strengthened risk research and judgment, and dynamically adjusted its strategies to actively respond to the complicated and changing domestic and international environment at present and the impacts of the resurgence of the COVID-19 pandemic, ensuring the stable and sustainable development of the Bank’s businesses.

(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. During the Reporting Period, given the current economic situation, national policies and regulatory requirements, the Bank continued to optimise the credit structure, and improved credit risk management policies and credit risk management mechanism to promote risk-dissolving and keep strengthening credit risk management.

Continuously optimize credit structure. The Bank kept abreast of the market environment and regulatory policy changes to improve its credit risk policies and systems. With the national strategies and cutting-edge technology in high-tech industry development as its guidance, the Bank focused on transformation and upgrading of traditional industry and key national science and technology projects; actively contributed to the sectors of “new infrastructure and new urbanization initiatives and major projects”, green finance as well as agriculture, rural areas, and farmers, increased financial assistance for the real economy, and implemented the strategic plan for inclusive finance and green finance. Besides, the Bank exercised strict control over risks in key areas such as local government financing business, real estate industry and high pollution, high energy consumption and overcapacity industries, implemented various lending policies and regulatory requirements in relation to local government financing vehicles, upheld that houses are for living but not for speculative investment, as well as further strengthened control over investment and financing in high pollution, high energy consumption and overcapacity industries, with a view to continuously improving the management of limits and risk monitoring in key areas. **Continuously strengthen the basic management of risks.** The Bank continued to refine its internal evaluation systems and improve credit risk rating model to enhance the accuracy and forward-

Management Discussion and Analysis

looking of risk trend judgments. Moreover, the Bank further promoted the refined management of collateral risk evaluation to strengthen the physical and ownership management of collateral and enhance the mitigation effect of collateral on credit risk. The Bank also enhanced its credit approval mechanism, controlled and balanced risks as well as active credit granting management. Besides, the Bank promoted the development of intelligent risk control and enriched the sources of early warning data, thus continuously improved the comprehensiveness and effectiveness of risk alert. **Continuously increase the efforts to dispose of non-performing assets.** While actively responding to the impact of external factors such as the resurgence of the COVID-19 pandemic and the slowdown in economic growth, the Bank kept promoting financial risk mitigation efforts. A specialized agency has been set up to improve the allocation of resources, optimize the mechanism for non-performing assets disposal and mitigation, increase the efforts to dispose of non-performing assets, develop the channels available for the disposal of non-performing assets, and enhance the quality and efficiency of the disposal of non-performing 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 various operating indicators, so as to promote the high-quality development of the Bank.

At the post-lending stage of credit card, the Bank adopted a phased management and control approach (including risk early alert, overdue collection and asset disposal) based on the creditworthiness and overdue status of credit card customers to continuously optimise asset quality with differentiated management and control measures.

(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 pandemic prevention and control and its operation development, strictly followed its risk management policies, and effectively balanced the liquidity, safety and profitability on the premise of ensuring the liquidity safety, prepared liquidity contingency arrangements in case of various external risk events on the basis of daily operation and liquidity management, so as to provide a solid safeguard for the steady development of the Bank. The Bank continuously optimised the large capital position provision forecasting system for domestic and foreign currency and prudently assessed its future liquidity needs. In addition, the Bank enhanced intraday position monitoring, paid attention to large outflows and movements in interbank funds to ensure liquidity security while maximising efficiency of capital operation. In active response to the Central Bank's call, the Bank proactively employed various instruments of small enterprises supporting re-lending in order to effectively broaden the financing channels of the Central Bank, increase credit and cut cost, as well as practise the inclusive responsibility. Besides, the Bank carried out effective monitoring on the future cash flow of large amount of funds due and the holding of qualified high-quality current assets on a regular basis. Furthermore, the Bank measured its pressure bearing capacity by stress testing and other methods, effectively improved the effectiveness of various liquidity emergency measures, and increased the allocation of qualified high-quality current assets in a timely manner to ensure that qualified high-quality current assets of the Bank are sufficient and the overall liquidity risk is under control.

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As at 30 June 2022, the liquidity coverage ratio of the Bank was 202.65%, which was in compliance with the liquidity coverage ratio of commercial banks required by the Measures for the Liquidity Risk Management of Commercial Banks (Order [2018] No. 3, CBIRC).

Item	As at	As at	As at
	30 June 2022	31 December 2021	30 June 2021
	(In RMB100 million, except percentages)		
Liquidity coverage ratio (%)	202.65%	139.71%	107.28%
Qualified high-quality current assets	1,045.93	879.46	798.06
Net cash outflow in the next 30 days	516.12	629.49	743.92

(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.

Interest rate risk refers to the risk of loss on the Bank's on- and off-balance sheet businesses as a result of adverse changes in interest rates. As to the trading account interest rate risk, the Bank used explicit criteria for the classification of financial assets in the trading account and re-evaluated the market value of assets under trading account on a daily basis during the Reporting Period. The Bank also continued to improve the market risk quota system, optimise the setting up of quota system, strengthen the monitoring of quota system and improve the risk management quality. The Bank diversified its measurement methods of market risks, and conducted sensitivity analysis, duration analysis and PVBP analysis of transaction account interest rate risk so as to ensure its overall interest rate risk level was controlled within the acceptable range. 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.

Exchange 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 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 and set transaction limits, stop-loss limits and exposure limits to conduct exchange rate 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.

Management Discussion and Analysis

(IV) Operational Risk

Operational risk refers to the risk of loss arising from flawed or problematic internal procedures, and caused by staff, IT systems, and external events. Operational risk includes legal risk, but excludes strategic risk and reputation risk. Under the operational risk management with a unified operational risk appetite, the Bank's three defensive lines performed their duties, and based on this, 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, further enriched operational risk management measures and promoted the combination and cooperative management of three major tools, so as to gradually improve the efficiency of operational risk management. As for risk and control self-assessment (RCSA), by the establishment of a risk map covering all levels of the Bank, the Bank constantly streamlined risk processes and RCSA assessment of the main process of each business line. For new products, new businesses and process with material changes, the Bank established the RCSA assessment mechanisms for new products and new businesses and conducted a triggering assessment for key risk exposures, serving as a precaution from flawed measures of internal control. 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, initiated action plans timely for indicators falling into orange and red zones and continuously followed up on the progress of rectification and implementation. As for loss data collection (LDC), the Bank carried out LDC by combining active and passive methods, while gradually increased collection efforts and broadened the channels and scope of loss data collection. At the same time, the Bank guided and promoted all branches and departments of headquarter to implement cooperative management of the important parts such as risk monitoring, compliance inspection and analysis of interbank cases, so as to promote the rectification of operational risk issues identified in internal and external inspections.

(V) Information Technology Risk

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

During the Reporting Period, the Bank 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. The information technology risk management system with three defensive lines of information technology, risk management and internal audit has been formed and the responsibilities of information technology risk management has been gradually fulfilled. In accordance with the general strategic deployment, the Bank optimised the assessment methods for its technology work, improved its technology project management and service programmes, sorted out and optimised the IT system structure, improved the construction of its internal IT system and effectively implemented the requirements for risk control and compliance and technology risk control. At the same time, the Bank continued to improve the quality and efficiency of various compliance, audit and regulatory reporting works (both internally and externally), and implemented risk management measures on all key parts of its IT work.

During the Reporting Period, the Bank continued to strengthen its organisational and personnel safety management by building an information security management system comprising three levels, namely decision-making, planning management and execution, with the Information Management Committee making decisions on major information security matters to further advance the relevant work. In terms of host and system security management, the Bank strengthened the design and construction of information security policies for its remote office environment to complement the construction of remote office channels in the data centre, and improved the design and implementation of information security policies for the cloud-based office to ensure the security control and management of business documents and other key information assets. In terms of information security management, the Bank carried out system classification and data classification protection for information systems operated by itself with reference to relevant national technical standards. In terms of business continuity management, the Bank actively prepared for disaster-tolerant and fault-tolerant switchover emergency drills of critical information systems in accordance with the emergency drills work plan. In terms of IT outsourcing management, with the goal of improving the service quality management and risk management of outsourcers, as well as lowering the possibility of outsourcing risks, the Bank made every effort to build a high-quality technical team, so as to improve the independent development and maintenance capability of the system, and enhance the risk identification and monitoring capability of the outsourcer.

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(VI) Compliance Risk Management

Compliance management is a core risk management activity of the Company. The Board of the Company assumes ultimate responsibility for the compliance of operating activities, and the Board of Supervisors supervises the compliance risk management. The Company had built a comprehensive and effective compliance risk management system, consolidated the three defensive lines for compliance risk management, and achieved effective identification and management of compliance risk through continuous improvement and optimisation of its compliance risk management as well as a higher risk management standard.

During the Reporting Period, the Company continued to implement the tasks of “preventing risks” and “stabilizing growth” by promoting and improving the internal control and compliance system, enhancing the ability to prevent risks, and fostering a culture of sound and prudent operation. It built a scientific, rigorous and well-structured legal risk prevention and control system and system management working mechanism, carried out the construction of a legal risk management position personnel system, and promoted the intensive integration of legal advisers. And it comprehensively used the system review mechanism, filing mechanism, abolition mechanism and evaluation mechanism to standardize system management, strengthen the internalization of external regulations and help compliant business development. It established and improved the “Comprehensive Task System for Rectification and Implementation” to improve its rectification and governance capabilities, so as to ensure the effective rectification, and comprehensively prevent, resolve and dispose of risks. It actively built an accountability mechanism with an integration of punishment and linkage and cooperation to further demonstrate the integrity, completeness, comprehensiveness and overall situation of the accountability mechanism. It continued to carry out special compliance inspections and self-examinations, with a focus on real, in-depth and thorough investigations, striving to accurately and efficiently identify problems. And it continued to enhance rectification and accountability for problems found in inspections to continuously deepen the efficiency of internal control and compliance governance. Based on the basic principle of focusing on a sound and consistently effective mechanism with short-term key punishment, it effectively moved the control threshold forward, strengthened the investigation and disposal of case risks, and tightened the chord of case prevention and management. It adhered to technology empowerment, promoted the optimization and upgrading of anti-money laundering-related systems, and continued to exert monitoring efficiency to continuously improve the network of intelligent prevention and control of money laundering risks. For its operation and management, the Bank adhered to the culture of compliance by emphasizing the ideological education of key personnel, and continuously improved the compliance performance assessment indicator system, to further strengthen the independence of internal control and compliance performance and risk prevention and control awareness of each unit.

(VII) Anti-money Laundering (AML) Management

During the Reporting Period, the Company 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 work mechanism with clear hierarchy, 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 Bank always adhered to the "risk-based" management philosophy in terms of anti-money laundering management, further enhanced its political position, incorporated money laundering risk into the comprehensive risk management system, and, through various measures, it coordinated and promoted the refined management of anti-money laundering to ensure the effective compliance with and all-round implementation of anti-money laundering-related regulatory requirements and various mechanisms. **Second**, the Company continued to promote the anti-money laundering related system upgrade and optimization, actively exerted the monitoring efficiency of the system, strengthened joint prevention and control and precise alert, and effectively improved the intelligence of money laundering risk prevention and control. **Third**, the Company deepened self-examination and self-correction, and strengthened the management and control of key risks, through risk investigation, problem rectification, assessment and notification, so as to promote institutions at all levels to enhance their independence of performance of duties and management initiative. **Fourth**, the Company conducted multi-channel and multi-form anti-money laundering publicity and training, fully implemented anti-money laundering laws and regulations, increased the public awareness, attention and support for anti-money laundering work, and created a good working atmosphere for anti-money laundering. Moreover, the Company actively cooperated with the regulatory authorities to carry out anti-money laundering investigation, strictly performed financial institutions' obligations regarding anti-money laundering and anti-terrorist financing, and actively practiced corporate social responsibilities.

X. Internal Control and Internal Audit

(I) 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 were compliant with laws and regulations.

Management Discussion and Analysis

Firstly, 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, definitive duties and responsibilities and clear 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, systematical and intensive, and further promoted its compliance philosophy of “giving highest priority to compliance, making all employees in compliance, working in compliance actively, and creating value through compliance”, thereby constantly building a corporate culture of “compliance with high efficiency”.

Secondly, the Company constantly improved its risk evaluation system. The Board, senior management and relevant 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 operating units and business departments, designated 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.

Thirdly, 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, formulated scientific, rigorous and clearly structured business and management systems for various business and management activities, and continued to integrate the core control points stipulated by external laws into the internal control mechanism process. All levels and institutions of the Bank executed 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.

Fourthly, the establishment of information transmission and communication channels of the Company were standardized and reasonable. 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, departments of 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 top-down and bottom-up two-way information communication mechanism. Regarding external disclosure and information gathering, the Company also specified responsible departments, relevant processes and document circulation mechanisms to ensure compliance thereof and timeliness and effectiveness of internal circulation of external documents.

Fifthly, 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 senior 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.

(II) 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 internal audit, is responsible for audit on the operation and management of the Bank, and is accountable to the Board and the Audit Committee thereunder. The Internal Audit Department exercises its independent right of internal audit as authorised by the Board, not subject to any intervention from other departments or persons. It does not take part in any specific operating activities within the scope of duties of other departments.

Management Discussion and Analysis

During the Reporting Period, the internal audit department of the Company proactively complied with and implemented regulatory rules and the general requirements of the Bank's Party Committee. 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 application of digital audit technology in practice, strengthened the linkage and integration between on-site and offsite, carried out various audit projects centering on key areas, key risks, key institutions and key personnel, 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 audit discoveries and conversion of audit 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 quality.

XI. Prospects

Looking forward to the second half of the year, there are still substantive uncertainties in the external environment with domestic demand improving as the key to stabilizing the macroeconomic market. Regarding to the domestic trend, China enjoys certain advantages as the vast market, complete industrial and supply chain and rapid technological innovation to keep supporting its positive economic fundamentals in long run. The short-term economic pressure mainly comes from non-economic factors. Chinese economy is expected to rebound quarter by quarter in the second half of the year, however, there are still other issues, such as the difficulty in pandemic prevention and control, insufficient market demand, increasing pressure on fiscal revenue and expenditure and reducing confidence of market players. Meanwhile, the financial market is expected to rebound provided that the economic fundamental bottoms out and there is reasonably sufficient and on-going capital. In terms of the economic fundamental, productions promise to resume based on the pandemic control improving and the supply chain getting back on track, which will benefit the financial market. Regarding to policies, the policy package introduced by the State Council to stabilize the economy is of great significance in boosting market confidence, demonstrating the determination of the state to further promote financial support for the real economy and lower financing costs steadily. In respect of capital, the liquidity will remain reasonably sufficient.

In the second half of the year, as guided by President Xi Jinping's Thought on Socialism with Chinese Characteristics in the New Era, the Bank will comprehensively implement the gist of the 19th National Congress of the Communist Party of China, all previous plenary sessions of the 19th CPC National Congress and the Central Economic Work Conference, as well as the spirit of the 13th Congress of the Communist Party of China in Heilongjiang Province and the 15th Congress of the Communist Party of China in Harbin City, with the goal of high-quality development to seize the "two main lines" of asset quality and economic benefits and to advance the work on "stability on six fronts and advancements in the six areas" and "ensuring security in the six areas". The Bank will accelerate its reformation, expand business scale and increase its value contribution to comprehensively promote high-quality development.

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 had a registered capital of RMB10,995,599,553 in total.

II. Statement of Changes in Shares

Unit: Shares

	1 January 2022		Increase/decrease during the Reporting Period (+/-)					30 June 2022	
	Number	Percentage	Private placement	New shares issued	Bonus issued	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	9.30%	-	-	-	-	-	1,022,769,816	9.30%
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.

Changes in Share Capital and Information on Shareholders

III. Shareholdings of Shareholders

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

Shareholdings of Top 10 Shareholders of the Company as at the Date of this Report

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	739,749,000	6.73%	–	H Shares
4 Huaxia Life Insurance Co., Ltd.	Private enterprise	486,702,000	4.43%	–	H Shares
5 Harbin Heli Investment Holdings Co., Ltd. (哈爾濱合力投資控股有限公司) 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 Holdings Co., Ltd., a shareholder of the Company, is the Office of Harbin Pingfang District State-owned Assets Supervision and Administration Commission, which held 63.16% of its shares directly and held 36.84% of its shares through Yungu Investment Holding (Group) Co., Ltd. (雲谷投資控股(集團)有限公司), representing holding 100% of its shares in total.
- 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 other. 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 percentage of non overseas-listed shares and H Shares as at the date of this report is calculated based on the total share capital of the Company, being 10,995,599,553 shares.

Changes in Share Capital and Information on Shareholders

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

As at 30 June 2022, according to the disclosure of interest information as shown on the website of the Hong Kong Stock Exchange, the interests or short positions of the following persons (excluding the Directors, Supervisors and the chief executive of the Bank) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Domestic Shares

Name of shareholder	Capacity	Domestic Shares held (long position)	Percentage of issued domestic share capital of the Company	Percentage of 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 Limited 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:

1. 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 (哈爾濱市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).

Changes in Share Capital and Information on Shareholders

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 RMB10,300,000,000 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	739,749,000	24.47%	6.73%
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 739,749,000 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 TWD110,831,140,000 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. Therefore, Fubon Life Insurance Co., Ltd. has not obtained the approval on shareholder's qualification as at the date of this report.
2. On 17 July 2020, the CBIRC decided to take over four insurance companies including Huaxia Life Insurance Co., Ltd. and two trust companies for term of one year. On 16 July 2021, the CBIRC issued an announcement, deciding to extend the takeover period by one year to 16 July 2022, which had expired. As of the disclosure date of this report, the takeover of Huaxia Life Insurance Co., Ltd. does not have a negative impact on the normal operation and management of the Bank.
3. CITIC Capital Holdings Limited held the interests in the relevant shares through a series of controlled corporations. Pursuant to the requirements of regulatory authorities, CITIC Capital HB Investment L.P. (an indirect non-wholly subsidiary of CITIC Capital Holdings Limited) is applying for the approval on shareholder's qualification together with Fubon Life Insurance Co., Ltd., which has not been obtained as at the date of this report.

Save as disclosed above, to the knowledge of the Directors, none of other persons (excluding the Directors, Supervisors and the chief executive of the Bank) had any interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 30 June 2022.

Changes in Share Capital and Information on Shareholders

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

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

1. As at 30 June 2022, 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 Provincial People's Government State-owned Assets Supervision and Administration Commission respectively.
2. As at 30 June 2022, Heilongjiang Financial Holdings directly and indirectly held 18.56% of the total issued shares of the Company. According to the Business License (Unified Social Credit Code: 91230100MA1BF51Q38) issued by the Market Supervision and Administration Bureau of Harbin on 18 January 2019 and the Articles of Association of Heilongjiang Financial Holdings Group Co., Ltd., Heilongjiang Financial Holdings is a validly subsisting 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 30 June 2022, no shares held by any shareholder with shareholding of 5% or more of the Company were pledged or judicially frozen.

VI. Controlling Shareholder and De Facto Controller

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

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

Please see "III. Shareholdings of Shareholders" above for the particulars of shareholders with shareholding of 5% or more of the Company as at 30 June 2022.

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

During the period from 1 January 2022 to the date of this report, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

Directors, Supervisors, Senior Management and Employees

Directors

As at the date of publication of this report, the Directors of the Company are as follows:

Name	Gender	Age	Position	Term of office
Deng Xinquan	Male	57	Executive Director and Chairman of the Board	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	48	Non-Executive Director	2021.2.24 – expiry of Eighth Session of the Board
Yu Hong	Male	59	Non-Executive Director	2021.2.24 – expiry of Eighth Session of the Board
Lang Shufeng	Male	52	Non-Executive Director	2021.2.24 – expiry of Eighth Session of the Board
Sun Yan	Male	53	Independent Non-Executive Director	2021.2.24 – expiry of Eighth Session of the Board
Zhang Zheng	Male	50	Independent Non-Executive Director	2021.2.24 – expiry of Eighth Session of the Board
Hou Bojian	Male	63	Independent Non-Executive Director	2021.2.24 – expiry of Eighth Session of the Board
Jin Qinglu	Male	49	Independent Non-Executive Director	2021.3.25 – expiry of Eighth Session of the Board

Directors, Supervisors, Senior Management and Employees

Supervisors

As at the date of publication of this report, the Supervisors of the Company are as follows:

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	57	Employee Representative Supervisor	2021.2.24 – expiry of Eighth Session of the Board of Supervisors
Fang Shang	Male	51	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

Directors, Supervisors, Senior Management and Employees

Senior Management

During the Reporting Period and as at the date of publication of this report, the senior management of the Company was/is comprised of:

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	51	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
Wu Siliang	Male	38	Secretary of the Board and Joint Company Secretary	2022.8.26 – expiry of Eighth Session of the Board

Changes in Directors, Supervisors and Senior Management

During the Reporting Period, the proposal on the appointment of executive Director was considered and approved at the 2022 first extraordinary general meeting of the Company held on 1 August 2022, and Mr. Yao Chunhe was appointed as an executive Director of the Company. The qualification of Mr. Yao Chunhe as a Director is subject to the approval by the Heilongjiang Office of the CBIRC. The Proposal on the Appointment of the President and the Proposal on the Appointment of the Secretary of the Board and Company Secretary were considered and approved at the 2022 fourth extraordinary meeting of the Board held by the Company on 31 March 2022. Mr. Yao Chunhe was appointed as the president of the Company and his qualification as the president is subject to the approval by the Heilongjiang Office of the CBIRC, and Mr. Wu Siliang was appointed as the secretary of the Board and the company secretary of the Company and his qualification as the secretary of the Board was approved by the Heilongjiang Office of the CBIRC, with effect from 26 August 2022. Mr. Lyu Tianjun, the former executive Director and president of the Company, and Ms. Sun Feixia, the former executive Director, vice chairman of the Board, secretary of the Board and company secretary of the Company, resigned from their positions on 31 March 2022. Prior to the appointment of new president by the Board of the Company and the approval for the qualification by the Heilongjiang Office of the CBIRC 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 perform 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 performing the duties of the president of the Company.

Changes in Information of Directors, Supervisors, Chief Executive and Other Senior Management

Mr. Zhang Xianjun (張憲軍), has been a non-executive Director of the Company since November 2020. Mr. Zhang has served as the vice chairman and general manager of Harbin Hatou Investment Co., Ltd. (stock code: 600864.SH) since January 2021; the chairman of Heilongjiang Suibao Thermolectric Co., Ltd. (黑龍江歲寶熱電有限公司) since June 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 Jianghai Securities Co., Ltd. since December 2014; the vice chairman and a director of Harbin Junxin Financing Guarantee Co., Ltd. (stock code: 430558.NQ) since August 2014. Mr. Zhang served as the deputy general manager of Harbin Junxin Financing Guarantee Co., Ltd. (stock code: 430558.NQ) from August 2014 to April 2022; a director of Zhongrong International Trust Co., Ltd. from December 2014 to June 2022; a director of Heilongjiang Jinxin Financial Leasing Co., Ltd. (黑龍江金信融資租賃有限公司) from August 2015 to March 2022; the 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 strategy planning office, 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 March 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. 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 was the general manager of the Compliance Management Department of the Company from November 2013 to April 2019, the general manager of the Compliance Management Department and the Customers' Rights and Interests Protection Department of the Company from April 2019 to April 2022, the president of the Debt Management Department, the general manager of the Compliance Management Department and the Customers' Rights and Interests Protection Department of the Company from April 2022 to June 2022, and has served as the president of the Debt Management Department and the general manager of the Compliance Management Department of the Company since June 2022. 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.

Directors, Supervisors, Senior Management and Employees

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 of Harbin Hanan New Town Agricultural Comprehensive Development Co., Ltd. (哈爾濱哈南新城農業綜合開發有限公司) since July 2022. Ms. Yang was the deputy general manager and a supervisor of Harbin Heli Investment Holdings Co., Ltd. (哈爾濱合力投資控股有限公司) from August 2018 to July 2022, the chairman of Infrastructure Development and Construction Corporation of Harbin Economic and Technology Development Zone (哈爾濱經濟開發區基礎設施開發建設有限公司) from December 2020 to July 2022, 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.

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

Save as disclosed above, as at the date of publication of this report, the Directors, Supervisors and chief executive confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

Directors, Supervisors, Senior Management and Employees

Securities Transactions by Directors and Supervisors

The Company has adopted a code of conduct regarding securities transactions by Directors, Supervisors and relevant employees on terms no less exacting than the required standards as set out in the Model Code. Having made specific enquiries to the Directors and Supervisors, all Directors and Supervisors of the Company confirmed that they had complied with the aforesaid code during the Reporting Period.

Directors', Supervisors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or its Associated Corporations

Save as disclosed below, to the knowledge of the Company, as at 30 June 2022, the Directors, Supervisors and chief executive of the Company did not hold any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (as defined in Part XV of the SFO) which were required to 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	Percentage of	
				Number of Shares held (shares)	Total Number of Shares of the Company (%)
Deng Xinquan	Executive Director	Beneficial owner	Domestic Shares	1,205	0.00001

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).

Directors, Supervisors, Senior Management and Employees

Employees

(I) Personnel Composition

As at 30 June 2022, the Company had 6,823 employees, among which 1,283 were headquarters staff, accounting for 18.8% of the total, and 2,230 were Harbin Branch staff, accounting for 32.68% of the total. Regarding the age composition, the average age of employees of the Company was 36.99 years old. 949 were 30 years old and below, accounting for 13.91% of the total. Regarding the educational background composition, there were 6,193 employees of the Company holding a bachelor's degree or above, accounting for 90.77% of the total. Regarding the number of years of services, the Company had 3,637 employees with 10 years or more banking experiences, accounting for 53.3% of the total. Staff turnover rate of the Company was 2.28%. Key talents' turnover rate was 0.27%.

As at 30 June 2022, the subsidiaries of the Company had 1,686 employees in total.

(II) Staff Training Programmes

During the Reporting Period, the Bank 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 in the first half of the year were 100%. In the first half of 2022, the Company arranged 264 training sessions in total, including 238 internal training sessions, and 26 external training sessions for selected staff of the Company. The total training hours amounted to 1,347.

(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 plans 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 employees 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 and further increased the weight of performance review results on annual bonus to establish a mechanism of “high bonus for high performance, low bonus for low performance”; secondly, the Bank adopted a points system for the performance review results to convert employees' annual performance review results into points, which may be redeemed for rank or salary promotion qualifications, ensuring the “fairness, openness, transparency” in the rank and salary promotion system; and thirdly, the enterprise annuity scheme has been launched and operated to further expand the remuneration and welfare system of the Bank and better guarantee the life of employees after retirement.

Directors, Supervisors, Senior Management and Employees

(IV) Remuneration Policy for Employees

The Bank has successfully established a broadband salary management system with diversified composition, standardised management and systematic implementation and adopted a market-oriented and region-diversified management scheme 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.

(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 interim 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 30 June 2022, no forfeited contribution under the retirement benefits schemes of the Group is available to reduce the contribution payable in future years.

Important Events

I. Corporate Governance

During the Reporting Period, the Bank continued to optimise its corporate governance structure and improve its corporate governance practice in strict compliance with relevant laws and regulations such as the Company Law of the PRC, the Commercial Bank Law of the PRC as well as the Hong Kong Listing Rules, with due consideration given to the actual conditions of the Bank.

During the Reporting Period, the Bank strictly complied with relevant overseas listing regulatory requirements, and strived to improve the Bank's corporate governance mechanism, as well as enhance and improve the Bank's corporate governance. The Bank has adopted the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules, has met the relevant requirements of the PRC commercial bank administrative measures and corporate governance 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' Meetings, the Rules of Procedure for the Board of Supervisors' Meetings, 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 Related Party Transactions, the Information Disclosure Administrative Measures, etc. The Board believes that during the Reporting Period, the Bank had complied with the requirements of the code provisions set out in Part 2 of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules.

II. Issuance of Debt Securities

(I) Bond Issuance during the Reporting Period

During the Reporting Period, the Bank did not issue any new bonds.

(II) Previous Financial Bonds Issuance

1. 2017 green financial bonds

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

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

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

2. *2021 capital bonds without a fixed term*

According to the resolutions of the 22nd meeting of the sixth session of the Board of the Company 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 subscribers 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 Office 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.

Important Events

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 RMB8.0 billion. The coupon rate of the bonds for the first five years is 4.8%, and is subject to adjustment every five years. The issuer's conditional redemption right is attached to the bonds which can be exercised on the annual interest payment date of the fifth year and the subsequent years.

The 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 RMB3.0 billion. The coupon rate of the bonds for the first five years is 5.0%, and is subject to adjustment every five years. The issuer's conditional redemption right is attached to the bonds which can be exercised on the annual interest payment date of the fifth year and the subsequent years.

(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.

III. Significant Connected Transaction

During the Reporting Period, no significant connected transaction under the Hong Kong Listing Rules was conducted by the Company with its connected party(ies).

IV. 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.

V. 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.

VI. Material Contracts and Their Performance

As at the end of the Reporting Period, the Bank did not entered into material contracts.

VII. Review of Interim Report

The Company's 2022 unaudited interim consolidated financial statements prepared in accordance with International Financial Reporting Standards had been reviewed by BDO Limited, who had issued an unqualified review report.

The Company's 2022 interim results, 2022 interim report and 2022 unaudited interim consolidated financial statements had been reviewed by the Audit Committee of the Board and the Board of the Company.

VIII. Implementation of Share Incentive Plan during the Reporting Period

The Company did not implement any share incentive plan during the Reporting Period.

IX. Appointment and Dismissal of Auditors

The appointment of BDO China Shu Lun Pan CPAs LLP and BDO Limited as the respective domestic and overseas auditors of the Company for the year 2022 was considered and approved at the 2021 annual general meeting of the Company held on 20 May 2022.

Important Events

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

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

XI. Profit Distribution during the Reporting Period

The Proposal on the 2021 Profit Distribution Plan was considered and approved at the 2021 annual general meeting held on 20 May 2022, pursuant to which, the Company would not distribute cash dividends to all shareholders. The Company has not distributed and does not propose to distribute any interim dividend for the six months ended 30 June 2022.

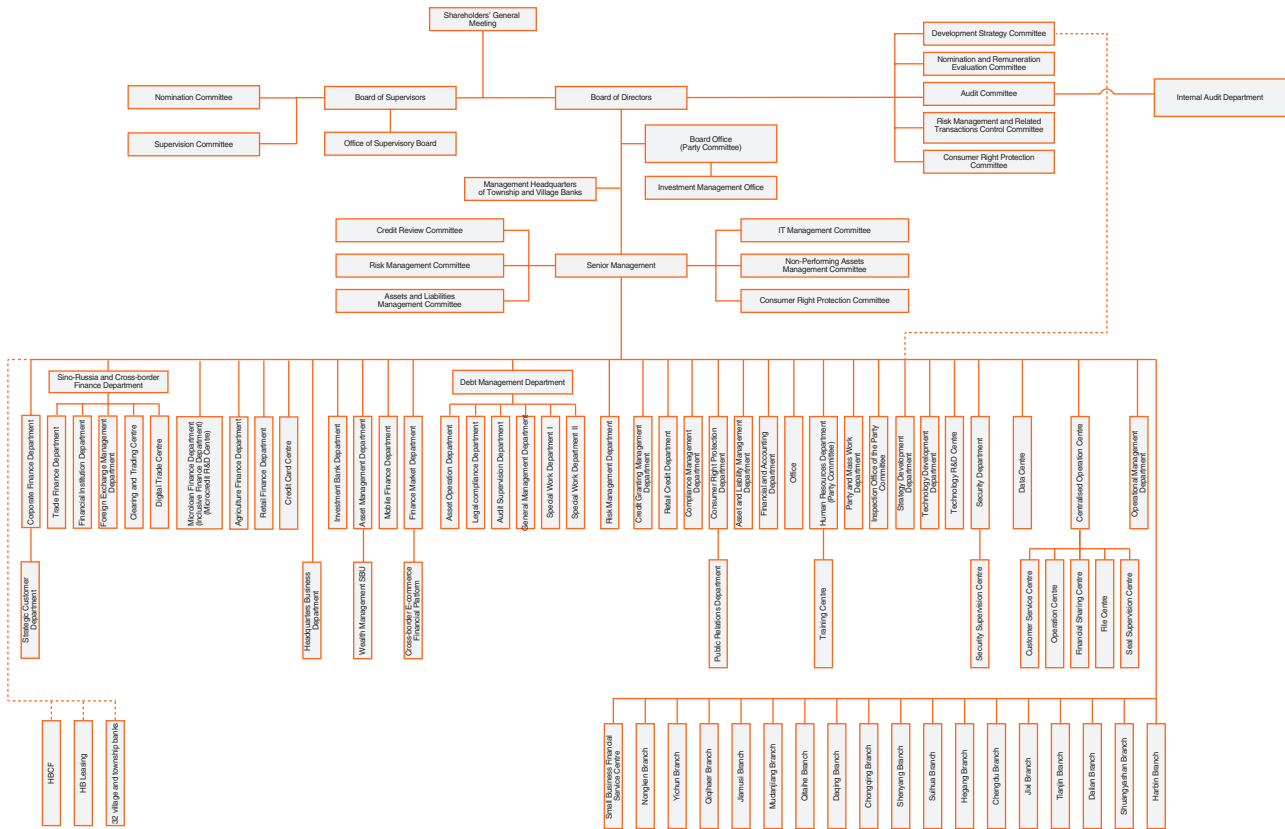
XII. Pledge of Assets

For the details of the Group's pledge of assets, please refer to "Commitments and Contingent Liabilities" in the notes to financial statements of this report.

XIII. Significant Subsequent Events

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

Organisation Chart of Harbin Bank



Financial Statements

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

Report on Review of Interim Financial Information



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TO THE BOARD OF DIRECTORS OF HARBIN BANK CO., LTD.

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

Introduction

We have reviewed the interim financial information set out on pages 102 to 191, which comprise the condensed consolidated statement of financial position of Harbin Bank Co., Ltd. (the "Bank") and its subsidiaries (together, the "Group") as at 30 June 2022 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information are not prepared, in all material respects, in accordance with IAS 34.

BDO Limited

Certified Public Accountants

Chan Wing Fai

Practising Certificate no. P05443

Hong Kong, 30 August 2022

Condensed Consolidated Statement of Profit or Loss

For the six-month period ended 30 June 2022

(Amount in thousands of RMB, unless otherwise stated)

	Notes	For the six-month period ended 30 June	
		2022	2021
		Unaudited	Unaudited
Interest income	4	13,702,392	13,051,322
Interest expense	4	(8,383,808)	(7,995,535)
Net interest income	4	5,318,584	5,055,787
Fee and commission income	5	436,646	368,969
Fee and commission expense	5	(60,789)	(68,635)
Net fee and commission income	5	375,857	300,334
Net trading income	6	774,791	492,463
Net gain on financial investments	7	309,187	126,956
Other operating income, net	8	214,777	158,895
Operating income		6,993,196	6,134,435
Operating expenses	9	(2,167,671)	(1,971,707)
Credit impairment losses	10	(3,876,280)	(2,907,800)
Operating profit		949,245	1,254,928
Profit before tax		949,245	1,254,928
Income tax expense	11	(361,199)	(314,654)
Profit for the period		588,046	940,274
Attributable to:			
Equity holders of the Bank		494,622	851,162
Non-controlling interests		93,424	89,112
		588,046	940,274
Earnings per share (RMB yuan)			
Basic and diluted	13	0.01	0.08

Details of the dividends declared and paid or proposed are disclosed in note 12 to these financial statements.

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

Condensed Consolidated Statement of Comprehensive Income

For the six-month period ended 30 June 2022
(Amount in thousands of RMB, unless otherwise stated)

	Notes	For the six-month period ended 30 June	
		2022	2021
		Unaudited	Unaudited
Profit for the period		588,046	940,274
Other comprehensive income/(expense) (after tax, net):			
Other comprehensive income/(expense) attributable			
to equity holders of the Bank	34	(151,255)	(42,062)
Item that will not be reclassified to profit or loss			
– Net losses on investments in equity instruments designated			
at fair value through other comprehensive income		(9,884)	–
Items that may be reclassified subsequently to profit or loss			
– Net losses on investments in debt instruments measured at fair			
value through other comprehensive income		(158,416)	(43,763)
– Allowance for credit impairment on investments			
in debt instruments measured at fair value through			
other comprehensive income		17,045	1,701
Subtotal of other comprehensive expense for the period, net of tax		(151,255)	(42,062)
Total comprehensive income for the period		436,791	898,212
Total comprehensive income attributable to:			
Equity holders of the Bank		343,367	809,100
Non-controlling interests		93,424	89,112
Total		436,791	898,212

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

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

(Amount in thousands of RMB, unless otherwise stated)

	Notes	As at 30 June 2022	As at 31 December 2021
		Unaudited	Audited
Assets			
Cash and balances with the central bank	14	59,530,228	64,923,188
Due from banks and other financial institutions	15	14,474,249	7,116,203
Reverse repurchase agreements	16	5,014,700	–
Loans and advances to customers	17	274,905,144	283,637,048
Derivative financial assets	18	1,171,759	1,796,713
Financial investments	19	262,937,898	245,667,152
– financial assets at fair value through profit or loss	(a)	68,483,028	61,516,234
– financial assets at fair value through other comprehensive income	(b)	55,192,360	38,843,525
– financial assets at amortised cost	(c)	139,262,510	145,307,393
Finance lease receivables	20	23,280,489	22,921,300
Property and equipment	21	8,510,483	8,677,876
Deferred income tax assets	22	4,640,781	4,355,864
Other assets	23	7,189,200	5,950,832
Total assets		661,654,931	645,046,176
Liabilities			
Due to the central bank	24	5,073,721	4,270,983
Borrowings from banks and other financial institutions	25	13,702,658	12,397,767
Due to banks	26	23,334,992	22,637,571
Derivative financial liabilities	18	1,201,786	1,811,571
Repurchase agreements	27	496,860	9,023,970
Due to customers	28	515,774,447	506,779,946
Income tax payable		536,329	586,077
Debt securities issued	29	32,423,120	19,129,158
Other liabilities	30	6,278,395	5,629,301
Total liabilities		598,822,308	582,266,344
Equity			
Share capital	31	10,995,600	10,995,600
Other equity instruments	32	10,999,290	10,999,290
Capital reserve	33	7,661,124	7,661,124
Other comprehensive income	34	235,874	378,929
Surplus reserves	35	3,903,227	3,903,227
General and regulatory reserves	36	7,875,296	7,584,624
Undistributed profits	37	19,083,128	19,271,378
Equity attributable to equity holders of the Bank		60,753,539	60,794,172
Non-controlling interests		2,079,084	1,985,660
Total equity		62,832,623	62,779,832
Total equity and liabilities		661,654,931	645,046,176

DENG Xinquan

Chairman

WANG Haibin

(Acting on Behalf)
President

YANG Dazhi

Assistant to the President
(in Charge of Finance)

Dong Kai

General Manager of Finance
and Accounting Department

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

Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2022
(Amount in thousands of RMB, unless otherwise stated)

		Unaudited								
		Equity attributable to equity holders of the Bank								
		Other equity instruments		Other		General and		Non-		Total
Notes		Share capital	Perpetual bonds	Capital reserve	comprehensive income	Surplus reserves	regulatory reserves	Undistributed profits	controlling interests	
	Balance at 1 January 2022	10,995,600	10,999,290	7,661,124	378,929	3,903,227	7,584,624	19,271,378	1,985,660	62,779,832
	Movements in this period	-	-	-	(143,055)	-	290,672	(188,250)	93,424	52,791
	Total comprehensive income	34	-	-	(151,255)	-	-	494,622	93,424	436,791
	Profit distribution	-	-	-	-	-	290,672	(290,672)	-	-
	1. Appropriation to general and regulatory reserves	36	-	-	-	-	290,672	(290,672)	-	-
	Distribution of interests of perpetual bonds	-	-	-	-	-	-	(384,000)	-	(384,000)
	Transfer of loss on disposal of financial asset at fair value through other comprehensive income to retained earnings	-	-	-	8,200	-	-	(8,200)	-	-
	Balance at 30 June 2022	10,995,600	10,999,290	7,661,124	235,874	3,903,227	7,875,296	19,083,128	2,079,084	62,832,623
		Unaudited								
		Equity attributable to equity holders of the Bank								
		Other equity instruments		Other		General and		Non-		Total
Notes		Share capital	Perpetual bonds	Capital reserve	comprehensive income	Surplus reserves	regulatory reserves	Undistributed profits	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 period	-	8,000,000	-	(42,062)	-	19,396	831,766	89,112	8,898,212
	Total comprehensive income	34	-	-	(42,062)	-	-	851,162	89,112	898,212
	Issuance of perpetual bond	-	8,000,000	-	-	-	-	-	-	8,000,000
	Profit distribution	-	-	-	-	-	19,396	(19,396)	-	-
	1. Appropriation to general and regulatory reserves	-	-	-	-	-	19,396	(19,396)	-	-
	Balance at 30 June 2021	10,995,600	8,000,000	7,661,124	54,422	3,886,909	7,570,143	19,888,029	1,951,117	60,007,344

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

Condensed Consolidated Statement of Changes in Equity

For the six-month period ended 30 June 2022

(Amount in thousands of RMB, unless otherwise stated)

Equity attributable to equity holders of the Bank										
		Other equity instruments								
	Note	Share capital	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserves	General and regulatory reserves	Undistributed profits	Non-controlling interests	Total
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	32	-	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	36	-	-	-	-	-	33,877	(33,877)	-	-
3. Distribution to shareholders		-	-	-	-	-	-	-	(900)	(900)
Transfer of loss on disposal of financial asset at fair value through other comprehensive income to retained earnings		-	-	-	8,823	-	-	(8,823)	-	-
Balance at 31 December 2021		10,995,600	10,999,290	7,661,124	378,929	3,903,227	7,584,624	19,271,378	1,985,660	62,779,832

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

Condensed Consolidated Statement of Cash Flows

For the six-month period ended 30 June 2022
(Amount in thousands of RMB, unless otherwise stated)

	Notes	For the six-month period ended 30 June	
		2022	2021
		Unaudited	Unaudited
Cash flows from operating activities			
Profit before tax		949,245	1,254,928
Adjustments for:			
Depreciation and amortisation	9	394,654	374,383
Net trading gains	6	(774,791)	(492,463)
Dividend income	7	(2,215)	(10,128)
Interest income on financial investments	4	(3,639,188)	(3,453,625)
Credit impairment losses	10	3,876,280	2,907,800
Unrealised foreign exchange losses		(171,462)	(13,566)
Interest expense on issuance of bonds	4	447,089	532,259
Interest expense on lease liabilities	4	11,842	10,542
Accrued interest on impaired loans	4	(284,168)	(173,484)
Net gain on disposal of financial investments	7	(306,972)	(116,828)
Net gain on disposal of property and equipment	8	(128)	(125,448)
		500,186	694,370
Net (increase)/decrease in operating assets:			
Due from the central bank		1,092,917	874,660
Due from banks and other financial institutions		(2,377,674)	(1,565,330)
Reverse repurchase agreements		–	(134)
Loans and advances to customers		5,284,396	(15,006,298)
Finance lease receivables		(408,643)	443,014
Other assets		(718,788)	4,249,444
		2,872,208	(11,004,644)
Net increase/(decrease) in operating liabilities:			
Due to the central bank		802,738	(712,138)
Borrowings from banks and other financial institutions		1,304,891	2,173,372
Due to banks and other financial institutions		697,421	6,457,423
Repurchase agreements		(8,527,110)	14,134,400
Due to customers		8,994,501	17,893,968
Other liabilities		565,745	1,641,016
		3,838,186	41,588,041
Net cash flows from operating activities before tax		7,210,580	31,277,767
Income tax paid		(639,764)	(3,250,130)
Net cash flows from operating activities		6,570,816	28,027,637

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

Condensed Consolidated Statement of Cash Flows

For the six-month period ended 30 June 2022

(Amount in thousands of RMB, unless otherwise stated)

	Notes	For the six-month period ended 30 June	
		2022	2021
		Unaudited	Unaudited
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment, intangible assets and other long term assets		(141,131)	(255,693)
Proceeds from disposal of property and equipment		13,678	230,550
Cash paid for investments		(200,641,786)	(418,101,748)
Proceeds from sale and redemption of investments		183,471,654	409,725,855
Return on investments		4,007,220	919,450
Net cash flows used in investing activities		(13,290,365)	(7,481,586)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Proceed from issuance of perpetual bond	32	–	8,000,000
Proceeds from issue of other debt securities		24,117,682	24,619,204
Payment for redemption of debt securities		(11,224,481)	(41,140,647)
Interest and issue expenses paid on debt securities		(430,328)	(238,423)
Payment for lease liabilities		(60,302)	(32,179)
Dividends paid on ordinary shares		–	(731)
Net cash flows from/(used in) financing activities		12,402,571	(8,792,776)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the period		32,008,169	20,522,212
Effect of exchange rate changes on cash and cash equivalents		33,467	(22,340)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	38	37,724,658	32,253,147
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		12,551,516	13,194,546
Interest paid		(9,628,756)	(10,314,267)

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

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022
(Amount in thousands of RMB, unless otherwise stated)

1. CORPORATE INFORMATION AND GROUP STRUCTURE

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

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

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

The subsidiaries of the Bank as at 30 June 2022 are as follows:

Company name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of interest owned by the Bank/ voting rights	Amount invested by the Bank	Principal activities
			%		
Bayan Rongxing Village and Township Bank Co., Ltd.	Bayan, Heilongjiang	50,000	100.00	53,400	Village and township bank
Huining Huishi Village and Township Bank Co., Ltd.	Huining, Gansu	30,000	100.00	30,000	Village and township bank
Beijing Huairou Rongxing Village and Township Bank Co., Ltd.	Huairou, Beijing	200,000	85.00	207,600	Village and township bank
Yushu Rongxing Village and Township Bank Co., Ltd.	Yushu, Jilin	30,000	100.00	30,000	Village and township bank
Shenzhen Baoan Rongxing Village and Township Bank Co., Ltd.	Baoan, Shenzhen	220,000	70.00	140,000	Village and township bank
Yanshou Rongxing Village and Township Bank Co., Ltd.	Yanshou, Heilongjiang	30,000	100.00	30,000	Village and township bank
Chongqing Dadukou Rongxing Village and Township Bank Co., Ltd.	Dadukou, Chongqing	150,000	80.00	144,420	Village and township bank
Suining Anju Rongxing Village and Township Bank Co., Ltd.	Suining, Sichuan	80,000	75.00	60,000	Village and township bank

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022

(Amount in thousands of RMB, unless otherwise stated)

1. CORPORATE INFORMATION AND GROUP STRUCTURE (Continued)

The subsidiaries of the Bank as at 30 June 2022 are as follows: (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of interest owned by the Bank/ voting rights %	Amount invested by the Bank	Principal activities
Huachuan Rongxing Village and Township Bank Co., Ltd.	Huachuan, Heilongjiang	270,000	99.63	269,000	Village and township bank
Baiquan Rongxing Village and Township Bank Co., Ltd.	Baiquan, Heilongjiang	269,000	100.00	269,000	Village and township bank
Yanshi Rongxing Village and Township Bank Co., Ltd.	Yanshi, Henan	90,000	100.00	90,000	Village and township bank
Leping Rongxing Village and Township Bank Co., Ltd.	Leping, Jiangxi	294,000	100.00	294,000	Village and township bank
Jiangsu Rudong Rongxing Village and Township Bank Co., Ltd.	Rudong, Jiangsu	106,000	80.00	80,000	Village and township bank
Honghu Rongxing Village and Township Bank Co., Ltd.	Honghu, Hubei	30,000	100.00	30,000	Village and township bank
Zhuzhou Rongxing Village and Township Bank Co., Ltd.	Zhuzhou, Hunan	55,000	80.00	40,000	Village and township bank
Chongqing Wulong Rongxing Village and Township Bank Co., Ltd.	Wulong, Chongqing	50,000	70.00	35,000	Village and township bank
Xin'an Rongxing Village and Township Bank Co., Ltd.	Xin'an, Henan	33,300	90.09	30,000	Village and township bank
Anyi Rongxing Village and Township Bank Co., Ltd.	Anyi, Jiangxi	60,000	100.00	30,000	Village and township bank
Yingcheng Rongxing Village and Township Bank Co., Ltd.	Yingcheng, Hubei	142,000	100.00	132,000	Village and township bank
Leiyang Rongxing Village and Township Bank Co., Ltd.	Leiyang, Hunan	50,000	100.00	50,000	Village and township bank
Hainan Baoting Rongxing Village and Township Bank Co., Ltd.	Baoting, Hainan	30,000	96.67	29,000	Village and township bank
Chongqing Shapingba Rongxing Village and Township Bank Co., Ltd.	Shapingba, Chongqing	100,000	80.00	80,000	Village and township bank

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(Amount in thousands of RMB, unless otherwise stated)

1. CORPORATE INFORMATION AND GROUP STRUCTURE (Continued)

The subsidiaries of the Bank as at 30 June 2022 are as follows: (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of interest owned by the Bank/ voting rights	Amount invested by the Bank	Principal activities
			%		
Hejian Ronghui Village and Township Bank Co., Ltd.	Hejian, Hebei	50,000	100.00	50,000	Village and township bank
Chongqing Youyang Village and Township Bank Co., Ltd.	Youyang, Chongqing	60,000	100.00	60,000	Village and township bank
Ning'an Rongxing Village and Township Bank Co., Ltd.	Ning'an, Heilongjiang	30,000	100.00	30,000	Village and township bank
Huanan Rongxing Village and Township Bank Co., Ltd.	Huanan, Heilongjiang	30,000	100.00	30,000	Village and township bank
Nehe Rongxing Village and Township Bank Co., Ltd.	Nehe, Heilongjiang	50,000	80.00	40,000	Village and township bank
Pingliang Kongtong Rongxing Village and Township Bank Co., Ltd.	Pingliang, Gansu	50,000	90.00	45,000	Village and township bank
Tianshui Maji Rongxing Village and Township Bank Co., Ltd.	Tianshui, Gansu	50,000	98.00	49,000	Village and township bank
Zhongjiang Rongxing Village and Township Bank Co., Ltd.	Zhongjiang, Sichuan	50,000	70.00	35,000	Village and township bank
Chengdu Qingbaijiang Rongxing Village and Township Bank Co., Ltd.	Chengdu, Sichuan	100,000	70.00	70,000	Village and township bank
Langzhong Rongxing Village and Township Bank Co., Ltd.	Langzhong, Sichuan	50,000	90.00	45,000	Village and township bank
Harbin Bank Financial Leasing Co., Ltd.	Harbin, Heilongjiang	2,000,000	80.00	1,600,000	Leasing company
Harbin Bank Consumer Finance Co., Ltd.	Harbin, Heilongjiang	1,500,000	53.00	795,000	Consumer finance company

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022

(Amount in thousands of RMB, unless otherwise stated)

2. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited interim financial information for the six-month period ended 30 June 2022 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) and should be read in conjunction with the annual financial statements for the year ended 31 December 2021.

Except as described below, the principal accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial information are consistent with those used in the Group’s annual financial statements for the year ended 31 December 2021.

2.1 Standards and amendments effective in 2022

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

Amendments to IAS 16	Property, plant and equipment: Proceed before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

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.

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

Standards	Subject of amendment	Effective for annual periods beginning on or after
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
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
Amendment to 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 Assets and Liabilities arising from Single Transaction</i>	1 January 2023

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

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022
(Amount in thousands of RMB, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The nature and assumptions related to the Group's accounting estimates are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2021.

4. NET INTEREST INCOME

	For the six-month period ended 30 June	
	2022	2021
Interest income on:		
Loans and advances to customers	8,690,213	8,332,476
– Corporate loans and advances	4,326,229	4,307,102
– Personal loans	4,363,831	3,998,440
– Discounted bills	153	26,934
Reverse repurchase agreements	157,941	136,328
Financial assets at fair value through other comprehensive income	778,128	409,306
Financial assets at amortised cost	2,861,060	3,044,319
Due from the central bank	312,537	390,999
Due from banks and other financial institutions	132,351	40,220
Finance lease receivables	770,162	697,674
Subtotal	13,702,392	13,051,322
Interest expense on:		
Due to customers	(7,026,798)	(6,821,425)
Repurchase agreements	(116,324)	(107,416)
Due to banks and other financial institutions	(526,143)	(213,733)
Debt securities issued	(447,089)	(532,259)
Due to the central bank	(58,337)	(41,057)
Borrowings from banks and other financial institutions	(197,275)	(269,103)
Lease liabilities	(11,842)	(10,542)
Subtotal	(8,383,808)	(7,995,535)
Net interest income	5,318,584	5,055,787
Including: interest income on impaired loans	284,168	173,484

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022

(Amount in thousands of RMB, unless otherwise stated)

5. NET FEE AND COMMISSION INCOME

	For the six-month period ended 30 June	
	2022	2021
Fee and commission income		
Advisory and consulting fees	140,227	95,675
Settlement and clearing fees	24,623	23,776
Agency and custodian fees	152,249	122,044
Including: non-guaranteed wealth management products	128,961	43,384
Bank card fees	118,675	125,604
Others	872	1,870
Subtotal	436,646	368,969
Fee and commission expense		
Settlement and clearing fees	(7,074)	(6,049)
Agency fees	(2,619)	(19,458)
Bank card fees	(19,614)	(27,945)
Others	(31,482)	(15,183)
Subtotal	(60,789)	(68,635)
Net fee and commission income	375,857	300,334

6. NET TRADING INCOME

	For the six-month period ended 30 June	
	2022	2021
Financial assets at fair value through profit or loss	774,791	492,463

The above amounts mainly include gains and losses arising from the purchase and sale of, interest income and changes in the fair value of financial assets at fair value through profit or loss.

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022
(Amount in thousands of RMB, unless otherwise stated)

7. NET GAIN ON FINANCIAL INVESTMENTS

	For the six-month period ended 30 June	
	2022	2021
Gain on disposal of financial assets at amortised cost	149,879	36,363
Gain on disposal of financial assets at fair value through other comprehensive income, net	157,093	80,465
Dividends from equity investments at fair value through other comprehensive income	2,215	10,128
Total	309,187	126,956

8. OTHER OPERATING INCOME, NET

	For the six-month period ended 30 June	
	2022	2021
Net gain on sale of property and equipment	128	125,448
Gain/(loss) on foreign exchange, net	175,511	(8,774)
Leasing income	11,558	23,362
Government grants and subsidies	15,865	13,031
Others	11,715	5,828
Total	214,777	158,895

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022

(Amount in thousands of RMB, unless otherwise stated)

9. OPERATING EXPENSES

	For the six-month period ended 30 June	
	2022	2021
Staff costs:		
Salaries, bonuses and allowances	590,297	602,072
Social insurance	185,723	169,378
Housing fund	82,809	82,932
Staff benefits	44,796	36,619
Labour union expenditure and education costs	8,912	8,468
Early retirement benefits	2,752	5,454
Others	27,942	–
Subtotal	943,231	904,923
General and administrative expenses	626,952	374,307
Tax and surcharges	114,025	122,801
Depreciation and amortisation	394,654	374,383
Leasing expense	15,868	59,619
Auditors' remuneration	1,800	1,800
Others	71,141	133,874
Total	2,167,671	1,971,707

10. CREDIT IMPAIRMENT LOSSES

	For the six-month period ended 30 June	
	2022	2021
Provision for/(reversal of) impairment losses on:		
Loans and advances to customers at amortised cost	3,447,508	2,846,058
Financial investments at amortised cost	305,149	145,372
Finance lease receivables	135,237	(25,943)
Others	(11,614)	(57,687)
Total	3,876,280	2,907,800

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022
(Amount in thousands of RMB, unless otherwise stated)

11. INCOME TAX EXPENSE

(a) Income tax

	For the six-month period ended 30 June	
	2022	2021
Current income tax	598,431	671,056
Deferred income tax	(237,232)	(356,402)
Total	361,199	314,654

(b) Reconciliation between income tax and accounting profit

The income tax of the Group's institutions has been provided at the statutory rate of 25% or 15%. A reconciliation of the income tax expense applicable to profit before tax at the PRC statutory income tax rate to income tax expense at the Group's effective income tax rate is as follows:

	For the six-month period ended 30 June	
	2022	2021
Profit before tax	949,245	1,254,928
Tax at the PRC statutory income tax rate	237,311	313,732
Items not deductible for tax purposes (i)	327,699	138,596
Non-taxable income (ii)	(226,180)	(173,444)
Adjustment for income tax from prior years	16,801	17,669
Effect of different tax rates for certain subsidiaries	(8,579)	(3,520)
Effect of unrecognised tax deductible losses	14,147	21,621
Tax expense at the Group's effective income tax rate	361,199	314,654

Notes:

- (i) The non-deductible items mainly represent non-deductible expenses.
- (ii) The non-taxable income mainly represents interest income arising from the PRC government bonds and local government bonds, and public fund dividends, which are exempted from income tax under Chinese tax regulations.

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022

(Amount in thousands of RMB, unless otherwise stated)

12. DIVIDENDS

	For the six-month period ended 30 June	
	2022	2021
Dividend on ordinary shares declared and paid or proposed:		
Final dividend for 2021: Nil * (2020: Nil *)	–	–

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

13. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares in issue during the period.

	For the six-month period ended 30 June	
	2022	2021
Net profit attributable to equity holders of the Bank	494,622	851,162
Less: Distribution of interests of perpetual bonds	(384,000)	–
Net profit attributable to ordinary shareholders of the Bank	110,622	851,162
Weighted average number of ordinary shares in issue (expressed in thousands) at the end of the period	10,995,600	10,995,600
Basic and diluted earnings per share (expressed in RMB per share)	0.01	0.08

For the calculation of basic earnings per share, distributions on non-cumulative perpetual bonds declared for the period was deducted from the amounts attributable to equity holders of the Bank. The Bank has declared an interest of RMB384 million on perpetual bonds during the six-month period ended 30 June 2022.

The group had no potentially dilutive ordinary shares for the six-month period ended 30 June 2022 (for the six-month period ended 30 June 2021: Nil).

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022
(Amount in thousands of RMB, unless otherwise stated)

14. CASH AND BALANCES WITH THE CENTRAL BANK

	30 June 2022	31 December 2021
Cash	1,006,605	1,202,797
Mandatory reserves with the central bank (i)	35,737,943	36,648,127
Surplus reserves with the central bank (ii)	22,596,346	26,700,197
Fiscal deposits with the central bank	172,937	352,579
Subtotal	59,513,831	64,903,700
Accrued interest	16,397	19,488
Total	59,530,228	64,923,188

- (i) The Group is required to place mandatory reserve deposits with the PBOC. Mandatory reserve deposits with the central bank are not available for use in the Group's daily operations. As at 30 June 2022 and 31 December 2021, the mandatory deposit reserve ratios of the branches and subsidiaries of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC.
- (ii) Surplus reserves with the central bank include funds for the purpose of cash settlement and other kinds of unrestricted deposits.

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022

(Amount in thousands of RMB, unless otherwise stated)

15. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2022	31 December 2021
Nostro accounts:		
Banks operating in Mainland China	3,867,511	3,182,084
Other financial institutions operating in Mainland China	256,370	171,310
Banks operating outside Mainland China	318,955	693,781
Subtotal	4,442,836	4,047,175
Accrued interest	144	429
Less: Allowance for impairment losses	(1,422)	(1,422)
Subtotal	4,441,558	4,046,182
Placements with banks and other financial institutions:		
Banks operating in Mainland China	350,000	50,000
Other financial institutions operating in Mainland China	7,670,000	1,030,000
Banks operating outside Mainland China	2,005,515	2,000,000
Subtotal	10,025,515	3,080,000
Accrued interest	49,873	11,258
Less: Allowance for impairment losses	(42,697)	(21,237)
Subtotal	10,032,691	3,070,021
Total	14,474,249	7,116,203

As at 30 June 2022 and 31 December 2021, all the amounts due from banks and other financial institutions of the Group were in Stage 1, and measured the impairment losses based on expected credit loss (“ECL”) in the next 12 months.

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022
(Amount in thousands of RMB, unless otherwise stated)

16. REVERSE REPURCHASE AGREEMENTS

	30 June 2022	31 December 2021
Reverse repurchase agreements analysed by counterparty:		
Banks operating in Mainland China	5,014,700	–
Total	5,014,700	–
Reverse repurchase analysed by collateral:		
Bonds	5,014,700	–
Total	5,014,700	–

17. LOANS AND ADVANCES TO CUSTOMERS

17.1 Analysis of loans and advances to customers by measurement category

	30 June 2022	31 December 2021
Loans and advances measured at amortised cost		
– Corporate loans and advances	162,147,643	161,598,638
– Personal loans	122,424,511	132,750,043
Subtotal	284,572,154	294,348,681
Loans and advances measured at fair value through other comprehensive income		
– Discounted bills	2,475,491	10,475
Total loans and advances to customers	287,047,645	294,359,156
Accrued interest	2,645,576	3,058,702
Less: allowance for impairment losses	(14,788,077)	(13,780,810)
Loans and advances to customers, net	274,905,144	283,637,048

17.2 Analysis of loans and advances to customers by industry, collateral type and analysis of overdue loans and advances to customers are presented in Note 45(a).

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022

(Amount in thousands of RMB, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS (Continued)

17.3 Analysis of loans and advances to customers

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	Total
As at 30 June 2022				
Total loans and advances at amortised cost	238,109,980	16,428,804	30,033,370	284,572,154
Accrued interest	2,481,561	160,504	3,511	2,645,576
Allowance for impairment losses	(3,129,923)	(1,405,396)	(10,252,758)	(14,788,077)
Loans and advances to customers at amortised cost, net	237,461,618	15,183,912	19,784,123	272,429,653
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	Total
As at 31 December 2021				
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	(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

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022
(Amount in thousands of RMB, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	For the six-month period ended 30 June 2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	Total
As at 1 January 2022	3,950,605	2,168,461	7,661,744	13,780,810
Exchange difference	14,635	–	71	14,706
Charge for the period	1,676,011	256,660	1,514,837	3,447,508
Stage conversion	(2,511,328)	(1,019,725)	3,531,053	–
Converted to Stage 1	12,442	(10,911)	(1,531)	–
Converted to Stage 2	(588,910)	596,636	(7,726)	–
Converted to Stage 3	(1,934,860)	(1,605,450)	3,540,310	–
Write-off and transfer out	–	–	(2,284,956)	(2,284,956)
Recovery of loans and advances previously written off	–	–	114,177	114,177
Accrued interest on impaired loans	–	–	(284,168)	(284,168)
As at 30 June 2022	3,129,923	1,405,396	10,252,758	14,788,077

During the six-month period ended 30 June 2022, the loan principal transferred from stage 1 to stage 2 and stage 3 was RMB16,847 million, and corresponding impairment provision increased by RMB1,750 million. The loan principal transferred from stage 2 to stage 3 was RMB4,565 million, impairment provision increasing by RMB559 million. The loan principal transferred from stage 2 to stage 1 was RMB1,202 million, impairment provision decreasing by RMB186 million. The loan principal transferred from stage 3 to stage 1 and stage 2 was RMB160 million, impairment provision decreasing by RMB10 million.

During the six-month period ended 30 June 2022, the Group transferred loans and advances amount of RMB325 million to independent third parties and the transfer price was RMB331 million.

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022

(Amount in thousands of RMB, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	For the year ended 31 December 2021			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
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
Accrued 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

During the year ended 31 December 2021, the loan principal transferred from stage 1 to stage 2 and stage 3 was RMB9,030 million, and corresponding impairment provision increased by RMB1,314 million. The loan principal transferred from stage 2 to stage 3 was RMB922 million, impairment provision increasing by RMB293 million. The loan principal transferred from stage 2 to stage 1 was RMB1,648 million, impairment provision decreasing by RMB155 million. The loan principal transferred from stage 3 to stage 1 and stage 2 was RMB1,859 million, impairment provision decreasing by RMB667 million.

During the year ended 31 December 2021, the Group transferred loans and advances amount of RMB1,120 million to independent third parties and the transfer price was RMB919 million.

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022
(Amount in thousands of RMB, unless otherwise stated)

18. DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into related 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 in 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.

	30 June 2022			31 December 2021		
	Contractual/ notional amount	Fair value		Contractual/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Foreign exchange forwards and swaps	1,722,545	–	(30,027)	1,513,862	–	(14,858)
Option contracts	187,038,658	1,171,759	(1,171,759)	214,738,684	1,796,713	(1,796,713)
	188,761,203	1,171,759	(1,201,786)	216,252,546	1,796,713	(1,811,571)

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022

(Amount in thousands of RMB, unless otherwise stated)

19. FINANCIAL INVESTMENTS

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

	30 June 2022	31 December 2021
Government debt securities	344,830	374,533
Corporate debt securities	2,937,512	2,912,845
Funds (i)	17,191,810	14,370,853
Trust fund plans and asset management plans (ii)	47,461,144	43,491,851
Subtotal	67,935,296	61,150,082
Equity instruments	287,957	319,140
Accrued interest	259,775	47,012
Total	68,483,028	61,516,234

As at 30 June 2022 and 31 December 2021, no financial assets 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 tests as financial assets at fair value through profit or loss.

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022
(Amount in thousands of RMB, unless otherwise stated)

19. FINANCIAL INVESTMENTS (Continued)

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

	30 June 2022	31 December 2021
Government debt securities	24,443,404	14,559,059
Policy bank debt securities	7,089,352	3,209,442
Financial institution debt securities	3,234,197	2,355,748
Corporate debt securities	12,480,409	10,755,497
Subtotal	47,247,362	30,879,746
Equity investments	7,232,363	7,440,558
Accrued interest	712,635	523,221
Net balance	55,192,360	38,843,525

As at 30 June 2022, 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 RMB37,053 thousand. As at 31 December 2021, debt securities of RMB136,553 thousand at fair value through other comprehensive income of the Group were in stage 3, and the Group's accumulated allowance for impairment losses on the above-mentioned debt instruments amounted to RMB105,000 thousand. Other debt securities at fair value through other comprehensive income were in stage 1, and the corresponding accumulated allowance for impairment losses amounted to RMB15,612 thousand.

As at 30 June 2022, debt securities of RMB66,933 thousand and RMB54,316 thousand at fair value through other comprehensive income of the Group were pledged in fixed time deposits and due to the central bank respectively. As at 31 December 2021, debt securities of RMB1,917,841 thousand, RMB1,817,892 thousand and RMB467,435 thousand at fair value through other comprehensive income of the Group were pledged in fixed time deposits due to the central bank respectively.

The Group irrevocably designated parts of its equity investments at fair value through other comprehensive income.

Notes to the Condensed Consolidated Interim Financial Information

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(Amount in thousands of RMB, unless otherwise stated)

19. FINANCIAL INVESTMENTS (Continued)

(c) Financial assets at amortised cost

	30 June 2022	31 December 2021
Government debt securities	30,511,982	26,535,764
Policy bank debt securities	11,258,263	14,651,243
Financial institution debt securities	1,569,955	1,569,955
Corporate debt securities	18,135,885	18,261,657
Trust fund plans and asset management plans	80,864,194	86,801,887
Subtotal	142,340,279	147,820,506
Accrued interest	2,224,324	2,546,567
Allowance for impairment losses (i)	(5,302,093)	(5,059,680)
Net balance	139,262,510	145,307,393

As at 30 June 2022, debt securities of RMB123,368 thousand and RMB1,066,012 thousand at amortised cost of the Group were pledged in due to the central bank and fixed time deposits respectively. As at 31 December 2021, debt securities of RMB7,117,950 thousand, RMB3,964,085 thousand and RMB6,644,138 thousand at amortised cost of the Group were pledged in repurchase agreements, due to the central bank and fixed time deposits respectively.

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

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	Total
As at 1 January 2022	760,830	746,569	3,552,281	5,059,680
Impairment loss charge during the period	25,103	17,535	262,511	305,149
Amounts written off during the period	-	-	(62,736)	(62,736)
As at 30 June 2022	785,933	764,104	3,752,056	5,302,093

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	Total
As at 1 January 2021	743,992	322,254	3,414,515	4,480,761
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

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20. FINANCE LEASE RECEIVABLES

	30 June 2022	31 December 2021
Finance lease receivables	26,092,304	26,468,716
Less: unearned finance lease income	(2,277,357)	(2,363,140)
Present value of minimum finance lease receivables	23,814,947	24,105,576
Accrued interest	246,387	217,558
Less: allowance for impairment losses	(780,845)	(1,401,834)
Net balance	23,280,489	22,921,300

The Group divided finance lease receivables into stage 1, stage 2 and stage 3. As at 30 June 2022, the gross amounts were RMB22,982,699 thousand, RMB537,476 thousand and RMB294,772 thousand respectively, and allowances for impairment losses were RMB243,112 thousand, RMB307,947 thousand and RMB229,786 thousand respectively. As at 31 December 2021, the gross amounts were RMB22,416,884 thousand, RMB1,111,199 thousand, and RMB577,493 thousand respectively, and allowances for impairment losses were RMB292,169 thousand, RMB551,795 thousand, and RMB557,870 thousand, respectively.

As at 30 June 2022, the fair value of collateral that the Group holds relating to finance lease receivables determined to be impaired amounted to RMB22,565,085 thousand (31 December 2021: RMB31,188,714 thousand). The collateral mainly consists of right to charge for tourist attractions, provision of other public services and receivables in trading nature.

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

	30 June 2022			31 December 2021		
	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables	Finance lease receivables	Unearned finance lease income	Minimum finance lease receivables
Less than 1 year	11,843,720	(1,033,729)	10,809,991	11,886,314	(1,276,452)	10,609,862
1 year to 2 years	8,254,198	(720,433)	7,533,765	7,720,014	(651,409)	7,068,605
2 years to 3 years	3,936,341	(343,567)	3,592,774	4,180,759	(282,684)	3,898,075
3 years to 5 years	2,058,045	(179,628)	1,878,417	2,659,986	(151,738)	2,508,248
More than 5 years	–	–	–	21,643	(857)	20,786
	26,092,304	(2,277,357)	23,814,947	26,468,716	(2,363,140)	24,105,576

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(Amount in thousands of RMB, unless otherwise stated)

21. 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 and 1 January 2022	6,912,553	2,651,014	653,088	2,139,376	67,702	314,398	12,738,131
Additions	-	29,022	2,743	19,380	914	-	52,059
Transfer from construction in progress	6,342	(11,195)	2,055	2,798	-	-	-
Disposals	(13,273)	-	-	(4,481)	(572)	-	(18,326)
At 30 June 2022	6,905,622	2,668,841	657,886	2,157,073	68,044	314,398	12,771,864
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 and 1 January 2022	1,537,051	-	564,784	1,697,583	55,193	104,617	3,959,228
Depreciation charge for the period	107,196	-	20,141	72,478	2,110	3,977	205,902
Disposals	-	-	-	(4,232)	(544)	-	(4,776)
At 30 June 2022	1,644,247	-	584,925	1,765,829	56,759	108,594	4,160,354
Accumulated Impairment loss:							
At 1 January 2021	-	-	-	-	-	-	-
Provided for the year	-	-	-	-	-	101,027	101,027
At 31 December 2021, 1 January 2022 and 30 June 2022	-	-	-	-	-	101,027	101,027
Net carrying amount:							
At 30 June 2022	5,261,375	2,668,841	72,961	391,244	11,285	104,777	8,510,483
At 31 December 2021	5,375,502	2,651,014	88,304	441,793	12,509	108,754	8,677,876

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(Amount in thousands of RMB, unless otherwise stated)

21. 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:

	30 June 2022	31 December 2021
Held in China:		
10 to 50 years	5,196,343	5,351,499
Less than 10 years	65,032	24,003
	5,261,375	5,375,502

As at 30 June 2022, the process of obtaining the titles for the Group's properties and buildings with an aggregate net carrying value of RMB355 million (31 December 2021: RMB496 million) was still in progress. Management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

22. DEFERRED INCOME TAX ASSETS AND LIABILITIES

(a) Analysed by nature

	30 June 2022		31 December 2021	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets:				
Allowance for impairment losses	19,248,157	4,765,199	18,086,079	4,465,550
Provisions	85,317	21,329	138,196	34,549
Salaries, bonuses, allowances and subsidies payable	216,705	51,546	240,548	56,908
Early retirement benefits	34,407	8,602	39,229	9,807
Deferred revenue	77,150	19,196	37,595	8,998
Deductible losses	29,969	7,492	–	–
Others	127,783	24,980	144,764	34,854
Subtotal	19,819,488	4,898,344	18,686,411	4,610,666
Deferred income tax liabilities:				
Changes in fair value of financial assets at fair value through profit or loss	(858,324)	(214,581)	(633,811)	(158,453)
Changes in fair value of financial assets at fair value through other comprehensive income	(171,929)	(42,982)	(385,395)	(96,349)
Subtotal	(1,030,253)	(257,563)	(1,019,206)	(254,802)
Total	18,789,235	4,640,781	17,667,205	4,355,864

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For the six-month period ended 30 June 2022

(Amount in thousands of RMB, unless otherwise stated)

22. DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

(b) Movements in deferred income tax

	At 1 January 2022	Total gains/ (losses) recorded in profit or loss	Total gains recorded in other comprehensive income	At 30 June 2022
For the six-month period ended 30 June 2022				
Deferred income tax assets:				
Allowance for impairment losses	4,465,550	299,649	–	4,765,199
Provisions	34,549	(13,220)	–	21,329
Changes in fair value of financial assets at fair value through profit or loss	(158,453)	(56,128)	–	(214,581)
Changes in fair value of financial assets at fair value through other comprehensive income	(96,349)	–	53,367	(42,982)
Allowance for impairment losses on the financial assets at fair value through other comprehensive income	–	5,682	(5,682)	–
Salaries, bonuses, allowances and subsidies payable	56,908	(5,362)	–	51,546
Early retirement benefits	9,807	(1,205)	–	8,602
Deferred revenue	8,998	10,198	–	19,196
Deductible losses	–	7,492	–	7,492
Others	34,854	(9,874)	–	24,980
Total	4,355,864	237,232	47,685	4,640,781

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22. DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

(b) Movements in deferred income tax (Continued)

	At 1 January 2021	Total gains/ (losses) recorded in profit or loss	Total losses recorded in other comprehensive income	At 31 December 2021
For the year ended 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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(Amount in thousands of RMB, unless otherwise stated)

23. OTHER ASSETS

	30 June 2022	31 December 2021
Interest receivable (a)	1,248,005	389,738
Right-of-use assets (b)	478,162	399,232
Land use rights (c)	4,161	4,339
Advance payments	338,810	322,706
Settlement and clearing accounts	3,199,710	3,628,340
Intangible assets (d)	501,260	484,516
Other receivables	1,669,423	975,643
Others	21,907	21,819
Subtotal	7,461,438	6,226,333
Less: Allowance for impairment losses	(272,238)	(275,501)
Total	7,189,200	5,950,832

(a) Interest receivable

As at 30 June 2022, the carrying amounts of the Group's overdue interest receivables in Stages 1, 2 and 3 were RMB375,097 thousand, RMB773,867 thousand and RMB99,041 thousand, respectively. The allowance for impairment losses were RMB4,874 thousand, RMB28,454 thousand and RMB30,974 thousand, respectively. As at 31 December 2021, the carrying amounts of the Group's overdue interest receivables in stage 1, 2 and 3 were RMB226,202 thousand, RMB163,187 thousand and RMB349 thousand, respectively. The allowance for impairment losses were RMB3,393 thousand, RMB63,818 thousand and RMB349 thousand, respectively.

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For the six-month period ended 30 June 2022
(Amount in thousands of RMB, unless otherwise stated)

23. OTHER ASSETS (Continued)

(b) Right-of-use assets

	Properties and buildings	Motor vehicles and others	Total
Cost:			
At 1 January 2022	677,453	82,999	760,452
Additions	171,958	14,895	186,853
Decrease	(37,353)	(6,393)	(43,746)
At 30 June 2022	812,058	91,501	903,559
Accumulated depreciation:			
At 1 January 2022	316,120	45,100	361,220
Additions	95,823	11,738	107,561
Decrease	(37,149)	(6,235)	(43,384)
At 30 June 2022	374,794	50,603	425,397
Net carrying amount:			
At 30 June 2022	437,264	40,898	478,162
At 1 January 2022	361,333	37,899	399,232
	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 carrying amount:			
At 31 December 2021	361,333	37,899	399,232
At 1 January 2021	450,778	44,061	494,839

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For the six-month period ended 30 June 2022

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23. OTHER ASSETS (Continued)

(c) Land use rights

	30 June 2022	31 December 2021
Located in Mainland China		
10 to 50 years	4,161	4,339

(d) Intangible assets

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

24. DUE TO THE CENTRAL BANK

	30 June 2022	31 December 2021
Small enterprises supporting re-lending	4,725,731	3,885,517
Agricultural supporting re-lending	279,245	311,050
Poverty alleviation re-lending	65,650	71,845
Subtotal	5,070,626	4,268,412
Interest payable	3,095	2,571
Total	5,073,721	4,270,983

25. BORROWINGS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2022	31 December 2021
Unsecured borrowings	13,367,610	11,934,519
Pledged borrowings	198,817	354,660
Subtotal	13,566,427	12,289,179
Interest payable	136,231	108,588
Total	13,702,658	12,397,767

As at 30 June 2022, the pledged borrowings of RMB199 million (31 December 2021: RMB355 million) were secured by the finance lease receivables of RMB238 million (31 December 2021: RMB584 million).

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26. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2022	31 December 2021
Deposits:		
Banks operating in Mainland China	18,860,096	20,002,619
Banks operating outside Mainland China	310,986	8,772
Subtotal	19,171,082	20,011,391
Interest payable	244,398	319,436
Subtotal	19,415,480	20,330,827
Placements:		
Banks operating in Mainland China	2,791,470	1,251,469
Other financial institutions operating in Mainland China	1,075,000	1,025,000
Subtotal	3,866,470	2,276,469
Interest payable	53,042	30,275
Subtotal	3,919,512	2,306,744
Total	23,334,992	22,637,571

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

27. REPURCHASE AGREEMENTS

	30 June 2022	31 December 2021
Repurchase agreements analysed by counterparty:		
Banks operating in Mainland China	496,860	500,000
Other financial institutions operating in Mainland China	–	8,497,950
Interest payable	–	26,020
Total	496,860	9,023,970
Repurchase agreements analysed by collateral:		
Bonds	–	8,497,950
Bills	496,860	500,000
Interest payable	–	26,020
Total	496,860	9,023,970

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28. DUE TO CUSTOMERS

	30 June 2022	31 December 2021
Demand deposits:		
Corporate customers	72,104,450	86,244,481
Personal customers	46,639,970	51,237,218
Subtotal	118,744,420	137,481,699
Time deposits:		
Corporate customers	106,147,485	104,591,300
Personal customers	284,618,419	259,678,183
Subtotal	390,765,904	364,269,483
Demand and time deposits	509,510,324	501,751,182
Interest payable	6,264,123	5,028,764
Total	515,774,447	506,779,946

29. DEBT SECURITIES ISSUED

	30 June 2022	31 December 2021
Financial bonds issued	–	1,000,000
Negotiable certificates of deposit issued	32,423,120	18,098,445
Subtotal	32,423,120	19,098,445
Interest payable	–	30,713
Total	32,423,120	19,129,158

For the six-month period ended 30 June 2022 and the year ended 31 December 2021, the Group issued at discount 134 and 319 interbank negotiable certificates of deposit with face value of RMB100 through the domestic interbank bond market respectively.

As at 30 June 2022 and 31 December 2021, 133 and 123 negotiable certificates of deposit issued by the Group have not yet matured, the balances of which were RMB32,423 million and RMB18,098 million respectively, the term ranged from 1 month to 1 year.

As approved by the PBOC and the CBIRC, the Group has issued financial bonds through the open market in recent years. These bonds were traded in the interbank bond market. The Group has not had any defaults of principal or interest or other financial bonds issued during the six-month period ended 30 June 2022 and year ended 31 December 2021. As at 30 June 2022, no financial bond were repayable.

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29. 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)	5 years	5 May 2017	10 May 2017	10 May 2022	1,000,000	30,713	1,000,000

Note: The 17 Harbin Bank green financial bonds 03 has been fully repaid during the reporting period.

30. OTHER LIABILITIES

	30 June 2022	31 December 2021
Wealth management products payable	4,528	4,529
Settlement and clearing accounts	2,054,563	1,332,908
Account payable from agency services	125,088	307,470
Salaries, bonuses, allowances and subsidies payable (a)	247,879	633,230
Sundry tax payables	307,671	168,795
Deferred revenue (b)	172,889	174,293
Dividends payable	74,141	74,568
Accrued expenses	172,125	97,848
Lease guarantee fee	2,029,120	1,780,779
Provision	85,317	138,196
Lease liabilities	475,444	377,487
Other payables	529,630	539,198
Total	6,278,395	5,629,301

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30. OTHER LIABILITIES (Continued)

(a) Salaries, bonuses, allowances and subsidies payable

	30 June 2022	31 December 2021
Salaries, bonuses and allowances	121,127	565,979
Social insurance	47,127	12,193
Housing fund	31,061	4,462
Labour union expenditure and education costs	7,429	9,198
Early retirement benefits	36,091	41,234
Others	5,044	164
Total	247,879	633,230

The Group has no forfeiture of pension scheme contributions (i.e. contributions processed by the employer on behalf of the employee who has exited the scheme prior to vesting of such contributions). As at 30 June 2022 and 31 December 2021, no forfeited contribution under the pension scheme of the Group is available for deduction of contribution payable in coming years.

(b) Deferred revenue

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

	30 June 2022	31 December 2021
Intermediary services	172,889	174,293

31. SHARE CAPITAL

	2022		2021	
	Number of shares (thousand)	Nominal value	Number of shares (thousand)	Nominal value
Issued and fully paid ordinary shares at par value RMB1 per share				
At the beginning and end of the period/year	10,995,600	10,995,600	10,995,600	10,995,600

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32. OTHER EQUITY INSTRUMENTS

	1 January 2022		Changes during the period		30 June 2022	
	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	80,000	7,999,830	–	–	80,000	7,999,830
Perpetual bonds with no maturity date – Phase 2	30,000	2,999,460	–	–	30,000	2,999,460
Total	110,000	10,999,290	–	–	110,000	10,999,290

	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	–	–	80,000	7,999,830	80,000	7,999,830
Perpetual bonds with no maturity date – Phase 2	–	–	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.

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.

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32. OTHER EQUITY INSTRUMENTS (Continued)

During the six-month ended 30 June 2022, RMB384 million interest payment was paid by the Group to the holders of perpetual bonds. No interest payment was paid by the Group to the holders of perpetual bonds during the year ended 31 December 2021.

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.

33. CAPITAL RESERVE

	Share premium	Other capital reserve	Total
At 1 January 2021, 31 December 2021 and 30 June 2022	7,624,993	36,131	7,661,124

34. COMPONENTS OF OTHER COMPREHENSIVE INCOME

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

	For the six-month period ended 30 June	
	2022	2021
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	(13,179)	–
Items that may be reclassified subsequently to profit or loss		
Changes in fair value of debt instruments measured at fair value through other comprehensive income	(94,859)	(4,159)
Allowance for impairment losses on debt instruments measured at fair value through other comprehensive income	22,727	2,268
Transfer to the condensed consolidated statement of profit or loss arising from disposal	(116,362)	(54,192)
Income tax effect	50,418	14,021
Total	(151,255)	(42,062)

Notes to the Condensed Consolidated Interim Financial Information

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34. COMPONENTS OF OTHER COMPREHENSIVE INCOME (Continued)

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

	1 January 2022	Changes during the period	30 June 2022
Gains/(losses) on debt instruments at fair value through other comprehensive income	292,396	(141,371)	151,025
Gains/(losses) on equity instruments at fair value through other comprehensive income	86,533	(1,684)	84,849
Total	378,929	(143,055)	235,874

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

35. SURPLUS RESERVES

	Statutory surplus reserves	Discretionary surplus reserves	Total
At 1 January 2021	3,860,723	26,186	3,886,909
Appropriation during the year	16,318	–	16,318
At 31 December 2021, 1 January 2022 and 30 June 2022	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 determined to the discretionary surplus reserve upon approval by the shareholders in general meetings. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

Notes to the Condensed Consolidated Interim Financial Information

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36. GENERAL AND REGULATORY RESERVES

	30 June 2022	31 December 2021
Balance as at the beginning of the period/year	7,584,624	7,550,747
Increase during the period/year	290,672	33,877
Balance as at the end of the period/year	7,875,296	7,584,624

From 1 July 2012, according to the requirements of the Administrative Measures for the Provision of Reserves of Financial Enterprises (No.20[2012] of the Ministry of Finance (“MOF”)), the Group is required to maintain a general reserve within equity, through the appropriation of profit, which should not be less than 1.5% of the year ending balance of its risk assets.

37. UNDISTRIBUTED PROFITS

	30 June 2022	31 December 2021
Balance as at the beginning of the period/year	19,271,378	19,056,263
Profit for the period/year attributable to equity holders of the Bank	494,622	274,133
Net of:		
Appropriation to statutory surplus reserves	–	(16,318)
Appropriation to general and regulatory reserves	(290,672)	(33,877)
Transfer of loss on disposal of financial asset at fair value through other comprehensive income to retained earnings	(8,200)	(8,823)
Distribution of interests of perpetual bonds	(384,000)	–
Balance as at the end of the period/year	19,083,128	19,271,378

38. CASH AND CASH EQUIVALENTS

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

	30 June 2022	30 June 2021
Cash on hand (note 14)	1,006,605	1,016,350
Balances with the central bank (note 14)	22,596,346	24,539,373
Due from banks and other financial institutions	9,107,007	4,497,484
Reverse repurchase agreements	5,014,700	2,199,940
Total	37,724,658	32,253,147

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39. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

The Group had capital commitments as follows:

	30 June 2022	31 December 2021
Contracted, but not provided	268,837	211,410
Approved, but not contracted	78	589
	268,915	211,999

(b) Credit commitments

At any given time, the Group has outstanding commitments to extend credit, in the form of undrawn credit card limits.

The Group provides letters of credit and financial guarantees to guarantee the performance of customers to third parties.

Bank acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

The contractual amounts of credit commitments by category are set out below. The amounts disclosed in respect of undrawn credit card limits are under the assumption that the amounts will be fully advanced. The amounts for bank bill acceptances, letters of credit and guarantees represent the maximum potential losses that would be recognised at the end of the reporting period had the counterparties failed to perform as contracted.

	30 June 2022	31 December 2021
Bank bill acceptances	10,812,154	9,860,350
Letters of guarantee issued	189,137	1,298,804
Letters of credit	2,866,283	2,642,433
Undrawn credit card limits	30,718,699	27,063,337
Total	44,586,273	40,864,924

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39. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(b) Credit commitments (Continued)

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

	30 June 2022	31 December 2021
Financial guarantees and credit related commitments	7,778,697	7,498,626

The credit risk-weighted amount of financial guarantees and credit related commitments refers to the amount as computed in accordance with the formula promulgated by the CBIRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments.

(c) Legal proceedings

As at 30 June 2022, significant legal proceedings exceeding RMB10,000 thousand outstanding against the Group amounted to RMB72,430 thousand (31 December 2021: RMB72,430 thousand). As at 30 June 2022, the Group expects that there will be a loss caused by these litigations and made provisions amounted to RMB55,961 thousand (31 December 2021: RMB55,961 thousand).

(d) Redemption commitments of government bonds

As an underwriting agent of the government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public, where the Bank is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 30 June 2022, the Bank had underwritten and sold bonds with an accumulated amount of RMB1,467 million (31 December 2021: RMB1,979 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material. The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

(e) Assets pledged as security

Financial assets of the Group including debt securities and bills have been pledged as security for liabilities or contingent liabilities, which mainly arise from repurchase agreements and negotiated deposits. As at 30 June 2022, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB16,417 million (31 December 2021: approximately RMB22,513 million).

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40. FIDUCIARY ACTIVITIES

	30 June 2022	31 December 2021
Designated funds	2,104,154	1,900,107
Designated loans	2,104,154	1,900,107

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

The designated loans represent the loans granted to specific borrowers designated by the trustors on their behalf according to the entrusted agreements signed by the Group and the trustors. The Group does not bear any risk.

41. 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 30 June 2022 and 31 December 2021, none of the above-mentioned financial assets or financial liabilities which did not qualify for derecognition was transferred to third parties.

Securitisation of credit assets

The Group enters into securitisation of credit assets in the normal course of business by which it transfers credit assets to special purpose entities which in turn issue asset-backed securities to investors. The Group may acquire some subordinated tranches of securities and accordingly may retain part of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that were securitised and qualified for derecognition, the Group derecognised the transferred credit assets in their entirety. As at 30 June 2022, the Group did not hold such asset-backed securities (31 December 2021: Nil).

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42. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group is principally involved with structured entities through financial investments and asset management. These structured entities generally finance the purchase of assets by issuing securities or by other means. The Group determines whether or not to consolidate these structured entities depending on the Group's controls on them. The interests held by the Group in the unconsolidated structured entities are set out below:

42.1 Unconsolidated structured entities managed by the Group

(1) *Wealth management products*

When conducting wealth management businesses, the Group has established various structured entities to provide customers with specialised investment opportunities within narrow and well-defined objectives. As at 30 June 2022, the balance of the unconsolidated wealth management products issued by the Group amounted to RMB52,055 million (31 December 2021: RMB48,772 million). For the six-month period ended 30 June 2022, fee and commission income included commission and custodian fee and management fee income from the wealth management business that amounted to RMB128,961 thousand (for the six-month period ended 30 June 2021: RMB43,384 thousand).

For the purpose of asset-liability management, wealth management products may trigger short-term financing needs for the Group and other banks. However, the Group is not contractually obliged to provide financing. During the six-month period ended 30 June 2022, the Group did not provide any financing to the unconsolidated wealth management products (for the six-month period ended 30 June 2021: Nil).

(2) *Asset securitisation business*

Another type of structured entity managed by the Group but not yet consolidated is the special purpose entities set up by the third trust company due to the Group's asset securitisation transactions. The Group acts as the loan service agency of the special purpose entities and charges the corresponding fees and commissions. The Group believes that its variable returns on these entities are not significant.

For the six-month period ended 30 June 2022, the Group did not transfer credit assets to the special purpose entities (for the six-month period ended 30 June 2021: Nil).

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42. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES *(Continued)*

42.2 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 six month period ended 30 June 2022 and the year ended 31 December 2021, the Group has not provided liquidity support for these structured entities.

As at 30 June 2022, the interests held by the Group through direct investments in the structured entities sponsored by third party financial institutions are set out below:

	As at 30 June 2022			
	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total	Maximum exposure to loss
Trust investments and asset management plans	47,461,144	80,864,194	128,325,338	123,077,942
Funds	17,191,810	–	17,191,810	17,191,810
	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

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43. RELATED PARTY DISCLOSURES

(a) Significant related party disclosures

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

Name	Share percentage in the Bank	
	30 June 2022	31 December 2021
	%	%
Harbin Economic Development and Investment Company Limited	29.63	29.63
Heilongjiang Financial Holdings Group Co., Ltd.	18.51	18.51
Fubon Life Insurance Co., Ltd.	6.73	6.78

(ii) Subsidiaries of the Bank

Details of the subsidiaries of the Bank are set out in note 1.

(iii) Key management personnel of the Group and their close family members. Include spouse, children over the age of 18 and their spouses, parents and parents of spouses, siblings and their spouses, siblings of spouses, parents of children's spouses

(iv) Entities controlled or jointly controlled or significantly influenced by the key management personnel of the Group and their close family members.

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022
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43. 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

Name	For the six-month period ended 30 June	
	2022	2021
Harbin Economic Development and Investment Company Limited	8	6
Heilongjiang Financial Holdings Group Co., Ltd.	22,172	15,777

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

	For the six-month period ended 30 June	
	2022	2021
Interest income	167	103
Interest expense	48	114

- (iii) Transactions between the Bank and its subsidiaries

	For the six-month period ended 30 June	
	2022	2021
Interest income	301,524	393,779
Interest expense	160,242	154,526

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43. 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

Name	For the six-month period ended 30 June	
	2022	2021
Sino Russian Financial Union (Harbin)	12	12

Operating expenses

Name	For the six-month period ended 30 June	
	2022	2021
Beijing Zhongwen Law Firm	–	142

- (v) Transactions with other related parties

	For the six-month period ended 30 June	
	2022	2021
Emoluments of key management personnel and their close family members	5,283	9,673

In the view of the management of the Group, the transactions with the above related parties were conducted based on general business terms and conditions, general market prices for the pricing and according to the normal business procedures.

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43. 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

	30 June 2022	31 December 2021
Harbin Economic Development and Investment Company Limited	1,979	1,975
Heilongjiang Financial Holdings Group Co., Ltd.	726,328	920,537

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

	30 June 2022	31 December 2021
Loans and advances to customers	9,545	10,242
Due to customers	11,570	19,151

(iii) Balances between the Group and its subsidiaries

	30 June 2022	31 December 2021
Due from banks and other financial institutions	16,895,000	17,594,465
Due to banks and other financial institutions	9,359,090	10,645,232
Due to customers	34,162	719,933

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

Due to customers

Name	30 June 2022	31 December 2021
Sino Russian Financial Union (Harbin)	5,867	5,859

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44. 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 businesses other than the corporate financial business, retail financial business and interbank financial business, whose assets, liabilities, income and expenses are not directly attributable or cannot be allocated to a segment on a reasonable basis.

The transfer prices among segments are determined by the capital sources and due time which should match with the level of lending and deposit rates and interbank market rates announced by the People's Bank of China (the "PBOC"). Expenses are distributed among different segments according to their benefits.

Notes to the Condensed Consolidated Interim Financial Information

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44. SEGMENT INFORMATION (Continued)

(a) Operating segments (Continued)

	Corporate financial business	Retail financial business	Interbank financial business	Other business	Total
<u>Six-month period ended</u>					
<u>30 June 2022</u>					
External net interest income/ (expense)	3,108,213	(362,099)	2,584,312	(11,842)	5,318,584
Internal net interest (expense)/ income	(232,372)	3,692,942	(3,460,570)	–	–
Net fee and commission income	93,410	139,442	143,005	–	375,857
Other income, net (i)	–	–	1,273,016	25,739	1,298,755
Operating income	2,969,251	3,470,285	539,763	13,897	6,993,196
Operating expenses	(451,886)	(1,617,722)	(88,684)	(9,379)	(2,167,671)
Impairment losses on:					
Loans and advances to customers	(2,066,398)	(1,381,110)	–	–	(3,447,508)
Others	(84,681)	1,982	(349,336)	3,263	(428,772)
Operating profit	366,286	473,435	101,743	7,781	949,245
Profit before tax	366,286	473,435	101,743	7,781	949,245
Income tax expense					(361,199)
Profit for the period					588,046
Other segment information:					
Depreciation and amortisation	54,648	332,353	3,471	4,182	394,654
Capital expenditure	18,923	119,119	1,200	1,889	141,131
<u>As at 30 June 2022</u>					
Segment assets	202,723,255	170,781,932	284,132,975	4,016,769	661,654,931
Segment liabilities	181,058,814	343,397,369	71,231,590	3,134,535	598,822,308
Other segment information:					
Credit commitments	13,867,574	30,718,699	–	–	44,586,273

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

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44. SEGMENT INFORMATION (Continued)

(a) Operating segments (Continued)

	Corporate financial business	Retail financial business	Interbank financial business	Other business	Total
<u>Six-month period ended</u>					
<u>30 June 2021</u>					
External net interest income/ (expense)	3,461,846	(784,695)	2,389,177	(10,541)	5,055,787
Internal net interest (expense)/ income	(1,011,514)	2,335,632	(1,324,118)	–	–
Net fee and commission income	115,201	107,829	77,304	–	300,334
Other income, net (i)	–	–	610,645	167,669	778,314
Operating income	2,565,533	1,658,766	1,753,008	157,128	6,134,435
Operating expenses	(717,701)	(577,710)	(652,635)	(23,661)	(1,971,707)
Impairment losses on:					
Loans and advances to customers	(1,702,889)	(1,143,169)	–	–	(2,846,058)
Others	284,452	–	(396,739)	50,545	(61,742)
Operating profit/(loss)	429,395	(62,113)	703,634	184,012	1,254,928
Profit/(loss) before tax	429,395	(62,113)	703,634	184,012	1,254,928
Income tax expense					(314,654)
Profit for the period					940,274
Other segment information:					
Depreciation and amortisation	136,275	109,694	123,921	4,493	374,383
Capital expenditure	93,072	74,918	84,635	3,068	255,693
<u>As at 30 June 2021</u>					
Segment assets	192,996,870	129,615,848	305,862,425	3,838,645	632,313,788
Segment liabilities	172,006,322	301,295,785	96,008,599	2,995,738	572,306,444
Other segment information:					
Credit commitments	9,875,386	24,957,054	–	–	34,832,440

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

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44. SEGMENT INFORMATION *(Continued)*

(b) Geographical information

The Group operates principally in Mainland China.

The distribution of the geographical areas is as follows:

- Heilongjiang region: Including Head Office, Harbin, Shuangyashan, Jixi, Hegang, Suihua, Daqing, Qitaihe, Mudanjiang, Jiamusi, Qiqihar, Yichun, Nongken, Harbin Bank Financial Leasing Co., Ltd. and Harbin Bank Consumer Finance Co., Ltd. as well as village and township banks operating within Heilongjiang.
- Northeastern China: Including Dalian, Shenyang, as well as village and township banks operating in Northeastern China excluding those in Heilongjiang.
- Southwestern China: Including Chengdu, Chongqing, as well as village and township banks operating in Southwestern China and mainly located in Sichuan and Chongqing.
- Other regions: Including Tianjin as well as village and township banks operating in regions other than those listed above.

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44. SEGMENT INFORMATION (Continued)

(b) Geographical information (Continued)

	Mainland China				Total
	Heilongjiang region	Northeastern China	Southwestern China	Other regions	
<u>Six-month period ended 30 June 2022</u>					
External net interest income	2,631,996	452,479	1,561,322	672,787	5,318,584
Internal net interest income/(expense)	861,641	(157,421)	(111,145)	(593,075)	-
Net fee and commission income/(expense)	362,188	5,150	9,575	(1,056)	375,857
Other income, net (i)	1,267,135	1,249	8,819	21,552	1,298,755
Operating income	5,122,960	301,457	1,468,571	100,208	6,993,196
Operating expenses	(1,630,711)	(151,433)	(207,944)	(177,583)	(2,167,671)
Impairment losses on:					
Loans and advances to customers	(2,645,952)	(250,848)	(144,010)	(406,698)	(3,447,508)
Others	(428,772)	-	-	-	(428,772)
Operating profit/(loss)	417,525	(100,824)	1,116,617	(484,073)	949,245
Profit/(loss) before tax	417,525	(100,824)	1,116,617	(484,073)	949,245
Income tax expense					(361,199)
Profit for the period					588,046
Other segment information:					
Depreciation and amortisation	269,685	30,527	58,008	36,434	394,654
Capital expenditure	114,996	579	1,370	24,186	141,131
<u>As at 30 June 2022</u>					
Segment assets	541,879,112	32,046,810	46,305,821	41,423,188	661,654,931
Segment liabilities	473,905,678	32,523,749	46,576,647	45,816,234	598,822,308
Other segment information:					
Credit commitments	23,006,674	6,655,644	11,901,778	3,022,177	44,586,273

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

Notes to the Condensed Consolidated Interim Financial Information

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44. SEGMENT INFORMATION (Continued)

(b) Geographical information (Continued)

	Mainland China				Total
	Heilongjiang region	Northeastern China	Southwestern China	Other regions	
<u>Six-month period ended 30 June 2021</u>					
External net interest income/(expense)	3,184,776	680,883	1,256,982	(66,854)	5,055,787
Internal net interest (expense)/income	(110,769)	12,886	17,838	80,045	–
Net fee and commission income	234,720	9,565	53,219	2,830	300,334
Other income, net (i)	765,212	658	11,107	1,337	778,314
Operating income	4,073,939	703,992	1,339,146	17,358	6,134,435
Operating expenses	(1,411,035)	(152,421)	(221,095)	(187,156)	(1,971,707)
Impairment losses on:					
Loans and advances to customers	(2,283,638)	(358,208)	(111,079)	(93,133)	(2,846,058)
Others	(60,377)	(21)	–	(1,344)	(61,742)
Operating profit/(loss)	318,889	193,342	1,006,972	(264,275)	1,254,928
Profit/(loss) before tax	318,889	193,342	1,006,972	(264,275)	1,254,928
Income tax expense					(314,654)
Profit for the period					940,274
Other segment information:					
Depreciation and amortisation	264,880	30,469	58,453	20,581	374,383
Capital expenditure	180,906	20,809	39,922	14,056	255,693
<u>As at 30 June 2021</u>					
Segment assets	481,001,317	41,183,332	61,562,643	48,566,496	632,313,788
Segment liabilities	449,767,659	26,906,694	52,284,779	43,347,312	572,306,444
Other segment information:					
Credit commitments	29,242,754	1,050,744	2,607,615	1,931,327	34,832,440

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

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022

(Amount in thousands of RMB, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT

(a) Credit risk

(i) *Credit risk measurement*

Measurement of ECL

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contracts and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since initial recognition, the Group calculates the ECL 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 end of the reporting period 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 end of current reporting period, if the financial instrument is no longer under the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance for the financial instrument at the end of the current reporting 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 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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For the six-month period ended 30 June 2022
(Amount in thousands of RMB, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

(i) **Credit risk measurement** *(Continued)*

Measurement of ECL *(Continued)*

The Group shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic condition.

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 of a credit loss is very low.

The Group conducts an assessment of ECL according to forward-looking information and uses complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrowers' creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group uses judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial assets
- Models and parameters for measuring ECL
- Forward-looking information
- Individual impairment assessment

Notes to the Condensed Consolidated Interim Financial Information

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(Amount in thousands of RMB, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

(i) **Credit risk measurement** *(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 the end of each reporting period. While determining whether the credit risk has significantly increased or not since initial recognition, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments at the end of the reporting period with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

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.

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022
(Amount in thousands of RMB, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

(i) **Credit risk measurement** *(Continued)*

Definition of credit-impaired financial assets

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, taking 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 ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL 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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(Amount in thousands of RMB, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

(i) Credit risk measurement *(Continued)*

Parameters of ECL measurement *(Continued)*

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collateral, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;
- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types, such as GDP, IVA, CPI, PPI, etc.

The impact of these economic indicators on PD and LGD varies according to different types of business. In this process, the Group mainly applies the management judgement. According to the management 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 provide a baseline economic scenario, the Group combines statistical analysis and management 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 life time (stage 2 and Stage 3). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022
(Amount in thousands of RMB, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

(i) **Credit risk measurement** *(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 results 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 re-negotiated or modified contractual cash flows, discounted 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 30 June 2022, the carrying value of corporate loans covered by collateral amounted to RMB75,489 million (31 December 2021: RMB78,459 million).

Personal loans are mainly collateralised by residential properties. As at 30 June 2022, the carrying value of personal loans covered by collateral amounted to RMB49,128 million (31 December 2020: RMB54,344 million).

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022

(Amount in thousands of RMB, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(ii) Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

As at the end of the reporting period, the maximum credit risk exposure of the Group without taking account of any collateral and other credit enhancements is set out below:

	30 June 2022	31 December 2021
Balances with the central bank	58,523,623	63,720,391
Due from banks and other financial institutions	14,474,249	7,116,203
Reverse repurchase agreements	5,014,700	–
Loans and advances to customers	274,905,144	283,637,048
Derivative financial assets	1,171,759	1,796,713
Financial investments		
– Financial assets at fair value through profit or loss	68,195,071	61,197,094
– Financial assets at fair value through other comprehensive income	47,959,997	31,402,967
– Financial assets at amortised cost	139,262,510	145,307,393
Finance lease receivables	23,280,489	22,921,300
Others	5,844,900	4,718,220
Subtotal	638,632,442	621,817,329
Credit commitments	44,586,273	40,781,262
Total maximum credit risk exposure	683,218,715	662,598,591

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For the six-month period ended 30 June 2022
(Amount in thousands of RMB, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iii) Risk concentrations

By industry distribution

The credit risk exposures of the Group mainly arise from 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 45(a)(vi). The composition of the Group's gross loans and advances to customers by industry is analysed as follows:

	30 June 2022	31 December 2021
Corporate loans and advances		
Agriculture, forestry, animal husbandry and fishing	1,526,844	1,578,622
Mining	75,724	198,540
Manufacturing	6,146,619	6,246,513
Production and supply of electricity, gas and water	4,841,445	4,868,721
Construction	12,321,967	12,936,272
Commercial trade	26,484,164	27,356,384
Transportation, storage and postal services	2,872,942	3,266,254
Lodging and catering	3,419,905	3,515,631
Information transmission, computer services and software	387,205	421,771
Finance	7,200	4,200
Real estate	30,285,447	31,323,696
Leasing and commercial services	62,493,388	59,307,606
Scientific research, technological services and geological prospecting	554,076	584,726
Water, environment and public utility management and investment industry	9,783,269	9,030,395
Resident services and other services	171,418	134,720
Education	148,263	155,449
Health and social affair	370,850	392,730
Culture, sports and entertainment	256,917	276,408
Subtotal	162,147,643	161,598,638

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For the six-month period ended 30 June 2022

(Amount in thousands of RMB, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iii) Risk concentrations (Continued)

By industry distribution (Continued)

	30 June 2022	31 December 2021
Discounted bills	2,475,491	10,475
Personal loans		
Personal business	32,496,794	38,101,568
Mortgages	14,023,278	14,770,968
Personal consumption	59,311,223	64,875,089
Loans to farmers	16,593,216	15,002,418
Subtotal	122,424,511	132,750,043
Total	287,047,645	294,359,156

By geographical distribution

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

	30 June 2022	31 December 2021
Heilongjiang region	151,429,230	152,004,989
Northeastern China excluding Heilongjiang	38,513,934	40,093,810
Southwestern China	60,008,675	63,810,847
Other regions	37,095,806	38,449,510
Total	287,047,645	294,359,156

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For the six-month period ended 30 June 2022
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45. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iii) Risk concentrations (Continued)

By type of guarantees

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

	30 June 2022	31 December 2021
Unsecured loans	80,906,242	79,032,033
Guaranteed loans	81,523,478	82,523,894
Loans secured by mortgages	112,122,982	119,106,494
Pledged loans	12,494,943	13,696,735
Total	287,047,645	294,359,156

(iv) Loans and advances to customers

The total credit risk exposure of loans and advances to customers is summarised as follows:

	30 June 2022	31 December 2021
Corporate loans and advances		
– Neither past due nor impaired	121,364,188	131,444,394
– Past due but not impaired	23,257,013	19,485,360
– Impaired	20,001,933	10,679,359
Subtotal	164,623,134	161,609,113
Personal loans		
– Neither past due nor impaired	108,457,957	120,167,659
– Past due but not impaired	3,935,117	3,995,283
– Impaired	10,031,437	8,587,101
Subtotal	122,424,511	132,750,043
Total	287,047,645	294,359,156

Notes to the Condensed Consolidated Interim Financial Information

For the six-month period ended 30 June 2022

(Amount in thousands of RMB, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT *(Continued)*

(a) Credit risk *(Continued)*

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

Neither past due nor impaired

The loans and advances to customers of the Group that are neither past due nor impaired are classified as “Pass” or “Special mention” under the five-tier loan classification system maintained by the Group. The management of the Group considers that these loans are exposed to normal business risk and there was no identifiable objective evidence of impairment for these loans which may incur losses to the Group at the end of the reporting period.

	As at 30 June 2022		
	Pass	Special Mention	Total
Corporate loans and advances	120,530,931	833,257	121,364,188
Personal loans	108,114,258	343,699	108,457,957
Total	228,645,189	1,176,956	229,822,145

	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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For the six-month period ended 30 June 2022
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45. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iv) Loans and advances to customers (Continued)

Past due but not impaired

The following tables present the ageing analysis of each type of loans and advances to customers of the Group that are subject to credit risk which are past due but not impaired as at the end of the reporting period:

	As at 30 June 2022			Total
	Within 1 month	1 to 3 months	Over 3 months	
Overdue days				
Corporate loans and advances	11,926,668	11,330,345	–	23,257,013
Personal loans	1,902,369	2,032,748	–	3,935,117
Total	13,829,037	13,363,093	–	27,192,130

	As at 31 December 2021			Total
	Within 1 month	1 to 3 months	Over 3 months	
Overdue days				
Corporate loans and advances	11,396,822	8,088,538	–	19,485,360
Personal loans	1,332,949	2,662,334	–	3,995,283
Total	12,729,771	10,750,872	–	23,480,643

As at 30 June 2022, the fair values of collateral that the Group holds relating to corporate loans which are past due but not impaired amounted to RMB38,363,065 thousand (31 December 2021: RMB22,789,855 thousand), and the fair values of collateral that the Group holds relating to personal loans which are past due but not impaired amounted to RMB2,966,128 thousand (31 December 2021: RMB2,914,104 thousand).

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45. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iv) Loans and advances to customers (Continued)

Impaired

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

	30 June 2022	31 December 2021
Corporate loans and advances	20,001,933	10,679,359
Personal loans	10,031,437	8,587,101
Total	30,033,370	19,266,460

As at 30 June 2022, the fair values of collateral that the Group holds relating to loans individually determined to be impaired amounted to RMB20,198,368 thousand (31 December 2021: RMB20,225,726 thousand). The collateral mainly consists of land, buildings, equipment and others.

Loans and advances rescheduled

Loans and advances rescheduled represent the loans and advances whose original contract repayment terms have been modified as a result of the deterioration of borrowers' financial conditions or inability to repay the loans and advances according to contractual terms. Forms of loans and advances rescheduled include deferral of payments, borrowings for repayment, deduction of interest or part of the principal, modification of the repayment method, improvement of collateral, changing the type of guarantee, etc. As at 30 June 2022, the gross value of the loans and advances rescheduled held by the Group amounted to RMB15,429 million (31 December 2021: RMB15,056 million).

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For the six-month period ended 30 June 2022
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45. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(v) Finance lease receivables

	30 June 2022	31 December 2021
Finance lease receivables, net		
Neither past due nor impaired	23,756,088	22,624,167
Past due but not impaired	6,252	1,121,474
Impaired	298,994	577,493
Subtotal	24,061,334	24,323,134
Less: Allowance for impairment losses	(780,845)	(1,401,834)
Net amount	23,280,489	22,921,300

(vi) Debt securities

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

Financial assets at amortised cost

	As at 30 June 2022			
	Stage 1	Stage 2	Stage 3	Total
AAA	21,140,385	–	–	21,140,385
AA- to AA+	6,340,858	–	–	6,340,858
A+ or below	771,360	–	–	771,360
Unrated	91,064,725	16,594,639	8,652,636	116,312,000
Total	119,317,328	16,594,639	8,652,636	144,564,603
Allowance for impairment losses	(785,933)	(764,104)	(3,752,056)	(5,302,093)
Net balance	118,531,395	15,830,535	4,900,580	139,262,510

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45. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(vi) Debt securities (Continued)

Financial assets at amortised cost (Continued)

	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
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

Financial assets at fair value through other comprehensive income

	As at 30 June 2022			
	Stage 1	Stage 2	Stage 3	Total
AAA	7,143,980	–	–	7,143,980
AA- to AA+	6,043,874	–	–	6,043,874
A+ or below	–	–	68,557	68,557
Unrated	34,703,586	–	–	34,703,586
Total	47,891,440	–	68,557	47,959,997

	As at 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
AAA	4,569,876	–	–	4,569,876
AA- to AA+	8,195,410	–	–	8,195,410
A+ or below	–	–	136,553	136,553
Unrated	18,501,128	–	–	18,501,128
Total	31,266,414	–	136,553	31,402,967

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For the six-month period ended 30 June 2022
(Amount in thousands of RMB, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk

(i) Maturity analysis of contractual undiscounted cash flows

The tables below summarise the maturity profile of the Group's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Group's expected cash flows on these instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

30 June 2022	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Overdue/ Uncollected	Total
Non-derivative cash flows								
Financial assets:								
Cash and balances with the central bank	23,619,348	-	-	-	-	-	35,910,880	59,530,228
Due from banks and other financial institutions*	4,428,915	10,117,984	37,560	5,095,148	42,590	-	-	19,722,197
Loans and advances to customers	-	13,040,745	15,951,063	75,626,168	89,066,972	91,510,757	53,647,615	338,843,320
Financial investments	17,191,810	2,424,153	3,476,925	34,929,198	130,614,301	78,819,319	33,988,701	301,444,407
Finance lease receivables	-	1,111,129	2,145,999	8,497,477	14,141,375	-	196,324	26,092,304
Other financial assets	241,526	15,369	411,264	2,260,095	1,652,613	16,028	1,248,005	5,844,900
Total financial assets	45,481,599	26,709,380	22,022,811	126,408,086	235,517,851	170,346,104	124,991,525	751,477,356

* Includes reverse repurchase agreements

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(Amount in thousands of RMB, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

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

30 June 2022	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Overdue/ Undated	Total
Non-derivative cash flows – Continued								
Financial liabilities:								
Due to the central bank	-	314,522	336,391	4,481,303	-	-	-	5,132,216
Borrowings from banks and other financial institutions	40,881	2,239,257	11,677,951	17,107	-	-	-	13,975,196
Due to banks*	366,653	1,443,686	5,642,979	16,740,951	33,140	-	-	24,227,409
Due to customers	131,056,234	37,791,098	66,169,286	121,778,294	175,978,613	478	-	532,774,003
Debt securities issued	-	4,790,000	7,250,000	20,740,000	-	-	-	32,780,000
Other financial liabilities	1,097,952	34,344	450,304	566,505	1,384,301	2,073,155	-	5,606,561
Total financial liabilities	132,561,720	46,612,907	91,526,911	164,324,160	177,396,054	2,073,633	-	614,495,385
Net position	(87,080,121)	(19,903,627)	(69,504,100)	(37,916,074)	58,121,797	168,272,471	124,991,525	136,981,971
Derivative cash flows								
Derivative financial instruments settled on a gross basis	-	196,339	1,732,009	926,459	47,993	-	-	2,902,800
Total inflow	-	(196,339)	(1,683,155)	(923,209)	(47,993)	-	-	(2,850,696)
Total outflow	-	-	-	-	-	-	-	-
Credit commitments	33,523,412	1,071,083	2,967,627	6,886,151	138,000	-	-	44,586,273

* Includes repurchase agreements

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45. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

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

31 December 2021	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Overdue/ Undated	Total
Non-derivative cash flows								
Financial assets:								
Cash and balances with the central bank	27,922,481	-	-	-	-	-	37,000,707	64,923,188
Due from banks and other financial institutions	4,047,886	700,440	25,101	781,770	1,724,730	-	-	7,279,927
Loans and advances to customers	-	12,313,535	15,061,560	82,633,809	120,298,272	90,137,441	32,466,851	352,911,488
Financial investments	14,370,853	2,582,583	4,728,485	30,837,698	131,590,458	63,722,498	32,217,430	280,050,005
Finance lease receivables	-	1,435,379	1,952,681	7,912,299	14,561,238	21,163	585,956	26,468,716
Other financial assets	170,986	1,807	1,991,450	1,943,448	199,400	21,391	389,738	4,718,220
Total financial assets	46,512,206	17,033,744	23,759,277	124,109,024	268,374,098	153,902,493	102,660,682	736,351,524

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45. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

(i) 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*	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								
Total inflow	-	192,945	360,808	2,693,338	15,640	-	-	3,262,731
Total outflow	-	(192,945)	(360,684)	(1,307,375)	(15,640)	-	-	(1,876,644)
Credit commitments	28,333,173	250,513	2,465,268	9,675,140	140,830	-	-	40,864,924

* Includes repurchase agreements

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45. FINANCIAL INSTRUMENT RISK MANAGEMENT *(Continued)*

(c) Market risk

Market risk is the risk of loss, in respect of the Group's on-and off-balance-sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses.

The Group's market risk comprises interest rate risk and currency risk.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions.

The Group's currency risk mainly results from the risk arising from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign exchange assets and liabilities, and off-balance-sheet foreign exchange positions arising from derivative transactions.

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group. The Bank uses different management methods to control market risks, including trading book and banking book risks.

(i) Currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD, Russian ruble ("RUB") and, to a lesser extent, other currencies. Transactions in foreign currencies mainly arise from the Group's treasury operations and foreign exchange dealings.

The exchange rate of RMB to USD is managed under a floating exchange rate system.

The tables below indicate a sensitivity analysis of exchange rate changes of the currencies to which the Group had significant exposures on its monetary assets and liabilities and its forecasted cash flows. The analysis shows the effect of a reasonably possible movement in the currency rates against RMB, with all other variables held constant, on profit before tax and equity. A negative amount in the table reflects a potential net reduction in profit before tax or equity, while a positive amount reflects a potential net increase. This effect, however, is based on the assumption that the Group's foreign exchange exposures as at the period end are kept unchanged and, therefore, has not incorporated actions that would be taken by the Group to mitigate the adverse impact of this foreign exchange risk.

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(Amount in thousands of RMB, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

The Group sets trading limits, stop-loss limits and exposure limits to foreign exchange transactions to manage foreign exchange risk and to keep currency risk within limits. Based on the guidelines provided by the Risk Management Committee, laws and regulations as well as evaluation of the current market, the Group sets its risk limits and minimises the possibility of mismatch through more reasonable allocation of foreign currency sources and deployment.

Currency	Change in rate	Effect on profit before tax	
		30 June 2022	31 December 2021
USD	-1%	(16,066)	(30,742)
HKD	-1%	204	185
RUB	-1%	(570)	(477)

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

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45. 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:

30 June 2022	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	RUB (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial assets:						
Cash and balances with the central bank	59,438,070	46,448	698	42,771	2,241	59,530,228
Due from banks and other financial Institutions	13,894,874	263,367	14,701	46,893	254,414	14,474,249
Repurchase agreements	5,014,700	–	–	–	–	5,014,700
Loans and advances to customers	274,687,295	186,029	–	–	31,820	274,905,144
Derivative financial assets	–	1,171,759	–	–	–	1,171,759
Financial investments	260,059,685	2,878,213	–	–	–	262,937,898
Finance lease receivables	23,280,489	–	–	–	–	23,280,489
Other financial assets	5,843,830	927	–	143	–	5,844,900
Total financial assets	642,218,943	4,546,743	15,399	89,807	288,475	647,159,367
Financial liabilities:						
Due to the central bank	5,073,721	–	–	–	–	5,073,721
Borrowings from banks and other financial institutions	13,702,658	–	–	–	–	13,702,658
Due to banks	23,288,631	20,119	–	26,242	–	23,334,992
Derivative financial liabilities	–	1,201,786	–	–	–	1,201,786
Repurchase agreements	496,860	–	–	–	–	496,860
Due to customers	515,479,950	28,588	926	6,555	258,428	515,774,447
Debt securities issued	32,423,120	–	–	–	–	32,423,120
Other financial liabilities	5,514,891	220	34,845	–	–	5,549,956
Total financial liabilities	595,979,831	1,250,713	35,771	32,797	258,428	597,557,540
Net position	46,239,112	3,296,030	(20,372)	57,010	30,047	49,601,827
Credit commitments	42,890,412	1,689,413	–	–	6,448	44,586,273

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For the six-month period ended 30 June 2022

(Amount in thousands of RMB, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

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

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
Finance 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						
Due to banks	12,387,293	6,494	–	3,980	–	12,397,767
Derivative financial liabilities	22,637,571	–	–	–	–	22,637,571
Repurchase agreements	–	1,811,571	–	–	–	1,811,571
Due to customers	9,023,970	–	–	–	–	9,023,970
Debt securities issued	506,283,418	281,584	984	6,119	207,841	506,779,946
Other financial liabilities	19,129,158	–	–	–	–	19,129,158
	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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For the six-month period ended 30 June 2022
(Amount in thousands of RMB, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk

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

30 June 2022	Less than three months	Three months to one year	One to five years	More than five years	Overdue/ non-interest- bearing	Total
Financial assets:						
Cash and balances with the central bank	58,507,226	-	-	-	1,023,002	59,530,228
Reverse repurchase agreements	5,014,700	-	-	-	-	5,014,700
Due from banks and other financial institutions	9,273,798	4,902,893	-	-	297,558	14,474,249
Loans and advances to customers	28,745,770	71,475,495	76,342,323	53,823,035	44,518,521	274,905,144
Derivative financial assets	-	-	-	-	1,171,759	1,171,759
Financial investments	6,775,685	21,197,972	95,323,380	61,146,572	78,494,289	262,937,898
Finance lease receivables	2,863,102	7,469,507	12,430,643	-	517,237	23,280,489
Other financial assets	-	-	-	-	5,844,900	5,844,900
Total financial assets	111,180,281	105,045,867	184,096,346	114,969,607	131,867,266	647,159,367
Financial liabilities:						
Due to the central bank	623,373	4,450,348	-	-	-	5,073,721
Borrowings from banks and other financial institutions	13,566,427	-	-	-	136,231	13,702,658
Due to banks	6,839,653	16,202,474	-	-	292,865	23,334,992
Derivative financial liabilities	-	-	-	-	1,201,786	1,201,786
Repurchase agreements	496,860	-	-	-	-	496,860
Due to customers	228,296,420	119,376,306	161,837,197	401	6,264,123	515,774,447
Debt securities issued	11,997,244	20,425,876	-	-	-	32,423,120
Other financial liabilities	8,795	10,700	279,158	176,791	5,074,512	5,549,956
Total financial liabilities	261,828,772	160,465,704	162,116,355	177,192	12,969,517	597,557,540
Total interest sensitivity gap	(150,648,491)	(55,419,837)	21,979,991	114,792,415	N/A	N/A

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For the six-month period ended 30 June 2022

(Amount in thousands of RMB, unless otherwise stated)

45. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

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

31 December 2021	Less than three months	Three months to one year	One to five years	More than five years	Overdue/ non-interest- bearing	Total
Financial assets:						
Cash and balances with the central bank	63,700,903	-	-	-	1,222,285	64,923,188
Due from banks and other financial institutions	4,733,407	689,046	1,682,230	-	11,520	7,116,203
Loans and advances to customers	23,365,133	74,244,828	100,201,760	68,488,041	17,337,286	283,637,048
Derivative financial assets	-	-	-	-	1,796,713	1,796,713
Financial investments	7,827,140	17,785,715	88,566,501	43,699,552	87,788,244	245,667,152
Finance 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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45. FINANCIAL INSTRUMENT RISK MANAGEMENT *(Continued)*

(d) Capital management

The Group's objectives for capital management are:

- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to support the Group's stability and growth;
- to allocate capital using an efficient and risk-based approach to optimise the risk adjusted return to the shareholders; and
- to maintain an adequate capital base to support the development of its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policy, issue or redeem its own shares, long-term subordinated bonds, etc.

Capital adequacy and the use of regulatory capital are monitored regularly by the Group's management based on regulations issued by the CBIRC. The required information is filed with the former CBRC by the Group and the Bank semi-annually and quarterly.

The capital adequacy ratios and related components of the Group are computed in accordance with the statutory financial statements of the Group prepared under PRC GAAP. During the period, the Group has fully complied with all its externally imposed capital requirements. The requirements pursuant to these regulations may have significant differences compared to those applicable in Hong Kong and other countries.

Since 1 January 2013, the Group has begun to disclose the capital adequacy ratio in accordance with the "Capital Rules for Commercial Banks (Provisional)" and will continue to enhance the content of this disclosure. According to the requirements of the CBIRC, commercial banks should fulfil the regulatory requirements of the capital adequacy ratios by the end of 2018. The regulatory requirements request a commercial bank to maintain its core tier 1 capital adequacy ratio above 7.5%, the tier 1 capital adequacy ratio above 8.5% and the capital adequacy ratio above 10.5%.

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45. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(d) Capital management (Continued)

	30 June 2022	31 December 2021
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	11,778,523	11,487,851
Undistributed profits	19,083,128	19,271,378
Qualified part of non-controlling interests	909,637	893,620
Other comprehensive income	235,874	378,929
Core tier 1 capital deductible items:		
Fully deductible items	(505,056)	(484,601)
Net core tier 1 capital	50,158,830	50,203,901
Net other tier 1 capital	11,120,367	11,118,401
Net tier 1 capital	61,279,197	61,322,302
Net tier 2 capital	6,564,325	6,569,516
Net capital	67,843,522	67,891,818
Total risk-weighted assets	565,259,916	541,233,473
Core tier 1 capital adequacy ratio	8.87%	9.28%
Tier 1 capital adequacy ratio	10.84%	11.33%
Capital adequacy ratio	12.00%	12.54%

46. 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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46. 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:

30 June 2022	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value</u>				
Derivative financial assets	–	1,171,759	–	1,171,759
Financial assets at fair value through profit or loss				
– Debt securities	–	3,189,820	92,522	3,282,342
– Funds	–	17,191,810	–	17,191,810
– Trust investments and asset management plans	–	44,686,022	2,775,122	47,461,144
– Equity instruments	8,542	–	279,415	287,957
Subtotal	8,542	65,067,652	3,147,059	68,223,253
Financial assets at fair value through other comprehensive income				
– Debt securities	–	47,247,362	–	47,247,362
– Equity instruments	–	47,754	7,184,609	7,232,363
Subtotal	–	47,295,116	7,184,609	54,479,725
Loan and advance measured at fair value through other comprehensive income				
– Discounted bills	–	2,475,491	–	2,475,491
Total	8,542	116,010,018	10,331,668	126,350,228
<u>Financial liabilities measured at fair value</u>				
Derivative financial liabilities	–	1,201,786	–	1,201,786

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46. 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 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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For the six-month period ended 30 June 2022
(Amount in thousands of RMB, unless otherwise stated)

46. FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

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

During the six-month period ended 30 June 2022 and year ended 31 December 2021, there is no significant transfer among each level.

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, the fair values are determined based on discounted cash flow. The determination are based on a valuation technique for which all significant inputs are observable market data.

The financial instruments classified as Level 3 by the Group are mainly unlisted equity instruments and trust fund plans and asset management 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 30 June 2022 and 31 December 2021, the Group and the Bank had no assets or liabilities measured at fair value that were discontinued.

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(Amount in thousands of RMB, unless otherwise stated)

46. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

Reconciliation of movements in Level 3 financial instruments measured at fair value is as follows:

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
As at 1 January 2021	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 2021 and 1 January 2022	2,341,854	7,239,874
Additions	827,971	–
Disposals/transfers	–	(54,509)
Loss through profit or loss	(22,766)	–
Loss through other comprehensive income	–	(756)
As at 30 June 2022	3,147,059	7,184,609

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46. 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 30 June 2022		As at 31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at amortised cost	137,038,186	148,564,814	142,760,826	148,592,449
Financial liabilities				
Debt securities issued	32,423,120	31,916,195	19,098,445	18,972,900

Other than the financial assets and financial liabilities disclosed in above table, other financial assets and financial liabilities that are not measured at fair value in the balance sheet, the valuation methods used is discounted cash flow method, the carrying amounts approximate the fair values.

47. 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 as at 30 June 2022.

48. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 August 2022.

Appendix I – Unaudited Supplementary Financial Information

(In RMB thousands, unless otherwise stated)

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

	30 June 2022	31 December 2021
RMB current assets to RMB current liabilities	86.56%	65.21%
Foreign currency current assets to foreign currency current liabilities	211.79%	164.14%

These liquidity ratios are calculated based on relevant regulations provided by the CBIRC and Chinese accounting policies.

(b) CURRENCY CONCENTRATIONS

	USD	HKD	RUB	Others	Total
30 June 2022					
Spot assets	3,413,358	35,766	89,808	288,577	3,827,509
Spot liabilities	(3,142,657)	(35,771)	(89,720)	(289,162)	(3,557,310)
Forward purchases	–	–	–	–	–
Forward sales	(1,753,018)	–	–	–	(1,753,018)
Net long/(short) position	(1,482,317)	(5)	88	(585)	(1,482,819)
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

Appendix I – Unaudited Supplementary Financial Information

(Amount in thousands of RMB, unless otherwise stated)

(c) INTERNATIONAL CLAIMS

The Group discloses international claims according to Banking (Disclosure) Rules (L.N. 160 of 2014). International claims are risk exposures generated from the countries or geographical areas where the counterparties take the ultimate risk while considering the transfer of the risk, 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
30 June 2022			
Asia Pacific excluding Mainland China	62,665	–	62,665
– of which attributed to Hong Kong	15,703	–	15,703
Europe	2,103,007	–	2,103,007
North America	158,800	–	158,800
Total	2,324,472	–	2,324,472
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

Appendix I – Unaudited Supplementary Financial Information

(Amount in thousands of RMB, unless otherwise stated)

(d) LOANS AND ADVANCES TO CUSTOMERS

(i) Overdue loans and advances to customers :

Overdue days	30 June 2022				Total
	Within 90 days	91 days to 1 year	1 to 5 years	Over 5 years	
Unsecured loans	2,075,346	4,697,832	1,386,360	60,118	8,219,656
Guaranteed loans	4,557,296	4,200,498	6,702,850	11,851	15,472,495
Loans secured by mortgages	16,032,544	7,680,714	7,336,611	241,991	31,291,860
Pledged loans	1,614,607	462,799	37,318	2,810	2,117,534
Total	24,279,793	17,041,843	15,463,139	316,770	57,101,545

Overdue days	31 December 2021				Total
	Within 90 days	91 days to 1 year	1 to 5 years	Over 5 years	
Unsecured loans	2,618,841	3,548,540	611,010	132,736	6,911,127
Guaranteed loans	5,088,621	2,015,265	6,249,909	10,007	13,363,802
Loans secured by mortgages	10,858,994	3,336,599	6,034,423	82,625	20,312,641
Pledged loans	1,441,815	421,300	50,793	–	1,913,908
Total	20,008,271	9,321,704	12,946,135	225,368	42,501,478

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

	30 June 2022	31 December 2021
Heilongjiang region	24,480,550	17,629,714
Northeastern China excluding Heilongjiang	10,170,229	6,894,644
Southwestern China	10,828,096	6,430,903
Other regions	11,622,670	11,546,217
Total	57,101,545	42,501,478

Appendix I – Unaudited Supplementary Financial Information

(Amount in thousands of RMB, unless otherwise stated)

(e) OVERDUE AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

As at 30 June 2022, there were no overdue amounts due from banks and other financial institutions in respect of principal or interest (31 December 2021: Nil).

(f) OVERDUE PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

As at 30 June 2022, there were no overdue placements with banks and other financial institutions in respect of principal or interest (31 December 2021: Nil).

(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 30 June 2022, 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 Interim Report Autographed by Directors of the Company
- IV. Articles of Association of the Company

