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Harbin Bank Co., Ltd.

哈爾濱銀行股份有限公司*

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

(Stock Code: 6138)

2023 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of Harbin Bank Co., Ltd. (the “**Bank**”) is pleased to announce the audited annual results of the Bank and its subsidiaries (the “**Group**”) for the year ended 31 December 2023. This results announcement, containing the full text of the 2023 Annual Report of the Bank, complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of annual results. The annual financial statements of the Group for the year ended 31 December 2023 have been audited by BDO Limited in accordance with International Standards on Auditing. Such annual results have also been reviewed by the Board and the Audit Committee of the Bank. Unless otherwise stated, financial data of the Group are presented in Renminbi.

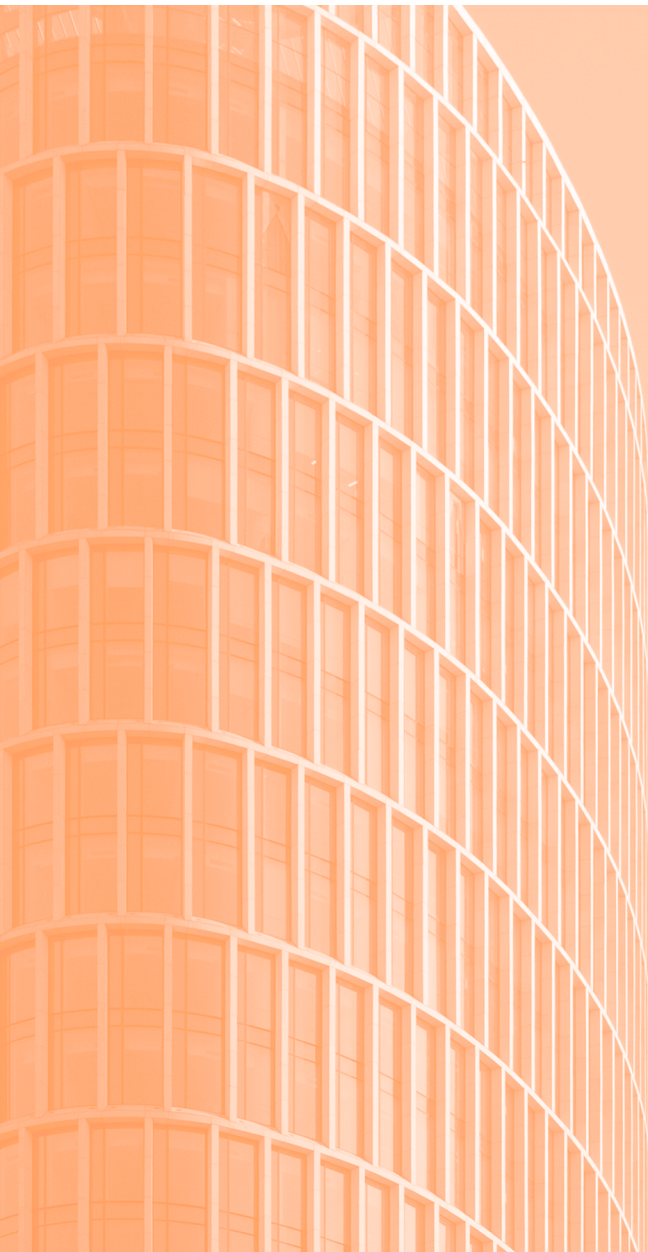
This results announcement is published on the websites of the Bank (www.hrbb.com.cn) and HKExnews (www.hkexnews.hk).

By order of the Board of Directors
Harbin Bank Co., Ltd.
Deng Xinquan
Chairman

Harbin, the PRC, 27 March 2024

As at the date of this announcement, the Board of the Bank comprises Deng Xinquan and Yao Chunhe as executive directors; Zhao Hongbo, Zhang Xianjun, Yu Hong and Lang Shufeng as non-executive directors; and Sun Yan, Zhang Zheng, Hou Bojian and Jin Qinglu as independent non-executive directors.

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



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

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

“Articles of Association”	the articles of association of Harbin Bank Co., Ltd.
“Board” or “Board of Directors”	the board of Directors of the Company
“Board of Supervisors”	the board of Supervisors of the Company
“PRC” or “China”	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
“Supervisor(s)”	the supervisor(s) of the Company
“Domestic Shares”	ordinary shares of a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as paid in RMB
“Group” or “Bank”	the Company and all of its subsidiaries and branches
“H Shares”	overseas-listed foreign invested ordinary shares of a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed and traded in HKD
“Harbin Economic Development”	Harbin Economic Development and Investment Co., Ltd.
“HBCF”	Harbin Bank Consumer Finance Co., Ltd.
“HB Leasing”	Harbin Bank Financial Leasing Co., Ltd.
“Heilongjiang Financial Holdings”	Heilongjiang Financial Holdings Group Co., Ltd.
“HKD” or “HK\$”	the lawful currency of Hong Kong, the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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“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 C3 to the Hong Kong Listing Rules
“NFRA”/“CBIRC”/“CBRC”	the National Financial Regulatory Administration/the China Banking and Insurance Regulatory Commission (before 18 May 2023)/former China Banking Regulatory Commission (before 17 March 2018)
“PBOC” or “Central Bank”	the People’s Bank of China
“Reporting Period”	the year ended 31 December 2023
“RMB”	Renminbi, the lawful currency of PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong

Unless otherwise stated, all figures in this report are approximates, and any figure, amount or information expressed in hundred, thousand, ten thousand, million, a hundred million, billion or similar expressions, as well as percentage are rounded to certain decimal places or the whole number. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

This report is originally prepared in Chinese and an English translation is attached. In case of any discrepancies between the Chinese version and English translation, the former shall prevail.

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Basic Information

Legal Chinese Name:

哈爾濱銀行股份有限公司(Abbreviation:哈爾濱銀行)

English Name:

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

Legal Representative:

Deng Xinquan

Authorised Representatives for the Hong Kong

Stock Exchange:

Deng Xinquan and Ngai Wai Fung

Board Secretary:

Wu Siliang

Joint Company Secretaries:

Wu Siliang and Ngai Wai Fung

Registered Address:

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

Principal Place of Business in Hong Kong:

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

Contact Address:

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

Telephone:

86-451-86779933

Facsimile:

86-451-86779829

Email:

ir@hrbb.com.cn

Websites for Publishing this Report:

www.hrbb.com.cn

www.hkexnews.hk

Place Where this Report is Available:

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

Place of Listing, Stock Name and Stock Code:

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

Corporate Unified Social Credit Code:

912301001275921118

Finance Permit Institution Number:

B0306H223010001

Date of Initial Registration:

25 July 1997

Initial Registration Authority:

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

Legal Adviser as to Laws of China:

Beijing Jun He Law Offices

Legal Adviser as to Laws of Hong Kong, China:

Jun He Law Offices

Auditors:

Overseas auditor: BDO Limited

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

Hong Kong H Share Registrar and Transfer Office:

Computershare Hong Kong Investor Services Limited

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The Company, headquartered in Harbin, was granted its finance permit to carry on financial business by the PBOC in February 1997, and obtained its corporate business license on 25 July 1997. At present, the Company has established 17 branches in Tianjin, Chongqing, Dalian, Shenyang, Chengdu, Harbin, Daqing, etc. and promoted and set up 30 village and township banks in 14 provinces and municipalities, including Beijing, Guangdong, Jiangsu, Jilin, Heilongjiang, etc. The Company, as a controlling shareholder, has promoted the establishment of each of HB Leasing, the first financial leasing company in Northeastern China, and HBCF, the first consumer finance company in Heilongjiang Province. As at 31 December 2023, the Group had 386 business outlets with branches and sub-branches across seven administrative regions in China.

As at 31 December 2023, the Bank had total assets of RMB813,328.7 million, total loans and advances to customers of RMB323,182.7 million and total customer deposits of RMB642,505.6 million.

In 2023, the Bank was ranked 183th in “Top 1000 World Banks 2023” according to The Banker of United Kingdom, 264th in “2023 Brand Finance Global 500” published by Brand Finance (a United Kingdom-based business brand valuation consulting firm), and 41st in the “2023 China Banking Top 100 (2023 年中國銀行業 100 強)” published by China Banking Association. The Bank won the “2022 Good News Award for Banking Financial Institutions Serving Agriculture, Rural Areas and Farmers” by China Banking Association, the “2023 Gold Medal Award of Chinese Financial Institutions • Golden Dragon Awards: Best Rural Revitalization Service Bank of the Year” by the Financial Times, and the “2023 China Star: Best Domestic Bank for RMB Internationalization” by Global Finance. In addition, the Bank's “Good Life Account” product won the “2023 Best Deposit Product in Regional Finance” in China granted by The Asian Banker.

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Major Awards for 2023

List of Major Awards for 2023

No.	Name of Award	Awarding Party	Time of Award
1	264th in "2023 Brand Finance Global 500"	Brand Finance	February 2023
2	Leader of Corporate Standards in Bank Outlet Service	National Financial Technology Certification Center (Beijing)	February 2023
3	2022 Good News Award for Banking Financial Institutions Serving Agriculture, Rural Areas and Farmers	China Banking Association	March 2023
4	"Unified Intelligent Risk Control Platform" (統一智能風控平台) of the Bank won the "Big Data Product Innovation Award of the Year" (年度大數據產品創新獎)	CIFS	March 2023
5	2022 Gold Medal Award of Chinese Financial Institutions • Golden Dragon Awards: Best Rural Revitalization Service Bank of the Year	the Financial Times	April 2023
6	"Outstanding City Commercial Bank in Wealth Management" and "Outstanding Bank in Transformational Development" in the 3rd Golden Honor Awards	P&E Standard	June 2023
7	"Intelligent Marketing Innovation Award of the 6th (2023) FinTech Innovation Contest"	Cebnet.com.cn, Digital Finance	July 2023
8	Top 1000 World Banks 2023: ranked 183rd	The Banker (英國《銀行家》)	July 2023
9	2023 China Banking Top 100: ranked 41st	China Banking Association	August 2023
10	2023 Best Deposit Product in Regional Finance in China	The Asian Banker	August 2023
11	2023 China Star: Best Domestic Bank for RMB Internationalization	Global Finance	September 2023
12	"HARBIN BANK 2021 ESG Report" was named the "Best in China" (中國最佳), "Best Interior Design" (內文設計最佳) and "Gold Winner of Interior Design" (內文設計金獎)	ARC (International Awards Competition)	September 2023
13	Excellent Cases of Corporate Integrity Building Practice in 2023	China Enterprise Confederation, China Enterprise Directors Association	November 2023
14	Green Financial Services Certification for Bank Outlets, Demonstration Unit for Elderly-Care Financial Services	National Financial Technology Certification Center (Beijing)	November 2023
15	2023 Gold Medal Award of Chinese Financial Institutions • Golden Dragon Awards: Best Rural Revitalization Service Bank of the Year	the Financial Times	December 2023
16	The 21st China Financial and Economic Outlook: Leading Bank in Digital Transformation	Hexun.com	December 2023
17	The 21st China Financial and Economic Outlook: Pioneer Bank in Social Responsibility	Hexun.com	December 2023
18	"1+N" Demonstration Units of Bank Outlets	National Financial Technology Certification Center (Beijing)	December 2023

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Major Subsidiaries

The details of major subsidiaries of the Company as at 31 December 2023 are as follows:

Company Name	Place of incorporation/ registration and operations place in the PRC	Nominal value of issued share/ paid-up capital RMB million	Percentage of ownership/ voting rights directly owned by the Company %	Amount invested by the Company RMB million
Huining Huishi Village and Township Bank Co., Ltd.	Huining, Gansu	30	100.00	30
Beijing Huairou Rongxing Village and Township Bank Co., Ltd.	Huairou, Beijing	200	85.00	207.6
Yushu Rongxing Village and Township Bank Co., Ltd.	Yushu, Jilin	30	100.00	30
Shenzhen Baoan Rongxing Village and Township Bank Co., Ltd.	Baoan, Shenzhen	220	70.00	140
Chongqing Dadukou Rongxing Village and Township Bank Co., Ltd.	Dadukou, Chongqing	180	83.33	174.4
Suining Anju Rongxing Village and Township Bank Co., Ltd.	Suining, Sichuan	80	75.00	60
Huachuan Rongxing Village and Township Bank Co., Ltd.	Huachuan, Heilongjiang	344.7	99.63	343.4
Baiquan Rongxing Village and Township Bank Co., Ltd.	Baiquan, Heilongjiang	269	100.00	269
Yanshi Rongxing Village and Township Bank Co., Ltd.	Luoyang, Henan	90	100.00	90
Leping Rongxing Village and Township Bank Co., Ltd.	Leping, Jiangxi	294	100.00	294
Jiangsu Rudong Rongxing Village and Township Bank Co., Ltd.	Rudong, Jiangsu	106	80.00	80
Honghu Rongxing Village and Township Bank Co., Ltd.	Honghu, Hubei	30	100.00	30
Zhuzhou Rongxing Village and Township Bank Co., Ltd.	Zhuzhou, Hunan	55	80.00	40
Chongqing Wulong Rongxing Village and Township Bank Co., Ltd.	Wulong, Chongqing	50	70.00	35
Xin'an Rongxing Village and Township Bank Co., Ltd.	Xin'an, Henan	33.3	90.09	30
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

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Company Name	Place of incorporation/ registration and operations place in the PRC	Nominal value of issued share/ paid-up capital RMB million	Percentage of ownership/ voting rights directly owned by the Company %	Amount invested by the Company RMB million
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

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

For the year ended 31 December

	2023	2022	2023 vs. 2022	2021	2020	2019
	(In RMB million, except percentages)					
Results of operations			Rate of change			
Net interest income	9,549.0	9,007.2	6.02%	10,061.0	12,309.2	11,695.2
Net fee and commission income	645.3	731.6	-11.80%	697.0	880.0	1,366.5
Operating income	13,241.7	12,870.5	2.88%	12,319.5	14,606.3	15,124.4
Operating expenses	(5,826.5)	(5,285.2)	10.24%	(4,956.8)	(4,896.0)	(5,153.0)
Credit impairment losses	(6,957.9)	(6,584.1)	5.68%	(6,700.5)	(8,301.4)	(5,180.9)
Other assets impairment loss	-	-	-	(101.0)	-	-
Profit before tax	457.3	1,001.2	-54.32%	561.2	1,408.9	4,790.5
Net profit	888.1	712.5	24.65%	398.7	795.8	3,635.1
Net profit attributable to shareholders of the Company	740.0	554.8	33.38%	274.1	745.7	3,558.4
For each share (RMB)			Rate of change			
Net assets per share attributable to shareholders of the Company ⁽¹⁾	4.54	4.50	0.89%	4.53	4.48	4.53
Earnings per share ⁽²⁾	0.02	0.002	-	0.02	0.07	0.32
Profitability indicators			Change			
Return on average total assets ⁽³⁾	0.12%	0.10%	increased by 0.02 percentage point	0.06%	0.13%	0.61%
Return on average equity ⁽⁴⁾	0.35%	0.04%	increased by 0.31 percentage point	0.55%	1.51%	7.41%
Net interest spread ⁽⁵⁾	1.56%	1.58%	decreased by 0.02 percentage point	1.74%	2.18%	2.02%
Net interest margin ⁽⁶⁾	1.43%	1.55%	decreased by 0.12 percentage point	1.78%	2.20%	2.10%
Net fee and commission income to operating income ratio	4.87%	5.68%	decreased by 0.81 percentage point	5.66%	6.02%	9.04%
Cost-to-income ratio ⁽⁷⁾	42.01%	39.41%	increased by 2.60 percentage points	38.28%	32.06%	32.71%

Summary of Accounting Data and Financial Indicators

	As of 31 December					
	2023	2022	2023 vs. 2022	2021	2020	2019
	(In RMB million, except percentages)					
Capital adequacy indicators⁽⁸⁾			Change			
Core tier 1 capital adequacy ratio	8.69%	8.64%	increased by 0.05 percentage point	9.28%	10.18%	10.22%
Tier 1 capital adequacy ratio	12.48%	10.69%	increased by 1.79 percentage points	11.33%	10.20%	10.24%
Capital adequacy ratio	13.71%	11.91%	increased by 1.80 percentage points	12.54%	12.59%	12.53%
Total equity to total assets	7.86%	8.88%	decreased by 1.02 percentage points	9.73%	8.54%	8.86%
Assets quality indicators			Change			
Non-performing loan ratio ⁽⁹⁾	2.87%	2.89%	decreased by 0.02 percentage point	2.88%	2.97%	1.99%
Impairment coverage ratio ⁽¹⁰⁾	197.38%	181.54%	increased by 15.84 percentage points	162.45%	133.26%	152.50%
Impairment losses on loans ⁽¹¹⁾	5.66%	5.25%	increased by 0.41 percentage point	4.68%	3.96%	3.04%
Other indicators			Change			
Loan-deposit ratio	50.30%	50.99%	decreased by 0.69 percentage point	58.67%	59.79%	61.92%
Scale indicators			Rate of change			
Total assets	813,328.7	712,733.1	14.11%	645,046.2	598,603.6	583,089.4
Of which: total loans and advances to customers	323,182.7	284,414.9	13.63%	294,359.2	280,567.2	263,604.1
Total liabilities	749,440.5	649,412.5	15.40%	582,266.3	547,494.5	531,448.2
Of which: total due to customers	642,505.6	557,825.8	15.18%	501,751.2	469,280.0	425,683.7
Share capital	10,995.6	10,995.6	–	10,995.6	10,995.6	10,995.6
Equity attributable to shareholders of the Company	61,604.3	61,174.5	0.70%	60,794.2	49,247.1	49,826.7
Non-controlling interests	2,283.9	2,146.1	6.42%	1,985.7	1,862.0	1,814.5
Total equity	63,888.2	63,320.6	0.90%	62,779.9	51,109.1	51,641.2

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

Chairman's Statement



Deng Xinquan
Chairman

The year of 2023 marked the beginning of the full implementation of the spirit of the 20th National Congress of the Communist Party of China. Over the past year, as guided by President Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, the Group thoroughly implemented Xi Jinping's Thought on Economy and his important exposition on financial work, fully implemented the spirit of the 20th National Congress of the Communist Party of China, and focused on the three tasks of "serving the real economy, preventing and controlling financial risks and deepening financial reform", so as to contribute financial strengths to the regional comprehensive revitalization and development as well as Chinese modernization. The Board of Directors, under the strong support of the vast shareholders of the Company, united and led the management and all employees to actively respond to national policies, implemented regulatory requirements, and comprehensively improved the "scale, quality and efficiency" of the Group, making a good start for the "revitalization of entrepreneurship".

Over the past year, the Bank's operating performance saw a steady growth momentum. As at the end of 2023, the Group had total assets of RMB813,328.7 million, representing an increase of 14.1% as compared to the end of last year; the total loans amounted to RMB323,182.7 million, representing an increase of 13.6% as compared to the end of

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last year; the total deposits amounted to RMB642,505.6 million, representing an increase of 15.2% as compared to the end of last year. Both asset scale and deposit and loan growth were the highest in the past five years. In 2023, the operating income amounted to RMB13,241.7 million, representing a year-on-year increase of 2.9%, and the net profit amounted to RMB888.1 million, representing a year-on-year increase of 24.6%. The Government of Heilongjiang Province issued local government special bonds of RMB10 billion to replenish other tier-1 capital of the Company, further reinforcing the capital of the Company. With respect to the Company's subsidiaries, HB Leasing focused on serving green sectors such as modern agriculture, public utilities, and energy conservation and environmental protection, and continued to capitalize on its first-mover advantage in agricultural machinery business. Its loans granted to agricultural machinery leasing business have ranked first in the industry for three consecutive years. HBCF actively expanded high-quality assets and continued to optimize the cooperation modes of existing channels. It issued the first debt income product in Northeast China. Village and township banks maintained their positioning and promoted business development in an active and steady manner.

Over the past year, the Bank practically enhanced the quality and effectiveness of supporting and serving the real economy. By proactively adjusting its credit structure, the Bank steered credit capital towards the local resources for supporting the construction of key areas and projects. The Bank supported the implementation of several key projects such as the projects of Heilongjiang Construction Engineering Group, Heilongjiang Tourism Investment Group, heating supply for the urban and rural areas of Harbin, Harbin City Construction Investment, Harbin Ice and Snow World, etc. In addition, the Bank actively explored the arrangements in the area of the public rental housing, guaranteed rental housing, revitalization of forest tenure, guaranteed delivery of housing, franchise pledge financing and other alternatives, etc. Furthermore, the Bank provided strong support for technology-based enterprises, inclusive small and micro enterprises, green credit projects, cultural and tourism-related industries and modern agriculture. In terms of the cross-border financial business, the Bank, adhering to the two-pronged approach of risk prevention and accelerated development, created three customer acquisition segments, namely customer acquisition from the large and medium-sized enterprises, customer acquisition in bulk on e-commerce platforms, and customer acquisition through cooperation with financial institutions, with the key indicators reaching a record level, especially the evident achievements in the promotion of RMB internationalization.


Over the past year, significant improvements have been made to the internal management mechanisms of the Bank. The Bank has enhanced the comprehensive risk management system and framework, thereby improving the perceptiveness, effectiveness and systematic nature of risk prevention and control. The Bank has also optimized internal assessment modeling tools and methods and achieved steady progress in constructing the impairment implementation management system. The Bank has strengthened the entire process system for credit management, so as to establish a monitoring and early warning system for the entire credit business process. A comprehensive review and analysis of 769 existing systems were conducted, resulting in the identification of 446 issues. Subsequently, 102 systems were rectified, and 87 contracts were revised, which marks a further advance of the foundational management of internal control and compliance. In addition, organizational structure adjustments have gradually demonstrated their improved efficiency with clearer departmental responsibilities. The Bank has cultivated a strong work ethic characterized by being practical, pragmatic and truth-seeking, and fostered a distinct guidance towards valuing solid work and actual performance. Furthermore, the Bank has optimized the compensation standards as to employees and the performance incentive management models for branches, which allocates more resources to frontline staff and enhance their remuneration packages.

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Over the past year, the Bank's image has been improved significantly. By increasing publicity efforts, there were a total of 984 articles about the Bank published by mainstream media at the central, provincial, and municipal levels throughout the year. The Bank also strove to reshape the corporate culture of "compliance, steadiness, innovation and development" and strengthened the ideological construction by publicity through mainstream media and actively expressing in other media outlets, mainly Weibo, WeChat, Channels and Douyin. The Bank provided the title sponsorship of the 2023 Harbin Marathon and participated in the 32nd Harbin International Economic and Trade Fair, etc. The Bank formulated nine measures and plans for providing financial support for flood and disaster prevention and supported the affected people in disaster areas with materials and money. The Bank ranked 183rd in the "Global Top 1000 Banks 2023" published by The Banker in the UK, and 41st in the "China Top 100 Banks 2023" selected by the China Banking Association.

In 2024, as guided by President Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, the Bank will comprehensively follow the guiding principles of the 20th CPC National Congress, the Second Plenary Session of the 20th Central Committee of CPC, the Central Economic Work Conference and the Central Financial Work Conference; implement the new development philosophies in a complete, accurate and comprehensive manner; actively serve and engage in the construction of a new development pattern; unswervingly follow the path of socialist finance with Chinese characteristics; deeply grasp the political and people-oriented nature of financial work; uphold and strengthen the Party's overall leadership; adhere to the principle of seeking progress while ensuring stability, promoting stability with progress, and establishing the new before abolishing the old; actively engage in the national, provincial and municipal development strategies to help build up Heilongjiang Province from six aspects and create seven major cities as well as achieve revitalization in eight aspects; vigorously promote the opening up and development to the north; strengthen governance and management, firmly guard the bottom line of risks to consolidate the foundation for high-quality development; and comprehensively improve the level of operation and management, striving to open up a new phase of high-quality development.



Deng Xinquan
Chairman

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Yao Chunhe
President

The year of 2023 marked the beginning of the Bank's "Three Plans" of revitalizing entrepreneurship, reshaping corporate culture and building talent system. In the face of a complicated and ever-changing business environment, under the guidance of President Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, the Bank comprehensively followed the important instructions of the 20th CPC National Congress, the Second Plenary Session of the 20th Central Committee of CPC and General Secretary Xi Jinping's important instructions during his inspection in Heilongjiang Province, and firmly implemented the decision-making arrangements of higher authorities. Focused on the three tasks of serving the real economy, preventing and controlling financial risks and deepening financial reform with the theme of "high-quality development", the Bank has always upheld the leadership under the Party, accelerated reform, innovation and development, steadily increased scale, optimized structure, improved quality and enhanced efficiency, thus achieving a steady improvement in business performance and making a good start for the "revitalization of entrepreneurship".

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Over the past year, the Bank adhered to the general tone of seeking progress while maintaining stability, and its assets and operating efficiency had been stable and improving. As at 31 December 2023, the Group had total assets of RMB813,328.7 million, representing an increase of RMB100,595.6 million or 14.1% as compared to the end of last year; total loans and advances to customers amounted to RMB323,182.7 million, representing an increase of RMB38,767.8 million or 13.6% as compared to the end of last year; and the total customer deposits amounted to RMB642,505.6 million, representing an increase of RMB84,679.8 million or 15.2% as compared to the end of last year. Asset quality improved steadily, as demonstrated by the non-performing loan ratio of 2.87%, representing a decrease of 0.02 percentage point as compared to the end of last year; the impairment coverage ratio was 197.38%, representing an increase of 15.84 percentage points as compared to the end of last year. In 2023, the operating income was RMB13,241.7 million, representing an increase of 2.9% as compared to last year; and the net profit was RMB888.1 million, representing an increase of 24.6% as compared to last year.

Over the past year, the Bank strengthened financial assistance to enterprises in difficulty and stepped up efforts to serve the real economy. We insisted on taking meeting the requirements of the real economy as the starting point and the ultimate goal of high-quality development, firmly upheld the politic-based and people-oriented principle of finance, and thoroughly implemented the decisions and policy requirements of the Party Central Committee, the State Council, higher-level Party committees and governments, the PBOC and regulatory authorities. Focusing on regional economic development plan, we formulated and implemented the “One Hundred Measures to Support Local Economic and Social Development” (《支持地方經濟社會發展百項措施》) and nine measures to support flood control, disaster relief and reconstruction, and participated in the release of Heilongjiang's new policies to support small and micro individuals. We have become the first city commercial bank in China to operate cross-provincial processing service of social security cards of Heilongjiang Province and the financial institution to launch the “preferential subsidies for the public and farmers” inquiry service through multiple channels in Heilongjiang Province. We allocated more financial resources to key areas and weak links, aiming to promote high-quality development of the real economy with quality financial services.

Over the past year, the growth of the Bank accelerated by the development of the “interbank, cross-border financial and retail small micro businesses”, achieving breakthroughs in reform and innovation. Focusing on differentiated operation, customer acquisition in bulk and integrated development, the Bank strategically focused on the accelerated transformation of its institutional business to the integration of industry and finance, and its interbank financial business to active management mode. Services, in the best efforts of the Bank, had been provided in the cross-border financial business for accelerating the construction of a high degree of opening-up in Heilongjiang Province and the building by Harbin City of a city open to the north. In addition, the retail small and micro business of the Bank transformed to a scenario-oriented, online and digitalized model, and deeply engaged with a focus on continuous consolidation of its customer base. The Bank was also deeply engaged in sub-segments to create a competitive edge with unique characteristics that is in line with the actual situation.

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Over the past year, by taking the prevention and mitigation of risks as its constant keynote, the Bank enhanced its internal control and compliance as well as its risk management system building. The Bank further set up a comprehensive management concept, which is combining economy conditions and policy guidance as well as optimizing risk appetite and policies to improve the adaptability of business. The Bank optimized the top-level design of the comprehensive risk management system by improving its mitigation management system and impairment measurement system as well as establishing a smart risk monitoring platform to improve the scientificity and adaptability of measurement tools. The Bank promoted the implementation of new requirements in relation to the expected credit loss approach to optimize the internal rating system. The Bank established a risk appetite and risk culture transmission mechanism, so as to integrate comprehensive risk management into the whole process of strategic development, performance management and value enhancement, and into all aspects of business development. With a strategic, systematic and long-term thinking, the Bank reasonably guided industry investment, strengthened risk control on business access, strictly controlled new business risks, and enhanced credit and investment product quality control. The Bank also resolutely implemented regulatory requirements and optimized its internal control compliance system that provides “regulations for actions, boundaries for authorities, legal bases for supervision, power for inspections and effectiveness for control”, to ensure its operational stability.

Over the past year, the Bank deepened the empowerment of financial technology to accelerate the enhancement of digital management capabilities. With a user-oriented approach, the Bank has strengthened top-level design, coordinated the planning of business architecture, application architecture, data architecture and infrastructure architecture. The Bank has promoted the deep integration of business and technology, reasonably planned and advanced information system construction, and integrated digital management thinking throughout the entire chain of business development, therefore enhancing capabilities in user engagement, marketing, service, risk prevention and refined management. Furthermore, the Bank has reinforced the construction of independent planning, integration, and research and development capabilities, strengthened the management of technology research and development processes, and promoted the efficient implementation of key business and product innovation projects. In addition, the Bank has improved the data governance system and mechanism, accelerated the construction of data control platforms, basic data platforms, data model laboratories and digital operation systems, which, in turn, enhanced data asset management and data service capabilities.

Over the past year, the Bank deepened the reform on institutional mechanism with quality and efficiency of its operation and management further improved. The Bank, under customer-oriented approach, deepened the reform on organizational structure and established a structure with clearer responsibilities, higher balances, and more effective convergence. The Bank strengthened the full-process management of credit risks by improving the credit and investment management system and practice supervision and warning system throughout the business. The Bank also optimized the performance assessment and management system of the head office and branches to highlight the key indicators and provide clearer and more accurate guidance. Besides, the Bank optimized the incentives and constraints system to build up an incentive and constraint mechanism in which cadres can take a lower or a higher post, ranks can be promoted or demoted, employees can be employed or dismissed, revenue can be higher or lower and performance bonus can be granted and deducted. The management of subsidiaries was also strengthened with multiple business innovations achieved, thus promoting efficiency improvement based on the premise of having risks under control.

President's Statement

The above operating results could not have been achieved without the strong support from our customers, investors and the public, nor without the dedication of all the staff who were bold in making innovations. On behalf of senior management, I hereby extend my most sincere gratitude to all of them who have been paying close attention to and supporting the Bank's development.

In 2024, as continuously guided by President Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, we will comprehensively follow the guiding principles of the 20th CPC National Congress, the Second Plenary Session of the 20th Central Committee of CPC, the Central Economic Work Conference and the Central Financial Work Conference, and uphold and strengthen the Party's leadership to comprehensively improve the level of operation and management. By actively engaging in the national, provincial and municipal economic and social development strategies, we will practically enhance the quality and efficiency of financial services to the real economy, striving to build Harbin Bank into a city commercial bank with risks under control, quality development, outstanding features and strong competitiveness.



Yao Chunhe
President

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I. Past Economy and Environment and Operation Overview

(I) Past Economy and Environment

The year of 2023 marked the beginning of the full implementation of the spirit of the 20th National Congress of the Communist Party of China, as well as the year of economic recovery after a transition from three years' COVID-19 prevention and control phase. In the face of a complicated and challenging international environment and the arduous task of domestic reform, development and stability, under the firm leadership of the Central Committee of the Communist Party of China headed by President Xi Jinping, all regions and departments conscientiously implemented the decisions and deployment of the Central Committee of the Party and the State Council, adhered to the general direction of seeking improvement in stability, implemented the new development philosophies in a complete, accurate and comprehensive manner, accelerated the establishment of a new development pattern, comprehensively deepened reform and opening up, and intensified macro-regulation with a focus on expanding domestic demand, improving the structure, boosting confidence, and guarding against and defusing risks. Through these efforts, China's economy picked up, supply and demand steadily improved, transformation and upgrade made active progress, employment and prices generally stabilized, people's livelihood was effectively protected, high-quality development achieved solid progress, and main targets were successfully fulfilled. In 2023, China's gross domestic product (GDP) amounted to RMB126.06 trillion, representing a year-on-year increase of 5.2%. On an industrial structure basis, the growth rates of primary, secondary and tertiary industries were 4.1%, 4.7% and 5.8%, respectively. At the end of December, the balance of M2 amounted to RMB292.27 trillion, representing a year-on-year increase of 9.7%; the balance of M1 amounted to RMB68.05 trillion, representing a year-on-year increase of 1.3%, and the balance of M0 amounted to RMB11.34 trillion, representing a year-on-year increase of 8.3%. The balance of RMB loans amounted to RMB237.59 trillion, representing a year-on-year increase of 10.6%, the balance of RMB deposits amounted to RMB284.26 trillion, representing a year-on-year increase of 10%, and social financing scale amounted to RMB378.09 trillion, representing a year-on-year increase of 9.5%. Throughout the year, the new RMB loans amounted to RMB22.75 trillion, representing a year-on-year increase of RMB1.31 trillion; and new RMB deposits amounted to RMB25.74 trillion, representing a year-on-year decrease of RMB510.1 billion.

In 2023, as guided by President Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, Heilongjiang Province thoroughly implemented the strategies and decisions of the Central Committee of the Communist Party of China on promoting the comprehensive revitalisation of Northeast China, adhered to the general direction of seeking improvement in stability, and focused on promoting high-quality development and sustainable revitalisation. On the one hand, Heilongjiang's agricultural production was satisfactory and its role as a stabilizer was emphasised, seeing twenty consecutive years of bumper harvest of grain; on the other hand, its industrial production forged ahead under pressure, with continuous accumulation of new growth drivers. Besides, the consumer market continued to pick up and high-contact service industries bounced back strongly, with ice and snow tourism booming in Harbin. Moreover, its residents' average income grew steadily, people's livelihood was effectively ensured and economic performance sustained overall stability. In 2023, the regional gross domestic product (RGDP) of Heilongjiang reached RMB1,588.39 billion, representing a year-on-year increase of 2.6%. Specifically, the added value of the primary industry was RMB351.83 billion, representing a year-on-year increase of 2.6%; the added value of the secondary industry was RMB429.13 billion, representing a year-on-year increase of 2.3%; and the added value of the tertiary industry was RMB807.43 billion, representing a

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year-on-year increase of 5.0%. Total retail sales of consumer goods increased by 8.1% year on year, and the disposable income per capita of urban and rural residents increased by 4.1% and 6.3%, respectively. The port freight volume and inbound and outbound tourists of Heilongjiang increased by 17.5% and 709.2%, respectively, with an increase of 144.2% in the total cross-border trade volume. The actual utilization of foreign investment up by 11.8%, with a growth rate 25.4 percentage points higher than the national average level. The number of newly-established foreign-invested enterprises reached 241, representing an increase of 68.5%.

(II) Operation Overview

In 2023, under the strong leadership of the Bank's Party Committee and the Board, the supervision of the Board of Supervisors and the Discipline Inspection and Supervision Group to the Bank and the care and guidance of Party committees and governments at provincial and municipal levels, the PBOC and regulatory authorities, as guided by President Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, the Bank comprehensively followed the important instructions of the 20th CPC National Congress, the Second Plenary Session of the 20th Central Committee of CPC and General Secretary Xi Jinping's important instructions during his inspection in Heilongjiang Province, and earnestly implemented the deployment of the Central Financial Work Conference and the Central Economic Work Conference. Focused on the three tasks of "serving the real economy, preventing and controlling financial risks and deepening financial reform" with the theme of "high-quality development" and the corporate culture of "compliance, steadiness, innovation and development", the Bank accelerated reform and development, steadily increased scale, optimized structure, improved quality and enhanced efficiency, thus improving the quality and effectiveness of services.

Steady business development

As at 31 December 2023, the Group had total assets of RMB813,328.7 million, representing an increase of RMB100,595.6 million or 14.1% as compared to the end of last year; total loans and advances to customers of the Group amounted to RMB323,182.7 million, representing an increase of RMB38,767.8 million or 13.6% as compared to the end of last year; and total customer deposits of the Group amounted to RMB642,505.6 million, representing an increase of RMB84,679.8 million or 15.2% as compared to the end of last year.

The Group recorded a net profit of RMB888.1 million for the year of 2023, representing a year-on-year increase of RMB175.6 million or 24.6%; and a net profit attributable to shareholders of the Company of RMB740.0 million, representing a year-on-year increase of RMB185.2 million or 33.4%, primarily due to the fact that the Bank took various measures to improve its profitability, including strengthening the use of funds, optimizing the structure of liabilities as well as strengthening the management and control on asset quality. In 2023, the return on average total assets of the Group was 0.12%, representing an increase as compared to last year.

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Stable loan quality

As at 31 December 2023, the balance of the Group's non-performing loans was RMB9,259.6 million, and the non-performing loan ratio was 2.87%, representing a decrease of 0.02 percentage point as compared to the end of last year; the impairment coverage ratio was 197.38%, representing an increase of 15.84 percentage points as compared to the end of last year; and impairment losses on loans was 5.66%, representing an increase of 0.41 percentage point as compared to the end of last year.

Stable development of subsidiaries

In 2023, HB Leasing, HBCF and 30 village and township banks controlled by the Company kept stable and healthy development momentum as a whole. As at 31 December 2023, HB Leasing had total assets of RMB24,664 million, representing an increase of 1.77% as compared to the end of last year; HBCF had total assets of RMB21,374 million, representing an increase of RMB6,136 million as compared to the end of last year. Total loans amounted to RMB20,267 million, representing an increase of RMB5,194 million as compared to the end of last year. Total assets of the 30 village and township banks controlled by the Company amounted to RMB27,148 million.

Compliance with applicable laws and regulations

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

(III) Analysis of Key Issues

1. Net interest margin

In 2023, the net interest spread of the Bank was 1.56%, representing a decrease of 0.02 percentage point as compared to last year, and the net interest margin was 1.43%, representing a decrease of 0.12 percentage point as compared to last year. The Bank continued to fulfill various national policy requirements, further strengthened its role in serving the real economy, increased credit investments, actively adapted to the downward trend of Loan Prime Rate ("LPR"), lowered the finance costs for the real economy, enhanced the quality and efficiency of financial services, and supported the high-quality development of local economies. The Bank proactively provided financial services to protect the general republic's efforts in realising ideal life by adopting measures including satisfying residents' demand for wealth preservation and appreciation, leading to a significant increase in the size of customer deposits. Meanwhile, the Bank stabilized net interest spread and net interest margin by improving the allocation of investments in debt securities, enhancing the ability in generating non-interest income, actively optimising debt maturity and cost structure, and facilitating the revitalization of existing non-interest-earning assets. However, as the real economy is still at its stage of recovery, coupled with factors including the insufficient effective demand for credit, continuously decreasing LPR, reset of the loan interest rates and continuously decreasing market interest rates, the overall return on assets declined slightly. Due to the enhanced wealth attribute of deposits, the proportion of higher-cost time deposits increased, and the deposit interest rates remained rigid, the net interest margin recorded a slight decrease as compared to the same period of last year.

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Looking forward to 2024, the internal and external environment still remains uncertain, while the pressure of the “asset shortage” in the banking industry still exists. In light of offering continuous benefits to the real economy, 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 31 December 2023, the balance of the Bank’s non-performing loans was RMB9,259.6 million, and the non-performing loan ratio was 2.87%, representing a decrease of 0.02 percentage point as compared to the end of last year. Impairment coverage ratio was 197.38%, representing an increase of 15.84 percentage points as compared to the end of last year; and impairment losses on loans was 5.66%, representing an increase of 0.41 percentage point as compared to the end of last year, showing that the Bank’s capability to risk resistance basically remained stable.

During the Reporting Period, the Bank conscientiously implemented various national credit policies and regulatory requirements, strengthened support to the real economy and increased loans to manufacturing industry, regional featured industries with competitive advantages, high-tech industry, green finance, inclusive finance and other related key areas according to the 14th Five-Year Plan. The Bank has closely monitored changes of internal and external situations, and strengthened risk prevention and control on focused sectors such as real estate and financing platforms of local governments, and promoted steadily the adjustment of structures of assets and business and maintained a generally stable asset quality.

3. *Capital management*

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

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As at 31 December 2023, risk-weighted assets of the Bank amounted to RMB576,068.1 million, representing a decrease of RMB1,564.7 million or 0.3% as compared to the end of last year. The core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio of the Bank were 8.69%, 12.48% and 13.71%, respectively. Due to an increase in capital, core tier-1 capital adequacy ratio, tier-1 capital adequacy ratio and capital adequacy ratio increased by 0.05 percentage point, 1.79 percentage points and 1.80 percentage points, respectively, as compared to the end of last year.

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

Pursuant to the requirements of the Notice on Regulating the Interbank Business of Financial Institutions (Yin Fa [2014] No. 127), the Bank consistently performed rigid review on risk and compliance with respect to use of capital. The Bank accurately measured risks, and set aside capital and made provisions accordingly based on the principle of “substance over formality” and the nature of the underlying assets. Following loan provision requirements, the Bank progressively raised the coverage ratio for investment in debt instruments issued by financial institutions to a relatively higher level in a steady, prudent and dynamic manner based on the expected credit loss model measurement. As at 31 December 2023, total investment by the Bank in debt instruments issued by financial institutions amounted to RMB149,801.1 million, representing a decrease of 3.9% as compared to the end of last year; the balance of provision amounted to RMB6,658.3 million, representing an increase of RMB610.5 million as compared to the end of last year, and the coverage ratio was 4.44%, representing an increase of 0.56 percentage point as compared to the end of last year.

5. *Net Stable Funding Ratio*

As at 31 December 2023, the net stable funding ratio of the Bank was 130.60%, 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], the former CBIRC) (“in compliance with the regulatory standards”). The available stable funding (upon translation) was RMB570.784 billion, and the required stable funding (upon translation) was RMB437.064 billion.

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

Item	As at 31 December 2023	As at 30 September 2023	As at 30 June 2023
	(In RMB100 million, except percentages)		
Net stable funding ratio	130.60%	132.85%	137.89%
Available stable funding	5,707.84	5,603.50	5,549.76
Required stable funding	4,370.64	4,218.04	4,024.75

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II. Analysis on Income Statement

	For the year ended 31 December			
	2023	2022	Change in amount	Rate of change
	(In RMB million, except percentages)			
Interest income	29,719.1	26,065.0	3,654.1	14.0%
Interest expense	(20,170.1)	(17,057.8)	(3,112.3)	18.2%
Net interest income	9,549.0	9,007.2	541.8	6.0%
Fee and commission income	824.3	903.4	(79.1)	-8.8%
Fee and commission expense	(179.0)	(171.8)	(7.2)	4.2%
Net fee and commission income	645.3	731.6	(86.3)	-11.8%
Net trading income or loss	2,691.9	2,423.3	268.6	11.1%
Net gains on financial investments	264.9	416.4	(151.5)	-36.4%
Net other operating income or loss	90.6	292.0	(201.4)	-69.0%
Operating income	13,241.7	12,870.5	371.2	2.9%
Operating expenses	(5,826.5)	(5,285.2)	(541.3)	10.2%
Credit impairment losses	(6,957.9)	(6,584.1)	(373.8)	5.7%
Other assets impairment loss	—	—	—	—
Operating profit	457.3	1,001.2	(543.9)	-54.3%
Profit before tax	457.3	1,001.2	(543.9)	-54.3%
Income tax credit/(expense)	430.8	(288.7)	719.5	-249.2%
Net profit	888.1	712.5	175.6	24.6%

In 2023, the Bank recorded a profit before tax of RMB457.3 million, and a net profit of RMB888.1 million, representing a year-on-year increase of 24.6%.

(I) Net Interest Income

In 2023, the Bank recorded a net interest income of RMB9,549.0 million, representing an increase of RMB541.8 million or 6.0% year on year. The following tables set forth, for the periods indicated, the average balance of the Bank's interest-earning assets and interest-bearing liabilities, interest income and expense from these assets and liabilities, and the average yield ratio of these interest-earning assets and the average cost ratio of these interest-bearing liabilities.

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For the year ended 31 December

	2023			2022		
	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	303,236.0	16,520.1	5.45%	284,702.5	15,314.8	5.38%
Investments in debt securities ⁽¹⁾	230,678.4	9,740.9	4.22%	197,196.9	8,090.9	4.10%
Cash and balances with						
Central Bank	51,351.0	728.4	1.42%	46,650.3	637.5	1.37%
Due from banks and						
other financial institutions ⁽²⁾	59,724.9	1,440.7	2.41%	30,352.9	683.9	2.25%
Financial lease receivables	22,300.3	1,289.0	5.78%	23,755.0	1,337.9	5.63%
Total interest-earning assets	667,290.6	29,719.1	4.45%	582,657.6	26,065.0	4.47%

For the year ended 31 December

	2023			2022		
	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	629,517.9	17,967.4	2.85%	511,444.9	14,433.3	2.82%
Due to banks ⁽³⁾	44,636.9	1,545.4	3.46%	42,544.1	1,534.4	3.61%
Debt securities issued and others	22,222.4	619.6	2.79%	30,408.4	987.4	3.25%
Due to Central Bank	1,872.5	37.7	2.01%	4,874.6	102.7	2.11%
Total interest-bearing liabilities	698,249.7	20,170.1	2.89%	589,272.0	17,057.8	2.89%
Net interest income		9,549.0			9,007.2	
Net interest spread⁽⁴⁾			1.56%			1.58%
Net interest margin⁽⁵⁾			1.43%			1.55%

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Notes:

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

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

	For the year ended 31 December		
	2023 vs.2022		
	Increase/ (decrease) Volume ⁽¹⁾	Interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
	(In RMB million)		
Interest-earning assets			
Loans and advances to customers	997.0	208.3	1,205.3
Investments in debt securities	1,373.7	276.3	1,650.0
Cash and balances with Central Bank	64.2	26.7	90.9
Due from banks and other financial institutions	661.8	95.0	756.8
Financial lease receivables	(81.9)	33.0	(48.9)
Change in interest income	3,014.8	639.3	3,654.1
Interest-bearing liabilities			
Due to customers	3,332.1	202.0	3,534.1
Due to banks	75.5	(64.5)	11.0
Debt securities issued and others	(265.8)	(102.0)	(367.8)
Due to Central Bank	(63.2)	(1.8)	(65.0)
Change in interest expense	3,078.6	33.7	3,112.3

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Notes:

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

(II) Interest income

In 2023, the Bank realized an interest income of RMB29,719.1 million, representing an increase of RMB3,654.1 million or 14.0% year on year, which was primarily due to an increase in the scale of interest-earning assets.

1. Interest income from loans and advances to customers

In 2023, the Bank's interest income from loans and advances to customers increased by RMB1,205.3 million or 7.9% year on year to RMB16,520.1 million, primarily due to the Bank's credit size increased as compared with the same period of last year, mainly resulting from the positive effect stemmed from the Bank's proactive role in serving the real economy by strengthening its financial services and credit investment. The following table sets out, for the periods indicated, the average balance, interest income and average yield ratio for each component of the Bank's loans and advances to customers.

	For the year ended 31 December					
	2023			2022		
	Average balance	Interest income	Average yield ratio	Average balance	Interest income	Average yield ratio
	(In RMB million, except percentages)					
Corporate loans	168,623.3	8,526.4	5.06%	161,902.4	7,062.6	4.36%
Personal loans	118,747.0	7,755.1	6.53%	122,164.1	8,243.1	6.75%
Discounted bills	15,865.7	238.6	1.50%	636.0	9.1	1.43%
Total loans and advances to customers	303,236.0	16,520.1	5.45%	284,702.5	15,314.8	5.38%

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2. *Interest income from investments in debt securities*

In 2023, the Bank's interest income from investments in debt securities increased by RMB1,650.0 million or 20.4% year on year to RMB9,740.9 million, mainly attributable to the fact that an increase in the scale of investments as the Bank increased its bond investment, improved the value of capital contributions, and optimized its asset structure.

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

In 2023, the Bank's interest income from cash and balances with Central Bank increased by RMB90.9 million or 14.3% year on year to RMB728.4 million, mainly attributable to an increase in the daily transaction volume.

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

In 2023, the Bank's interest income from amounts due from banks and other financial institutions increased by RMB756.8 million or 110.7% year on year to RMB1,440.7 million, primarily attributable to the reinforcement of the usage of the funds by the Bank and an increase of the scale of inter-bank assets.

5. *Interest income from financial lease receivables*

In 2023, the Bank's interest income from financial lease receivables was RMB1,289.0 million, representing a decrease of RMB48.9 million or 3.7% year on year, mainly affected by the transformation of leasing business.

(III) Interest Expense

In 2023, the Bank's interest expense increased by RMB3,112.3 million or 18.2% to RMB20,170.1 million as compared to the same period of last year, which was mainly due to an increase in the scale of interest-bearing liabilities.

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1. Interest expense on due to customers

In 2023, the Bank's interest expense on due to customers increased by RMB3,534.1 million or 24.5% year on year to RMB17,967.4 million, primarily due to the rapid increase in the volume of customer deposits.

	For the year ended 31 December					
	2023			2022		
	Average balance	Interest expense	Average cost ratio	Average balance	Interest expense	Average cost ratio
(In RMB million, except percentages)						
Corporate deposits						
Demand	86,798.5	1,714.1	1.97%	75,953.2	1,013.9	1.33%
Time	117,250.4	3,579.2	3.05%	102,311.6	3,213.8	3.14%
Subtotal	204,048.9	5,293.3	2.59%	178,264.8	4,227.7	2.37%
Personal deposits						
Demand	43,460.6	124.0	0.29%	46,608.6	164.5	0.35%
Time	382,008.4	12,550.1	3.29%	286,571.5	10,041.1	3.50%
Subtotal	425,469.0	12,674.1	2.98%	333,180.1	10,205.6	3.06%
Total deposits from customers	629,517.9	17,967.4	2.85%	511,444.9	14,433.3	2.82%

2. Interest expense on due to banks

In 2023, the Bank's interest expense on due to banks increased by RMB11.0 million or 0.7% year on year to RMB1,545.4 million, primarily attributable to an increase in the daily transaction volume.

3. Interest expense on debt securities issued and others

In 2023, the Bank's interest expense on debt securities issued and others amounted to RMB619.6 million, representing a decrease of RMB367.8 million or 37.2% year on year, mainly attributable to decreases in both the daily transaction volume and average cost ratio.

(IV) Net Interest Spread and Net Interest Margin

In 2023, the Bank's net interest spread decreased from 1.58% in last year to 1.56%, and the net interest margin decreased from 1.55% in last year to 1.43%. For the analysis of the reason for the decrease in net interest spread and net interest margin, please refer to I. (III) Analysis of Key Issues.

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(V) Non-interest Income

1. Net fee and commission income

In 2023, the Bank's net fee and commission income decreased by RMB86.3 million or 11.8% year on year to RMB645.3 million, primarily attributable to a decrease in the advisory and consultancy fee.

	For the year ended 31 December			
	2023	2022	Change in amount	Rate of change
	(In RMB million, except percentages)			
Fee and commission income	824.3	903.4	(79.1)	-8.8%
Advisory and consultancy fee	182.3	287.6	(105.3)	-36.6%
Settlement fee	78.2	44.3	33.9	76.5%
Agency and custodian fee	316.4	328.3	(11.9)	-3.6%
Of which: non-principal protected wealth management agency fee	232.0	288.9	(56.9)	-19.7%
Bank card fee	225.3	234.4	(9.1)	-3.9%
Others	22.1	8.8	13.3	151.1%
Fee and commission expense	(179.0)	(171.8)	(7.2)	4.2%
Net fee and commission income	645.3	731.6	(86.3)	-11.8%

In 2023, the Bank's advisory and consultancy fee income decreased by RMB105.3 million or 36.6% year on year to RMB182.3 million, mainly attributable to the changes in volume of advisory and consultancy business.

In 2023, the Bank's settlement fee income increased by RMB33.9 million or 76.5% year on year to RMB78.2 million, mainly attributable to the volume change of the settlement business.

In 2023, the Bank's agency and custodian fee income decreased by RMB11.9 million or 3.6% year on year to RMB316.4 million, mainly attributable to a decrease in scale of agency and custodian business.

In 2023, the Bank's bank card fee income decreased by RMB9.1 million or 3.9% year on year to RMB225.3 million, mainly attributable to the changes in bank card intermediary business volume.

In 2023, the Bank realised other fee and commission income of RMB22.1 million, representing an increase of RMB13.3 million or 151.1% year on year.

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2. *Net trading income or loss*

In 2023, the Bank's net trading income increased by RMB268.6 million or 11.1% year on year to RMB2,691.9 million, mainly attributable to an increase in gains and losses arising from changes in the fair value of financial assets measured at fair value through profit or loss.

3. *Net gains on financial investments*

In 2023, the Bank's net gains on financial investments decreased by RMB151.5 million or 36.4% year on year to RMB264.9 million, mainly attributable to a decrease in net gains on disposal of financial assets measured at amortised cost.

4. *Net other operating income or loss*

In 2023, the Bank's net other operating income or loss decreased by RMB201.4 million or 69.0% year on year to RMB90.6 million, mainly attributable to the changes in exchange gains or losses of the Bank.

(VI) Operating Expenses

In 2023, the Bank's operating expenses increased by RMB541.3 million or 10.2% year on year to RMB5,826.5 million.

	For the year ended 31 December			
	2023	2022	Change in amount	Rate of change
	(In RMB million, except percentages)			
Staff costs	2,644.7	2,503.1	141.6	5.7%
Tax and surcharges	264.2	213.5	50.7	23.7%
Depreciation and amortisation	769.7	780.0	(10.3)	-1.3%
Others	2,147.9	1,788.6	359.3	20.1%
Total operating expenses	5,826.5	5,285.2	541.3	10.2%

Staff costs are the largest component of the Bank's operating expenses, representing 45.4% and 47.4% of the Bank's total operating expenses for 2023 and 2022, respectively.

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

	For the year ended 31 December			
	2023	2022	Change in amount	Rate of change
	(In RMB million, except percentages)			
Staff costs				
Salaries, bonuses and allowances	1,908.1	1,779.7	128.4	7.2%
Social insurance	420.8	409.1	11.7	2.9%
Housing fund	164.3	164.1	0.2	0.1%
Staff benefits	114.3	116.3	(2.0)	-1.7%
Labor union expenditure and education costs	28.9	24.0	4.9	20.4%
Early retirement benefits	8.3	9.9	(1.6)	-16.2%
Total	2,644.7	2,503.1	141.6	5.7%

In 2023, the staff costs of the Bank were RMB2,644.7 million, representing an increase of RMB141.6 million or 5.7% year on year, mainly due to an increase in the number of staff and the strengthening of talent team building for operating front-line and key positions.

In 2023, the tax and surcharges of the Bank were RMB264.2 million, representing an increase of RMB50.7 million or 23.7% year on year, primarily attributable to an increase in relevant taxes as a result of the Bank's business development.

In 2023, depreciation and amortisation of the Bank were RMB769.7 million, representing a decrease of RMB10.3 million or 1.3% year on year.

In 2023, the Bank's other operating expenses increased by RMB359.3 million or 20.1% year on year to RMB2,147.9 million, mainly due to increases in the business marketing and promotion as well as the investment in key areas as the Bank increased investment in fintech, intensified risk control, and promoted strategic business development and market capacity building.

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(VII) Credit impairment losses

In 2023, the Bank's credit impairment losses increased by RMB373.8 million or 5.7% year on year to RMB6,957.9 million.

	For the year ended 31 December			
	2023	2022	Change in amount	Rate of change
	(In RMB million, except percentages)			
Impairment losses on loans and advances to customers at amortised cost	5,737.6	5,110.0	627.6	12.3%
Impairment losses on financial assets at amortised cost	951.7	1,148.2	(196.5)	-17.1%
Impairment losses on financial investments at fair value through other comprehensive income	(41.9)	31.4	(73.3)	-233.4%
Impairment losses on finance lease receivables	166.9	303.0	(136.1)	-44.9%
Other assets impairment loss	143.6	(8.5)	152.1	1,789.4%
Total	6,957.9	6,584.1	373.8	5.7%

(VIII) Income Tax Credit/(Expense)

In 2023, the Bank's income tax expenses decreased by RMB719.5 million year on year to RMB-430.8 million.

	For the year ended 31 December			
	2023	2022	Change in amount	Rate of change
	(In RMB million, except percentages)			
Current income tax expenses	351.3	657.0	(305.7)	-46.5%
Deferred income tax expenses	(782.1)	(368.3)	(413.8)	-112.4%
Effective income tax expenses	(430.8)	288.7	(719.5)	-249.2%

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III. Analysis of Key Items of Financial Position

(I) Assets

As at 31 December 2023, the Bank's total assets increased by RMB100.5956 billion or 14.1% to RMB813.3287 billion as compared to the end of last year, mainly attributable to increases in the investment in securities and other financial assets as well as loans and advances to customers.

	As at 31 December			
	2023		2022	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Loans and advances to customers, net	308,438.9	37.9%	271,784.8	38.2%
Net investment in securities and other financial assets	344,959.1	42.4%	291,827.7	40.9%
Cash and balances with the Central Bank	63,873.4	7.9%	76,775.5	10.8%
Due from banks and other financial institutions	31,866.2	3.9%	25,852.3	3.6%
Reverse repurchases	19,946.4	2.5%	1,000.8	0.1%
Other assets	44,244.7	5.4%	45,492.0	6.4%
Total assets⁽¹⁾	813,328.7	100.0%	712,733.1	100.0%

Note:

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

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1. Loans and advances to customers

As at 31 December 2023, the Bank's total loans and advances to customers increased by RMB38.7678 billion to RMB323.1827 billion, representing an increase of 13.6% as compared to the end of last year.

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

	As at 31 December			
	2023		2022	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Corporate loans	184,005.1	56.9%	161,043.1	56.6%
Personal loans	118,550.6	36.7%	117,360.8	41.3%
Discounted bills	20,627.0	6.4%	6,011.0	2.1%
Total loans and advances to customers	323,182.7	100.0%	284,414.9	100.0%

(1) Corporate loans

As at 31 December 2023, the Bank's corporate loans increased by RMB22.9620 billion to RMB184.0051 billion, representing an increase of 14.3% as compared to the end of last year.

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

	As at 31 December			
	2023		2022	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Loans to small enterprises ⁽¹⁾	79,315.9	43.1%	61,020.0	37.9%
Other corporate loans excluding loans to small enterprises	104,689.2	56.9%	100,023.1	62.1%
Total corporate loans	184,005.1	100.0%	161,043.1	100.0%

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Note:

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

As at 31 December 2023, the Bank's loans to small enterprises increased by RMB18.2959 billion to RMB79.3159 billion, representing an increase of 30.0% as compared to the end of last year. As at the end of current year and last year, the Bank's loans to small enterprises accounted for 43.1% and 37.9% of the Bank's total corporate loans, respectively.

(2) *Personal loans*

As at 31 December 2023, the Bank's personal loans increased by RMB1,189.8 million to RMB118.5506 billion, representing an increase of 1.0% as compared to the end of last year, mainly attributable to an increase in personal consumption loans by RMB2,799.4 million or 3.6% as compared to the end of last year.

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

	As at 31 December			
	2023		2022	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Loans to small enterprise owners	23,320.9	19.6%	25,269.1	21.5%
Personal consumption loans	80,931.8	68.3%	78,132.4	66.6%
Loans to farmers	14,297.9	12.1%	13,959.3	11.9%
Total personal loans	118,550.6	100.0%	117,360.8	100.0%

As at 31 December 2023, personal consumption loans and loans to farmers increased by 3.6% and 2.4% as compared to the end of last year, respectively, while loans to small enterprise owners decreased by 7.7% as compared to the end of last year.

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2. Investment in securities and other financial assets

As at 31 December 2023, the total amount of the Bank's investment in securities and other financial assets was RMB347.4449 billion, representing an increase of RMB52.6983 billion or 17.9% as compared to the end of last year. The increase in such assets in 2023 mainly due to that the Bank improved its capital utilization rate by upscaling its various investments and continuously expanding channels of capital utilization.

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

	As at 31 December			
	2023		2022	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Financial assets measured at fair value through profit or loss	85,711.3	24.7%	82,534.4	28.0%
Financial assets measured at amortised cost	175,576.3	50.5%	153,047.3	51.9%
Financial assets measured at fair value through other comprehensive income	86,157.3	24.8%	59,164.9	20.1%
Total investment in securities and other financial assets	347,444.9	100.0%	294,746.6	100.0%

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

	As at 31 December			
	2023		2022	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Debt investments:				
Bond investments	192,121.1	55.3%	131,349.1	44.6%
Debt instruments issued by financial institutions ⁽¹⁾	149,801.1	43.1%	155,899.0	52.9%
Subtotal	341,922.2	98.4%	287,248.1	97.5%
Equity investment	5,522.7	1.6%	7,498.5	2.5%
Total investment in securities and other financial assets	347,444.9	100.0%	294,746.6	100.0%

Note:

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

As at 31 December 2023, the Bank's total investment in debt instruments issued by financial institutions was RMB149.8011 billion, representing a decrease of RMB6.0979 billion or 3.9% 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 52.9% as at 31 December 2022 to 43.1% as at 31 December 2023.

	As at 31 December			
	2023		2022	
	Amount	% of total	Amount	% of total
(In RMB million, except percentages)				
Government bonds	103,018.2	53.6%	65,193.5	49.6%
Bonds issued by financial institutions	9,556.3	5.0%	8,357.2	6.4%
Corporate bonds	52,948.6	27.6%	37,539.1	28.6%
Bonds issued by policy banks	26,598.0	13.8%	20,259.3	15.4%
Total bond investments	192,121.1	100.0%	131,349.1	100.0%

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3. *Other components of the Bank's assets*

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

As at 31 December 2023, the Bank's total cash and balances with the Central Bank decreased by RMB12.9039 billion to RMB63.8512 billion, representing a decrease of 16.8% as compared to the end of last year.

As at 31 December 2023, the Bank's due from banks and other financial institutions increased by RMB5,797.2 million to RMB31.5958 billion, representing an increase of 22.5% as compared to the end of last year.

As at 31 December 2023, the Bank's total reverse repurchases increased by RMB18.9328 billion to RMB19.9328 billion as compared to the end of last year.

(II) **Liabilities**

Thoroughly implementing the requirements of the Measures for Liability Quality Management of Commercial Banks (Yin Bao Jian Ban Fa [2021] No. 35), the Bank established and completed a liability quality management system across the Bank in accordance with the principle of compatibility with business strategy, risk appetite and overall business characteristics, and continuously improved the level of liability quality management. During the Reporting Period, the Bank conscientiously implemented the requirements of the "six characteristics" of liability quality management, continuously strengthened the foundation for the development of our liabilities business, while strengthening the monitoring, analysis and management of the sources, structure and costs of our liabilities, resulting in a steady increase in the total liabilities and healthy development of overall liabilities business. As at 31 December 2023, the Bank's total liabilities were RMB749.4405 billion, representing an increase of RMB100.0280 billion or 15.4% as compared to the end of last year. Among which, customer deposits accounted for 87.7% of the total liabilities, representing an increase of 0.6 percentage point as compared to the end of last year.

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	As at 31 December			
	2023		2022	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Due to customers	656,988.7	87.7%	565,587.2	87.1%
Due to banks ⁽¹⁾	46,651.8	6.2%	41,408.5	6.4%
Repurchase agreements	10,668.4	1.4%	3,253.2	0.5%
Debt securities issued	23,726.3	3.2%	28,569.9	4.4%
Due to Central Bank	3,410.7	0.4%	2,968.8	0.4%
Other liabilities ⁽²⁾	7,994.6	1.1%	7,624.9	1.2%
Total liabilities⁽³⁾	749,440.5	100.0%	649,412.5	100.0%

Notes:

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

1. Due to customers

As at 31 December 2023, the Bank's total due to customers increased by RMB84.6798 billion to RMB642.5056 billion, representing an increase of 15.2% as compared to the end of last year.

	As at 31 December			
	2023		2022	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Corporate deposits				
Demand deposits	81,370.1	12.6%	80,580.4	14.4%
Time deposits	116,021.5	18.1%	108,477.4	19.5%
Subtotal	197,391.6	30.7%	189,057.8	33.9%
Personal deposits				
Demand deposits	44,899.4	7.0%	48,926.3	8.8%
Time deposits	400,214.6	62.3%	319,841.7	57.3%
Subtotal	445,114.0	69.3%	368,768.0	66.1%
Total due to customers	642,505.6	100.0%	557,825.8	100.0%

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2. *Due to banks*

As at 31 December 2023, the Bank's due to banks balance increased by RMB5,287.4 million to RMB46.2738 billion, representing an increase of 12.9% as compared to the end of last year.

3. *Repurchase agreement*

As at 31 December 2023, the Bank's repurchase agreement was RMB10.6644 billion, representing an increase of RMB7,414.4 million or 228.1% as compared to the end of last year.

4. *Debt securities issued*

As at 31 December 2023, the Bank's debt securities issued were RMB23.7263 billion, representing a decrease of RMB4,843.6 million or 17.0% as compared to the end of last year.

(III) Shareholders' Equity

As at 31 December 2023, the Bank's total shareholders' equity increased by RMB567.6 million to RMB63.8882 billion, representing an increase of 0.9% as compared to the end of last year. As at 31 December 2023, total equity attributable to shareholders of the parent company increased by RMB429.8 million to RMB61.6043 billion, representing an increase of 0.7% as compared to the end of last year.

	As at 31 December			
	2023		2022	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Share capital	10,995.6	17.2%	10,995.6	17.3%
Other equity instruments	11,699.0	18.3%	11,699.0	18.5%
Reserves	20,149.2	31.5%	19,508.8	30.8%
Undistributed profits	18,760.5	29.4%	18,971.1	30.0%
Equity attributable to shareholders of the parent company	61,604.3	96.4%	61,174.5	96.6%
Non-controlling interests	2,283.9	3.6%	2,146.1	3.4%
Total equity	63,888.2	100.0%	63,320.6	100.0%

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IV. Off-balance Sheet Commitments

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

	As at 31 December	
	2023	2022
	(In RMB million)	
Credit commitments:		
Bank bills acceptance	6,431.9	10,280.3
Issued letters of guarantee	522.6	188.0
Issued letters of credit	3,647.6	2,871.8
Credit limit of credit card	20,501.6	32,176.9
Subtotal	31,103.7	45,517.0
Capital expenditure commitments	16.8	13.1
Treasury bond redemption commitments	602.0	1,057.5
Total	31,722.5	46,587.6

In addition, as at 31 December 2023, there was no significant outstanding legal proceedings against the Group (as defendant or third-party defendant) with a subject amount of over RMB10 million for each dispute, and the estimated liability of RMB17.0 million has been recognized in the balance sheet based on the best estimate. As at the date of this report, the Bank has no significant contingent liabilities. Details of off-balance sheet commitment contracts are disclosed in "Commitments and Contingent Liabilities" in the Note 43 to financial statements of this report.

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V. Analysis of Loan Quality

During the Reporting Period, despite the overall recovering macro-economy and gradually rebounding market demand, the operating entities are still in a lack of virility with the repayment ability of SMEs and individuals under continuous pressure. Challenges still exist for banks in asset quality control. Adhering to the principle of stability and seeking improvement in stability, closely focusing on the work goal of “Enhancing Development Quality”, and with the general idea of “risk management driving business development and escorting business development”, the Bank continuously enhanced its credit risk management and asset quality control prospectively, such as strengthening potential risk management of customers and pre-management before expiration of existing business, establishing a risk joint consultation mechanism for corporate customers and a new overdue warning mechanism, implementing credit supervision throughout the process, as well as other measures to improve risk control quality and efficiency. Besides, the Bank steadily adjusted the asset structure to explore diversified ways of handling credit stock and thereby to enhance the capability of activating non-performing assets and achieving market-oriented disposal. As at 31 December 2023, the non-performing loan ratio was 2.87%, representing a decrease of 0.02 percentage point as compared to the end of last year. The impairment coverage ratio was 197.38%, representing an increase of 15.84 percentage points as compared to the end of last year. The impairment losses on loans ratio was 5.66%, representing an increase of 0.41 percentage point as compared to the end of last year. The ability of risk loss resilience basically remained stable.

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

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

	As at 31 December			
	2023		2022	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Pass	293,933.4	90.9%	260,142.4	91.5%
Special mention	19,989.7	6.2%	16,053.8	5.6%
Substandard	1,315.3	0.4%	864.3	0.3%
Doubtful	2,003.6	0.6%	6,009.3	2.1%
Loss	5,940.7	1.9%	1,345.1	0.5%
Total loans and advances to customers	323,182.7	100.0%	284,414.9	100.0%
Non-performing loans amount and non-performing loan ratio⁽¹⁾	9,259.6	2.87%	8,218.7	2.89%

Note:

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

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

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(II) The Distribution of Loans and Non-performing Loans by Business Lines

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

	As at 31 December					
	2023			2022		
	Loan amount	Non- performing loans amount	Non- performing loan ratio	Loan amount	Non- performing loans amount	Non- performing loan ratio
(In RMB million, except percentages)						
Corporate loans						
Loans to small enterprises	79,315.9	2,407.7	3.04%	61,020.0	2,201.6	3.61%
Other corporate loans excluding loans to small enterprises	104,689.2	2,197.9	2.10%	100,023.1	2,223.6	2.22%
Subtotal	184,005.1	4,605.6	2.50%	161,043.1	4,425.2	2.75%
Personal loans						
Loans to small enterprise owners	23,320.9	1,206.0	5.17%	25,269.1	1,027.6	4.07%
Personal consumption loans	80,931.8	3,187.4	3.94%	78,132.4	2,421.0	3.10%
Loans to farmers	14,297.9	260.6	1.82%	13,959.3	344.9	2.47%
Subtotal	118,550.6	4,654.0	3.93%	117,360.8	3,793.5	3.23%
Discounted bills	20,627.0	–	–	6,011.0	–	–
Total	323,182.7	9,259.6	2.87%	284,414.9	8,218.7	2.89%

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During the Reporting Period, the Bank strictly controlled the credit risk of new businesses and continued to optimise risk access standards and policy requirements for industries, regions, customer structures and products in order to keep flexibility in achieving progress. It strengthened the centralised management and the quality and efficiency of examination and approval, focused on the collection and disposal of major projects, paid close attention to source prevention and control and full-process management, advanced at both the collective and specific levels, and strengthened the management accountability for problematic loans and non-performing loans. It focused on exploring the potential of existing customers and risk mitigation with regard to corporate customers, strengthened the management of “three checks” on loans, and standardized business operations systematically. For real estate, government and other key sectors, the Bank continued to track and analyze the external situation, adjust business guidance and access rules in a timely manner, and make dynamic adjustments to policies. As of 31 December 2023, the non-performing loan ratio of corporate loans decreased by 0.25 percentage point to 2.50% as compared to the end of last year. For retail customers, the Bank focused on acquiring valuable customers, optimized customer and asset structures, established a normalized monitoring post-supervision, intelligent post-loan management and elaborative overdue supervision system, and actively removed problematic customers through continuously refining the indicators featuring with default and early warning. As a local bank based in Heilongjiang Province, the Bank has fully implemented the various requirements of the national “rural revitalization” strategy by increasing support to the “agriculture, rural areas and farmers” areas, introducing more financial resources to the “agriculture, rural areas and farmers” areas, and taking innovation in financial products and services as the starting point for 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 serve as powerful support force for the solidifying and amplification of poverty alleviation achievements, the full development of rural revitalization and the modern construction of agriculture and rural areas. As of 31 December 2023, loans to farmers amounted to RMB14,297.9 million, representing an increase of RMB338.6 million as compared to the end of last year; the non-performing loan ratio of loans to farmers was 1.82%, representing a decrease of 0.65 percentage point as compared to the end of last year.

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(III) Distribution of Loans and Non-performing Loans Classified by Industry

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

	As at 31 December							
	2023				2022			
	Loan amount	% of total	Non- performing loans amount	Non- performing loan ratio	Loan amount	% of total	Non- performing loans amount	Non- performing loan ratio
(In RMB million, except percentages)								
Agriculture, forestry, husbandry and fishery	1,449.6	0.4%	134.6	9.29%	1,478.2	0.5%	105.1	7.11%
Mining	193.1	0.1%	–	–	91.1	0.0%	–	–
Manufacturing	9,334.1	2.9%	1,178.8	12.63%	6,948.9	2.4%	905.8	13.04%
Production and supply of electricity, heating, gas and water	10,137.1	3.1%	58.8	0.58%	4,922.9	1.7%	58.8	1.19%
Construction	11,463.1	3.5%	455.6	3.97%	10,716.8	3.8%	518.9	4.84%
Wholesale and retail	32,517.4	10.1%	1,383.9	4.26%	24,950.2	8.8%	1,253.9	5.03%
Transportation, storage and postal services	2,728.6	0.8%	23.9	0.88%	2,796.6	1.0%	27.3	0.98%
Accommodations and catering	3,180.2	1.0%	130.9	4.12%	3,413.0	1.2%	149.7	4.39%
Information transmission, software and information technology services	332.7	0.1%	20.0	6.01%	357.1	0.1%	43.1	12.07%
Finance	1.9	0.0%	1.9	100.00%	7.2	0.0%	4.2	58.33%
Real estate	29,650.3	9.2%	481.2	1.62%	29,847.5	10.5%	334.9	1.12%
Leasing and commercial services	72,548.4	22.4%	615.5	0.85%	64,013.2	22.5%	836.6	1.31%
Scientific research and technological services	532.5	0.2%	37.1	6.97%	535.6	0.2%	22.5	4.20%
Water conservation, environment and public utility management	8,714.4	2.7%	45.5	0.52%	9,875.1	3.5%	133.2	1.35%
Residential, repair and other services	164.1	0.1%	10.4	6.34%	174.1	0.1%	3.6	2.07%
Education	128.4	0.0%	23.7	18.46%	136.2	0.1%	23.7	17.40%
Health and social work	376.0	0.1%	3.8	1.01%	423.8	0.1%	3.8	0.90%
Culture, sports and entertainment	553.2	0.2%	–	–	355.6	0.1%	–	–
Total corporate loans	184,005.1	56.9%	4,605.6	2.50%	161,043.1	56.6%	4,425.1	2.75%
Total personal loans	118,550.6	36.7%	4,654.0	3.93%	117,360.8	41.3%	3,793.6	3.23%
Discounted bills	20,627.0	6.4%	–	–	6,011.0	2.1%	–	–
Total	323,182.7	100.0%	9,259.6	2.87%	284,414.9	100.0%	8,218.7	2.89%

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During the Reporting Period, the Bank, according to the direction of national industrial policy support and taking into account regional economic structure and development characteristics, formulated differentiated policy guidance with a focus on supporting high-tech enterprises, specialized and new enterprises to increase support for high-tech, green finance and other related areas. With increased financial support for new infrastructure industries, major projects and major works, the Bank aims to help improve the quality of urban life and the health of residents. Meanwhile, it adhered to the direction of inclusive finance policies and strived to improve the financial services to micro, small and medium-sized enterprises (MSMEs) and new citizens. As at 31 December 2023, the total corporate loans of the Bank amounted to RMB184,005.1 million, representing an increase of RMB22,962.0 million as compared to the end of last year. The non-performing loans concentrated in the wholesale and retail industry and the manufacturing industry, with non-performing loans of RMB1,383.9 million and RMB1,178.8 million, respectively. The Bank has always followed its microcredit strategy and implemented policies on inclusive finance as most of its customers are MSMEs, whereas the wholesale and retail industry and the manufacturing industry account for a relatively large proportion of MSMEs customers. Factors such as the slow growth of the macro economy have exerted a certain pressure on the operation and development of the MSMEs customers, which are susceptible to the economic situation. Coupled with the fact that the overall economy is in the post-pandemic recovery, a certain period of time is needed for enterprises to restore normal cash flow.

(IV) Distribution of Loans and Non-performing Loans by Geographical Region

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

	As at 31 December							
	2023				2022			
	Loan amount	% of total	Non-performing loans amount	Non-performing loan ratio	Loan amount	% of total	Non-performing loans amount	Non-performing loan ratio
	(In RMB million, except percentages)							
Heilongjiang region	181,370.1	56.1%	4,158.2	2.29%	156,441.0	55.0%	2,808.4	1.80%
Other regions in								
Northeastern China	39,742.9	12.3%	1,574.8	3.96%	38,253.9	13.5%	2,103.6	5.50%
Southwestern China	66,114.3	20.5%	1,609.2	2.43%	57,847.4	20.3%	1,344.1	2.32%
Other regions	35,955.4	11.1%	1,917.4	5.33%	31,872.6	11.2%	1,962.6	6.16%
Total	323,182.7	100.0%	9,259.6	2.87%	284,414.9	100.0%	8,218.7	2.89%

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During the Reporting Period, guided by national macro policies, the Bank implemented the national strategy of coordinated regional development, taking it as its responsibility to revitalize the economy of Heilongjiang Province through accelerating its return to its original aspiration and focusing on its major responsibilities and businesses. Centered on the key industries and projects in Heilongjiang Province and Harbin City, the Group comprehensively increased its support for the real economy. It continued to support the transformation and upgrading of the manufacturing industry in Heilongjiang Province, with a focus on increasing medium and long-term loans to the manufacturing industry. Meanwhile, it cooperated with local governments to increase support for infrastructure construction projects. By actively promoting the implementation of policies such as the key projects in Heilongjiang Province and the list of key industrial projects in Harbin City, it strengthened financial support for private enterprises and small and micro enterprises.

(V) The Distribution of Loans and Non-performing Loans by Collateral

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

	As at 31 December							
	2023				2022			
	Loan amount	% of total	Non- performing Loans amount	Non- performing loan ratio	Loan amount	% of total	Non- performing Loans amount	Non- performing loan ratio
	(In RMB million, except percentages)							
Unsecured loans	117,153.3	36.2%	2,972.4	2.54%	88,388.4	31.1%	2,014.9	2.28%
Guaranteed loans	91,416.0	28.3%	1,710.4	1.87%	78,810.7	27.7%	1,932.1	2.45%
Collateralised loans	97,337.7	30.2%	4,521.3	4.64%	104,389.7	36.7%	4,233.6	4.06%
Pledged loans	17,275.7	5.3%	55.5	0.32%	12,826.1	4.5%	38.1	0.30%
Total	323,182.7	100.0%	9,259.6	2.87%	284,414.9	100.0%	8,218.7	2.89%

During the Reporting Period, the Bank responded proactively to the slowdown in economic growth and the lasting effects of the COVID-19 pandemic. On one hand, from the perspective of the Bank's overall loan structure, collateralised loans and pledged loans continued to account for a large part to 35.5% to ensure the controllability of the ultimate risks on loans. On the other hand, as a proactive response to regulatory policies, the Group granted more inclusive loans to small and micro enterprises and the Dual-stabilization Loans, supported the real economy, and strongly supported the development of private sector and small and medium-sized enterprises, expanding unsecured loans and guaranteed loans. At the same time, the Bank strengthened its control based on multi-channel risk management, promoted the orderly exit of higher-risk customers and increased its efforts in recovery and dispose of non-performing assets to support the quality of its assets remaining stable.

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(VI) Concentration of Borrowers

As at 31 December 2023, the Bank was in compliance with the lending limit of 10% of the Bank's net capital to any single borrower. The following table sets out the Bank's 10 largest single borrowers (excluding group borrowers) in terms of loan balance as at 31 December 2023, none of which were non-performing loans.

As at 31 December 2023			
Industry	Loan balance	% of total loans	% of net capital
(In RMB million, except percentages)			
L-Leasing and commercial services	6,900.0	2.13%	8.75%
D-Production and supply of electricity, heating, gas and water	5,770.0	1.78%	7.31%
L-Leasing and commercial services	5,500.0	1.70%	6.96%
L-Leasing and commercial services	3,128.4	0.97%	3.96%
K-Real estate	2,974.4	0.92%	3.77%
K-Real estate	2,537.3	0.79%	3.21%
K-Real estate	2,376.2	0.74%	3.01%
N-Water conservation, environment and public utility management	2,340.2	0.72%	2.96%
L-Leasing and commercial services	2,190.0	0.68%	2.77%
H-Wholesale and retail	2,041.0	0.63%	2.58%
Total	35,757.5	11.06%	45.28%

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(VII) Overdue Loans and Advances to Customers

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

	As at 31 December			
	2023		2022	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Current loans and advances	275,398.7	85.2%	230,751.5	81.1%
Loans and advances past due: ⁽¹⁾				
For 1 to 90 days	17,475.3	5.4%	26,283.7	9.3%
For 91 days to 1 year	4,051.1	1.3%	8,770.2	3.1%
For 1 year and above	26,257.6	8.1%	18,609.5	6.5%
Subtotal	47,784.0	14.8%	53,663.4	18.9%
Total loans and advances to customers	323,182.7	100.0%	284,414.9	100.0%

Note:

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

During the Reporting Period, the Bank had always insisted on serving local economic development, preventing and controlling operating risks, reasonably guiding credit resources, enhancing the quality and efficiency of financial services, continuously strengthening asset quality management, and promoting the Bank's high-quality development in all aspects. Firstly, continuously helping customers affected by the pandemic to tide over difficulties in the post-pandemic era. With pandemic prevention and control policies being adjusted, the national economy and production and operation have gradually recovered, even though the Bank still has to go through a transition period before the economic recovery. During the transition period, the Bank will continue to refine its works in relation to the financial support for the real economy from the perspectives of social responsibility and its own sound operation, so as to help customers affected by the epidemic to normalize their operations. Secondly, enhancing asset quality management. The Bank has always adhered to the principle of "asset quality is our lifeline". It established a risk control model of preliminary risk control, developed the concept of pre-management featuring forward look and proactiveness, effectively curbed the deterioration of asset quality at source, and made "controlling new delinquencies" a key task for the whole Bank. Meanwhile, the Bank made steady progress in the collection and disposal of non-performing loans by intensifying the collection and disposal efforts and innovating the methods for collection and disposal.

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(VIII) Movements of Allowance for Impairment Losses on Loans

Pursuant to the requirements of IFRS 9, the Bank made use of “expected credit loss model” for the measurement of impairment of underlying financial assets. The Bank adhered to the prudence principle and made provision for impairment losses on loans in full amount. As at 31 December 2023, the allowance for impairment losses on loans amounted to RMB18,276.5 million, which increased by RMB3,356.5 million as compared to the end of last year. The allowance for impairment losses on loans ratio was 5.66%, representing an increase of 0.41 percentage point as compared to the end of last year. Risk resilience remained stable.

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

Item	As at 31 December	
	2023	2022
		(In RMB million)
Balance at the beginning of the period	14,920.0	13,780.8
Exchange difference	(0.1)	0.2
Charged during the year	5,737.6	5,110.0
Accreted interest on impaired loans	(513.0)	(395.5)
Write-offs and transferred	(2,313.1)	(3,899.5)
Recoveries of loans and advances previously written off	445.1	324.0
Balance at the end of the period	18,276.5	14,920.0

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 in Southwest region mainly in Sichuan and Chongqing;
Other regions:	Branch in Tianjin as well as village and township banks operating in regions other than those listed above.

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

	Mainland China				Total
	Heilongjiang region	Other regions in Northeastern China	Southwestern China	Other regions	
(In RMB million)					
For the year ended 31 December 2023					
Operating income	9,155.0	510.2	2,357.3	1,219.2	13,241.7
Operating expenses	(4,446.8)	(378.6)	(504.6)	(496.5)	(5,826.5)
Credit impairment losses	(6,174.4)	(13.0)	(416.6)	(353.9)	(6,957.9)
Other assets impairment loss	-	-	-	-	-
Operating profit	(1,466.2)	118.6	1,436.1	368.8	457.3
As at 31 December 2023					
Segment assets	628,326.0	49,590.3	74,375.5	61,036.9	813,328.7
Segment liabilities	569,525.9	49,106.4	72,243.6	58,564.6	749,440.5

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

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

	For the year ended 31 December			
	2023		2022	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Heilongjiang region	9,155.0	69.2%	8,889.8	69.1%
Other regions in Northeastern China	510.2	3.9%	136.9	1.1%
Southwestern China	2,357.3	17.8%	1,957.4	15.2%
Other regions	1,219.2	9.1%	1,886.4	14.6%
Total operating income	13,241.7	100.0%	12,870.5	100.0%

(II) Business Segment Report

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

	For the year ended 31 December			
	2023		2022	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Corporate finance business	4,641.6	35.1%	4,109.0	31.9%
Retail finance business	5,723.3	43.2%	6,424.3	49.9%
Financial institutions business	1,749.0	13.2%	1,950.6	15.2%
Other businesses	1,127.8	8.5%	386.6	3.0%
Total operating income	13,241.7	100.0%	12,870.5	100.0%

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VII. Capital Adequacy Ratio and Leverage Ratio

(I) Capital Adequacy Ratio

The Group continued to optimise its business structure and strengthen capital management, and as at 31 December 2023, the core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio of the Bank were 8.69%, 12.48% and 13.71%, 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 former CBIRC. Due to an increase in capital, core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio increased by 0.05 percentage point, 1.79 percentage points and 1.80 percentage points, respectively, as compared to the end of last year.

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

	As at 31 December	
	2023	2022
	(In RMB million, except percentages)	
Core capital	50,987.7	50,382.2
Core tier 1 capital deductible items:		
Fully deductible items	(912.2)	(473.9)
Net core tier 1 capital	50,075.5	49,908.3
Net other tier 1 capital	21,843.4	11,819.9
Net tier 1 capital	71,918.9	61,728.2
Net tier 2 capital	7,057.0	7,051.2
Net capital	78,975.9	68,779.4
Total credit risk-weighted assets	548,258.0	551,559.0
Total market risk-weighted assets	4,646.9	5,020.1
Total operational risk-weighted assets	23,163.2	21,053.7
Total risk-weighted assets	576,068.1	577,632.8
Core tier 1 capital adequacy ratio	8.69%	8.64%
Tier 1 capital adequacy ratio	12.48%	10.69%
Capital adequacy ratio	13.71%	11.91%

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(II) Leverage Ratio

In accordance with the Administrative Measures on the Leverage Ratio of Commercial Banks (revised in 2015), the leverage ratio of the Bank was calculated as follows:

	As at 31 December	
	2023	2022
	(In RMB million, except percentages)	
Net tier 1 capital	71,918.9	61,728.2
Adjusted on-and off-balance sheet assets	851,826.4	772,211.6
Leverage ratio	8.44%	7.99%

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VIII. Business Operation

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

(I) Retail Finance Business

The retail finance business of the Bank is positioned as a focus of the Bank's strategic transformation, which aims to gradually improve the wealth management system to serve the demand of customers and their families for wealth planning. The Bank strengthened eco-scenario construction to meet customers' needs for diversified investment and balanced asset allocation and achieved breakthroughs in brand building and customer market positioning. To assume the mission and responsibility of finance for the people and effectively improve the quality of livelihood services, the Bank innovatively launched cross-provincial processing service of social security cards in Heilongjiang Province and became the first city commercial bank in China to operate cross-provincial processing service of social security cards of Heilongjiang Province. Centered on digital inclusive finance, the Bank further strengthened customer relationship management with digitalisation, accelerated "online + offline" channel synergy and digital marketing transformation to provide powerful support for the transformation of comprehensive retail business from monolithic to integrated. The Bank had built a close loop from retail finance business to customer service to deepen its image as a warm and connotational retail service brand and promote the sustainable and high-quality development of its retail finance business.

In 2023, 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 RMB5,723.3 million, representing a decrease of 10.9% as compared to the same period of last year and accounting for 43.2% of the operating income of the Bank.

Retail customers

Adhering to the retail customer business philosophy of "creating value for customers", the Bank aimed to optimize the customer tiered service system, focused on professional empowerment of marketing team and capitalized on strengthening the online marketing empowerment. The Bank also engaged in customer service refinement and extended customer service to both ends of market. For long-tail customers, the Bank focused on their activation, strengthened the value of middle-end customers and enhanced the service experience of private banking customers. As of 31 December 2023, the Company had 14.6476 million retail customers, representing an increase of 363.3 thousand as compared to the same period of last year. The number of customers with personal financial assets (in RMB and other currencies) over RMB50,000 amounted to 1,254,700, representing an increase of 198,900 or 18.84% as compared to the same period of last year.

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Retail deposits

The Company provides demand and time deposits service to retail customers, which are mostly denominated in RMB with only a small portion being denominated in foreign currencies, in accordance with national and industry regulatory policies. As of 31 December 2023, the total retail deposits of the Bank (in RMB and other currencies) amounted to RMB445,114.0 million, representing an increase of RMB76,346.0 million or 20.7% as compared to the end of last year. In 2023, the average balance of retail deposits (in RMB and other currencies) amounted to RMB425,469.0 million, representing an increase of RMB92,288.9 million or 27.7% as compared to last year. According to the statistics provided by the Heilongjiang Branch of the PBOC, the balance of retail deposits of the Harbin branch of the Company ranked first in the regional market for six consecutive years with a market share of 19.1% as at the end of the Reporting Period.

Retail loans

During the Reporting Period, with a focus on “wholesale”, “scene”, “online” and “big data”, the Bank accelerated the business transformation in respect of its retail credit business. Its personal consumption loan business focused on local special customer groups, deepened the linkage and cooperation with scenario merchants and strengthened the development of consumption scenarios to meet consumers’ specific demand for financial and living services. In addition, the Bank continued to upgrade and improve its products and established an online product system to realize the stable development of business. The Bank also strengthened the talent training and team culture building, and consolidated the foundation of retail asset account manager team. By enhancing the utilization of fintech, the Bank improved its capability of intelligent and refined management, so as to build a comprehensive retail credit service system.

As at 31 December 2023, the balance of the Bank’s personal loans reached RMB118,550.6 million, representing an increase of 1.0% as compared to the end of last year and accounting for 36.7% of the Bank’s total loans to customers, of which the balance of loans to small enterprise owners, personal consumption loans and loans to farmers amounted to RMB23,320.9 million, RMB80,931.8 million and RMB14,297.9 million, respectively, and accounted for 19.6%, 68.3% and 12.1% of the Bank’s total personal loans, respectively.

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Bank cards

During the Reporting Period, the bank card business of the Bank developed steadily. In 2023, credit card customers grew steadily. According to the keynote of “seeking progress while ensuring stability”, the Bank strictly implemented the regular policy of “strengthening regulation and tightening supervision” and took into account two major objectives of “risk prevention” and “stable development”, so as to accelerate the progress of credit card digitalisation of the Bank and continuously promote the innovation of services, products and processes. Focused on two key points of “instant application instant approval” (即申即領) and “long-term stimulation”, the Bank has faced up to the market challenges and continued to improve rights and benefits activities, thereby promoting micro and frequent transactions and boosting the economy of Heilongjiang Province. In order to contribute to the high-quality development of Heilongjiang’s economy, on the one hand, the Bank has continued to enhance its financial service capability and service quality and efficiency of credit card to meet the diversified financial needs of new citizens; on the other hand, focused on the field of bulk consumption, the Bank has innovated and launched the installment products combined credit card with self-operated internet loan to enhance the capability of serving real economy. In addition, adhering to the direction of green and low-carbon development, the Bank has promoted the in-depth integration of digitalisation and intelligence with environmental protection, which realised the digital card model for core products and satisfied customers’ demand for ready-to-use financial services in consumption scenarios.

In 2023, the Bank continued to improve its debit card products and services, and advance the “one card for all” project of social security card, to expand its coverage and diversify the issuance channels. The Bank offered door-to-door card issuance services, covering enterprises, communities and villages to meet the various need of people. The Bank also innovatively launched the cross-provincial real-time application of social security cards in Heilongjiang Province, providing extended social security services to migrant workers, retired people and travellers, became the first city commercial bank in China to operate cross-provincial processing service of social security cards of Heilongjiang Province. The Bank continued to deepen the “government-bank cooperation” by establishing 51 “social-bank integrated service zones” in Heilongjiang Province to incorporate 24 high-frequency social security services of 13 categories into the business scope of the Bank’s network. In addition, the Bank has continued to increase the information disclosure channels of preferential subsidies for the public and farmers, and provided the people of Heilongjiang Province with information enquiry services on such subsidy policies and individual subsidies through self-service halls and online channels. During the Reporting Period, the Bank provided the third generation social security card issuance and replacement services to 1,217,400 residents.

As of 31 December 2023, the total number of issued credit cards reached 1,898.7 thousand, representing an increase of 7.6% as compared to the end of last year, of which 134,600 were newly issued during the Reporting Period. The credit card asset balance amounted to RMB16.526 billion, representing an increase of 2.9% as compared to the end of last year.

As of 31 December 2023, the number of debit cards issued by the Bank amounted to 18,096.5 thousand, of which the number of cards issued during the Reporting Period increased by 310.8 thousand.

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Wealth management business

The wealth management business of the Company focused on enhancing the value of customers' family wealth management. By always adhering to improving customer experience, the Bank integrated online and offline channel resources to enhance the quality and efficiency of customer services, so as to build an excellent financial services brand of Clove Wealth. It made efforts to improve the strategic cooperation structure with leading companies to expand its strategic cooperation continually, while also improved its wealth management product system and upgraded the online financial product market from the perspective of customers' diversified financial investment needs. The Bank innovated the linkage marketing model to promote through large-scale site events such as Harbin International Economic and Trade Fair and Harbin Marathon. Focusing on the financial scenarios such as healthcare for the elderly, children, education and issuing for others, the Bank dedicates itself to providing professional, convenient and high-quality wealth management service to customers.

During the Reporting Period, the Company realised total sales of personal wealth management products, such as wealth management, fund and insurance, of RMB47,430 million.

(II) Corporate Finance Business

In 2023, 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 comprehensive financial service system for customers throughout their lifetimes, 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 RMB91.7 million, accounting for 20.0% of the profit before tax of the Bank; an operating income amount of RMB4,641.6 million, representing an increase of RMB532.6 million as compared to the same period of last year and accounting for 35.1% of the operating income of the Bank.

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Corporate customers

By leveraging the Bank's strengths in cross-regional operation layout and outlet resource and closely following the direction of the national strategy, the Bank continuously improved the marketing service system for the three key customer segments, namely institutional customers, settlement customers and credit customer, and intensified co-operation in key regions and projects. The Bank also continuously improved product innovation and comprehensive service capabilities, and actively strengthened the cross-selling service model, realising precision marketing to core customers and comprehensive financial service management. The Bank focused on its local roots and concentrated its financial resources to give priority to supporting the high quality development of Heilongjiang Province. The Bank continued to deepen its strategic cooperation with provincial and municipal enterprise groups, enhanced cooperation with customer groups and core customer groups in key regions and industries. The Bank has continued to strengthen its customer base by intensifying customer visits and increasing its business reserves. At the same time, the Bank adhered to the four-pronged institutional customer service model of "channel building, qualification development, technical support and team service" and strengthened communication and coordination with government agencies. Relying on digital means to explore diversified service modes, the Bank was fully engaged in institutional business marketing and empowered customer value creation, and further strengthened corporate client base, striving to support the efficient development of Heilongjiang's economy in all aspects. As at 31 December 2023, the Company had 89,000 corporate customers.

Corporate deposits

During the Reporting Period, the Bank continued to intensify its efforts in marketing corporate deposits, proactively carried out green deposit marketing, further consolidated and optimized its deposit structure with steadily increasing the scale of corporate deposits. By fully leveraging local advantages, the Bank expanded the layout of institutional business, continuously strengthened "bank-government" strategic cooperation model, provided comprehensive and integrated financial services through deep cooperation in multi-dimensions, such as settlement, financing and system building, 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, focusing on high-quality state-owned enterprises, central enterprises, industrial parks, listed companies, core enterprises and other key customer groups in the region, conducted marketing to further consolidate its customer foundation and expand deposit sources through multiple channels. The Bank continuously improved scenario marketing system construction to meet customers' customized and personalized payment and settlement demands, so as to further enhance customers' satisfaction and sense of belonging.

As at 31 December 2023, the total corporate deposits of the Bank amounted to RMB197,391.6 million. The stability of deposits was further enhanced.

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Corporate loans

During the Reporting Period, by adhering to the business philosophy of “Inclusive Finance, Harmonious Coenrichment”, the Bank focused on work plans relating to key industries and major projects in Heilongjiang Province and Harbin City, and increased credit investment to provide robust financial support for local economic development. The Bank concentrated and increased financing support for infrastructure construction projects, particularly for those in areas relating to people’s livelihoods such as electricity and heat supply, with the aim of achieving comprehensive alignment with the list of key projects in Heilongjiang Province. The Bank fully supported the manufacturing industry’s transformation and upgrading in Heilongjiang Province, focused on increasing medium-and long-term loans for manufacturing and explored high-quality enterprises with high added value and core position in the industrial chain. In quick response to the financial needs of real estate enterprises, the Bank, riding on the opportunity of strategic cooperation agreements with the Municipal Housing and Urban-Rural Development Bureau of Harbin City and key real estate enterprises, achieved the launch of the real estate business in an orderly manner and supported the steady and sound development of the real estate market in Heilongjiang Province. The Bank strengthened financial cooperation among peers and proactively promoted the development of the syndicate business, so as to improve financial services. By continuously increasing visits to customers and actively organizing various forms of banking-enterprise communication, the Bank focused on strengthening financial support for private enterprises and small and micro enterprises.

As at 31 December 2023, the total corporate loans of the Company amounted to RMB184,005.1 million, representing an increase of 14.3% as compared to the beginning of the year and accounting for 56.9% of total loans.

Intermediary business

During the Reporting Period, the Bank continued to strengthen its management of intermediary business. Taking into account the market environment, policy guidance and the diverse financial service needs of customers, the Bank developed integrated service solutions. Also, the Bank actively promoted the development of its syndicate, bank acceptances and bond underwriting businesses. The Bank continuously strengthened the construction of corporate payment and settlement product systems and platforms, and constantly improved treasury management platforms function in financial scenarios such as finance, housing construction, bidding, trade and financing, and capital supervision. The Bank strove 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 corporate finance business services of the Bank recorded a non-interest income amount of RMB109.3 million.

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Global Transaction Banking

During the Reporting Period, the Bank established the Global Transaction Banking Department, so as to build supply chain finance product lines and accelerate business upgrade and transformation. During the year, the Bank achieved a number of reverse factoring supply chain finance business expansions, the first of which was selected as an excellent case by regulators; developed and implemented the “online banknote instant discounting” business, marking a milestone breakthrough in the online processing of public offline business; developed and implemented the “supply chain commercial paper discounting” product, which was the first cloud credit (Yunxin) network supply chain finance product; focused on the scenario-based service model, thereby formulating the “Scenario-Based Service Plan for Healthcare Institutions”, and issued the “Silver Supply Chain Finance Model Plan”; and developed and improved business system. During the year, it launched an integrated budget management and electronic non-tax collection and payment system and established monitoring systems for pre-sale properties transaction funds in multiple regions; The scale of its treasury management platform business reached RMB12,000 million.

(III) Financial Market Business

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

During the Reporting Period, financial market businesses of the Bank recorded an operating income of RMB1,749.0 million, accounting for 13.2% of the operating income of the Bank.

Bond Investments and Transactions

During the Reporting Period, due to the global economic downturn and changes in monetary policies of the Central Bank, the interbank bond market presented a general downward trend under volatile. Amid the complex environment, the Bank accurately predicted the market trend at different stages, timely made profits from trading bonds, and optimized its bond portfolio simultaneously. During the Reporting Period, the Bank realized a bond income of RMB215 million.

During the Reporting Period, the Bank actively participated in various businesses in the interbank bond market and was awarded the “Annual Market Influence Institution – Active Dealer” by the National Interbank Funding Center, the “Top 100 Self-Clearing Institutions in Bond Investment and Trading” and the “Outstanding Contribution Institution for Collateral Business” by the China Central Depository Trust & Clearing Co., Ltd; it was awarded the “Special Variety Prize” of the 2023 Financial Bonds of the China Development Bank (CDB); and it was also awarded by the National Interbank Funding Center as the Monthly Innovative Business Active Institution for a number of times.

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Financial Interbank Business

During the Reporting Period, based on the guidance of regulatory policies, market development and its requirements for capital use, the Bank actively cooperated with non-bank financial institutions such as fund companies, consumer finance companies and financial leasing companies and continuously increased investments in funds and interbank loans to strongly support the financing needs of real enterprises and residents' consumption. As at 31 December 2023, the balance of the Bank's investments in funds amounted to RMB38,452.5 million and the balance of placements with banks amounted to RMB23,550.0 million.

Interbank Investment Business

During the Reporting Period, the Bank closely monitored the changes in the economic environment and market and closely followed the national policies and policy guidance and orientation of the regulatory authorities. The Bank increased efforts in supporting the real economy and continued to optimize customer and product structure based on the market condition, regulatory policy, the development strategy and annual plan of the Bank. The Bank continuously increased the investment in standardised products and rationally deployed asset allocation. As at 31 December 2023, excluding the fund investment, the balance of investment in debt instruments issued by financial institutions amounted to RMB111,348.6 million, thus effectively supported the real economy development.

Wealth management business

During the Reporting Period, the Company, against the complex market environment, consistently adhered to the customer-oriented approach, actively responded to market changes and appropriately adjusted its business strategies to continuously optimize the wealth management products structure and asset allocation. In terms of products, in response to customer risk preferences, the Company strengthened the supply of stable and low-volatility strategy products, launched optimized and upgraded "Zhiying closed" and "Zhiying fixed-income open" series products, created and issued the new "Ri Tian Jin (日添金)" series of cash management products, and enriched and improved the product systems, so as to comprehensively establish the fixed-income, hybrid and equity product lines, provide multi-maturity, multi-type wealth management products, and meet the diversified investment demand of customers. In terms of investment, the Company adhered to the bottom line of risk and compliance in wealth management, dynamically adjusted its investment strategies based on market conditions, and took into account the stability, profitability and liquidity of the net value of wealth management products. Meanwhile, the Company closely monitored the policy guidance of the regulatory authorities on the establishment of wealth management subsidiaries by small and medium-sized banks in order to fully prepare for the license application of wealth management subsidiary.

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During the Reporting Period, the Company raised funds of RMB39,482 million in total from wealth management products. As at 31 December 2023, the balance of wealth management products amounted to RMB28,865 million.

During the Reporting Period, in the selection of the net-value bank wealth management products in the third quarter of 2023 issued by China Securities Journal Jinniu Asset Management Research Center (中國證券報金牛資產管理研究中心), Zhiying Tianli (智贏添利) 01 of Dingxianghua (丁香花) wealth management products of the Company was awarded Jinniu 5-star bank wealth management product rating in the third quarter of 2023. In the “Jin Li Cai (金理財)” award selection activity sponsored by Shanghai Securities News and cnstock.com, Zhiying Tianli (智贏添利) 01 of Dingxianghua (丁香花) wealth management products of the Company was awarded the “2023 SCI•Jin Li Cai (上證•金理財)” annual fixed-income product award.

(IV) Key Featured Businesses

1. Microcredit business

During the Reporting Period, the Company adhered to focusing on agricultural supporting and small enterprises supporting financial services, taking the financial needs of inclusive customer groups as the starting point and the ultimate goal. In view of the “short, frequent and fast” characteristics of microcredit financing, the Company constantly expanded microcredit financing channels, upgraded microcredit products and services, fully utilized cutting-edge financial technologies, and accelerated the digital transformation of inclusive financial services to wholeheartedly improve the coverage, availability and satisfaction of microcredit services. During the Reporting Period, the good microcredit industry environment and incentive regulatory policies continued to benefit the development of microcredit business. The Company continued to increase its investment in microcredit business, comprehensively improved its customer service, product innovation and risk control capabilities in microcredit business to effectively promote the high-quality development of microcredit business.

As at 31 December 2023, the balance of the Bank’s microcredit loans reached RMB197,866.5 million, accounting for 61.2% of the Bank’s total loans to customers.

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

	As at 31 December			
	2023		2022	
	Amount	% of total	Amount	% of total
	(In RMB million, except percentages)			
Loans to small enterprises	79,315.9	40.1%	61,020.0	34.2%
Personal loans	118,550.6	59.9%	117,360.8	65.8%
Total of microcredit loans	197,866.5	100.0%	178,380.8	100.0%

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Small and micro enterprise finance business

During the Reporting Period, the Company further optimised its organizational structure by merging and establishing the Microloan Finance Department at the headquarter level to strengthen the specialized management and services of small and micro financial business, implementing differentiated department settings at the branch level to highlight the special services of inclusive credit business, and setting up professional client service teams at the comprehensive sub-branch level, so as to comprehensively build an integrated “Headquarter-Branch-Subbranch” financial service system for small and micro enterprises and ensure the organizational structure effectively serving the business development of small and micro enterprises.

During the Reporting Period, adhering to the positioning of serving local economic development, the Company intensified active visits and service connection, and comprehensively met the diverse financial needs of inclusive customers from various dimensions such as the full lifecycle patterns of small and micro customers and the characteristics of segmented customers. Firstly, the Company iterated and optimized several standard inclusive credit products such as Business Fast Loan, Micro Loan and Tax E-loan based on the operational characteristics and financing needs of inclusive small and micro customers, in order to meet the financing needs of small and micro enterprises at different stages. Secondly, the Company conducted in-depth analysis on customers in industries such as “medicine”, “agricultural machinery procurement”, “grain trade”, “environmental protection”, etc. Based on their business characteristics and financing needs, the Company refined accurate customer portraits, and developed special financial service plans in a differentiated manner. Thirdly, the Company actively participated in the “stabilizing enterprises and stabilizing jobs” loans program to solve the financing difficulties of small and micro enterprises, and focused on supporting the resumption of work and production of small and micro customers in catering, accommodation, wholesale and retail industries. A total of RMB18.8 billion was put into the “Dual-stabilization Loans”, helping more than 2,000 enterprises to stabilize more than 10,000 jobs. Fourthly, the Company continuously provided “one-stop” entrepreneurial guarantee loan financial services to customer groups such as college graduates, veterans and urban unemployed. A total of more than RMB3.3 billion was put into the entrepreneurial guarantee loans, benefiting more than 40,000 market entities and providing financial support for expanding employment, promoting entrepreneurship and improving people’s livelihoods.

During the Reporting Period, inclusive small and micro enterprise loans granted were RMB28.2 billion, and the number of customers was 210,000 as at the end of the year. The average price of loans of the year was 7.31%, fully fulfilling the goal of “two increases and two controls”.

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

As at 31 December 2023, the balance of the Bank’s loans to small enterprises amounted to RMB79,315.9 million. The balance of non-performing loans for the small enterprises was RMB2,407.7 million and the non-performing loan ratio was 3.04%.

Consumer finance business

During the Reporting Period, adhering to the philosophy of “being customer-oriented”, the Bank further developed its consumption loan business by adopting a “scenario-oriented, online and digital” transformation approach, and accelerated the improvement of product system, so as to provide more convenient and efficient financial services to customers and support the continuous innovation and development of consumer loan business.

During the Reporting Period, the Company continued to put the business philosophy of “Inclusive Finance and Shared Prosperity” into practice with the mission of “Making People’s Lives Better,” and the responsibility of “Creating Returns for Shareholders, Taking Responsibility for Employees, and Fulfilling Customers’ Dreams.” The Bank has been constantly establishing an all-rounded comprehensive consumer finance service (product) system, expanding the quality business scenarios, and enhancing the customer experience and so on. 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.

As at 31 December 2023, the balance of the Bank’s personal consumption loans amounted to RMB80,931.8 million.

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2. *Cross-border financial business*

During the Reporting Period, the Company achieved breakthroughs in various indicators of its cross-border financial business. The international settlement volume exceeded USD15.0 billion, with the number of cross-border RMB business dealt with CIPS over 150,000 and a total amount of RMB162.8 billion. Due to the achievements in areas of cross-border clearing and settlement and cross-border RMB business of the Company, it was honored with two cross-border financial business awards, i.e. the “Contribution Award for USD Direct Remittance” from Citibank and the “Best Domestic Bank for RMB Internationalization” award from Global Finance, representing the wide recognition from its partners and the market.

During the Reporting Period, the Company implemented the strategy of “acquiring customers in bulk, establishing institutions, and integrating production and finance”. To acquire customers in bulk, the Company had been transforming its traditional marketing models to a new bulk one to increasingly broaden its customer base with large and medium-sized enterprises both domestically and internationally incorporated. As to establishing special institutions, the Company continued to trial new models featured with large-scale, standardized and systematic operation and management on levels of both the headquarters and branches. At the head office level, it continuously optimized the professional management structure of “three departments + two centers” to enhance our professional service capabilities and risk control level, while at the branch level, the Company was actively planning the establishment of special institutions in such places as Heihe and Heixiazi island. In 2023, the Company set a special branch in Harbin Area of Heilongjiang Free Trade Zone to fully integrate the financial resources thereof. The Company enhanced its professional financial service capabilities for the Free Trade Zone, and recorded USD1.4 billion of the international settlement volume in Harbin Area of Heilongjiang Free Trade Zone, ranking first among all institutions in the Free Trade Zone. In terms of integrating production and finance, the Company strove to develop a new model of supporting real economy. During the year, the asset investment of cross-border financial business was equivalent to RMB21.1 billion, and the balance of assets in the balance sheet was equivalent to RMB5,151 million.

During the Reporting Period, the cross-border e-commerce financial business of the Company developed fast and 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. As of the end of 2023, the aggregate transaction settlement volume reached over RMB16.6 billion. During the “2023 Dialogue on Trade Digitalization and Cross-border E-commerce Development” in the Digital Economy Week of the United Nations Conference on Trade and Development, the Company obtained the certificate of honor jointly issued by the International Trade Center of the United Nations and China Electronics Chamber of Commerce by participating in the selection of typical case of “Trade Digitalization Empowering Industry Development”, which enhanced the brand awareness of the Company in the cross-border financial business field.

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During the Reporting Period, the Company strengthened its technology support to cross-border financial business. In 2023, it launched the cross-border settlement system, which significantly improved the settlement efficiency and accuracy. The cross-border settlement system is the first professional settlement system in Northeast China featured with all domestic realized information technology application innovation and agency settlement for all channels. The Company continued to improve the cross-border financial system to lay a foundation for providing high-quality and efficient cross-border financial services.

3. *Agriculture-benefiting finance business*

During the Reporting Period, the Company continuously implemented the strategic deployments of promoting comprehensive rural revitalization and accelerating the construction of a strong agricultural country. The Company facilitated the cultivation of new agricultural operation entities and large-scale land management through improving service model for agriculture-benefiting finance, and ensured credit support for the spring farming and preparation work, so as to channel more liquidity to support “Agriculture, Rural Areas and Farmers”, which effectively contributed to stabilizing and increasing agricultural production, steadily boosting farmers’ incomes while promoting rural peace and stability.

During the Reporting Period, the Company accelerated the establishment and improvement of a modern multi-level, wide-coverage and sustainable rural financial service system, continued to increase financial supply and enhance service standards, ensuring national food security and stable increase in production of important agricultural products. Firstly, with the objective of “securing both harvest and spring farming”, granting of loans for spring farming was prioritised in advance, with more than RMB12 billion of loans for spring farming extended in the current cycle. Secondly, the Company was committed to promoting and supporting the transformation of small farmers into new agricultural subjects, the investment of new agricultural subjects accounted for 90% of the total, realizing the “three-year consecutive increases”, which promoted more than 20% of the large-scale land transfer and operation in Heilongjiang Province. Thirdly, the Company made every effort to promote the technological transformation of agricultural loan, continued to promote smart agricultural loan, and fully upgraded the online agriculture-benefiting loan products agricultural flash loans to version 5.0, with RMB4.6 billion granted in total. Fourthly, focusing on the development of modern agriculture, the Company launched the “Golden Autumn Action – Harbin Bank Financial Support for the Upgrading of the Agricultural Industry in Heilongjiang (哈爾濱銀行金融支持龍江農業產業升級金秋行動)” for the agriculture-related customers from three main fields of “Grain, Agricultural Machinery, Livestock and Poultry”, to help the province’s building up of refined processing of agricultural products industry clusters. In 2023, the Company, as the only city commercial bank in Northeast China on the list of the “2023 Golden Medal Award of Chinese Financial Institutions • Golden Dragon Awards” selection activity organised by the Financial Times, was awarded the “Best Rural Revitalisation Service Bank of the Year” for the second consecutive year, once again recognised by authoritative institutions for its work in serving the “Agriculture, Rural Areas and Farmers”.

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As at 31 December 2023, the Bank's agriculture loans amounted to RMB27,068.8 million, and the balance of the loans to farmers amounted to RMB14,297.9 million, with the scope of service covering the majority of rural village markets of 11 prefecture-level cities in Heilongjiang Province and 6 major Agricultural Cultivation Bureaus as well as some rural villages of Chengdu, Chongqing, Shenyang, Tianjin and Dalian which are located 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.

(V) Information on Controlling Subsidiaries

1. *Village and township banks*

As at 31 December 2023, the Company had a controlling interest in 30 village and township banks and 45 village and township sub-branches, which were mainly located in the eastern, central and western regions of China. As at 31 December 2023, the total assets of the 30 village and township banks amounted to RMB27,148 million, of which the total loans amounted to RMB12,486 million, representing an increase of 3.70% as compared to the end of last year; and the total deposits amounted to RMB21,644 million, representing an increase of 7.56% as compared to the end of last year.

2. *HB Leasing*

Since its establishment, HB Leasing has made some achievements in respect of asset scale, accumulated leased amount, business innovation model, etc., and initially maintained leading position in domestic leasing market to farmers. As at 31 December 2023, the total assets of HB Leasing amounted to RMB24,664 million. The accumulated leased amount during the year amounted to RMB15,616 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, well-designed product system, tightened risk prevention and control and leading management technology. By adhering to the characteristic and differentiated development path with a focus on maintaining operation efficiency through management, HB Leasing strives to develop its featured businesses, proactively creates new income source, explores the agriculture and agricultural equipment industries, puts great efforts into developing the agricultural machinery leasing business, and successfully launched its "contactless leasing service model" according to regulatory guidelines. It continues to build and optimise the agricultural machinery leasing and retail business model under the empowerment of science and technology. Through the leasing of special products and business innovation, HB Leasing contributes to rural revitalization and high-quality development of the real economy.

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3. HBCF

HBCF is a licensed consumer financial company approved by the former CBIRC, the 19th company nationwide and also the first to receive strategic investments from internet giants in China. It is also the second licensed consumer financial company in the country with the qualification of a high-tech enterprise. With the Company as its major founder, the registered capital of HBCF was RMB1.5 billion as of the end of the Reporting Period.

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

As at 31 December 2023, the total assets of HBCF amounted to RMB21,374 million, representing an increase of 40.27% as compared to the end of last year; the total loans increased by 34.46% to RMB20,267 million as compared to the end of last year. In 2023, the operating income was RMB1,233 million, representing a year-on-year increase of 19.59%.

In line with the regulatory guiding opinions and requirements, HBCF builds a compliance culture, strengthens internal control implementation and accelerates the improvement on modern financial system applicable to the development of digital economy. At the same time, HBCF continues to enrich the fund-raising structure to expand the fund-raising channels. As at 31 October 2023, HBCF, as the original equity holder, successfully issued its debt security income right product, namely Chengyi 2023 Credit Asset Income Right Pooled Fund Trust Scheme (Phase I) (《橙意 2023 第一期信貸資產收益權集合資金信託計劃》), in the Banking Credit Assets Registration and Circulation Center (銀行業信貸資產登記流轉中心), with total amount of RMB600 million, which is also the first debt security income right product issued in the Banking Credit Assets Registration and Circulation Center (銀行業信貸資產登記流轉中心) in the Northeast China. The successful issuance of such product successfully achieved the synergy with the major state-owned banks, which effectively promoted the financial innovation and economic financial development in local areas. Upon the successful issuance of the first income right product in the Banking Credit Assets Registration and Circulation Center (銀行業信貸資產登記流轉中心), HBCF subsequently launched its first syndicate loan business, with proceed raised of RMB480 million, which is also the first syndicate loan of non-bank financial institution. This move is an important practice of HBCF to fully implement the State’s major strategic decision on promoting the revitalization of Northeast China and measures to restore and expand consumption, which is of great significance to promote integrated fundraising and serve the real economy of financial institutions in Northeast China.

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(VI) Distribution Channels

1. *Physical network*

As at 31 December 2023, the Company had a total of 309 branch outlets, including 17 branches, 290 sub-branches, 1 branch-level financial service centre for small enterprises and 1 headquarter business department. In addition, the Company had controlling interest in 30 village and township banks, 45 village and township sub-branches, 1 consumer finance company and 1 financial leasing company.

2. *Electronic banking*

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

(1) *Self-service banking*

The Bank has provided various convenient services to customers through self-service terminals, including deposit and withdrawal, account opening and transfer, passcode changing, wealth management and social security card issuance. In 2023, the Bank established its localized self-service platform, further improving its capability on refined management of self-service channel. The services of intelligent terminals had been continuously improved, achieving the intelligent linkage of services such as bank card activation, e-banking account opening and signing contract by text message, which further streamlined the service process and improved the customer experience. As at 31 December 2023, the Bank had 1,242 self-service terminals, including 466 BCDMs, 244 ATMs, 254 cash smart counters, 219 non-cash smart counters and 59 CRS III for social security cards.

(2) *Online banking*

The Bank continues to expand the functions of online banking. Currently, personal online banking provides customers with account services, transfer and remittance, membership management, loan management, investment and wealth management, credit card, special services and other functions, while corporate online banking provides customers with account management, transfer and remittance, issuing and paying for others, investment and wealth management, electronic commercial drafts, bill pools, treasury management and other functions. As at 31 December 2023, the Bank had 5,370.4 thousand e-membership customers, representing an increase of 10.52% as compared to the same period of last year.

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(3) *Phone banking*

The Bank provides 24-hour phone banking services, which include account inquiries, verbal report of card loss, operator inquiry and outgoing calls, to customers through the unified national customer service hotline 95537/4006095537. At the same time, the Bank opened a special hotline for the elderly, who can choose self-service or manual service. If choosing manual service, the elderly can enjoy priority access to the special hotline for the elderly. In 2023, the remote banking customer service centre handled a total of 2,100 thousand calls, with a customers' satisfaction of 99.5%; online customer service channel served 49 thousand customers, with a response rate of 99.2%.

The Bank provides services including credit card consultancy, complaint and advice, card activation, reporting for loss and instalment through the unified national customer service hotline for credit card 4006695537.

In 2023, the credit card customer service centre recorded a total of 1.48 million business calls, representing a decrease of 8.6% as compared to the same period of last year.

(4) *Mobile phone banking*

The Bank continued to expand the functions of mobile phone banking. While providing customers with basic services such as account management, investment and wealth management, transfers and remittance, living payment and credit card etc., the Bank also focused on featured businesses such as microfinance and agriculture-benefiting finance, and provided guidance and constructed relevant scenarios for mobile banking customers. Meanwhile, the Bank launched personalised and customised services for special customer groups such as social security customers and elderly customers. It put people-benefit services into practice and enriched life channel functions in mobile phone banking, achieving the online and offline integration of financial services. As at 31 December 2023, the Bank had 4,122.7 thousand mobile banking users, representing an increase of 13.95% as compared to the same period of last year.

(5) *WeChat banking*

The Bank continued to upgrade the customer service and marketing capabilities of WeChat banking, and launched a business hall mini program on WeChat platform offering a variety of financial services including wealth management, deposits, loans and insurance. At the same time, it provided diversified value-added daily-life services such as online medical insurance payment, and provident fund inquiry and withdrawal. As at 31 December 2023, WeChat banking had over 5,485.7 thousand followers, representing an increase of 31.23% as compared to the same period of last year.

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(VII) Information Technology

During the Reporting Period, the Bank continued to advance its strategic information technology implementation plan, focusing on the development of digital banking capabilities. The Bank was committed to accelerating digital transformation, cultivating new technology-led dynamics, and creating a new pattern of financial services.

- 1. Continuous improvement of IT governance system.** In accordance with the Group's "Digital Inclusive Finance" strategic requirements, the Bank focused on addressing execution capability issues in six key areas: application management, event management, production items, data management, information security management, and emergency management, to enhance the scientific nature of system execution and management. The Bank organized to promote the standardization and instrumentation of information technology management systems, and implemented the project manager responsibility system for R&D and operations. The Bank established a management model for project manager responsibility system to enhance project management capabilities and improve R&D efficiency, and promoted the online and standardization of technology management in branches to enhance management efficiency.
- 2. Coordinating and promoting digital transformation.** The Bank developed the "Overall Work Plan for Digital Transformation of Harbin Bank", determined transformation goals, and formulated organizational structure, transformation period, and key tasks. The Bank organized special trainings on digital transformation, clarified the transformation background, goals, strategies, methods, and ideas supporting the development of the digital economy, thereby laying a theoretical foundation for transformation work. In addition, focusing on the Bank's strategic key products and services, concentrated efforts were made on business operations and management, data and technology capacity building, and risk prevention. The Bank determined key transformation tasks, highlighting key points and challenges, with a focus on practical results.
- 3. Continuously promoting infrastructure construction and improving support for business continuity.** The Bank initiated 19 infrastructure framework optimization and transformation projects, completed 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 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.

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- 4. Accelerate technological empowerment to support the improvement of quality and efficiency of operations.** The Bank continuously strengthened the commencement management of key projects, effectively ensuring the delivery of important projects such as the “Bayan and Yanshou Village Data Relocation”, “Cross-border Clearing System Construction”, and “Cross-border Digital Financial Platform”. The Bank actively promoted the construction of key projects such as the new generation international settlement system and CRM system, facilitated the integration of external cooperative service projects in relation to ICBC’s accumulation fund, funds, wealth management, insurance, and Cloudchain. In quick response to software development needs for marketing activities including the Marathon, Good Life Account, and third-generation social security card, the Bank has completed the construction of the intelligent double recording (intelligent audio and video recording) system, integration with the national new medical insurance platform, and advanced the construction of the Third Phase of the Golden Tax Project, with an aim to enhance business efficiency and customer service levels.
- 5. Constantly promoting data governance work.** During the Reporting Period, the Bank established and defined the responsibilities of the data governance team, issued multiple regulations such as the “Proposal for Data Quality Enhancement of Harbin Bank”, and promoted data governance in core areas such as data standards and data quality. It established a data quality assessment mechanism, strengthened analysis of customer data quality issues and formulation of solutions to push for quality improvement in key source systems. 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 Bank enhanced the information security management system by establishing a specialized information security team and implementing information security management processes. Branch technology specialist and sub-branch technology generalist organizational structures were developed to extend management and control to the front line. Information technology risk policies and preferences were formulated to enhance the effectiveness of prevention and control measures. The Bank established and improved the information technology risk indicator system, creating a repository of 44 monitoring indicators to enhance risk monitoring levels. The defense-in-depth of information security was 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. The Bank conducted network security vulnerability assessments, completed 15 penetration tests for internet systems, and identified and shut down 129 phishing websites. Information security compliance inspections were conducted at branches to enhance terminal security management compliance levels. Audit and management strategies for database audit system were formulated to achieve online auditing of critical production data. The Bank has implemented a bank-wide terminal security network access mechanism to effectively safeguard the security of the Bank’s application systems and information.

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IX. Risk Exposure and Management

Adhering to the core philosophy of “creating value through risk management”, the Bank continued to focus on cultivating a risk culture of “compliance and stability” and coordinated and promoted the construction of a comprehensive risk management system that is commensurate with its development strategy, business scale, organisational structure and risk characteristics. The Bank integrated risk management into the whole process of strategic development, performance targets and value enhancement, and into all aspects of business development, so as to ensure the effective operation of management mechanisms. The Bank continued to optimise its risk identification, measurement, monitoring and control processes covering the whole range, process and cycle, and effectively strengthened its internal control mechanisms of pre-prevention, in-process control, post-event monitoring and correction, promoting the continuous improvement of risk management capabilities.

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 prevent and respond to various risks, 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. The Bank executes a unified risk appetite in credit risk management and controlled risk within an acceptable range, in order to achieve a higher risk return and realise the identification, measurement, monitoring and control of credit risk.

During the Reporting Period, adhering to the principle of stability and seeking improvement in stability, closely focusing on the work goal of “Enhancing Development Quality”, and with the general idea of “risk management driving business development and escorting business development”, the Bank continuously enhanced its credit risk management. **Return to the basis of business and strengthen policy guidance.** Based on the requirement of local economic development and the guidance of regulatory policies, the Bank returned to the basic and local business while focusing on the main responsibility and business. With the goal of “taking root in black soil and gathering momentum for the economic development of Heilongjiang”, the Bank improved the quality and efficiency of financial services for the local economy and the real economy. The Bank continued to deepen the strategic cooperation between its local branches and state-owned and private enterprises groups, and actively participated in the construction of various key industries and major projects. The Bank closely monitored the macroeconomic situation and kept abreast of the changes in market environment and regulatory policies to improve its credit risk systems and policies. With the national strategies and cutting-edge technology in high-tech industry development as its guidance, the Bank actively contributed to the sectors of “new infrastructure and new urbanization initiatives and major projects”, green finance as well as “agriculture, rural areas and farmers”, increased policy guidance and financial assistance for the real economy especially small and micro enterprises, technological innovation, and green development, and implemented the strategic plan for inclusive finance and green finance. **Strengthen the active management of credit risk and improve the quality**

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and efficiency of risk control. The Bank continued to refine its internal evaluation systems to enhance the accuracy of risk trend judgments. Moreover, the Bank continued to improve the standardised, normalized and refined management of the collateral risk valuation system and actively strengthened risk control over weak links in the entire process of collateral management, effectively reducing the hidden dangers and losses of credit risk. The Bank has established a risk control model with forward risk management and control and set up a forward-looking and proactive pre-management philosophy by strengthening potential risk management for customers, enhancing the pre-management of existing business before expiration, and instituting a joint discussion mechanism for corporate customer risks, a mechanism for supervising the performance of duties and a new overdue early warning mechanism. As such, multiple measures have been taken to improve the quality and efficiency of risk control. **Deepen the reform of the unified credit granting system and raise the refined management level of credit risk.** The Bank further strengthened unified credit management, clarified the return of credit approval to the main responsibility and business, and realized the effective integration of retail and non-retail approval. The Bank sought to establish an auxiliary review mechanism to solve the problem of the system lags behind business development in actual work and improve the effectiveness of risk control measures. The Bank carried out in-depth follow-up research on major and difficult projects, predicted and effectively responded to business risks in advance, and put risk management and control first. It strengthened timeliness management to improve service efficiency; summarized and upgraded templates to standardize review and approval exercises; and used non-local committee mechanism to correct deviations in risk checks and balances. Strictly following national policies, regulatory guidance, and related systems inside and outside the Bank, it gave full play to the role of examination and approval in risk disclosure and risk control to effectively identify and control various risks. **Increase the efforts to dispose of non-performing assets, identify all underlying risks.** The Bank continued to increase its efforts to collect and dispose of non-performing assets, specially established the debt management department to identify all underlying risks and coordinate the collection, disposal, management and operation of non-performing assets. During the year, the Bank focused closely on the goal of “high-quality collection and disposal” and clearly defined the working strategy of “prioritizing cash collection, strictly controlling and prudently accepting repossessed assets, and strengthening the disposal of repossessed assets and the recovery of written-off assets” to emphasize the mitigation of physical risks and enhance the contribution of collection and disposal. The Bank also improved its management system, solidified the effective work plan and supporting measures, scientifically formulated collection and disposal plans, and earnestly fulfilled its responsibilities by implementing the guarantee and responsibility system of bank leaders for key projects. It intensified supervision and guidance on collection and disposal, advanced key tasks, and implemented a working mechanism of overall distribution and joint handling, provided guidance to branches on the formulation of collection and disposal strategies, and effectively responded to the difficulties and pressure in the collection and disposal of non-performing assets to ensure the orderly collection and disposal of non-performing assets. Following the principles of marketization and the rule of law, the Bank intensified the collection and disposal efforts by strengthening the collection and disposal measures, optimising assessment mechanisms and establishing an external communication mechanism. The Bank innovated methods to collection and disposal so as to broaden the channels for the disposal of non-performing assets, improve disposal quality and efficiency and solidly promote the collection and disposal of non-performing assets.

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(II) Liquidity Risk

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

Adhering to the work philosophy of “liquidity security as the lifeline”, the Bank firmly upheld the bottom line of zero regional and systematic financial risks in accordance with the changes of economic situation and regulatory requirements. The strengthening liquidity risk management and control has enabled an early identification, warning, exposure and handling of liquidity risk to make every effort to safeguard the financial security and stability. The Bank regularly analysed economic and financial situation, financial market trends and relevant policy orientations, paid close attention to specific situations or events that may cause liquidity risks, assessed their impact on the liquidity of assets, liabilities and business in a prudent manner, and identified the potential source of liquidity risk.

The Bank established a compliant, reasonable and effective liquidity risk management and control mechanism through an integration and optimisation of the liquidity risk system, so as to identify, measure, monitor and control the liquidity risks and manage the safety of its liquidity risk. The liquidity risk was measured by indicator analysis, scenario simulation, cash flow analysis, stress testing and other approaches. A limits management system and reporting system was built to continuously monitor the liquidity risks by taking liquidity risk appetite, operation, management level and changes in the external environment into account. The Bank continued to monitor the compliance with the liquidity risk limits, gave early warning in time, and timely took effective measures to control the liquidity risk when the limit is exceeded. In addition, the Group regularly counts and monitors the scale and structure of qualified high-quality current assets in bonds, and information on bonds that are readily realizable and can be used for collateralized repurchase financing. Therefore, in the normal operating environment or under stress, the Bank can have sufficient daytime liquidity positions and financing arrangements to meet the needs of asset allocation and liability repayment at maturity in a timely manner. Analysis of the remaining maturity of the financial assets and financial liabilities of the Group is set out below:

31 December 2023	Overdue	Repayable on demand	Less than one month	One	Three	One to five years	More than five years	Undated	Total
				to three months	months to one year				
(In RMB million)									
Total financial assets	66,439.2	80,052.1	30,376.8	34,913.8	142,066.7	247,859.5	143,645.4	48,504.0	793,857.5
Total financial liabilities	-	170,168.5	53,679.9	62,915.0	192,627.3	268,019.9	364.8	-	747,775.4
Net position	66,439.2	(90,116.4)	(23,303.1)	(28,001.2)	(50,560.6)	(20,160.4)	143,280.6	48,504.0	46,082.1

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As at 31 December 2023, the liquidity coverage ratio of the Bank was 244.75%, 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, the former CBIRC).

Item	As at 31 December 2023	As at 30 September 2023	As at 30 June 2023
	(In RMB100 million, except percentages)		
Liquidity coverage ratio (%)	244.75%	224.13%	251.94%
Qualified high-quality current assets	1,395.31	1,250.69	1,987.58
Net cash outflow in the next 30 days	570.09	558.02	788.91

(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). Currently, the market risks mainly faced by the Bank are interest rate risk and exchange rate risk.

The Bank was committed to establishing a market risk management system commensurate to the nature, scale and complexity of the Bank's business, actively responded to external market changes and regulatory developments, continuously improved the market risk management efficiency. The Bank carried out thorough research on the measurement of market risk-weighted assets under the requirements of the New Capital Accord, refined the division standards and boundaries of account book, and implemented various management requirements of the New Capital Accord. In addition, the Bank stuck to the principle of "policy first", continuously sorted out regulations and established systems, checked for deficiencies and filled in gaps, so as to consolidate the foundation of market risk management. The Bank also diversified its measurement methods of market risks by conducting stress testing, sensitivity analysis, duration analysis and PVBP analysis to refine market risk measurement according to the actual conditions. Besides, it improved the market risk quota system, regularly assessed and optimised the setting up of market risk quota system to strengthen market risk research, judgment and early warning capabilities. During the Reporting Period, the Bank conducted daily monitoring and reporting of market risk in accordance with risk appetite determined by the Board and market risk limits.

The Bank generally adopts a relatively prudent investment strategy and the investment of trading account is mostly in RMB interest rate bonds, so as to ensure that its overall interest rate risk level is within the acceptable scope. The Bank continued to improve the construction of the bank book interest rate risk management system, fully utilized measurement methods of risks and increased judgment on the trends of market interest rate. The Bank measured the changes in net interest income and economic value under the various types of interest rate scenarios through reasonable use of gap analysis, scenario simulation, stress testing and other methods, thereby reasonably measuring the Bank's book interest rate risk.

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The following table sets out the results of the Bank's gap analysis as at 31 December 2023, based on the earlier of (i) the next expected re-pricing dates and (ii) the final maturity dates for its financial assets and financial liabilities.

31 December 2023	Less than three months	Three months to one year	One to five years	More than five years	Non- interest bearing	Total
						(In RMB million)
Total financial assets	185,756.4	139,267.5	248,795.1	142,293.4	77,745.1	793,857.5
Total financial liabilities	269,844.2	189,601.1	264,059.5	110.7	24,159.9	747,775.4
Interest rate sensitivity gap	(84,087.9)	(50,333.6)	(15,264.4)	142,182.7	N/A	N/A

The Bank's exchange rate risk exists mainly in its foreign currency related trading and non-trading businesses, including foreign currency loans, foreign currency deposits, proprietary foreign exchange trading and foreign exchange settlement and sale on behalf of customers. The Bank proactively responded to changes in external environment and market fluctuations through measuring and averting exchange rate risk primarily by measures such as limit management, sensitivity analysis and foreign exchange derivative financial instruments. The Bank continuously optimised the foreign exchange limit management system, set transaction limits, stop-loss limits and exposure limits to conduct foreign exchange risk management. It also used foreign exchange exposure analysis and other measurement methods and conducted market risk stress tests on a regular basis to reasonably measure exchange rate risk levels, continued to optimise the structure of monetary assets, effectively maintained the risk-benefit balance of the overall foreign exchange assets, and improved the effectiveness and pertinence of exchange rate risk management.

The following table sets out the Bank's financial assets and liabilities by currency as at 31 December 2023.

31 December 2023	RMB	USD equivalent to RMB	HKD equivalent to RMB	RUB equivalent to RMB	Other currencies equivalent to RMB	Total (RMB equivalent)
						(In RMB million)
Total financial assets	788,674.2	4,781.8	14.3	63.3	323.9	793,857.5
Total financial liabilities	746,616.2	797.4	37.6	35.0	289.2	747,775.4
Net position of financial assets and liabilities	42,058.0	3,984.4	(23.3)	28.3	34.7	46,082.1
Credit commitments	31,021.7	82.0	-	-	-	31,103.7

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(IV) Operational Risk

During the Reporting Period, the Bank gradually enhanced its operational risk management system, including the governance structure, policies and systems, management tools, and measurement methods, comprehensively sorted out the status quo of the operational risk management in accordance with the management requirements of new regulations, continued to consolidate the foundation of operational risk management, built up a solid line of defence for the idea of internal control and compliance, and strengthened the awareness of the bottom line of risk prevention and control, thereby effectively preventing the occurrence of operational risk events in high-risk areas. Meanwhile, the Bank has strengthened the identification, assessment, monitoring and control of operational risks, and enhanced the ability of early warning of operational risks and risk prevention and control to help all institutions to further improve effective and balanced management mechanisms and management responsibilities, thereby establishing an operational risk management system with reasonable division of labour, well-defined power and responsibilities, mutual support and effective supervision. In addition, the Bank has identified abnormal behaviours among employees on a regular basis and actively applied intelligent systems to conduct off-site monitoring, which effectively strengthened the employee behaviour management. The Bank also made active responses to the complex internal and external environment by constantly optimizing our information technology risk management system and continuously improving information security protection capability, thus effectively ensuring the safe and stable operation of the Bank's businesses.

(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 continued to strengthen the top-level design of information technology (IT) risk, optimize the organizational structure of IT risk management, and enhance the professional ability of IT risk management. In order to ensure that the IT regulatory requirements are fully implemented, the Bank carefully analyzed opinions on IT regulatory ratings and continued to promote their implementation, sort out the priorities of IT risk management, focus on the weaknesses of the Bank's IT risk management, and formulate rectification plans and track the progress of rectification and implementation.

During the Reporting Period, the Bank strengthened the construction and optimization of IT risk management indicators. For the effective identification and mitigation of IT risks, the Bank deepened the assessment of the effectiveness of key IT risk indicators, reconstructed the system of key IT risk indicators, enriched and improved the key points of IT risk assessment.

During the Reporting Period, the Bank continuously increased its efforts in monitoring IT security operations. For the system operation during important periods, the Bank flexibly deployed network security resources and strengthened its full-time operation security capability. During its daily operation, the Bank continuously enriched and optimized the monitoring and warning rules, improved the security protection capability of network defense equipment, and timely dealt with the problems found on the monitoring platform, so as to ensure the safe and stable operation of business and systems.

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During the Reporting Period, the Bank continued to strengthen the risk management of IT outsourcing, continuously improved the quality of service provided by outsourcers and risk management efforts, and endeavored to build up a high-quality technical team to improve the ability to independently develop and maintain the system, and effectively prevent and reduce outsourcing risks.

(VI) Compliance Risk Management

During the Reporting Period, the Company was committed to preventing and resolving financial risks, focusing on a series of tasks of enhancing comprehensive governance of internal control and compliance, with aims to allow the internal control and compliance management having clearer planning, optimized system, improved processes and more notable results, and to promote the compliance risk management of the Company to operate in the same track and direction as the steady development of the financial industry. **First**, the Company continuously established a clear, stringent and scientifically designed structure and comprehensively applied the review mechanism, filing mechanism, abolition mechanism and evaluation mechanism of the system to standardize system management. Through the preparation and publication of the “Innovation with New Regulations” (規新思變), the Company strengthened the internalization of external regulations and the dissemination of the internal regulations; and by organizing the learning and training on systems, the Company intensified the implementation of the systems, helping compliant business development. **Second**, the Company continued to establish legal risk prevention and control process and system with clear responsibilities and mutual checks and balances, implemented a chain of control processes, such as pre-audit, in-process follow-up, post-evaluation and full support, strengthened the overall management and system construction of engaged lawyers and litigations to establish an efficient authorisation mechanism, and launched a series of training courses on internal legal control and compliance under the “Knowing the New Law” and “Learning the Law Before Meeting” programmes to refine the legal risk control network. **Third**, the Company continuously deepened its internal control and compliance governance, and vigorously promoted reform and risk mitigation as well as the comprehensive rectification of internal and external risk issues. The Company also coordinated the whole inspection resources of the Bank, to effectively implement a comprehensive inspection of internal control and compliance and monitoring mechanism, and thoroughly identified problems and resolved key business risks. **Fourth**, the Company actively built an accountability mechanism with an integration of punishment and linkage and cooperation, a due diligence exemption mechanism, and an optimized accountability review structure and continuously improved the compliance performance assessment indicator system, to further strengthen the level of strict governance and rule by law. **Fifth**, the Company adopted the basic principle of focusing on a sound and consistently effective mechanism with short-term key punishment, continued to promote the handling of cases and risk mitigation, strengthened the investigation of case risks, convened case warning and education conferences, and continuously optimized the operational risk management system to prevent the occurrence of major operational risk events. **Sixth**, the Company actively optimized its anti-money laundering organizational structure, work system and technology system, fully exerted monitoring efficiency of the anti-money laundering related systems, and carried out standardised customer identification and suspicious transaction monitoring and analysis to promote the deepening of anti-money laundering work. **Seventh**, the Company continued to refine its internal control and compliance culture construction system, established a mechanism for emergency response to compliance risk events and lawsuits, improved the system of employee conduct

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standards, and rolled out regular publicity on compliance culture, so as to firmly establish the internal control and compliance philosophy of “integrity, honesty, lawfulness and compliance”, and to enhance the enduring vitality of the internal control and compliance culture of the Company as well as the strong support for its operation and development.

(VII) Anti-money Laundering (AML) Management

During the Reporting Period, the Company always adhered to the “risk-based” management philosophy in terms of anti-money laundering management and was in strict compliance with various laws, regulations and regulatory requirements, actively performed the responsibility of anti-money laundering and enhanced the effectiveness of anti-money laundering risk management. **First**, the Company consolidated its management foundation and constantly improved the mechanism of anti-money laundering management. According to the money laundering risk and actual business development, the Company reshaped the anti-money laundering risk management system and established a special anti-money laundering centre to improve the quality and effectiveness of anti-money laundering management in all respects. **Second**, the Company strengthened the research and judgment of transactions and effectively conducted list monitoring. It actively transferred high-quality and suspicious clues to police, effectively carried out cooperation between police and banks, promoted the optimization of the monitoring and analysis models for suspicious transactions, and implemented real-time monitoring of the list to build up a solid basic line of anti-money laundering. **Third**, the Company strengthened the technology empowerment and improved digital and intelligent risk control capability of the system. The Company has established a monitoring system based on anti-money laundering system and guaranteed by the unified blacklist system of the Group. It continuously increased the investment in anti-money laundering technologies, carried out customer risk rating and improvement of the reporting system and process of large suspicious transactions, and initiated and accelerated the establishment of new anti-money laundering monitoring systems. **Fourth**, the Company intensified propaganda and education to fulfill its commitment to finance for the people. It increased efforts in public propaganda and internal training to raise public awareness of anti-money laundering, improve internal duty performance and practically safeguard national security and financial order.

X. Key Relationships with Persons with Significant Impact

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

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During the Reporting Period, as usual, the Company paid high attention to several kinds of interest of investors and strove to create practicable returns for its investors. The Company continued to enhance its communication with investors mainly through the following means: (1) In 2023, there were more than 100 news reports on the Bank in respect of investor relations published on Xinhuanet, Xinhua Finance, cnr.cn, Financial Times, cri.cn, finet. hk and other mainstream media at home and abroad, which effectively promoted the image of the Bank and further enhanced its market attention and influence; (2) The Bank timely responded to the questions and recommendations provided by investors through various channels, including answering nearly 150 calls from investors, replying numerous e-mail enquiries from investors and analysts, and handling matters in relation to appointments of meetings with the Bank for investors.

The Bank adheres to its customer-oriented approach to establish a system for financial customers' rights and interests protection. During the Reporting Period, the Measures for Administration of Financial Consumers' Rights and Interests of Harbin Bank, the Measures for Protection of Financial Information of Harbin Bank Consumers, the Measures for Petition Management of Harbin Bank and the Emergency Plan for Protecting Personal Financial Information of Harbin Bank were revised, and the Measures for Reviewing of Protection of Financial Consumers' Rights and Interests of Harbin Bank, the Emergency Plan for Protecting Financial Consumers' Rights and Interests of Harbin Bank and the Emergency Plan for Mass Incidents of Harbin Bank was formulated, and the Bank further improved closed-loop management measure for the rights and interests protection of financial customers, implemented customers' rights and interests protection management with full life cycle in product design and service links, and continuously improved the level and effectiveness of customers' rights and interests protection from preventing and responding to personal financial information leakage, standardizing the publicity and disclosure of financial products and service information, and clarifying the content of the review. The Bank, pays attention to communication with customers and timely gives feedbacks of customers' questions, through its national customer service hotline 95537, provides 24-hour telephone banking services, and, through its credit card customer service hotline 400-66-95537, provides services including service enquiries, complaint and advice, reporting for loss and repayments by instalments. During the Reporting Period, the voice channel of remote banking centre of the Bank handled a total of 2.1 million transactions with the volume of customer visits online reaching 50,000, and its credit card centre handled a total of 1.48 million transactions. Better communication with customers provided a solid customer base for the Bank.

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XI. Corporate Social Responsibilities

In 2023, the Bank continued to deeply study, promote and adhere to the spirit of the 20th National Congress of the Communist Party of China, anchored the national and Heilongjiang's provincial and municipal 14th Five-Year strategic planning objectives, insisted on concentrating on and fully exploring local resources and helped build up Heilongjiang Province from "six aspects" and Harbin city develop in "seven major cities". During the Reporting Period, the Bank continued to improve its "Environmental, Social and Governance" (ESG) capabilities, and enhanced the participation of the Board of Directors of the Company in ESG matters by strengthening training sessions on specific topics of ESG. The Bank integrated the brand philosophy of "trust, warmth, connection and commitment" into its daily operation, focused on providing more convenient and effective diversified and multi-level financial services for special groups and groups with specific needs, and continued to explore the best mode of participation to help rural revitalization, communities investment, supporting education, developing green finance, and volunteering and relevant social responsibilities. As of the end of 2023, total expenditure on social charitable business of the Bank amounted to RMB17,203.1 million, and the green credit balance was RMB3,100 million. The corporate culture of "compliance, steadiness, innovation and development" is deeply rooted in people's hearts.

The Bank proactively practiced its political and social responsibilities as a city commercial bank, tied the operations with the overall background, plan and strategy of local economic and social development, and upheld the position of serving the local economy, serving urban and rural residents and serving small and medium-sized enterprises. The Bank has made positive exploration in social security, medical security and other areas related to people's livelihood. The Bank has set up a comprehensive system for issuing social security cards, developed new scenarios for cross-provincial services, expanded integrated social-banking services, and provided multi-channel subsidy inquiries, providing one-stop comprehensive services for more than 8.6 million insured people. As one of the first batch of financial institutions to issue the third-generation social security cards in cooperation with Heilongjiang Human Resources and Social Security Bureau, the Company actively responded to the construction of the "one-card" residential services of social security cards and continuously improved its product management capabilities. The Bank also expanded the coverage of social security card services, diversified the channels for issuing social security cards, promoted mobile door-to-door card issuance services, and extended services to enterprises, communities and villages, so as to meet the service needs of the masses in multiple scenarios. Besides, the Bank innovatively launched cross-provincial instant services for Heilongjiang social security cards and provided extended social security services for migrant workers, the retired and sojourns, which made the Company the first city commercial bank in China that provides the cross-provincial services for Heilongjiang social security cards. Moreover, the Bank continued to deepen "government-bank cooperation" by setting up 51 "social-banking integrated service zones" in Heilongjiang Province and including 13 types and 24 high-frequency social security services into the service scope of bank outlets. Finally, the Bank continuously expanded the information disclosure channels regarding subsidies benefiting the people, agriculture, rural areas and farmers, and provided information inquiry services of relevant subsidy policies and personal subsidies for people in Heilongjiang through ATM and online channels. Up to now, the Bank has set up 182 and 7 outlets providing social security card services in and out of Heilongjiang Province, respectively, including Chengdu, Dalian, Shenyang, Tianjin and Chongqing, and has launched 359 card-manufacturing machines nationwide, which have provided the third generation social security card issuance and replacement services to 1,217,400 residents.

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The Bank actively served enterprises in Heilongjiang Province and promoted green financial products innovation. The “pledged loans of carbon emission rights” product of the Bank is the first domestic credit fund matching investment based on the future carbon emission quota reserves demand before the settlement of enterprises, through which special credit will be granted in advance for enterprises to purchase the quotas required by them on the national carbon emission trading platform, and further pledge the purchased quotas. With this product, the risk control model of “credit loan + pledge of future carbon emission quotas” has been formed, and a new model of pledged loans of future carbon emission rights has been created in China. In the first half of 2023, the working capital loans granted by the Tianjin Branch of the Company to environmental protection enterprises amounted to RMB50 million, and were pledged by carbon emission reductions. It has become the first dual-carbon financial loan business in a branch outside the province. In the second half of the year, the Tianjin Branch, as the only participating off-site city commercial bank, granted a loan of RMB112.65 million for the “green, smart and low-carbon comprehensive energy facility concession project” in the form of a syndicate.

In 2023, by maintaining cooperation with the Public Welfare Foundation of Harbin Bank, the Bank continually made efforts and achieved results in promoting rural revitalization, engaging in community welfare and innovating volunteer services. During the Reporting Period, 35 “Happy Community” charity projects were carried out with 34 public welfare organizations in five cities, including Shenzhen, Harbin, Tianjin, Dalian and Shenyang. During the period, a total of 168 activities of various types were carried out online and offline, covering 129 residential communities, nearly 950 volunteers and 85 employees of the Bank participating, and benefiting over 60,000 people. During the Reporting Period, the Bank continued to support the “Lilac Blossom•Left-behind Children’s Home” project of Heilongjiang Youth Development Foundation, and launched the “Harbin Bank’s Bags for Poverty Alleviation”, a warmth-sending volunteer service activity, in Yanshou County, Heilongjiang Province to solve the livelihood problems of the poor people in Yanshou County by distributing soybean oil and flour to them. During the year, the Foundation, together with the Youth League Committee of the Company, actively organized various volunteer service programs in Harbin City to deliver the public welfare concept of Harbin Bank to the hearts of community residents through a variety of activities such as caring for widows and orphans, caring students and condolences to veterans. In addition, the Company, as the title sponsor, supported the fifth session of “Harbin Bank•2023 Harbin International Marathon”, which emerged as one of the most highly acclaimed marathons in China for the year, creating a beautiful card to publicize and promote Harbin City.

Since the flood season in 2023, following the instructions from the Headquarters of Harbin CPC Municipal Committee, the Bank made emergency arrangements and temporarily called up staff to delivered relief supplies to the people in the disaster-affected areas including Shahezi Town and Xiaoshanzi Town in Wuchang City, Shangzhi Town and Yimianpo Town in Shangzhi City, Jiaxin Town in Yanshou County, and Dancheng Town in Shuangcheng District of Heilongjiang Province, in support of post-disaster reconstruction efforts. In particular, a task force was set up to rush to the disaster-stricken areas in Wuchang City to participate in disaster relief and reconstruction work. After nearly 90 days of unremitting efforts, the Bank helped rebuild homes for a total of 1,234 households in the three most severely affected villages in Shahezi Town, Wuchang City, achieving significant results.

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The Bank thoroughly implemented the important instructions on flood prevention and disaster reduction work given by General Secretary Xi Jinping and his important instructions during his inspection in Heilongjiang Province, and promptly implemented the arrangements of the provincial and municipal CPC committees, governments, and regulatory authorities for flood prevention and disaster reduction work. Adhering to the political and people-oriented nature of financial work, the Bank held special work meetings and quickly engaged in various financial services for flood prevention and disaster reduction. The Bank exerted all efforts and made every possible effort to provide financial services to the disaster-affected areas, people and enterprises, in order to safeguard the vital interests of the people with practical actions. The Bank set up a special leading group and work team to quickly formulate and issue the “Harbin Bank Work Plan of Work Pairing, Allocation and Implementation for Flood Control and Post-disaster Reconstruction” on one hand, and carried out supplies donations on the other, contributing materials to the front line of flood fighting. At the same time, voluntary donation was initiated within the Group to help the suffered people and the reconstruction of the disaster areas with materials or money. A total of over RMB870,000 was donated and 29 volunteers were sent in different batches. The third step is to conduct in-depth research on the disaster situation to understand the overall financing needs for flood control and disaster relief. The Bank developed differentiated financial service plans according to the different levels of disaster, affected areas identified and other factors, to support and help farmers resume production and daily life quickly. Fourth, after studying the situation in various disaster areas, the Bank formulated and implemented the “Nine Measures of Harbin Bank for Financial Support to Flood Control and Disaster Relief”, ensuring the continuous operation of financial infrastructure. Fifth, the Bank responded quickly to the Emergency Notice of the Organization Department of the Municipal Party Committee on Rapid Work Pairing, Allocation and Implementation for Flood Control and Disaster Relief, deploying 6 cadres and staff to the front line of flood fighting in Shahezi Town, Wuchang City, implementing specific work allocation and execution, actively coordinating resources to support the abovementioned arrangement.

In addition, the Bank participated in the promotion of the 5th “Harbin Bank 2023 Harbin Marathon” event and launched the 5th annual customized medal edition credit card, which, empowered by technology, has realised loan approval and release in seconds and facilitated the cross-border integration of financial services and marathon sports.

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XII. Dividend

(I) Dividend

As approved at the meeting of the Board held on 27 March 2024, no final cash dividend for the year of 2023 would be distributed to all shareholders. The related 2023 Profit Distribution Plan of the Company is subject to the approval of the 2023 annual general meeting.

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

(II) Dividend Tax

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

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

Withholding and Payment of Individual Income Tax for Overseas Individual Shareholders

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

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XIII. Other matters

(I) Share Capital and Substantial Shareholders

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

(II) Use of Proceeds

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

(III) Reserves

For the year ended 31 December 2023, details of the changes in reserves of the Bank are set out in the Consolidated Statement of Changes in Equity.

(IV) Distributable Reserves

As at 31 December 2023, the distributable reserve of the Company and its subsidiaries under the China Accounting Standards for Business Enterprises was RMB18,760 million and the distributable reserve of the Company was RMB17,180 million.

(V) Debentures

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

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

Save as disclosed in the section headed “Important Events” – “Issuance of Debt Securities” in this report, the Company or any of its subsidiaries did not purchase, sell or redeem any listed securities of the Company during the Reporting Period.

(VII) Pre-emptive Rights

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

(VIII) Public Float

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

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(IX) Management Contracts

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

(X) Major Customers

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

(XI) Donations

The Bank made charitable and other donations in an aggregate sum of approximately RMB17.2031 million for the year ended 31 December 2023.

(XII) Connected Transactions under Hong Kong Listing Rules

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

Save as disclosed above (if any), there is no related party transaction or continuing related party transaction set out in Note 48 to the Consolidated Financial Statements of this report that constitutes the connected transaction or continuing connected transaction that should be disclosed under the Hong Kong Listing Rules.

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(XIII) Related Party Transactions as Defined by the NFRA

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 former CBIRC and came into effect on 1 March 2022.

Significant related party transactions

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

During the Reporting Period, the Company carried out significant related party transactions with its shareholder, Harbin Economic Development and its related companies.

1. Basic information on Harbin Economic Development and its related companies

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

Harbin Investment Group was established on 28 October 2003 with a registered capital of RMB5 billion. Its legal representative is Zhao Hongbo (趙洪波), and its shareholders are Harbin Municipal People’s Government State-owned Assets Supervision and Administration Commission with a contribution of RMB4.5 billion and shareholding of 90%, and Heilongjiang Provincial People’s Government State-owned Assets Supervision and Administration Commission with a contribution of RMB0.5 billion and shareholding of 10%, respectively. Harbin Investment Group has established presence in five major industries, including financial asset operation, financial capital management, equity investment, heat supply operation and industrial investment. The headquarters is located at No.277, Innovation No. 2 Road, Songbei District, Harbin.

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2. The Company's significant related party transactions with Harbin Investment Group

As at the end of the Reporting Period, Harbin Investment Group and its related companies had credit facilities and guarantee facilities with the Bank amounting to RMB7,554 million, with a business balance of RMB3,342 million (details of the new business set out in Table 1), accounting for 4.81% of the Bank's audited net capital as at the end of the fourth quarter of 2023. In addition, the balance of deposits held by Harbin Investment Group and its related companies with the Bank was RMB506 million. During the Reporting Period, there were 12 deposit transactions with related parties, with an aggregate amount of RMB472 million, which had been reported and disclosed under significant related party transactions.

Pricing Policy: During the year, the related party transactions between the Company and Harbin Investment Group and its related companies negotiated and established specific transaction terms on a compliant and arm's length basis, and the credit facilities granted by the Company were on terms that are not superior to those for similar transactions with non-related parties.

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

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Table 1: Breakdown of Related-Party Credit Transactions with Harbin Investment Group and its Related Parties

Unit: RMB'0,000

Name	Transaction amount	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)	47,000	Bond investment (medium term note)	3 years (2023.3.17- 2026.3.17)	Credit (Standardized bond products)
Harbin Jinshanbao Heat Supply Co., Ltd. (哈爾濱金山堡供熱有限公司)	3,250	Working capital loans	3 years (2023.3.20- 2026.3.19)	Guarantee
Harbin Jinshanbao Heat Supply Co., Ltd. (哈爾濱金山堡供熱有限公司)	2,700	Working capital loans	3 years (2023.4.3- 2026.4.2)	Guarantee
Harbin Daowai Real Estate Operation and Property Management Co., Ltd. (哈爾濱道外房產經營物業管理有限責任公司)	11,700	Working capital loans	3 years (2023.4.4- 2026.4.3)	Guarantee
Harbin Huaneng Centralized Heat Supply Co., Ltd. (哈爾濱市華能集中供熱有限公司)	20,000	Working capital loans	1 year (2023.4.17- 2024.4.16)	Guarantee
Harbin Huaneng Centralized Heat Supply Co., Ltd. (哈爾濱市華能集中供熱有限公司)	20,000	Working capital loans	1 year (2023.4.17- 2024.4.16)	Guarantee
Harbin Huaneng Centralized Heat Supply Co., Ltd. (哈爾濱市華能集中供熱有限公司)	7,425	Working capital loans	3 years (2023.4.20- 2026.4.19)	Guarantee
Harbin Property Heating Supply Group Co., Ltd. (哈爾濱物業供熱集團有限責任公司)	37,500	Working capital loans	3 years (2023.5.4- 2026.5.3)	Guarantee
Harbin Jinshanbao Heat Supply Co., Ltd. (哈爾濱金山堡供熱有限公司)	3,600	Working capital loans	3 years (2023.5.16- 2026.5.15)	Guarantee
Harbin Jinshanbao Heat Supply Co., Ltd. (哈爾濱金山堡供熱有限公司)	18,400	Working capital loans	3 years (2023.5.19- 2026.5.18)	Guarantee
Harbin Jinshanbao Heat Supply Co., Ltd. (哈爾濱金山堡供熱有限公司)	14,720	Working capital loans	3 years (2023.5.20- 2026.5.19)	Guarantee

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Name	Transaction amount	Type of business	Term	Method of guarantee
Harbin Jinshanbao Heat Supply Co., Ltd. (哈爾濱金山堡供熱有限公司)	12,190	Working capital loans	3 years (2023.5.22-2026.5.21)	Guarantee
Harbin Heat Power Co., Ltd. (哈爾濱市熱力有限公司)	18,000	Working capital loans	3 years (2023.5.31-2026.5.30)	Guarantee
Harbin Daoli Real Estate Operation and Property Management Co., Ltd. (哈爾濱道里房產經營物業管理有限責任公司)	23,000	Working capital loans	3 years (2023.5.31-2026.5.30)	Guarantee
Harbin Huaneng Centralized Heat Supply Co., Ltd. (哈爾濱市華能集中供熱有限公司)	19,550	Working capital loans	3 years (2023.6.8-2026.6.7)	Guarantee
Harbin Huaneng Centralized Heat Supply Co., Ltd. (哈爾濱市華能集中供熱有限公司)	2,650	Domestic letter of credit	1 year (2023.6.13-2024.6.25)	Guarantee
Harbin Huaneng Centralized Heat Supply Co., Ltd. (哈爾濱市華能集中供熱有限公司)	1,750	Working capital loans	3 years (2023.6.19-2026.6.18)	Guarantee
Harbin Huaneng Centralized Heat Supply Co., Ltd. (哈爾濱市華能集中供熱有限公司)	8,885	Working capital loans	3 years (2023.6.19-2026.6.18)	Guarantee
Harbin Xiangfang Property Heat Supply Co., Ltd. (哈爾濱香坊物業供熱有限責任公司)	19,500	Working capital loans	3 years (2023.6.19-2026.6.18)	Guarantee
Harbin New Residential Zone Heat Supply Property Co., Ltd. (哈爾濱住宅新區供熱物業有限責任公司)	14,800	Working capital loans	3 years (2023.6.21-2026.6.20)	Guarantee
Harbin Investment Group Corporation Limited (哈爾濱投資集團有限責任公司)	40,000	Working capital loans	3 months (2023.6.27-2023.9.26)	Pledge of deposit
Harbin Nangang Real Estate and Property Management Co., Ltd. (哈爾濱市南崗房產經營物業管理有限責任公司)	19,800	Working capital loans	3 years (2023.6.28-2026.6.27)	Guarantee

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Harbin Property Financing Guarantee Co., Ltd. (哈爾濱市房屋置業融資擔保 有限責任公司)	10,000	Guarantee business	1 year (2023.3.10- 2024.3.9)	Guarantee business
Harbin Pingfang Property Heat Supply Co., Ltd. (哈爾濱平房物業供熱 有限責任公司)	13,500	Working capital loans	3 years (2023.8.1- 2026.7.31)	Guarantee
Harbin Huaneng Centralized Heat Supply Co., Ltd. (哈爾濱市華能集中供熱有限公司)	13,325	Working capital loans	3 years (2023.8.3- 2026.8.2)	Guarantee
Harbin Huaneng Centralized Heat Supply Co., Ltd. (哈爾濱市華能集中供熱有限公司)	8,885	Working capital loans	3 years (2023.8.21- 2026.8.20)	Guarantee
Harbin Investment Group Corporation Limited (哈爾濱投資集團有限責任公司)	2,000	Short-term financing bills	366 days (2023.8.21- 2024.8.21)	Credit (Standardized bond products)
Harbin Investment Group Corporation Limited (哈爾濱投資集團有限責任公司)	14,000	Bond investment (medium term note)	2 years (2023.9.25- 2025.9.25)	Credit (Standardized bond products)
Harbin Guomai Automobile Sales & Service Corporation Limited (哈爾濱國邁汽車銷售服務有限公司)	1,000	Working capital loans	3 years (2023.9.11- 2026.9.10)	Guarantee
Harbin Junxin Financing Guarantee Co., Ltd. (哈爾濱均信融資擔保股份有限公司)	30,000	Guarantee business	1 year (2023.11.21- 2024.11.20)	Guarantee business
Harbin Junxin Financing Guarantee Co., Ltd. (哈爾濱均信融資擔保股份有限公司)	10,000	Guarantee business	1 year (2023.6.29- 2024.6.28)	Guarantee business
Total	469,130			

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(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 former CBRC.

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

HBCF is a legal entity controlled 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 Hightech Zone. Its registered capital is RMB2 billion. It is a financial enterprise engaged in financial leasing business initiated and established by the Company as the controlling shareholder with the approval of the former CBRC. It is also the first bank-based financial leasing company established in Northeast China.

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

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

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

In 2023, the Company had a total of 96 related-party credit transactions with HBCF amounted to RMB25.62 billion with a balance of RMB6.6 billion, all of which were inter-bank loan transactions. As at the end of 2023, the transactions balance of HBCF accounted for 9.51% of the Company's audited net capital at the end of the fourth quarter of 2023. During the Reporting Period, the Company had a total of 6 related-party service transactions with HBCF amounted to RMB22 million, which had been reported and disclosed as significant related party transactions.

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

In 2023, the Company had a total of 10 related-party credit transactions with HB Leasing amounted to RMB9.9 billion with a balance of RMB6.6 billion, all of which were inter-bank loan transactions. As at the end of 2023, the balance of the credit transactions of HB Leasing accounted for 9.51% of the Company's audited net capital at the end of the fourth quarter of 2023.

Ordinary Related Party Transactions

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

As at the end of 31 December 2023, there were 287 ordinary related party transactions that the Company was required to disclose, with total amount of RMB3.785 billion, mainly including credit transactions, asset transfer transactions, service transactions and deposit transactions with related parties. Among which, inter-bank transactions conducted between the Company and its related party banks can be excluded from the scope of calculating the proportion of credit balances and the statistics of significant related party transactions according to the requirements under Clause 3 of the Article 16 of the Measures.

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1. *Ordinary credit transactions with related parties*

During the Reporting Period, the Bank had 36 ordinary related-party credit transactions, with a total amount of RMB2.754 billion, including:

- (1) the Company had 2 related-party credit transactions with Longjiang Bank Corporation, a related part of Heilongjiang Financial Holdings, a shareholder, with a total amount of RMB1.12 billion, including: 1 outright-purchasing of the interbank forfaiting business with amount of RMB120 million and 1 reverse repurchase agreement with amount of RMB1 billion.
- (2) the Company had 1 related-party credit transaction with an amount of RMB195 million with Xiamen Bank, a related party of Fubon Life, a shareholder, for interbank certificates of deposit.
- (3) the Company had a total of 27 related-party credit transactions with 9 township banks, such as Shenzhen Bao'an Rongxing Village and Township Bank Co., Ltd., Zhuzhou Rongxing Village and Township Bank Co., Ltd., Ning'an Rongxing Village and Township Bank Co., Ltd., with a total amount of RMB1.434 billion, including: provision of 21 guarantees for subsidiaries to apply for small enterprises supporting re-lending from the People's Bank of China according to the requirement thereof, with a total amount of RMB354 million; 6 interbank deposit transactions with Shenzhen Bao'an Rongxing Village and Township Bank Co., Ltd., with a total amount of RMB1.08 billion.
- (4) the Company had 6 related-party credit transactions with related natural persons, with a total amount of RMB5 million.

2. *Ordinary asset transfer transactions with related parties*

The Company had 2 ordinary related-party asset transfer transactions with Longjiang Bank Corporation, a related party of Heilongjiang Financial Holdings, a shareholder, with a total amount of RMB116 million, for the outright-purchasing of the interbank forfaiting business.

3. *Ordinary service transactions with related parties*

The Company had 2 ordinary related-party service transactions with HBCF, a subsidiary, with a total amount of RMB27 million.

4. *Ordinary deposit transactions with related parties*

The Company had 247 ordinary related-party deposit transactions with related parties, with a total amount of RMB888 million, including: 234 transactions with related natural persons, with a total amount of RMB238 million; 13 transactions with related inter-bank institutions, with a total amount of RMB650 million.

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(XIV) Directors and Supervisors

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

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

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

None of the Directors and Supervisors of the Company holds any interest required to be disclosed in accordance with Rule 8.10(2) of the Hong Kong Listing Rules in any business which competes or is likely to compete, whether directly or indirectly, with the Bank.

(XVI) Remuneration Policy

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

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

(XVII) Directors’ and Supervisors’ Service Contracts

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

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(XVIII) 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 31 December 2023, the Directors, Supervisors and chief executive of the Company did not hold any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (as defined in Part XV of the SFO) which were required be registered in the register pursuant to section 352 of the SFO or to be disclosed to the Company and the Hong Kong Stock Exchange as provided by the Model Code:

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

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

(XIX) Permitted Indemnity Provisions

In 2023, the Company did not have any permitted indemnity provisions once in effect or in effect for the benefit of Directors of the Company (whether entered into by the Company or not) or any directors of associated companies of the Company (if entered into by the Company).

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

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

For the year ended 31 December 2023, there was no transaction, arrangement and contract of significance to which the Company, its holding company, its subsidiary or a subsidiary of its holding company was a party and in which a Director, Supervisor or any entity connected with any of them has or had at any time during that period, in any way, whether directly or indirectly, a material interest.

(XXI) Corporate Governance

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

(XXII) Auditors

Please refer to the section "Corporate Governance Report" – "External Auditors and Auditors' Remuneration" for the information on the auditors of the Company.

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(XXIII) Assets Pledged as Security

For the details of assets pledged as security of the Group, please refer to 47. ASSETS PLEDGED AS SECURITY of “Notes to the Consolidated Financial Statements”.

(XXIV) Equity-linked Agreements

For the details of equity-linked agreements of the Company, please refer to the section “Important Events” – “IX. Supplementary Information of Other Tier-one Capital and Equity-linked Agreements”.

XIV. Prospects

Looking ahead to the new year, some difficulties and challenges still need to be overcome for further promoting the economic recovery, mainly including insufficiently effective demand, overcapacity in certain industries, weaker social expectations, many risks and hidden dangers, blockages in the domestic economic cycle, and increasing complexity, severity and uncertainty of the external environment. Taken together, China’s development embraces more favorable conditions than the unfavorable factors. The basic trend of economic recovery and long-term improvement remain unchanged. According to the spirits of the Central Economic Work Conference and the Central Financial Work Conference, in terms of policy, the counter-cyclical and cross-cyclical regulation of macro policies will be strengthened. Moreover, the proactive fiscal policy and prudent monetary policy will continue to be implemented, with strengthening the innovation and coordination of policy tools. The proactive fiscal policy will be moderately strengthened to improve quality and efficiency, while the prudent monetary policy will be flexible and moderate to achieve precise and effective regulation. In addition, the political and people-oriented nature of financial work shall be deeply grasped. With an aim to accelerate the construction of becoming a strong financial country, efforts will be made in developing Fintech, green finance, inclusive finance, pension finance, and digital finance with promoting high-quality financial development as the theme and deepening the supply-side structural reform of finance as the main line, in a bid to firmly hold the bottom line of no systemic financial risks, unswervingly walk on the path of financial development with Chinese special characteristics, and accelerate the development of a modern financial system with Chinese special characteristics, thereby continually meeting the economic and social development and people’s increasing financial needs to constantly open up a new phase of financial work in the new era. Furthermore, management on the foreign exchange market will be strengthened to maintain the basic stability of the RMB exchange rate at a reasonable and balanced level. In addition, the financing structure will be optimized to better leverage the pivotal function of the capital market, enliven the capital market and develop diversified equity financing.

By order of the Board

Deng Xinquan

Chairman

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I. Share Capital

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

II. Statement of Changes in Shares

	1 January 2023		Increase/decrease during the Reporting Period (+/-)					Unit: Shares 31 December 2023	
	Number	Percentage	Private placement	New shares issued	Bonus issue	Others	Subtotal	Number	Percentage
Domestic Shares									
1. Non-listed shares held by corporations	7,908,966,550	71.93%	-	-	-	-	-	7,908,966,550	71.93%
Including: (1) Shares held by state-owned enterprises	6,886,196,734	62.63%	-	-	-	-	-	6,886,196,734	62.63%
(2) Shares held by private enterprises	1,022,769,816	9.3%	-	-	-	-	-	1,022,769,816	9.3%
2. Non-listed shares held by natural persons	63,063,003	0.57%	-	-	-	-	-	63,063,003	0.57%
H Shares									
3. Overseas listed foreign shares	3,023,570,000	27.50%	-	-	-	-	-	3,023,570,000	27.50%
Total number of shares	10,995,599,553	100%	-	-	-	-	-	10,995,599,553	100%

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

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III. 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.

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

Name of shareholder	Nature of shareholder	Number of shares held (Shares)	Shareholding percentage (%) ²	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	725,712,000	6.60%	-	H Shares
4 Huaxia Life Insurance Co., Ltd.	Private enterprise	486,702,000	4.43%	-	H Shares
5 Harbin Heli Investment Holding Co., Ltd.	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) ¹	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:

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

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

As at 31 December 2023, according to the disclosure of interest information as shown on the website of the Hong Kong Stock Exchange, the interests or short positions of the following persons (excluding the Directors, Supervisors and the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Domestic Shares

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

Notes:

- Harbin Investment Group Corporation Limited (哈爾濱投資集團有限責任公司) indirectly holds a total of 3,258,338,652 Domestic Shares of the Company through its controlled corporations, including (1) Harbin Economic Development, its wholly-owned subsidiary, which holds 3,257,943,986 Domestic Shares; and (2) Harbin Property Financing Guarantee Co., Ltd. (哈爾濱市房屋置業融資擔保有限責任公司), its wholly-owned subsidiary, which holds 394,666 Domestic Shares of the Company. Harbin Investment Group Corporation Limited (哈爾濱投資集團有限責任公司) is owned as to 90% and 10% by the Harbin Municipal People's Government State-owned Assets Supervision and Administration Commission (哈爾濱市人民政府國有資產監督管理委員會) and the Heilongjiang Municipal People's Government State-owned Assets Supervision and Administration Commission (黑龍江省人民政府國有資產監督管理委員會), respectively. According to the SFO, each of the Harbin Municipal People's Government State-owned Assets Supervision and Administration Commission and Harbin Investment Group Corporation Limited is deemed to be interested in the 3,258,338,652 Domestic Shares held by Harbin Economic Development. Harbin Economic Development was established on 22 August 1992 with a registered capital of RMB2,307,522,010, and Ren Yi (任毅) being the legal representative. The business scope of Harbin Economic Development is to make financial investments in areas like fixed-assets to municipally owned enterprises and to receive dividends in return (business subject to approval by law shall be conducted upon approval by competent authorities).

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2. Heilongjiang Financial Holdings directly holds 2,035,675,058 Domestic Shares of the Company and indirectly holds 4,300,000 and 616,718 Domestic Shares of the Company through its indirectly controlled entity, namely Harbin Dazheng Microcredit Co., Ltd. (哈爾濱市大正小額貸款有限責任公司), and Heilongjiang Dazheng Investment Group Co., Ltd. (黑龍江省大正投資集團有限責任公司), respectively. According to the SFO, Heilongjiang Financial Holdings is deemed to be interested in a total of 2,040,591,776 Domestic Shares. 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. Heilongjiang Financial Holdings was established on 18 January 2019 with a registered capital of RMB11,111,585,000 and Lang Shufeng (郎樹峰) 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	725,712,000	24.00%	6.60%
Huaxia Life Insurance Co., Ltd.	Beneficial owner	486,702,000	16.10%	4.43%
CITIC Capital Holdings Limited ²	Interest of controlled corporation	284,212,000	9.40%	2.58%

Notes:

1. Fubon Financial Holding Co., Ltd. held the interests in 725,712,000 H Shares of the Company through its 100% owned corporation Fubon Life Insurance Co., Ltd. which was established in March 2006 with a paid-up capital of TWD110.83114 billion and Lin Fuxing (林福星) being the legal representative. The business scope of Fubon Life Insurance Co., Ltd. is personal insurance related operations, such as life insurance, injury insurance, health insurance and annuity insurance. Fubon Life Insurance Co., Ltd. held 18% equity interest in CITIC Capital Holdings Limited and nominated directors. Pursuant to PRC laws and regulations and as determined by the competent regulatory authorities, the two companies are therefore parties related to each other. Due to reasons including different requirements under the laws of Taiwan and Mainland China, Fubon Life Insurance Co., Ltd. is unable to issue a capital supplement undertaking to the Company. As of the disclosure date of this report, the qualifications of shareholders have yet to be approved.
2. CITIC Capital Holdings Limited held the interests in the relevant number of shares through a series of controlled corporations. Pursuant to requirements of regulatory authorities, CITIC Capital HB Investment, L.P. (an indirect non-wholly-owned subsidiary of CITIC Capital Holdings Limited) was undergoing the approval procedures for shareholder's qualification with Fubon Life Insurance Co., Ltd. As of the disclosure date of this report, the qualifications of shareholders have yet to be approved.

Save as disclosed above, to the knowledge of the Directors, none of other persons (excluding the Directors, Supervisors and the chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 31 December 2023.

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

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

1. As at 31 December 2023, Harbin Economic Development, the largest shareholder of the Company, directly and indirectly held 29.63% of the total issued shares of the Company. According to the Business License (Unified Social Credit Code: 91230100424004064C) issued by the Market Supervision and Administration Bureau of Harbin on 3 February 2023, and the Articles of Association of Harbin Economic Development and Investment Company, Harbin Economic Development is a validly subsisting entity with limited liability (sole proprietorship invested or controlled by a non-natural person). Harbin Economic Development is owned as to 100% by Harbin Investment Group Corporation Limited, which in turn is owned as to 90% and 10% by the Harbin Municipal People's Government State-owned Assets Supervision and Administration Commission and the Heilongjiang Municipal People's Government State-owned Assets Supervision and Administration Commission, respectively.
2. As at 31 December 2023, 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 16 October 2023 and the Articles of Association of Heilongjiang Financial Holdings Group Co., Ltd., Heilongjiang Financial Holdings is a validly subsisting entity with limited liability (wholly state-owned). Heilongjiang Financial Holdings is wholly owned by the Department of Finance of Heilongjiang Province.

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

As at 31 December 2023, no shares held by any shareholder with shareholding of 5% or more of the Company were pledged or judicially frozen.

VI. Controlling Shareholders and Actual Controllers

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

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

Please see "III. Shareholdings of Shareholders" above for the particulars of shareholders with shareholding of 5% or more of the Company as at 31 December 2023.

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

Save as disclosed in the section headed “Important Events” - “Issuance of Debt Securities” in this report, during the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company.

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

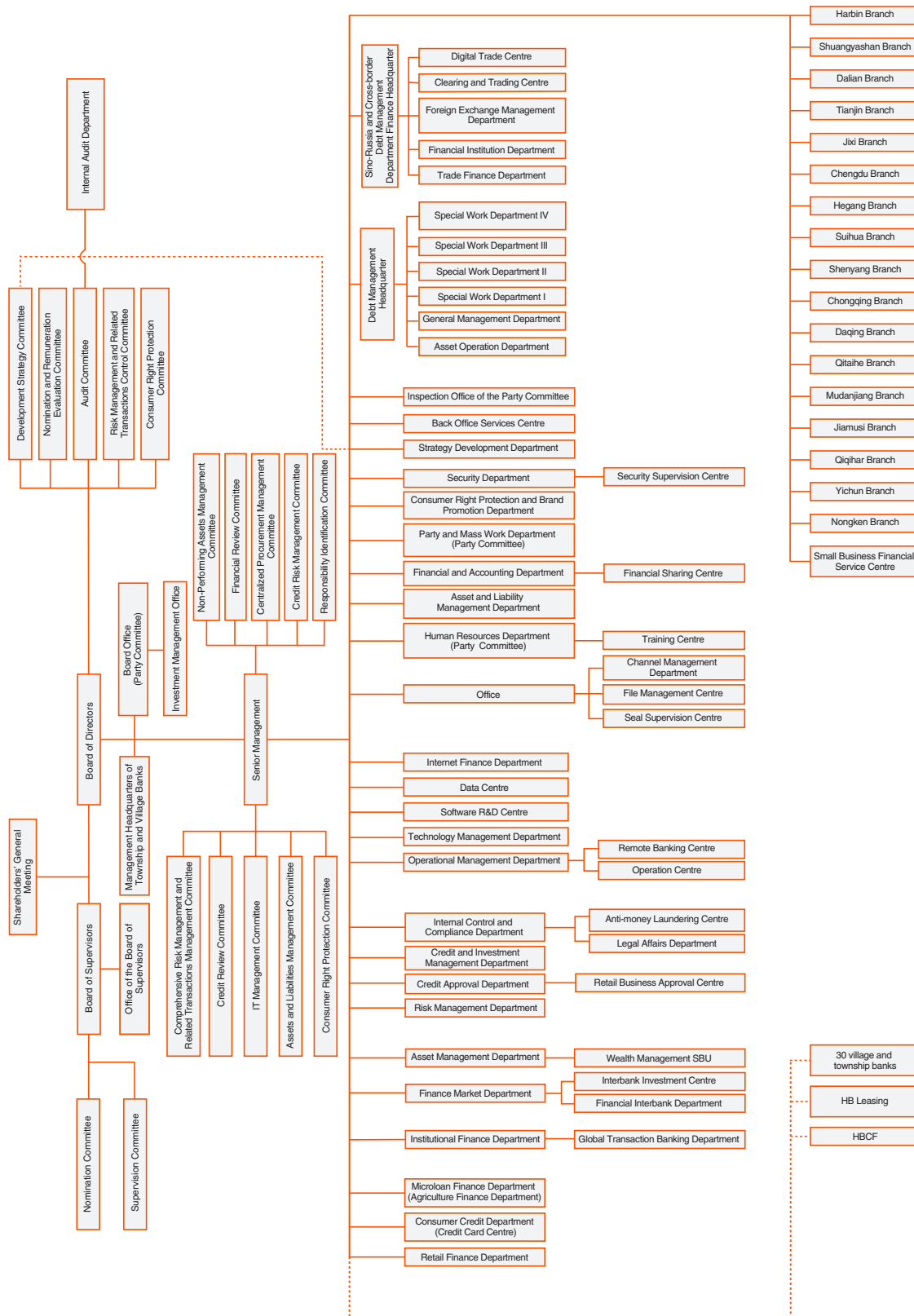
Name of shareholder	Director nominated	Supervisor nominated
Harbin Economic Development and Investment Company Limited	Zhao Hongbo, Zhang Xianjun	-
Heilongjiang Financial Holdings Group Co., Ltd.	Yu Hong, Lang Shufeng	-
Harbin High-tech Industrial Development Zone Infrastructure Development and Construction Co., Ltd.	-	Chen Wei

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I. Organisation Chart of Corporate Governance

Organisation Chart of Harbin Bank



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II. Corporate Governance Overview

Sound corporate governance is the responsibility of the Board of the Company. In 2023, the Bank strictly complied with relevant overseas listing regulatory requirements, and strove 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 C1 to the Hong Kong Listing Rules, has met the requirements of the PRC commercial bank administrative measures and corporate governance requirements and has established a sound corporate governance system. Currently, the primary corporate governance documents of the Company include: the Articles of Association, the Rules of Procedure for the Shareholders' General Meeting, the Rules of Procedure for the Board of Directors, the Rules of Procedure for the Board of Supervisors, the Working Rules for the Independent Directors, the Terms of Reference of the Development Strategy Committee of the Board, the Terms of Reference of the Risk Management and Related Transactions Control Committee of the Board, the Terms of Reference of the Audit Committee of the Board, the Terms of Reference of the Nomination and Remuneration Evaluation Committee of the Board, the Terms of Reference of the Consumer Rights Protection Committee of the Board, the Terms of Reference of the President, the Administrative Measures for Shareholding, the Administrative Measures for Related Party Transactions, the Information Disclosure Administrative Measures, etc. The Board believes that during the period from 1 January 2023 to 31 December 2023, the Company had complied with the requirements of the provisions of Part 2 of the Corporate Governance Code in Appendix C1 to the Hong Kong Listing Rules.

In 2023, the shareholders' general meetings of the Company passed the following resolutions relating to corporate governance of the Company:

At the 2022 annual general meeting convened by the Company on 19 May 2023, 11 proposals namely the Proposal on the 2022 Work Report of the Board of Directors, the Proposal on the 2022 Work Report of the Board of Supervisors, the Proposal on the 2022 Final Account Report, the Proposal on the 2023 Financial Budgets, the Proposal on the 2022 Profit Distribution Plan, the Proposal on the 2022 Annual Report, the Proposal on the Appointment of Auditors for 2023, the Proposal on the Report on the Management of Related Party Transactions in 2022, the Proposal on the Remuneration Distribution Plan for the Directors for 2022, the Proposal on the Remuneration Distribution Plan for the Supervisors for 2022, and the Proposal on the Interim Measures for Equity Investment Management of Harbin Bank Co., Ltd. were considered and approved.

The Report on the Assessment of Major Shareholders (Substantial Shareholders) of Harbin Bank for 2022 and the 2022 Appraisal of Duty Performance of Directors, Supervisors and Senior Management by the Board of Supervisors were presented at the meeting.

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At the 2023 first extraordinary general meeting convened by the Company on 28 August 2023, 2 proposals namely the Proposal on the Proposed Election of Ms. Chen Wei as a Shareholder Representative Supervisor of the Bank and the Proposal on the Proposed Amendments to the Administrative Measures for the Related Party Transactions of Harbin Bank Co., Ltd. were considered and approved.

In 2023, the Company organised and held 92 important meetings in total of all kinds (such as general meetings, meetings of the Board and its special committees, and meetings of the Board of Supervisors and its special committees), including 2 general meetings in total, 19 meetings of the Board, 44 meetings of the special committees of the Board, 11 meetings of the Board of Supervisors and 16 meetings of the special committees of the Board of Supervisors. At the meetings, the Company considered and approved 359 major proposals and reports, including: the Work Report of the Board of Directors, the Work Report of the Board of Supervisors, the Work Report of the President, the Financial Budgets Report, the Final Account Report, the Profit Distribution Plan, the Performance Evaluation Index of Senior Management, the Operation Plan, the Report on the Implementation of Related Transactions, the Risk Management Report, the institutional development plan, etc.

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

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

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

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III. Board of Directors

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

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

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

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

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

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

The Company has multiple mechanisms in place to ensure independent views and inputs are available to the Board, including but not limited to reviewing the structure of the Board to ensure that the composition of executive and non-executive Directors (including independent non-executive Directors) is balanced and ensures that there is a strong independent element on the Board. Independent non-executive Directors of the Company should be of sufficient professional experience for their views to carry weight. All Directors (including independent non-executive Directors) are given opportunities to include matters in the agenda for regular Board meetings. Upon a reasonable request of any Director, the Board will ensure that independent third-party professional bodies are engaged to provide advice, at the Company's expense, to assist such Director(s) or the Board in performing duties to the Company. At each Board meeting, the chairperson of the meeting shall ask the attending Directors for their definite opinions on each of the resolutions, and the Directors shall carefully read documents relating to the meeting and shall express well-informed, independent and discreet opinions. During the Reporting Period, the Board reviewed the implementation of above mechanisms and considered it to be effective.

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IV. Board Members

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

V. Board Diversity Policy

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

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

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

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

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 newly appointed as an executive Director of the Company. During the Reporting Period, the qualification of Mr. Yao Chunhe as a Director has been approved by the Heilongjiang Office of the former CBIRC, with effect from 3 March 2023.

VII. Chairman and President

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

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

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

VIII. Duties of Directors

During the Reporting Period, all Directors of the Company carefully, earnestly and diligently exercised the rights granted by the Company and regulatory authorities, and devoted enough time and energy to handle the matters of the Company. During the year, in terms of on-site Board meetings, Mr. Deng Xinquan had an attendance of 84.21%, Mr. Zhang Xianjun had an attendance of 94.74%, Mr. Yu Hong had an attendance of 78.95%, Mr. Lang Shufeng had an attendance of 78.95%; and the attendance of all other Directors was 100%.

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

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

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The Directors are responsible for monitoring the preparation of financial statements of every accounting year to ensure a true and fair view of the Group's business condition, results and cash flows in the corresponding accounting period. While preparing for the financial statements for the year ended 31 December 2023, the Group has selected and consistently applied appropriate accounting policies and has made reasonable and prudent judgements and estimates. The Directors have acknowledged their responsibility for the preparation of financial statements and the auditor's statement of reporting responsibility for their report is set out in the Independent Auditor's Report on page 173 of this report.

IX. Board Meetings and the Directors' Attendance

During the Reporting Period, the Company held 19 Board meetings to consider and approve major proposals on the appointment of senior management, operation plans, major related party transactions, rule amendments and other matters, including 133 important proposals and reports such as the working report of the Board, the working report of the President, the financial budgets, the final account report, the profit distribution plan, the performance evaluation index of senior management, the operation plan, the management and implementation of related party transactions.

Meeting	Meeting date	Meeting mode
The 2023 first extraordinary general meeting of the Board	18 January 2023	On-site conference
The 2023 second extraordinary general meeting of the Board	10 February 2023	Written circular
The 2023 third extraordinary general meeting of the Board	24 February 2023	On-site conference
The 15th meeting of the eighth session of the Board	28 February 2023	On-site conference
The 2023 fourth extraordinary general meeting of the Board	24 March 2023	Written circular
The 16th meeting of the eighth session of the Board	30 March 2023	On-site conference
The 2023 fifth extraordinary general meeting of the Board	18 April 2023	Written circular
The 17th meeting of the eighth session of the Board	28 April 2023	On-site conference
The 2023 sixth extraordinary general meeting of the Board	12 May 2023	Written circular
The 2023 seventh extraordinary general meeting of the Board	23 May 2023	On-site conference
The 18th meeting of the eighth session of the Board	30 June 2023	On-site conference
The 2023 eighth extraordinary general meeting of the Board	2 August 2023	Written circular
The 2023 ninth extraordinary general meeting of the Board	21 August 2023	Written circular
The 19th meeting of the eighth session of the Board	28 August 2023	On-site conference
The 2023 tenth extraordinary general meeting of the Board	4 September 2023	Written circular
The 2023 eleventh extraordinary general meeting of the Board	7 October 2023	On-site conference
The 2023 twelfth extraordinary general meeting of the Board	1 December 2023	On-site conference
The 2023 thirteenth extraordinary general meeting of the Board	20 December 2023	On-site conference
The 20th meeting of the eighth session of the Board	27 December 2023	On-site conference

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The attendance of each Director in the Board meetings and Shareholders' general meetings in 2023 is set out below:

Board members	Number of Board meetings requiring attendance	Number of Board meetings attended in person	Number of Board meetings attended by proxy	Attendance rate of Board meetings^(Note)	Number of general meetings attended/ requiring attendance
Deng Xinquan	19	16	3	84.21%	2/2
Yao Chunhe (newly appointed on 3 March 2023)	15	15	0	100%	2/2
Zhao Hongbo	19	19	0	100%	2/2
Zhang Xianjun	19	18	1	94.74%	2/2
Yu Hong	19	15	4	78.95%	2/2
Lang Shufeng	19	15	4	78.95%	2/2
Sun Yan	19	19	0	100%	2/2
Zhang Zheng	19	19	0	100%	2/2
Hou Bojian	19	19	0	100%	2/2
Jin Qinglu	19	19	0	100%	2/2

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

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X. Duty Performance of Independent Non-Executive Directors

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

The Company has received independence confirmation letters from all the independent non-executive Directors, based on which, the Company is of the view that all the independent non-executive Directors have been independent from 1 January 2023 to the date of this report.

XI. Special Committees of the Board

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

In 2023, the special committees of the Board of the Company exercised their power in an independent, standardized and effective manner in accordance with the laws. During the year, they held 44 meetings, at which 153 major proposals and reports on regular reports, structural adjustment, rule amendments and other matters were studied and considered, which are critical to the sustainable development and corporate governance of the Bank. As a result, the professionalism of discussion procedure of the Board meetings and the work efficiency, and scientific decision-making process of the Board were improved, and fostering the sustainable and healthy development of businesses of the Bank.

Members and terms of reference of the 5 special committees of the Company and their work in 2023 are as follows:

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(I) Audit Committee

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

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

1. Examining the Bank's accounting policies, financial condition and financial reporting procedures;
2. Reviewing the Bank's financial information and its disclosure;
3. Overseeing the Bank's financial reporting process, internal control procedures and their implementation;
4. Monitoring and evaluating the Bank's Internal Audit Department on its adequacy and effectiveness to internal control system;
5. Making recommendations to the Board on the appointment, re-appointment and removal of external auditors, and approving the remunerations and engagement terms of external auditors;
6. Coordinating internal and external audit work of the Bank; and
7. Reporting to the Board on corporate governance principle and terms of reference with respect to the Audit Committee in accordance with Appendix C1 to the Hong Kong Listing Rules.

In 2023, the Audit Committee held 7 meetings, at which 29 proposals and reports, including the Proposal on the 2022 Annual Results Announcement and Annual Report, the Proposal on the 2022 Profit Distribution Plan, the Proposal on the 2023 Financial Budgets, the Proposal on the Appointment of Auditors for 2023, the Proposal on the 2022 Internal Control Evaluation Report, the Proposal on Approval of 1H 2023 Unaudited Interim Financial Statements Prepared according to the International Financial Reporting Standards, and the Proposal on Consideration of 2023 Interim Results Announcement and Interim Report, were considered and approved. In 2023, the Audit Committee listened to the work reports from the Internal Audit Department, continued to deepen the implementation of the internal control system, supervised and guided the audit and examination work, and further improved the internal control system. The Audit Committee also organised the preparation and review of the 2022 annual report and 2023 interim report according to the disclosure requirements on the annual report of regulatory authorities and the disclosure plan of the Audit Committee. During the Reporting Period, the Audit Committee held two meetings with the external auditors, which, in part, were held in the absence of executive Directors and the senior management. On 24 March 2024, the Audit Committee reviewed the audited consolidated financial statements for the year ended 31 December 2023 prepared in accordance with the accounting principles and policies of the Bank. The attendance of each member in the meetings of the Audit Committee in 2023 is as follows:

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Member of Audit Committee	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy	Attendance rate^(note)
Jin Qinglu	7	7	0	100%
Hou Bojian	7	7	0	100%
Lang Shufeng	7	4	3	57.14%

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

(II) Nomination and Remuneration Evaluation Committee

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

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

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

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

In 2023, the Nomination and Remuneration Evaluation Committee held 11 meetings. All members strictly performed the obligations under the Terms of Reference for the Nomination and Remuneration Evaluation Committee of the Board and fully completed the work arrangements of this year. Major works that were launched are as follows: conducting nomination of Directors and engagement of senior officers, performance assessment of Directors and the senior management and remuneration management, etc. During the Reporting Period, 29 proposals and reports including the Proposal on 2022 Implementation Plan of Senior Management Performance Assessment, the Proposal on 2022 Senior Management Remuneration Payment, the Proposal on the Appointment of Mr. Han Gang as the Vice President of Harbin Bank Co., Ltd., the Proposal on the Remuneration Distribution Plan for the Directors for 2022, the Proposal on the Evaluation Report on the Performance of the Directors in 2022 Issued by the Board of Directors, the Proposal on the Appointment of Mr. Sun Shengxue as the Chief Risk Officer of Harbin Bank Co., Ltd., the Proposal on the Appointment of Mr. Wu Mingfei as the Chief Credit Approval Officer of Harbin Bank Co., Ltd., the Proposal on the Appraisal of Senior Management Individual Performance in 2023, the Proposal on the Appointment of Ms Zhou Jie as the Vice President of Harbin Bank Co., Ltd., the Proposal on the Appointment of Mr. Liu Dianxin as the Vice President of Harbin Bank Co., Ltd., and the Proposal on the Optimization of the Remuneration System of Harbin Bank and so on, were considered and approved. The attendance of each member in the meetings of the Nomination and Remuneration Evaluation Committee in 2023 is as follows:

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

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

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Nomination policy:

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

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

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(III) Risk Management and Related Transactions Control Committee

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

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

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

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

In 2023, the Risk Management and Related Transactions Control Committee held 16 meetings, at which 73 proposals and reports were considered and approved, including the Proposal on the Risk Management Report of Harbin Bank in 2022, the Proposal on the General Evaluation Report on Information Technology Risk of Harbin Bank in 2022, the Proposal on the Report on the Assessment of Major Shareholders (Substantial Shareholders) of Harbin Bank for 2022 and the Proposal on the Report on the Management of Related Party Transactions of Harbin Bank Co., Ltd. in 2022. The attendance of each member in the meetings of Risk Management and Related Transactions Control Committee in 2023 is as follows:

Member of Risk Management and Related Transactions Control Committee	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy	Attendance Rate^(Note)
Jin Qinglu	16	16	0	100%
Sun Yan	16	16	0	100%
Zhang Zheng	16	16	0	100%
Zhang Xianjun	16	16	0	100%

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

(IV) Development Strategy Committee

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

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

- (1) Researching and providing advice on the revision of major systems, such as the Articles of Association, the Rules of Procedure for the Shareholders' General Meeting and the Rules of Procedure for the Board of Directors' Meetings;
- (2) Researching and providing advice on the Company's long and medium term development strategies;
- (3) Researching and providing advice on the major sub-strategies and business strategies under the strategic framework for long and medium development of the Company;

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- (4) Researching and providing advice on the annual investment and financing programmes, and long and medium term and annual capital management programmes of the Company;
- (5) Researching and providing advice on material investment and financing programmes, material capital operation and asset operating projects subject to the approval of the Board as required under the Articles of Association;
- (6) Researching and providing advice on other important issues relating to the Company's development;
- (7) Drafting the Company's annual business targets and the performance appraisal indicators of senior management;
- (8) Supervising and inspecting the implementation by senior management of the long and medium term development plans, annual business targets, investment and financing programmes and capital operation programmes;
- (9) Communicating with senior management and departments regarding the operation and risk exposure of the Company on a regular basis, as well as providing advice and recommendation;
- (10) Researching and providing advice on the Company's organizational planning, department setting and change;
- (11) Researching and providing advice on the Company's environmental, social and governance (ESG) organizational structure, material issues and annual reports;
- (12) Researching and providing advice on the strategy, policy and objective for green credit, supervising the senior management in the implementation of green credit, so as to fulfill social responsibility;
- (13) Other matters authorised by the Board of Directors.

In 2023, the Development Strategy Committee held 6 meetings, at which 15 proposals and reports were considered and approved including the Proposal on the Optimization of the Organization of the Head Office, the Proposal on the 2022 Work Report of the Board of Directors, the Proposal on the Operational Plan of Harbin Bank Group for 2023, the Proposal on the Performance Appraisal Indicators on Senior Management for 2023, the Proposal on the Capital Adequacy Management Plan for 2023, the Proposal on the Institutional Development Plan of Harbin Bank for 2023, the Proposal on the Material Issues of Environmental, Social and Governance (ESG) of Harbin Bank for 2023, the Proposal on the Evaluation Report on 2022 Strategy Implementation of Harbin Bank (Group), the Proposal on the Environmental, Social and Governance Report of Harbin Bank for 2022, the Proposal on the Environmental Information Disclosure Report of Harbin Bank Co., Ltd. for 2022, and the Proposal on the Equity Investment Programme of Harbin Bank Co., Ltd. for 2023. The attendance of each member in the meetings of Development Strategy Committee in 2023 is as follows:

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Member of Development Strategy Committee	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy	Attendance rate^(Note)
Deng Xinquan	6	6	0	100%
Yao Chunhe (newly appointed on 3 March 2023)	5	5	0	100%
Yu Hong	6	6	0	100%
Hou Bojian	6	6	0	100%

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

(V) Consumer Rights Protection Committee

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

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

1. Formulating the Company's strategies, policies and objectives of consumer rights protection, guiding the senior management to reinforce the construction of a corporate culture enabling consumer rights protection in terms of overall planning, and incorporating relevant contents of consumer rights protection into corporate governance, corporate culture development and business development strategies;
2. Urging the senior management to effectively implement relevant work of consumer rights protection, attending special briefings by the senior management on the Company's consumer rights protection work on a regular basis, considering and approving relevant special reports and submitting them to the Board, and considering the relevant work as an important item of information disclosure;

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3. Supervising and assessing the Company's consumer rights protection work from the aspect of comprehensiveness, timeliness and effectiveness, and the senior management's performance of duties; and
4. In accordance with the Company's overall strategy, considering the proposals regarding consumer rights protection before submitting the relevant proposals to the Board for consideration.

In 2023, the Consumer Rights Protection Committee held 4 meetings, at which 7 proposals and reports were considered and approved, namely the Proposal on the Self-Assessment Report of Harbin Bank on the Supervisory Evaluation of Financial Consumer Rights Protection for 2022, the Work Conclusions of the Consumer Rights Protection Committee of the Board for 2022 and the Work Plan for 2023, the Proposal on the Report of Consumer Rights Protection of Harbin Bank for 2022, the Proposal on the Work Scheme of Consumer Rights Protection of Harbin Bank for 2023, the Rectification Report of Harbin Bank on the Supervisory Evaluation of Consumer Rights Protection for 2022, the Proposal on the Report of Consumer Rights Protection of Harbin Bank for the First Half of 2023, and the Report of Harbin Bank of the Work on Identifying Potential Risks in Financial Information of Consumers for the First Half of 2023 were presented at the meeting. The attendance of each member in the meetings of Consumer Rights Protection Committee in 2023 is as follows:

Member of Consumer Rights Protection Committee	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy	Attendance Rate^(Note)
Zhang Zheng	4	4	0	100%
Yao Chunhe (newly appointed on 3 March 2023)	3	3	0	100%
Sun Yan	4	4	0	100%
Zhang Xianjun	4	4	0	100%

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

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XII. Board of Supervisors

The Board of Supervisors of the Company consists of 7 Supervisors, including 3 external Supervisors, 3 employee representative Supervisors and 1 shareholder representative Supervisor. The number and composition of the Board of Supervisors of the Company are in compliance with the provisions of relevant laws and regulations. On 13 March 2023, Mr. Wang Haibin resigned as the chairman of the Board of Supervisors and Mr. Luo Zhonglin resigned as an employee representative Supervisor and a member of the nomination committee of the Board of Supervisors. On the same date, Mr. Zhao Baocai and Ms. Jiang Yongmei were appointed as employee representative Supervisors at the staff representatives assembly, and Mr. Zhao Baocai was elected as the chairman of the Board of Supervisors at the 2023 second extraordinary meeting of the Board of Supervisors. On 28 August 2023, Ms. Chen Wei was elected as a shareholder representative Supervisor of the Company at the first extraordinary general meeting in 2023 of the Company. During the Reporting Period, the Board of Supervisors held 11 meetings, at which 30 proposals and reports were considered, including the annual and interim reports of the Company, the work report and work plan of the Board of Supervisors, the profit distribution plan, the performance evaluation reports of the Board and the directors, the Board of Supervisors and Supervisors and senior management and its members, the audit proposal and report of the resignation of executive officers, the evaluation report of strategy execution, the assessment report of internal control, the resignation of Supervisors, the adjustment to members of the special committees of the Board of Supervisors, and the work plans for the evaluation of duty performance. The attendance of each Supervisor in the meetings of the Board of Supervisors in 2023 is as follows:

Member of Board of Supervisors	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy	Attendance Rate^(Note)
Wang Haibin (resigned on 13 March 2023)	1	1	0	100%
Zhao Baocai (newly appointed on 13 March 2023)	10	10	0	100%
Li Dong	11	11	0	100%
Li Zhaohua	11	11	0	100%
Sun Yi	11	11	0	100%
Chen Wei (newly appointed on 28 August 2023)	3	3	0	100%
Luo Zhonglin (resigned on 13 March 2023)	1	1	0	100%
Wang Yuanfang	11	10	1	91%
Jiang Yongmei (newly appointed on 13 March 2023)	10	10	0	100%

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

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

During the Reporting Period, the special committees of the Board of Supervisors of the Company exercised their authority and power in an independent, regular and effective manner in accordance with the law. 16 meetings were held throughout the year at which 28 proposals were studied and considered including the annual evaluation report of internal control, periodic reports and the profit distribution plan.

(I) Nomination Committee

The Nomination Committee consists of external Supervisors and an employee representative Supervisor. Currently, the members include external Supervisors, namely Mr. Li Dong (chairman of the committee), Mr. Sun Yi and Ms. Jiang Yongmei (newly appointed on 13 March 2023).

The major terms of reference are as follows:

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

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During the Reporting Period, the Nomination Committee held 8 meetings, at which a total of 12 proposals were considered and approved, namely the Evaluation Report on the Performance of the Office of the Board of Supervisors in 2022, the Resignation of Mr. Wang Haibin as an Employee Representative Supervisor and Chairman of the Board of Supervisors, the Resignation of Mr. Luo Zhonglin as an Employee Representative Supervisor and Member of the Nomination Committee, the Remuneration Assignment Plan of Supervisors in 2022, the Evaluation Report of the Board of Supervisors on the Performance of the Board of Directors and Directors in 2022, the Evaluation Report of the Board of Supervisors on the Performance of the Senior Management and its Members in 2022, the Evaluation Report on the Performance of the Board of Supervisors and Supervisors in 2022, the Implementation Rules for the Management of Performance Evaluation of the Office of the Board of Supervisors of Harbin Bank (Trial), the Performance Plan of the Office of the Board of Supervisors in 2023, the Plan of Evaluation on the Performance of Employees of the Office of the Board of Supervisors of Harbin Bank in 2023, the Report on the Performance Evaluation of Employees of the Department and Management of the Office of the Board of Supervisors in the First Half of 2023 and the Nomination of Candidates for Shareholder Representative Supervisors. The attendance of each Supervisor in the meetings of the Nomination Committee in 2023 is as follows:

Committee member	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy	Attendance rate
Li Dong	8	8	0	100%
Sun Yi	8	8	0	100%
Luo Zhonglin (resigned on 13 March 2023)	2	2	0	100%
Jiang Yongmei (newly appointed on 13 March 2023)	6	6	0	100%

(II) Supervision Committee

The Supervision Committee consists of external Supervisors, shareholder representative Supervisors and employee representative Supervisors. The members include external Supervisors, namely Ms. Li Zhaohua (chairperson of the committee) and Mr. Sun Yi, a shareholder representative Supervisor, namely Ms. Chen Wei (newly appointed on 28 August 2023), and an employee representative Supervisor, namely Mr. Wang Yuanfang.

The major terms of reference are as follows:

1. Drafting the off-office auditing programme on senior management personnel of the Company and implementing such plans as approved by the Board of Supervisors;
2. Tracking the formulation of the Board's regular reports and relevant material adjustments and reporting the same to the Board of Supervisors;

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3. Supervising the Board to establish steady business philosophy and value criterion, formulate development strategy conform with the actual circumstances of the Company and supervising the Company's financial activities, business decisions, risk management and internal control;
4. Making recommendations on the engagement of external auditors based on supervision as needed;
5. Other matters authorised by the Board of Supervisors.

During the Reporting Period, the Supervision Committee held 8 meetings, at which 16 proposals and reports were considered and approved, namely the Evaluation Report of 2021-2023 Strategic Development Planning of Harbin Bank (Group), the 2022 Annual Report, the 2022 Profit Distribution Plan, the 2022 Internal Capital Adequacy Evaluation Procedure Report of Harbin Bank Co., Ltd., the 2022 Internal Control Evaluation Report of Harbin Bank, the Proposal on the Off-office Auditing for Qi Yilei and Gong Tiemin, the Evaluation Report on 2022 Strategy Implementation of Harbin Bank (Group), the Proposal on the Off-office Auditing for Wang Haibin, the 2023 Interim Report, the Audit Report of Gong Tiemin, Former Chief Risk Officer of Harbin Bank in Respect of His Resignation, the Audit Report of Qi Yilei, Former Chief Credit Approval Officer of Harbin Bank in Respect of His Resignation, the Proposal on Performance Auditing for Zhou Jie, the Audit Report on the Performance of Zhou Jie, Assistant to the President of Harbin Bank and the Audit Report on the Performance of Zhou Jie, Chairman of Harbin Bank Consumer Finance Co., Ltd.. The attendance of each Supervisor in the meetings of the Supervision Committee in 2023 is as follows:

Committee member	Number of meetings requiring attendance	Number of meetings attended in person	Number of meetings attended by proxy	Attendance Rate
Li Zhaohua	8	8	0	100%
Chen Wei (newly appointed on 28 August 2023)	1	1	0	100%
Sun Yi	7	7	0	100%
Wang Yuanfang	8	8	0	100%

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

On 13 March 2023, Mr. Wang Haibin resigned from his positions as chairman of the Board of Supervisors and employee representative Supervisor of the Company, and Mr. Luo Zhonglin resigned from his positions as employee representative Supervisor and member of the Nomination Committee under the Board of Supervisors of the Company, respectively, and on the same date, Mr. Zhao Baocai and Ms. Jiang Yongmei were appointed as employee representative Supervisors at the employee representative meeting. Mr. Zhao Baocai was elected as the chairman of the Board of Supervisors at the second extraordinary general meeting of the Board of Supervisors in 2023. On 28 August 2023, Ms. Chen Wei was elected as a shareholder representative Supervisor of the Company at the first extraordinary general meeting in 2023 of the Company.

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

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

XV. Securities Transactions by Directors, Supervisors and Relevant Employees

The Company has adopted the Model Code set out in Appendix C3 of the Hong Kong Listing Rules as the code of conduct for governing the securities transactions by the Directors and Supervisors of the Company. Having made specific enquiries to the Directors and Supervisors, all Directors and Supervisors have confirmed that they had complied with the aforesaid code during the period from 1 January 2023 to 31 December 2023. The Bank also set guidelines for employees' dealings in the Company's securities on terms no less exacting than the required standards as set out in the Model Code. The Bank is not aware of any violation of such guidelines by any employee.

XVI. Training of Directors and Supervisors during the Reporting Period

During the Reporting Period, the Board arranged training for all Directors and senior management on consolidated management, anti-money laundering management and anti-corruption, in order to help them gain a comprehensive understanding of how to strengthen consolidated management capabilities of the Bank and the importance of consolidated management in improving company management efficiency. They gained an in-depth understanding of anti-money laundering management, anti-corruption indicators and the latest policies and established an adequate appreciation of the responsibilities and legal liabilities of listed companies, which further enhanced the professionalism of our directors in discharging their duties.

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

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During the Reporting Period, the Board of Supervisors arranged Supervisors to study the regulatory requirements, relevant national laws and regulations, understand the spirit of supervision and their responsibilities. Head office departments were arranged to participate trainings on financial markets, asset management, corporate, inclusive finance and other business areas. Supervisors were organized to participate in the Bank's training on policy interpretation of the new capital accord, sharing of industry practice cases, anti-money laundering, and interpretation of expected credit loss law policy, to continuously enhance their understanding and knowledge of the Bank's business, and to enhance their theoretical level and ability to perform their duties.

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

The attendance of each Director in training sessions on specific topics and on-site business visits in 2023 is as follows:

Name of Directors	Number of training sessions on specific topics attended	Number of on-site business visits
Deng Xinquan	3	14
Yao Chunhe (newly appointed on 3 March 2023)	3	16
Zhao Hongbo	3	0
Zhang Xianjun	3	0
Yu Hong	3	0
Lang Shufeng	3	0
Sun Yan	3	3
Zhang Zheng	3	3
Hou Bojian	3	3
Jin Qinglu	3	3

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The attendance of each Supervisor in training sessions on specific topics and on-site business visits in 2023 is as follows:

Name of Supervisors	Number of training sessions on specific topics attended	Number of on-site business visits
Wang Haibin (resigned on 13 March 2023)	0	0
Zhao Baocai (newly appointed on 13 March 2023)	8	20
Li Dong	6	11
Li Zhaohua	5	7
Sun Yi	6	6
Chen Wei (newly appointed on 28 August 2023)	1	1
Luo Zhonglin (resigned on 13 March 2023)	0	0
Jiang Yongmei (newly appointed on 13 March 2023)	7	3
Wang Yuanfang	7	3

XVII. Amendments to the Articles of Association

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

XVIII. Company Secretary under the Hong Kong Listing Rules

Dr. Ngai Wai Fung and Mr. Wu Siliang are joint company secretaries of the Company since 8 July 2022. Each Director may discuss with, seek advice and obtain materials from the joint company secretaries. Dr. Ngai and Mr. Wu have confirmed their receipt of no less than 15 hours of relevant professional training during the Reporting Period. Mr. Wu is the key contact person for Dr. Ngai (for external services agency).

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

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For the biography of Mr. Wu Siliang, senior management of the Company, please refer to “Basic Information on Directors, Supervisors, Senior Management, Employees and Organisations – III. Information on Directors, Supervisors, Senior Management and Other Persons - (III) Information on Senior Management”.

XIX. Communication with Shareholders

In the management of investor relationship, the Company highlights its works in supporting provincial and municipal key projects and important industries, real economy, people’s livelihood and rural revitalization, and gives emphasis to present to investors the Bank’s latest achievements and future potentials of developing business fields such as serving the real economy, inclusive finance, fintech and cross-border credit. Meanwhile, the Company also presents its comprehensive development plan in establishing village and township banks and subsidiaries such as HB Leasing and HBCF.

During the Reporting Period, the Company continuously paid high attention to the interest of investors and strove to create practicable returns for our investors. The Company continued to enhance its communication with investors through the following means: (1) In 2023, the Bank published more than 100 news reports regarding investor relations on many domestic and overseas mainstream media, including Xinhua News Agency, Xinhua Finance, CNR News, Financial News, CRI Online, Finet etc., thus effectively promoting the corporate image and further enhancing market attention and influence of the Bank; (2) The Bank timely responded to the questions and recommendations from investors through various channels, including answering over 150 calls from investors, replying numerous e-mail enquiries from investors and analysts, and arranging meetings between investors and the Bank.

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

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

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

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XX. Rights of Shareholders

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

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

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

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

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

XXI. Profit and Dividend Distribution Policy

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

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

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

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

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

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

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

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

XXII. External Auditors and Auditors' Remuneration

Subject to consideration and approval at the 2022 annual general meeting held on 19 May 2023, the Bank engaged BDO China Shu Lun Pan CPAs LLP and BDO Limited to respectively act as auditors for 2023 annual financial report of the Bank prepared in accordance with the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively. There has been no change in the auditors of the Company since 2021.

For the year ended 31 December 2023, the Company agreed to pay RMB3.050 million (including tax) and RMB1.800 million (including tax) to the above external auditors for their audit and non-audit services, respectively. The non-audit service represents the interim review in 2023.

XXIII. Risk Management, Internal Control and Internal Audit

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

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The Board completed its review of the effectiveness of the risk management and internal control systems of the Group for the year ended 31 December 2023 through its special committees. The Company commenced internal control evaluation according to the requirements under the Guidelines for Internal Control of Commercial Banks of the former CBRC. The Board was of the opinion that, during the year, the business and matters within the scope of internal control assessment by the Company involved various kinds of control on the corporate and operational levels as well as in the area of information technologies and covered the principal aspects including the Company's financial, operational and regulatory control and risk management. The internal control system was effective and adequate. In addition, the Board also reviewed and was satisfied with the sufficiency of resources and the qualifications and experience of the employees for performing the Company's accounting and financial reporting functions, as well as the adequacy of the employee training courses and the relevant budget. However, the risk management and internal control systems were designed to manage rather than to eliminate the risk of failure to achieve the business objectives. Accordingly, the Board can provide only reasonable assurance, instead of absolute assurance, against material misstatement or losses.

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

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

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

The Bank conducts an annual review of the effectiveness of its risk management and internal control systems covering all material controls, including financial, operational and compliance controls as well as risk management. The review is conducted by reference to the guidelines and definitions given by the regulatory authorities and professional bodies for the purpose of assessing five different internal control elements, namely, the internal control environment, risk assessment, control activities, information and communication, and internal monitoring. The assessment covers all the major internal controls and measures, including financial, operational and compliance controls as well as risk management functions. The review also considers the adequacy of resources, staff qualifications and experience and training of the Bank's accounting, financial reporting, internal audit functions as well as the ESG performance and report of the issuer. The review is coordinated by the Bank's Internal Audit Department which, after the management and various business departments have performed their self-assessment and the management has confirmed the effectiveness of the relevant systems, then carries out an independent examination and other post-assessment work on the review process and results. The results of the 2023 review, which have been reported to the Audit Committee and the Board, reflect that the Group's risk management and internal control systems are effective and adequate.

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

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

- a rational organisational structure with appropriate personnel is developed and whose responsibility, authority, and accountability are clearly delineated. The Bank has formulated policies and procedures to ensure reasonable checks and balances for all the operating units, reasonable safeguard for the Group's asset and adherence to relevant laws and regulations and risk management in its operations;
- the management draws up and continuously monitors the implementation of the Group's development strategies, business plans and financial budgets. The accounting and management systems that are in place provide the basis for evaluating financial and operational performance;
- the Bank has established various risk management and human resources policies. There are specific units and personnel that are responsible for handling reputation, strategic, legal, compliance, credit, market, operational, liquidity and interest rate risks. There are also procedures and internal controls for the handling and dissemination of inside information. The Bank has set up mechanisms to identify, evaluate and manage all the major risks (including the environmental, social and governance risks) in a timely manner, and has established corresponding internal control procedures;
- the Bank has established an information technology governance structure that produces a range of reports on information systems and management, including information on the monitoring of various business units, financial information and operating performance. Such information facilitates the management, business units and the regulatory authorities in assessing and monitoring the Bank's operation and performance. Proper communication channels and reporting mechanisms are in place at various business units and levels to facilitate the smooth exchange of information; and
- pursuant to a risk-based assessment approach and in accordance with the internal audit plan approved by the Audit Committee of the Board, the Company's Internal Audit Department conducts independent reviews on such aspects as financial activities, various business sectors, various kinds of risks, operations and activities. Reports are submitted directly to the Audit Committee. The Company's Internal Audit Department closely follows up on the items that require attention in a systematic way and reports to the management and the Audit Committee in a timely manner.

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

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

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

Internal Control

During the Reporting Period, the Company 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 ensure the Company's operation and management was compliant with laws and regulations.

First, the Company was committed to establishing and maintaining 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, the Board is responsible for the sound establishment, and effective implementation of internal control system; the management at various levels is responsible for coordinating the establishment and implementation of internal control system and its daily operation; the various branches and departments are responsible for establishing and continuously improving their own internal control systems in accordance with the requirements of laws and regulations; the compliance departments at different levels and the independent internal audit departments are responsible for the supervision and evaluation of the internal control system of the Bank, forming an internal control organizational structure with reasonable division of labour, clear responsibilities and reporting lines. At the same time, the Board of Directors and senior management of the Company attached great importance to the construction of compliance culture, persistently made internal control and compliance culture construction regular, systematical and intensive, and firmly built up its internal control and compliance philosophy of "honesty, integrity, lawfulness and compliance", thereby supporting the Company to comprehensively build a corporate culture of "compliance, steadiness, innovation and development" in the Bank.

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

Third, the Company took multiple measures and implemented practical and effective risk control measures. The Company adhered to its principles in full coverage, balancing and conformity, and continuously established and optimized comprehensive, systematic and standardized business and management systems for various business and management activities, so as to execute standardized and uniform business regulations and management process at all levels and in all institutions of the Bank. At the same time, 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 to monitor, warn about, and prevent hidden operational risks in a multi-dimensional, all-round and accurate manner and firmly uphold the bottom line of zero systematic risks.

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

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

Internal Audit

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

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

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I. Meeting of the Board of Supervisors

In 2023, the Board of Supervisors of the Company held 11 meetings, at which 30 proposals were considered and approved, namely the Evaluation Report of 2021-2023 Strategic Development Planning of Harbin Bank (Group), the Resignation of Mr. Wang Haibin as Employee Representative Supervisor and Chairman of the Board of Supervisors, the Resignation of Mr. Luo Zhonglin as Employee Representative Supervisor and Member of the Nomination Committee, the Election of Chairman of the Board of Supervisors, the Changes of Members of the Special Committees under the Board of Supervisors, the 2022 Annual Report, the 2022 Profit Distribution Plan, the 2022 Internal Capital Adequacy Evaluation Procedure Report of Harbin Bank Co., Ltd., the 2022 Work Report of the Board of Supervisors, the 2023 Work Plan of Board of Supervisors, the Proposal on the Remuneration Distribution Plan for the Supervisors for 2022, the Evaluation Report on the Performance of the Board and the Directors in 2022 Issued by the Board of Supervisors, the Evaluation Report on the Performance of Senior Management and its Members in 2022 Issued by the Board of Supervisors, the Evaluation Report on the Performance of the Board of Supervisors and the Supervisors in 2022, the 2022 Internal Control Evaluation Report of Harbin Bank, the Proposal on the Off-office Auditing for Qi Yilei and Gong Tiemin, the Evaluation Report on 2022 Strategy Implementation of Harbin Bank (Group), the Implementation Rules for Performance Appraisal Management of the Office of the Board of Supervisors of Harbin Bank (Trial), the Proposal on the Off-office Auditing for Wang Haibin, the Nomination of Candidates for Shareholder Representative Supervisors, the 2023 Interim Report, the Audit Report of Gong Tiemin, Former Chief Risk Officer of Harbin Bank in Respect of His Resignation, the Audit Report of Qi Yilei, Former Chief Credit Approval Officer of Harbin Bank in Respect of His Resignation, the Proposal on Performance Auditing for Zhou Jie, the Changes of Members of the Special Committees under the Board of Supervisors, the Audit Report on the Performance of Zhou Jie, Assistant to the President of Harbin Bank, the Audit Report on the Performance of Zhou Jie, Chairman of Harbin Bank Consumer Finance Co., Ltd., and the Proposal on the Evaluation on Duty Performance of Directors, Supervisors and Senior Management in 2023.

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II. Major Work of the Board of Supervisors

(I) Supervision, Inspection and Investigation

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

During the Reporting Period, the Bank conducted interviews with and researches on 5 branches and 5 township banks, human resources department, internal audit department, internal control and compliance department, risk management department, consumer right protection and brand promotion department focusing on understanding the implementation of regulatory opinions of and relevant rectification measures adopted by various institutions, the overall operation of each operating entity, remuneration distribution, performance evaluation, consumer rights protection, risk management, resolution of non-performing loans, internal control and compliance management construction, etc. Proposals on human resources allocation, internal control and compliance governance, innovative audit methods, brand building, aggressive collection efforts and so on were offered, which were highly valued by the Board and senior management and were deployed and implemented in a timely manner.

(II) Performance Supervision

During the Reporting Period, the Board of Supervisors continued to evaluate the performance of the Board and the senior management and their members in accordance with the Articles of Association and relevant rules in relation to the performance evaluation. Through attending relevant meetings, investigations and interviews, carrying out responsibility audit, reviewing documents and other methods, the Board of Supervisors monitored the performance of the Board of Directors, the senior management and their members in terms of material strategic decision-makings and their implementation, operation management, risk and internal control management and other aspects. At the end of the year, in accordance with regulatory requirements and actual situation, the performance evaluation of Directors, Supervisors and senior management for 2023 was carried out.

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(III) Putting Forward Management Suggestions

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

(IV) Self-enrichment

Firstly, changes of employee representative Supervisor, election of the chairman of the Board of Supervisors, communication with shareholders, nominating shareholder representative Supervisor for election at general meeting, determining the composition of each committee of the Board of Supervisors, and improving the structure of the Board of Supervisors of the Bank. Secondly, the Board of Supervisors conducted special investigations. External Supervisors conducted special investigations and formed a special research report on the internal control supervision mechanism, consumer rights protection, and credit risk management of village banks, by utilizing the expertise of external Supervisors to support its stable development. Thirdly, the Board of Supervisors strengthened the training of Supervisors. The head office department conducted special training regularly for Supervisors, covering various business areas such as financial market, asset management, corporate finance, and inclusive finance. Supervisors were organized to participate in external institution training to interpret new capital accord policies, share industrial practice cases, accept senior management training for anti-money laundering, and interpret expected credit loss policies and other regulatory policy. Such trainings enhanced the understanding and mastering of Supervisors on the Bank's business and improved the theoretical knowledge and performance capabilities of all Supervisors. Fourthly, the Board of Supervisors strengthened the quantitative management of Supervisors' performance of duties, conducted detailed assessments of meeting attendance, performance time, and opinions expressed, motivated the initiative and enthusiasm of Supervisors to perform their duties, and promoted the supervision of Supervisors to be closer to reality and concerns. Moreover, the suggestions put forward were more pertinent and effective, and performance efficiency was further improved.

By Order of the Board of Supervisors

Zhao Baocai

Chairman of the Board of Supervisors

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I. Issuance of Debt Securities

(I) Bond Issuance during the Reporting Period

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

(II) Previous Financial Bonds Issuance

1. *Capital Bonds without a Fixed Term*

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

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The Capital Bonds Without a Fixed Term of Harbin Bank Co., Ltd. in 2021 has an issuance size of RMB8.0 billion. The coupon rate of the bonds for the first five years is 4.8%, and is subject to adjustment every five years. The issuer's conditional redemption right is attached to the bonds which can be exercised on the annual interest payment date of the fifth year and the subsequent years.

The second tranche of Capital Bonds Without a Fixed Term of Harbin Bank Co., Ltd. in 2021 has an issuance size of RMB3.0 billion. The coupon rate of the bonds for the first five years is 5.0%, and is subject to adjustment every five years. The issuer's conditional redemption right is attached to the bonds which can be exercised on the annual interest payment date of the fifth year and the subsequent years.

The Capital Bonds Without a Fixed Term of Harbin Bank Co., Ltd. in 2022 has an issuance size of RMB0.7 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.

II. Material Legal Proceedings and Arbitrations

As at the end of the Reporting Period, there was no significant outstanding legal proceedings against the Group (as a defendant or a third party defendant) with a subject amount of over RMB10 million for each dispute. During the Reporting Period, there were no other material legal proceedings or arbitrations which had substantial impact on the operating activities of the Bank.

III. Material 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, material 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.

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IV. Material Contracts and Their Performance

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

V. Audit Review

The Bank's consolidated financial statements for the year ended 31 December 2023 prepared in accordance with International Financial Reporting Standards had been audited by BDO Limited, who had issued an unqualified audit report. The Bank's audited consolidated financial statements for the year ended 31 December 2023 had been reviewed by the Audit Committee of the Board and the Board of Directors of the Company.

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

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

VII. Profit Distribution during the Reporting Period

The Proposal on the 2022 Profit Distribution Plan was considered and approved at the 2022 annual general meeting held on 19 May 2023, pursuant to which, no final dividend for the year of 2022 would be distributed to all shareholders. The Company has not distributed any interim dividend for the six months ended 30 June 2023.

VIII. Appointment and Dismissal of Auditors

Pursuant to the resolutions of the 2022 annual general meeting of the Company held on 19 May 2023, the Company was approved to re-appoint BDO China Shu Lun Pan CPAs LLP and BDO Limited to respectively act as auditors for 2023 annual financial report of the Bank prepared in accordance with the China Accounting Standards for Business Enterprises and the International Financial Reporting Standards, respectively.

IX. Supplementary Information of Other Tier-one Capital and Equity-linked Agreements

In order to actively implement the government's special bond policy to replenish capital, enhance the Bank's capital strength, improve capital structure and risk resistance level, the Company carried out the convertible negotiated deposit business to replenish other tier-one capital. In this regard, the Company convened the 2022 second extraordinary general meeting on 8 December 2022, the 2022 first domestic shareholders' class meeting, and 2022 first H shareholders' class meeting to consider and approve the Company's replenishment of other tier-one capital by means of the convertible negotiated deposit, and in March 2023, based on the authority granted by shareholders, entered into the Capital Replenishment Instrument – Convertible Negotiated Deposit Subscription Agreement with Harbin Municipal Finance Bureau (the "Agreement").

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Pursuant to the Agreement, Harbin Municipal Finance Bureau shall deposit RMB10 billion in the form of negotiated deposit into the special convertible negotiated deposit account in the Bank, all of the deposit will be used to replenish the Company's other tier-one capital, and bear an interest rate of 3.02%, which matches with the corresponding local government special bonds issuance interest rate. During the term of the Agreement, if one of the following triggering events occurs, the remaining principal amount of the deposit, after deducting the expected principal repayment amount of the special bonds for the year, may be fully or partially converted into the Bank's ordinary shares in stages:

1. The core tier-one capital adequacy ratio of the Company decreased to 5.125% (or less);
2. As confirmed by the regulatory authorities, the core tier-one capital adequacy ratio of the Company is not less than 5.125%, but non-viability trigger events occurred to the Company. The non-viability trigger event is defined as the earlier of: (a) the former CBIRC (currently, the NFRA) having decided that without a conversion, the Bank would become non-viable; or (b) the relevant authorities having decided that injection of capital or equivalent support by a public sector is necessary, without which the Bank would become non-viable.

Subject to the above triggering conditions, if the share-holding entity designated by Harbin Municipal Finance Bureau does not satisfy the relevant requirements of the Banking and Insurance Regulatory Authorities and the Harbin Municipal Government, or if the class and number of ordinary shares to be converted and the shareholding structure of the Company after the conversion as calculated do not satisfy the relevant requirements of the Hong Kong Stock Exchange in respect of the minimum percentage of public float, no conversion shall be made until the conversion is in compliance with the relevant requirements of the Banking and Insurance Regulatory Authorities, the Hong Kong Stock Exchange and the Harbin Municipal Government.

The conversion price shall be the highest of the following and subject to adjustment: (1) the average trading price of H Shares of the Bank for 20 trading days preceding the date of the Board resolution approving the Agreement (i.e. 18 November 2022), i.e. HK\$0.285 (approximately RMB0.259); (2) the appraised value of the net assets per share as determined after asset appraisal at the time of conversion; or (3) RMB1 per share.

Provided that the deposit under the Agreement has fulfilled the conversion conditions and satisfied with the minimum public float requirement, the maximum number to be converted will be 7,774,670,111 Domestic Shares and 2,225,329,889 H Shares of the Company (taking up approximately 37.03% and 10.60% of the enlarged total share capital of the Bank, respectively), with a par value of RMB1 per share. Based on that and the estimated minimum conversion price of RMB1 per share, the conversion will not result in a theoretical dilution effect. The Company has at the time of entering into the Agreement complied with and will at the time of implementing the convertible negotiated deposit ensure to comply with the theoretical dilution effect requirement in accordance with Rule 7.27B of the Hong Kong Listing Rules.

For further details, please refer to the circular of the Company dated 21 November 2022 and the announcement of the Company dated 17 March 2023.

During the Reporting Period, the Company received RMB10 billion of convertible negotiated deposit from Harbin Municipal Finance Bureau, which was fully used to replenish other tier-one capital. Such deposit has not been converted into shares of the Bank.

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

I. Incumbent Directors, Supervisors and Senior Management

Directors

Name	Gender	Age	Position	Term of office
Deng Xinquan	Male	59	Executive Director and Chairman of the Board	2021.3.10—expiry of Eighth Session of the Board
Yao Chunhe	Male	46	Executive Director and President	2023.3.3—expiry of Eighth Session of the Board
Zhao Hongbo	Male	55	Non-Executive Director	2021.2.24—expiry of Eighth Session of the Board
Zhang Xianjun	Male	49	Non-Executive Director	2021.2.24—expiry of Eighth Session of the Board
Yu Hong	Male	60	Non-Executive Director	2021.2.24—expiry of Eighth Session of the Board
Lang Shufeng	Male	53	Non-Executive Director	2021.2.24—expiry of Eighth Session of the Board
Sun Yan	Male	55	Independent Non-Executive Director	2021.2.24—expiry of Eighth Session of the Board
Zhang Zheng	Male	51	Independent Non-Executive Director	2021.2.24—expiry of Eighth Session of the Board
Hou Bojian	Male	64	Independent Non-Executive Director	2021.2.24—expiry of Eighth Session of the Board
Jin Qinglu	Male	51	Independent Non-Executive Director	2021.3.25—expiry of Eighth Session of the Board

Supervisors

Name	Gender	Age	Position	Term of office
Zhao Baocai	Male	55	Chairman of the Board of Supervisors and Employee Representative Supervisor	2023.3.13—expiry of Eighth Session of the Board of Supervisors
Jiang Yongmei	Female	51	Employee Representative Supervisor	2023.3.13—expiry of Eighth Session of the Board of Supervisors
Wang Yuanfang	Male	48	Employee Representative Supervisor	2022.10.10—expiry of Eighth Session of the Board of Supervisors
Chen Wei	Female	53	Shareholder Representative Supervisor	2023.8.28—expiry of Eighth Session of the Board of Supervisors
Li Dong	Male	65	External Supervisor	2021.2.24—expiry of Eighth Session of the Board of Supervisors
Li Zhaohua	Female	58	External Supervisor	2021.2.24—expiry of Eighth Session of the Board of Supervisors
Sun Yi	Male	53	External Supervisor	2021.2.24—expiry of Eighth Session of the Board of Supervisors

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Senior Management

Name	Gender	Age	Position	Term of office
Yao Chunhe	Male	46	President	2023.3.3 – expiry of Eighth Session of the Board
Han Gang	Male	50	Vice president	2023.3.31 – expiry of Eighth Session of the Board
Zhou Jie	Female	49	Vice president	2023.12.11 – expiry of Eighth Session of the Board
Liu Dianxin	Male	54	Vice president	2024.3.5 – expiry of Eighth Session of the Board
Yang Dazhi	Male	47	Assistant to the President	2021.2.24 – expiry of Eighth Session of the Board
Wang Ying	Female	52	Chief Audit Officer	2021.2.24 – expiry of Eighth Session of the Board
Liang Yong	Male	52	Chief Information Officer	2021.2.24 – expiry of Eighth Session of the Board
Wu Siliang	Male	39	Board Secretary and Joint Company Secretary	2022.8.26 – expiry of Eighth Session of the Board
Fang Shang	Male	52	Assistant to the President	2022.12.15 – expiry of Eighth Session of the Board
Sun Weichao	Male	52	Assistant to the President	2022.12.15 – expiry of Eighth Session of the Board
Sun Shengxue	Male	41	Chief Risk Officer	2023.7.17 – expiry of Eighth Session of the Board
Wu Mingfei	Male	53	Chief Credit Approval Officer	2023.7.17 – expiry of Eighth Session of the Board

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Changes in Directors, Supervisors and Senior Management

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. During the Reporting Period, the qualification of Mr. Yao Chunhe as a Director has been approved by the Heilongjiang Office of the former CBIRC, with effect from 3 March 2023. The Proposal on the Appointment of the President was considered and approved at the 2022 fourth extraordinary meeting of the Board held by the Company on 8 July 2022. Mr. Yao Chunhe was appointed as the president of the Company and his qualification as the president has been approved by the Heilongjiang Office of the former CBIRC, with effect from 3 March 2023. On 13 March 2023, Mr. Wang Haibin resigned as the chairman and an employee Supervisor of the Board of Supervisors of the Company and Mr. Luo Zhonglin resigned as an employee Supervisor and a member of the nomination committee of the Board of Supervisors of the Company. On the same date, Mr. Zhao Baocai and Ms. Jiang Yongmei were appointed as employee Supervisors at the sixteenth meeting of the fifth session of the employee representative of the Company, and Mr. Zhao Baocai was elected as the chairman of the Board of Supervisors at the 2023 second extraordinary meeting of the Board of Supervisors. On 28 August 2023, Ms. Chen Wei was elected as a shareholder representative Supervisor at the 2023 first extraordinary general meeting of the Company. The Proposal on the Appointment of Mr. Han Gang as the Vice President of Harbin Bank Co., Ltd. was considered and approved at the 2023 third extraordinary meeting of the Board held by the Company on 24 February 2023. The qualification of Mr. Han Gang as the vice president has been approved by the Heilongjiang Office of the former CBIRC, with effect from 31 March 2023. Mr. Qi Yilei, the former chief credit approval officer and Mr. Gong Tiemin, the former chief risk officer, resigned from their positions on 23 May 2023. The Proposal on the Appointment of Mr. Sun Shengxue as the Chief Risk Officer of Harbin Bank Co., Ltd. and the Proposal on the Appointment of Mr. Wu Mingfei as the Chief Credit Approval Officer of Harbin Bank Co., Ltd. were considered and approved at the 2023 seventh extraordinary meeting of the Board held by the Company on 23 May 2023. Each of the qualification of Mr. Sun Shengxue as the chief risk officer and Mr. Wu Mingfei as the chief credit approval officer has been approved by the Heilongjiang Office of the former CBIRC, with effect from 17 July 2023. The Proposal on the Appointment of Ms. Zhou Jie as the Vice President of Harbin Bank Co., Ltd. was considered and approved at the 2023 eleventh extraordinary meeting of the Board held by the Company on 7 October 2023. The qualification of Ms. Zhou Jie as the vice president has been approved by the Heilongjiang Office of the NFRA, with effect from 11 December 2023. The Proposal on the Appointment of Mr. Liu Dianxin as the Vice President of Harbin Bank Co., Ltd. was considered and approved at the 2023 thirteenth extraordinary meeting of the Board held by the Company on 20 December 2023. The qualification of Mr. Liu Dianxin as the vice president has been approved by the Heilongjiang Office of the NFRA, with effective from 5 March 2024.

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II. Information on Remuneration Paid to Directors, Supervisors and Senior Management of the Company for 2023

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

The remuneration of the members of the senior management by band for the year ended 31 December 2023 is set out below:

Remuneration band	Number of individuals
RMB1,000,000 and below	7
RMB1,000,001 to RMB1,500,000	3
RMB1,500,001 to RMB2,000,000	1
RMB2,000,001 to RMB2,500,000	1
RMB2,500,001 and above	0

Note: Pursuant to the relevant PRC regulations, total compensation packages for the above-mentioned senior management have not yet been finalised, the amount of the compensation not provided for is not expected to have any significant impact on the Group's 2023 consolidated financial statements.

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

(I) Information on Directors

Executive Directors

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

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

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

Non-executive Directors

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

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Mr. Zhang Xianjun (張憲軍), has been a non-executive Director of the Company since November 2020. Mr. Zhang has served as a director of Harbin Investment Group Corporation Limited (哈爾濱投資集團有限責任公司) since August 2023; the chairman of the board of directors of Heilongjiang Suibao Thermoelectric Co., Ltd. (黑龍江歲寶熱電有限公司) since June 2021; the vice chairman and general manager of Harbin Hatou Investment Co., Ltd. (stock code: 600864.SH) since January 2021; 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 an executive director and the general manager of Harbin Economic Development and Investment Company Limited from December 2019 to February 2023; the general manager of Harbin Economic Development and Investment Company Limited from October to 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)) from November 2019 to February 2023; 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; a director of Zhongrong International Trust Co., Ltd. from December 2014 to June 2022; the deputy general manager of Harbin Junxin Financing Guarantee Co., Ltd. (哈爾濱均信融資擔保股份有限公司) (stock code: 430558. NQ) from August 2014 to April 2022; the head of the financial asset management department of Harbin Investment Group Corporation Limited from July 2014 to January 2021; an officer of the long-term development planning division, secretary of the office, secretary of the Youth League Committee, the deputy general manager and officer (ministerial level) of Harbin Investment Group Corporation Limited from 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 accredited by the Personnel Department of Heilongjiang Province.

Mr. Yu Hong (于宏), has been a non-executive Director of the Company since November 2020. Mr. Yu retired from Heilongjiang Financial Holdings Group Co., Ltd. (黑龍江省金融控股集團有限公司) in July 2023. Mr. Yu has served a director of Longjiang Bank Corporation since October 2019. Mr. Yu served as the secretary of the Party Committee and chairman of Heilongjiang Financial Holdings Group Co., Ltd. (黑龍江省金融控股集團有限公司) from January 2019 to July 2023; the deputy inspector, deputy director general and a member of the Party Committee of the Department of Finance of Heilongjiang Province from January 2011 to January 2019; the associate chief officer, chief officer and deputy head of the agriculture division and the head of the treasury division and concurrently the general manager of the financial treasury payment center of the Department of Finance of Heilongjiang Province from June 1990 to January 2011; and an officer and associate chief officer of the Aquatic Products Bureau of Heilongjiang Province from September 1983 to June 1990. Mr. Yu graduated from the Party School of Heilongjiang Province majoring in economic management in February 1992.

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Mr. Lang Shufeng (郎樹峰), has been a non-executive Director of the Company since November 2020. Mr. Lang has served as the secretary of the Party Committee and chairman of Heilongjiang Financial Holdings Group Co., Ltd. (黑龍江省金融控股集團有限公司) since July 2023; a director of Harbin Institute of Technology Artificial Intelligence Research Co. Ltd. (哈爾濱工業大學人工智能研究院有限公司) since December 2020; an executive director of Heilongjiang Credit Corporation (黑龍江省徵信有限責任公司) since January 2023. Mr. Lang served as the general manager of Heilongjiang Credit Corporation (黑龍江省徵信有限責任公司) from January 2023 to January 2024; the deputy secretary of the Party Committee and the general manager of Heilongjiang Financial Holdings Group Co., Ltd. (黑龍江省金融控股集團有限公司) from June 2019 to July 2023; the deputy secretary of the Party Committee, president, the secretary of the Party Committee and the chairman of Heilongjiang Xinzheng Investment Guarantee Group Co., Ltd. (黑龍江省鑫正投資擔保集團有限公司) from October 2010 to December 2019; the assistant to the general manager, executive deputy general manager and general manager of Heilongjiang Xinzheng Investment Guarantee Co., Ltd. (黑龍江省鑫正投資擔保有限責任公司) from October 2000 to October 2010; the manager of the investment department and the manager of the corporate management department of Heilongjiang Economic and Trade Development Group Corporation (黑龍江省經濟貿易開發集團總公司) from July 1996 to October 2000; the manager (temporary post) of a Sino-US joint venture Wudalianchi Wuhuan Mineral Water Company (五大連池五環礦泉水公司) from June 1995 to July 1996; and an officer of Heilongjiang Economic Development Company (黑龍江省經濟開發公司) from July 1993 to June 1995. Mr. Lang received an EMBA degree from Harbin Institute of Technology in April 2005, and is currently a senior accountant (researcher-level) accredited by the Heilongjiang Human Resources and Social Security Bureau.

Independent non-executive Directors

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

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

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

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

Mr. Jin Qinglu (靳慶魯), has been an independent non-executive Director of the Company since March 2021. Mr. Jin has served as the dean of the School of Accountancy of Shanghai University of Finance and Economics since November 2018; and a professor of the School of Accountancy of Shanghai University of Finance and Economics since June 2012. Mr. Jin was an independent director of Orient Securities Company Limited (600958.SH; 03958.HK) from September 2017 to October 2023; an independent director of Shanghai Emperor of Cleaning Hi-tech Co., Ltd. (603200.SH) from October 2017 to October 2020; an independent director of China Grand Automotive Services Group Co., Ltd. (600297.SH) from July 2015 to December 2015; an independent director of Besttone Holding Co., Ltd. (600640.SH) from May 2014 to December 2015; an independent director of Shanghai SK Petroleum & Chemical Equipment Corporation Ltd. (002278.SZ) from November 2013 to November 2016; the vice dean of the School of Accountancy of Shanghai University of Finance and Economics from March 2015 to November 2018; the vice dean of the Institute of Accounting and Finance of Shanghai University of Finance and Economics from March 2014 to November 2018; an assistant professor and a vice professor in the School of Accountancy of Shanghai University of Finance and Economics from June 2005 to May 2012; and an assistant professor of Accounting Department of Xi'an Jiaotong University from March 1999 to June 2000. Mr. Jin received a doctorate degree from the Hong Kong University of Science and Technology in November 2005.

(II) Information on Supervisors

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

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

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

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

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Ms. Li Zhaohua (李兆華), has been an external Supervisor of the Company since May 2019. Ms. Li has been a professor of Guangdong University of Finance since September 2023, an independent director of Harbin Pharmaceutical Group Co., Ltd. since January 2021, a standing executive member of the fifth council of Heilongjiang Institute of Internal Auditors since December 2017, a performance appraisal expert of Heilongjiang Enterprises Association since June 2017, an executive member of the third council of Heilongjiang Institute of Management since December 2016, a bidding evaluation expert for government procurements in Heilongjiang since May 2015, and the vice president of the Harbin Institute of Environment and Operations since March 2015. Ms. Li served as a professor and a Ph.D tutor at the Accounting School of Harbin University of Commerce from July 2005 to September 2023, an associate professor of the Accounting Department of Harbin University of Commerce from May 2000 to July 2005, an associate professor of the Accounting Department of Heilongjiang College of Finance and Political Science from September 1996 to May 2000, a lecturer of the Audit Department of Heilongjiang College of Finance and Political Science from September 1993 to September 1996, a teaching assistant of the Audit Department of Heilongjiang College of Finance and Political Science from July 1988 to September 1993, and a professional advisor of the Accounting Department of the Professional Construction Committee of Heilongjiang University of Finance and Economics from June 2018 to April 2019. Ms. Li obtained her Master's degree in economics from Peking University in September 1996.

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

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Ms. Chen Wei (陳巍), has been a shareholder representative Supervisor of the Company since August 2023. Ms. Chen has served as the financial controller of Harbin New Area New Material Development Co., Ltd. (哈爾濱新區新材料發展有限公司) and Harbin Songjiang Auto Leasing Co., Ltd. (哈爾濱松江汽車租賃有限公司) since March 2023; has served as the financial controller of Harbin New Area Internet of Things Co., Ltd. (哈爾濱新區物聯網有限公司) since August 2022; has served as a supervisor of Harbin New Area Financial Park Management Co., Ltd. (哈爾濱新區金融園管理有限公司) since September 2020; has served as the chairman of the labor union of 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) since August 2019, and has served as the director of the finance department of Harbin High-tech Industrial Development Zone Infrastructure Development and Construction Co., Ltd. since October 2017. Ms. Chen served as the accountant, deputy director of the finance department, director of investment and financing department and assistant to the general manager of Harbin High-tech Industrial Development Zone Infrastructure Development and Construction Co., Ltd. from November 2009 to August 2019, an accountant of Harbin Development Zone Heli Infrastructure Development Co., Ltd. (哈爾濱開發區合力基礎設施發展有限公司) from March 2002 to November 2009, an accountant of Harbin High-tech Industrial Development Zone Infrastructure Development and Construction Co., Ltd. from December 2001 to March 2002, an accountant of Harbin High-tech Soybean Food Co., Ltd. (哈高科大豆食品有限責任公司) from October 1998 to December 2001, and an accountant of Harbin Chemical Construction Corporation (哈爾濱市化工建設總公司) from October 1991 to October 1998. Ms. Chen received a college degree from Harbin Cadre College of Economic Management in July 1996, and is currently a senior accountant accredited by the Heilongjiang Human Resources and Social Security Bureau (formerly known as the Personnel Department of Heilongjiang Province).

(III) Information on Senior Management

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

Mr. Han Gang (韓剛), has been the vice president of the Company since March 2023. Mr. Han has served as a member of the Party Committee of the Company and the secretary of the Party Committee of Harbin Branch since March 2021 and the president of Harbin Branch of the Company since October 2021. Mr. Han served as a deputy secretary to the Discipline Committee of the Company from January 2017 to February 2023; the deputy director and director of the Discipline Inspection Supervisory Office, the general manager of the Security Department, as well as the general manager of the Monitoring and Command Center of the Company from February 2010 to January 2018; the vice general manager of the Human Resources Department, the vice general manager of the Security Department, the vice general manager (in charge of work) of the Security Department and the deputy director of the Discipline Inspection Supervisory Office of the Company from July 2006 to February 2010; the assistant to the general manager of the Human Resources Department of the Company from June 2004 to July 2006; a clerk and assistant of the Personnel and Education Department of Harbin Commercial Bank Co., Ltd. from March 1999 to June 2004; a clerk of credit department of the Daqing Road Sub-branch of Harbin Commercial Bank Co., Ltd. from February 1997 to March 1999; a clerk of business department of the practicing bank of Heilongjiang Banking School, a clerk of credit department of the Daqing Road Urban Credit Union of Harbin from December 1993 to February 1997. Mr. Han received a Master's degree in Software Engineering from the School of Software of East China Normal University in June 2012.

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

Mr. Liu Dianxin (劉殿新), has been a vice president of the Company since March 2024. Mr. Liu was the vice president of the Harbin Branch of Industrial Bank from May 2015 to October 2023, the member of the Party Committee of the Harbin Branch of Industrial Bank from August 2012 to October 2023, and held the concurrent position as the secretary of the Disciplinary Inspection Committee of the Harbin Branch of Industrial Bank Co., Ltd. from August 2019 to August 2022. From March 2011 to May 2015, he was the assistant to president of the Harbin Branch of Industrial Bank during the time of which he concurrently was the general manager of the Integrated Department of the Harbin Branch of Industrial Bank from April 2011 to April 2012; from March 2009 to March 2011, he was the general manager of Corporate Finance Department of the Harbin Branch of Industrial Bank; from August 2005 to March 2009, he was the general manager of the Corporate Business Department of the Heilongjiang Branch of China Everbright Bank during the time of which he concurrently was the general manager of the International Business Department of the Heilongjiang Branch of China Everbright Bank from February 2006 to January 2008; from January 2003 to August 2005, he was the president of the Xuanhua Sub-branch of the Heilongjiang Branch of China Everbright Bank; from August 2001 to January 2003, he was deputy general manager of the international business department of the Heilongjiang Branch of China Everbright Bank; from February 2001 to August 2001, he was the assistant to general manager of the business department of the Heilongjiang Branch of China Everbright Bank; from March 2000 to February 2001, he was the assistant to general manager of International Business Department of the Heilongjiang Branch of China Everbright Bank; from July 1996 to March 2000, he successively served as the person in charge (deputy head) of the export division of International Business Department of the Heilongjiang Branch of Bank of China and the person in charge (deputy head) of the export division of international department of Zhaolin Sub-branch of Bank of China; from July 1990 to July 1996, he was the officer of deposit bank and officer of the international business division of Nantong Street, the Harbin Branch of Bank of China. Mr. Liu received a postgraduate degree in technological economics from Harbin Industrial University in April 1995. He is currently an intermediate economist accredited by the Ministry of Personnel.

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

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

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

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Mr. Wu Siliang (吳思量), has served as the secretary of the Board of the Company since August 2022 and served as a joint company secretary of the Company since July 2022. Mr. Wu has served as the manager of the Board Office of the Company since January 2021 and the manager of the Board Office (office of the Party Committee) of the Company since March 2022. From March 2022 to April 2022, Mr. Wu held the concurrent position as the manager of the Investment Management Office of the Company. From January 2018 to January 2021, he was an assistant to the manager of the Board Office, an assistant to the manager of the office (office of the Party Committee), a deputy manager of the office and a deputy manager (in charge of work) of the Board Office of the Company. From January 2016 to January 2018, he served as a clerk of the Board Office of the Company. Mr. Wu was an associate chief officer, a chief officer and a secretary for the office of the Party Committee of the office (office of the Party Committee) of former 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 former CBRC Heilongjiang Office. Mr. Wu received a Master's degree in Economics from the Central University of Finance and Economics in July 2008.

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

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Mr. Sun Weichao (孫偉超), has been assistant to the president of the Company since December 2022, deputy secretary of the Party Committee and executive vice president of the Harbin Branch of the Company since March 2022, and member of the Party Committee of the Harbin Branch of the Company since September 2014. Mr. Sun was vice president of the Harbin Branch of the Company from May 2021 to March 2022; general manager of the Assets Clearing and Settlement Center of the Harbin Branch of the Company from January 2018 to March 2022; deputy secretary of the Party Committee of the Harbin Branch of the Company from January 2018 to January 2021 (during which from November 2018 to November 2020, served temporarily as a commissioner at Harbin Finance Bureau); vice president of the Harbin Branch of the Company from January 2017 to January 2018; secretary of the Disciplinary Inspection Committee of the Harbin Branch of the Company from April 2016 to September 2023, assistant to the president and general manager of the Assets Clearing and Settlement Center of the Harbin Branch of the Company from October 2015 to January 2017; assistant to the president of the Harbin Branch of the Company from January 2015 to October 2015; served successively as assistant to the president of Acheng Sub-branch, vice president of Longjiang Sub-branch, deputy general manager of the personal finance department, and the president of Daoli Sub-branch of the Harbin Branch of the Company from February 2006 to February 2015; assistant manager of the Personal Finance Department of the Company from January 2001 to February 2006; teller of the operations department of the Company from February 1997 to January 2001; and teller of the operations department of Harbin Urban Credit United Cooperative (哈爾濱城市信用聯社) from September 1994 to February 1997. Mr. Sun obtained a Master's degree in Business Administration from Harbin Institute of Technology in October 2016. He is a senior economist accredited by the Human Resources and Social Security Department of Heilongjiang Province.

Mr. Sun Shengxue (孫升學), has been the chief risk officer of the Company since July 2023 and the president of Dalian Branch of the Company since November 2023. Mr. Sun served as the standing president of the Debt Management Department of the Company from March 2022 to July 2023; the general manager of the Micro Finance Department (Research Center of Microcredit) and the general manager of the Mobile Finance Department of the Company from January 2020 to March 2022; the vice general manager (in charge of work) of the Mobile Finance Department of the Company from January 2018 to January 2020; the senior manager and apprentice assistant of the Credit Card Center of the Company from August 2015 to January 2018; the deputy position of Nanjing Branch Center and the responsible person of Changzhou Branch Center of the Credit Card Center of China Minsheng Bank successively from June 2013 to August 2015; a credit assessor of the Credit Assessment Department and the manager of the Credit Assessment Office of the Credit Card Center of China Minsheng Bank successively from July 2006 to June 2013. Mr. Sun Shengxue graduated from China University of Political Science and Law with a Bachelor's degree and received a Master's degree in Business Administration from Renmin University of China in July 2018. He currently is an advanced information systems project manager accredited by the Ministry of Human Resources and Social Security and the Ministry of Industry and Information Technology of the PRC.

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Mr. Wu Mingfei (吳明飛), has been the chief credit approval officer of the Company since July 2023. Mr. Wu has served as the general manager of the Credit Granting Approval Department of the Company since February 2023. Mr. Wu served as the general manager of the Credit Granting Management Department of the Company from March 2022 to February 2023; the secretary of the Party Committee and the president of Daqing Branch of the Company from April 2019 to March 2022; the secretary of the Party Committee and the president of Suihua Branch of the Company from August 2015 to April 2019; the deputy general manager (in charge of work) of the Finance Market Department and the general manager of the Cross-border E-commerce Financial Platform from February 2012 to August 2015; the president of the Dazhi Sub-branch (governing sub-branch) of Harbin Management Department of the Company from February 2010 to February 2012; the vice president of the Dazhi Sub-branch (governing sub-branch), the vice president (in charge of work) of the Daoli Sub-branch (governing subbranch), the president of the Daoli Sub-branch (governing sub-branch) of the Company successively from August 2002 to February 2010; an associate chief officer, an assistant to general manager and the deputy general manager of the Planning and Financial Department of the Company successively from February 2000 to August 2002; the manager of the Credit Department of the Company from May 1996 to February 2000; a teacher of the Heilongjiang Communist Party Cadre School of Agricultural Bank of China from July 1992 to May 1996. Mr. Wu Mingfei received a Master's degree in Business Administration from Harbin Engineering University in December 2011 and currently is a senior economist accredited by the Heilongjiang Human Resources and Social Security Bureau.

(IV) Information on Company Secretary

For the biographies of Mr. Wu Siliang and Mr. Ngai Wai Fung, the joint company secretaries of the Company, please refer to "(III) Information on Senior Management" and "Corporate Governance Report – XVIII. Company Secretary under the Hong Kong Listing Rules", respectively.

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

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

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

V. Confirmation of Independence of Independent Non-executive Directors

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

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

VI. Share Plan during the Reporting Period

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

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VII. Employees

(I) Personnel Composition

As at 31 December 2023, the Company had 7,087 employees, among which 1,316 were headquarter staff, accounting for 18.57% of the total, and 2,357 were Harbin Branch staff, accounting for 33.26% of the total. Regarding the gender of employees, the Company has 3,075 male employees, accounting for 43.39% of the total, and 4,012 female employees, accounting for 56.61% of the total. Regarding the age composition, the average age of employees of the Company is 37.55, among which 1,026 are between 21 and 30 years old, accounting for 14.48% of the total. Regarding the educational background composition, there are 6,493 employees with a bachelor's degree or above in the Company, accounting for 91.62% of the total. Regarding the length of service, the Company had 4,661 employees with 10 years or more banking experiences, accounting for 65.77% of the total. Staff turnover rate of the Company was 2.97%. Key talents' turnover rate of the Bank was 0.81%.

Employees of the Company enjoy equal rights in recruitment, position adjustment, training and promotion. The Company appreciates and encourages differences in the workplace to create a professional, inclusive and diversified working environment. The ratio of male and female employees of the Company is basically balanced.

(II) Staff training Programmes

During the Reporting Period, the Bank emphasized on the development demands of the Group and focused on the training needs of staff from different levels with respect to job competency and core competency improvement, with particular emphasis on "two new" groups, namely "new employees" and "employees in new management positions". The Bank continued to advance the professional capabilities of the staff by initiating the "Ten Hundreds"(十個一百) construction project and creating the "embark, endure, guide, escort, voyage, cruise, pilot" (啟航、續航、導航、護航、遠航、巡航、領航) training system with online and offline integration for the continued creation of excellent training programs. Both training completion rate and coverage rate were 100%. In 2023, the Company (excluding subsidiaries) arranged 673 training sessions in total, including 545 internal training sessions, and 128 external training sessions for selected staff of the Company. The total training hours amounted to 3,785.

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(III) Staff Incentive Policy

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

The Bank has established a series of staff incentive policies in line with its development needs based on scientific performance review results: firstly, the Bank has optimised the ranking mechanism for customer managers to increase the career stability and sense of security of the customer manager group. Meanwhile, the Bank has unified the rank system of customer managers to break the “barriers” of job rotation and transfer of customer managers; secondly, the Bank has optimised the management of total annual performance remuneration of branches, focused on the contribution of operating income from branches and strengthened the application of performance evaluation results, in a bid to promote the “efficiency improvement, effectiveness enhancement, and benefit increase” of branches; thirdly, the Bank has established a career development platform, and carried out work of the high-end professional talents (post-doctoral researcher) and young talents (profession manager plan) reserve. Through written test and interview selection, a total of 12 people were selected; fourth, we adopted a points system for the performance review results, with employees’ annual performance review results translated into points, which may be redeemed for rank or salary promotion qualifications, ensuring the “fairness, openness, transparency” in the rank and salary promotion system. This system optimised the promotion process and increased the service length and promotion speed of lower-ranked employees with high loyalty, making promotion a motivational tool for our staff, with over 2,800 employees achieving promotion in rank or salary during the year; fifth, since October 2021, the enterprise annuity (supplementary pension insurance) has been officially paid and operated.

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

(IV) Remuneration Policy for Employees

In order to improve the remuneration and welfare system of the Bank, establish a long-term incentive mechanism for talents, as well as promote the healthy and sustainable development of the Bank, in accordance with the Measures for the Enterprise Annuity, Measures for the Enterprise Annuity Fund Management, Notice of the Ministry of Finance on Amending the Measures for the Administration of Annuity of State-Owned Financial Enterprises and other laws, regulations, rules and relevant provisions, the Bank, in addition to participating in the basic pension insurance in accordance with the law, has officially operated the enterprise annuity plan since October 2021. Pursuant to which, the required contribution shall be jointly paid by the Bank and the employees, and the funding channels for the payment by employer shall be implemented according to the relevant provisions of the state; while the individual payment by employees shall be withheld and paid by the Bank on their behalf from their salary. The Bank has successfully established a broadband salary management system with diversified composition, standardised management and systematic implementation and adopted a market-oriented and diversified management by region in order to scientifically and effectively motivate the Bank's employees and ensure the smooth implementation of the Bank's strategic development. The Bank's remuneration package is composed of fixed remuneration, variable remuneration and welfare income. 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 claw back the performance remuneration of the senior management and key staff who have been exposed to risks within the scope of their duties due to obvious negligence or failure to fulfill their prudent management obligations. In 2023, the Bank clawed back performance remuneration of more than RMB4.7 million with 199 persons involved. In 2023, staff costs of the Bank were RMB2,644.7 million.

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

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(V) Retirement and Benefits

The Bank pays living expenses and other welfare benefits for employees who have not yet reached the statutory retirement age limit but are approved by the Bank to voluntarily retire from their employment from the internal retirement date to the statutory retirement age limit. For details of the retirement benefit scheme, please refer to Note 34 of “Notes to the Consolidated Financial Statements”. Save as disclosed in Note 34 of “Notes to the Consolidated Financial Statements” in the annual report, there was no forfeiture of retirement benefits schemes contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) in the Group. As at 31 December 2023, no forfeited contribution under the retirement benefits schemes of the Group is available to reduce the contribution payable in future years.

VIII. Basic Information of Branches under the Parent Company

No.	Name of branch	Business address	Notes
1	Harbin Branch	No. 888 Shangjiang Street, Daoli District, Harbin	134 sub-branches
2	Shuangyashan Branch	No. 248 Xinxing Street, Jianshan District, Shuangyashan	12 sub-branches
3	Dalian Branch	1-4/F, No. 118 Gangxing Road, Zhongshan District, Dalian City	14 sub-branches
4	Tianjin Branch	1-4/F, No. 223 Yong'an Road, Hexi District, Tianjin	16 sub-branches
5	Chengdu Branch	1, 2, 4, 5, 6/F, Chengdu Palm Spring International Centre, No. 199 Middle Section of Tianfu Avenue, High-tech District, Chengdu (registered address: 1-4/F, No. 210 Xiyulong Street, Qingyang District, Chengdu)	11 sub-branches
6	Hegang Branch	Room 000101-000114, Building B, Garden Building, 7th Committee, Xiangyang District, Hegang City	8 sub-branches
7	Shenyang Branch	No. 200A3 Shifu Road, Heping District, Shenyang City	13 sub-branches
8	Suihua Branch	Crossing of Huanghe North Road and Xinhua Street, Beilin District, Suihua	10 sub-branches
9	Jixi Branch	No. 45 Jixingdong Street, Jiguan District, Jixi	11 sub-branches
10	Chongqing Branch	1-6/F, No. 197 Wuyi Road, Yuzhong District, Chongqing	19 sub-branches
11	Daqing Branch	H-A, Jingsan Street, Dongfengxin Village, Saertu District, Daqing	7 sub-branches
12	Qitaihe Branch	No. 247 Dongjin Street, Taoshan District, Qitaihe	6 sub-branches
13	Mudanjiang Branch	No. 267 Taiping Road, Dong'an District, Mudanjiang	7 sub-branches
14	Jiamusi Branch	No. 152 Heping Street, Qianjin District, Jiamusi	8 sub-branches
15	Qiqihar Branch	No. 33, 01/F, Unit 00, Qiqihar Jinmao Plaza, Jianhua District, Qiqihar City	8 sub-branches
16	Yichun Branch	No. 115, Xinxing Middle Street, Yimei District, Yichun City	1 sub-branch
17	Nongken Branch	Financial Building, Yingbin Road, Nongken Jiansanjiang Administration, Heilongjiang Province	5 sub-branches
18	Small Business Financial Service Centre	10/F, No. 160, Shangzhi Street, Daoli District, Harbin	

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

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

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

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

香港干諾道中111號
永安中心25樓

To the Shareholders of Harbin Bank Co., Ltd.

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

OPINION

We have audited the consolidated financial statements of Harbin Bank Co., Ltd. (the "Bank") and its subsidiaries (the "Group") set out on pages 180 to 319, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

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

Refer to the accounting policies in note 3.2, note 21 and note 23 to the consolidated financial statements.

The Key Audit Matter

Since impairment assessment of loans and advances to customers (“loans”) and financial investments at amortised cost involves many judgements and assumptions, and in view of the significance of the amount (as at 31 December 2023, gross loans and financial investments at amortised cost amounted to RMB498,759 million, representing 61% of total assets, and impairment allowance for loans and financial investments at amortised cost amounted to RMB25,249 million), impairment of loans and financial investments at amortised cost is considered a key audit matter.

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

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

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KEY AUDIT MATTERS (Continued)

How the matter was addressed in our audit

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

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

1. *Expected credit loss model:*

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

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

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

Independent Auditor's Report

KEY AUDIT MATTERS (Continued)

Consolidation assessment of structured entities

Refer to the accounting policies in note 3.18 and note 46 to the consolidated financial statements.

The Key Audit Matter

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

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

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

How the matter was addressed in our audit

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

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

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OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Bank's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Independent Auditor's Report

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

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

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

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

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

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

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

BDO Limited

Certified Public Accountants

Chan Wing Fai

Practising Certificate no. P05443

Hong Kong, 27 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023
(Amount in thousands of RMB, unless otherwise stated)

	Note	Year ended 31 December	
		2023	2022
Interest income	5	29,719,055	26,065,007
Interest expense	5	(20,170,073)	(17,057,830)
NET INTEREST INCOME	5	9,548,982	9,007,177
Fee and commission income	6	824,312	903,377
Fee and commission expense	6	(178,989)	(171,777)
NET FEE AND COMMISSION INCOME	6	645,323	731,600
Net trading income	7	2,691,911	2,423,308
Net gain on financial investments	8	264,927	416,398
Other operating income, net	9	90,620	292,066
OPERATING INCOME		13,241,763	12,870,549
Operating expenses	10	(5,826,526)	(5,285,203)
Credit impairment losses	13	(6,957,929)	(6,584,163)
OPERATING PROFIT		457,308	1,001,183
PROFIT BEFORE TAX		457,308	1,001,183
Income tax credit/(expense)	14	430,799	(288,686)
PROFIT FOR THE YEAR		888,107	712,497
Attributable to:			
Equity holders of the Bank	15	739,993	554,769
Non-controlling interests		148,114	157,728
		888,107	712,497
EARNINGS PER SHARE (RMB yuan)			
Basic and diluted	17	0.02	0.00

Details of the dividends declared, paid and proposed are disclosed in note 16 to the consolidated financial statements.

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023
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	Note	Year ended 31 December	
		2023	2022
Profit for the year		888,107	712,497
Other comprehensive income/(expense), net of tax:			
Other comprehensive income/(expense) attributable to equity holders of the Bank	38	257,365	(336,319)
Items that will not be reclassified to profit or loss			
– Net (losses) on investments in equity instruments designated at fair value through other comprehensive income		(198,562)	(58,265)
Items that may be reclassified to profit or loss in subsequent years			
– Net gains/(losses) on debt instruments measured at fair value through other comprehensive income		536,653	(126,029)
– Allowance for credit impairment on debt instruments measured at fair value through other comprehensive income		(85,096)	23,547
– Reclassified to profit or loss upon disposal		4,370	(175,572)
Subtotal of other comprehensive income/(expense) for the year, net of tax		257,365	(336,319)
Total comprehensive income for the year		1,145,472	376,178
Total comprehensive income attributable to:			
Equity holders of the Bank		997,358	218,450
Non-controlling interests		148,114	157,728
Total		1,145,472	376,178

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

Consolidated Statement of Financial Position

As at 31 December 2023
(Amount in thousands of RMB, unless otherwise stated)

	Note	As at 31 December	
		2023	2022
ASSETS			
Cash and balances with the central bank	18	63,873,408	76,775,514
Due from banks and other financial institutions	19	31,866,216	25,852,261
Reverse repurchase agreements	20	19,946,430	1,000,750
Loans and advances to customers	21	308,438,874	271,784,821
Derivative financial assets	22	700,177	936,460
Financial investments	23	344,959,060	291,827,712
– financial assets at fair value through profit or loss	(a)	85,859,181	82,704,525
– financial assets at fair value through other comprehensive income	(b)	87,005,554	59,887,843
– financial assets at amortised cost	(c)	172,094,325	149,235,344
Finance lease receivables	24	22,771,615	20,816,866
Property and equipment	25	8,119,044	8,504,885
Deferred income tax assets	26	5,530,809	4,833,581
Other assets	27	7,123,092	10,400,204
TOTAL ASSETS		813,328,725	712,733,054
LIABILITIES			
Due to the central bank	28	3,410,653	2,968,794
Borrowings from banks and other financial institutions	29	22,340,821	14,405,435
Due to banks and other financial institutions	30	24,310,955	27,003,082
Derivative financial liabilities	22	734,648	1,023,142
Repurchase agreements	31	10,668,380	3,253,201
Due to customers	32	656,988,668	565,587,196
Income tax payable		234,689	390,694
Debt securities issued	33	23,726,334	28,569,900
Other liabilities	34	7,025,376	6,210,983
TOTAL LIABILITIES		749,440,524	649,412,427

Consolidated Statement of Financial Position

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	Note	As at 31 December	
		2023	2022
EQUITY			
Share capital	35	10,995,600	10,995,600
Other equity instruments	36	11,699,007	11,699,007
Capital reserve	37	7,657,284	7,657,284
Other comprehensive income	38	305,322	50,810
Surplus reserves	39	3,956,250	3,920,073
General and regulatory reserves	40	8,230,272	7,880,595
Undistributed profits	41	18,760,522	18,971,130
Equity attributable to equity holders of the Bank		61,604,257	61,174,499
Non-controlling interests		2,283,944	2,146,128
TOTAL EQUITY		63,888,201	63,320,627
TOTAL EQUITY AND LIABILITIES		813,328,725	712,733,054

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

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023
(Amount in thousands of RMB, unless otherwise stated)

	Note	Equity attributable to equity holders of the Bank								Total
		Other equity instruments		Capital reserve	Other comprehensive income	Surplus reserves	General and regulatory reserves	Undistributed profits	Non-controlling interests	
		Share capital	Perpetual bonds							
Balance at 1 January 2023		10,995,600	11,699,007	7,657,284	50,810	3,920,073	7,880,595	18,971,130	2,146,128	63,320,627
Movements in this year		-	-	-	254,512	36,177	349,677	(210,608)	137,816	567,574
Total comprehensive income	38	-	-	-	257,365	-	-	739,993	148,114	1,145,472
Issuance of perpetual bonds	36	-	-	-	-	-	-	-	-	-
Capital contribution by non-controlling interests		-	-	-	-	-	-	-	277	277
Profit distribution		-	-	-	-	36,177	349,677	(385,854)	(10,575)	(10,575)
1. Appropriation to surplus reserves	39	-	-	-	-	36,177	-	(36,177)	-	-
2. Appropriation to general and regulatory reserves	40	-	-	-	-	-	349,677	(349,677)	-	-
3. Distribution to shareholders		-	-	-	-	-	-	-	(10,575)	(10,575)
Distribution of interests of perpetual bonds		-	-	-	-	-	-	(567,600)	-	(567,600)
Transfer of gain on disposal of financial asset at fair value through other comprehensive income to retained earnings		-	-	-	(2,853)	-	-	2,853	-	-
Balance at 31 December 2023		10,995,600	11,699,007	7,657,284	305,322	3,956,250	8,230,272	18,760,522	2,283,944	63,888,201

	Note	Equity attributable to equity holders of the Bank								Total
		Other equity instruments		Capital reserve	Other comprehensive income	Surplus reserves	General and regulatory reserves	Undistributed profits	Non-controlling interests	
		Share capital	Perpetual bonds							
Balance at 1 January 2022		10,995,600	10,999,290	7,661,124	378,929	3,903,227	7,584,624	19,271,378	1,985,660	62,779,832
Movements in this year		-	699,717	(3,840)	(328,119)	16,846	295,971	(300,248)	160,468	540,795
Total comprehensive income	38	-	-	-	(336,319)	-	-	554,769	157,728	376,178
Issuance of perpetual bonds	36	-	699,717	-	-	-	-	-	-	699,717
Capital contribution by non-controlling interests		-	-	(3,840)	-	-	-	-	3,840	-
Profit distribution		-	-	-	-	16,846	295,971	(312,817)	(1,100)	(1,100)
1. Appropriation to surplus reserves	39	-	-	-	-	16,846	-	(16,846)	-	-
2. Appropriation to general and regulatory reserves	40	-	-	-	-	-	295,971	(295,971)	-	-
3. Distribution to shareholders		-	-	-	-	-	-	-	(1,100)	(1,100)
Distribution of interests of perpetual bonds		-	-	-	-	-	-	(534,000)	-	(534,000)
Transfer of loss on disposal of financial asset at fair value through other comprehensive income to retained earnings		-	-	-	8,200	-	-	(8,200)	-	-
Balance at 31 December 2022		10,995,600	11,699,007	7,657,284	50,810	3,920,073	7,880,595	18,971,130	2,146,128	63,320,627

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2023
(Amount in thousands of RMB, unless otherwise stated)

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	Note	Year ended 31 December	
		2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		457,308	1,001,183
Adjustments for:			
Depreciation and amortisation	10	769,677	789,931
Net trading gains	7	(2,691,911)	(2,423,308)
Dividend income	8	(16,446)	(21,554)
Interest income on financial investments		(9,740,875)	(8,090,906)
Credit impairment losses	13	6,957,929	6,584,163
Unrealised foreign exchange gains		(119,188)	(238,410)
Interest expense on debt securities issued	5	603,432	961,327
Interest expense on lease liabilities	5	16,207	26,077
Accrued interest on impaired loans	21	(513,042)	(395,493)
Net gain on disposal of financial investments	8	(248,481)	(472,163)
Net loss/(gain) on disposal of property and equipment	9	7,625	(73)
		(4,517,765)	(2,279,226)
Net (increase)/decrease in operating assets:			
Due from the central bank		(4,260,926)	(1,593,104)
Due from banks and other financial institutions		(8,006,997)	(4,478,000)
Loans and advances to customers		(41,148,920)	5,973,478
Finance lease receivables		(2,146,415)	1,741,136
Other assets		3,939,953	3,180,830
		(51,623,305)	4,824,340
Net (decrease)/increase in operating liabilities:			
Due to the central bank		441,751	(1,301,385)
Borrowings from banks and other financial institutions		7,820,887	1,978,353
Due to banks and other financial institutions		(2,533,614)	4,431,038
Repurchase agreements		7,414,366	(5,747,950)
Due to customers		84,679,747	56,074,659
Other liabilities		4,919,462	724,041
		102,742,599	56,158,756

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2023
(Amount in thousands of RMB, unless otherwise stated)

	Note	Year ended 31 December	
		2023	2022
Net cash flows from operating activities before tax		46,601,529	58,703,870
Income tax paid		(522,321)	(852,411)
Net cash flows from operating activities		46,079,208	57,851,459
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment, intangible assets and other long-term assets		(178,557)	(350,306)
Proceeds from disposal of property and equipment		5,669	3,751
Cash paid for investments		(669,437,779)	(608,070,514)
Proceeds from sales and redemption of investments		617,878,776	557,586,032
Return on investments		11,794,312	10,066,273
Net cash flows used in investing activities		(39,937,579)	(40,764,764)
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES			
Cash received from non-controlling shareholders		277	–
Proceeds from issuance of perpetual bonds		–	699,717
Proceeds from issue of debt securities		52,920,000	108,499,352
Payment for redemption of debt securities		(58,270,000)	(98,989,352)
Interest and issue expenses paid on debt securities		(96,998)	(1,030,585)
Payment for lease liabilities		(407,383)	(239,626)
Dividends or interest paid to holders of other equity instruments		(567,600)	(534,000)
Distribution of dividends to non-controlling shareholders		(10,575)	(1,100)
Net cash flows (used in)/from financing activities		(6,432,279)	8,404,406
NET(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		57,460,581	32,008,169
Effect of exchange rate changes on cash and cash equivalents		(138,302)	(38,689)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	42	57,031,629	57,460,581
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		19,978,180	17,974,101
Interest paid		(19,566,641)	(16,096,503)

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

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1. CORPORATE INFORMATION AND GROUP STRUCTURE

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

The Bank obtained its finance permit No. B0306H223010001 from the National Financial Regulatory Administration (“NFRA”) (formerly known as China Banking and Insurance Regulatory Commission). The Bank obtained its business licence No. 912301001275921118 from the Market Supervision and Administration Bureau of Harbin. As at 31 December 2023, 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 NFRA.

The subsidiaries of the Bank as at 31 December 2023 were 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
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
Chongqing Dadukou Rongxing Village and Township Bank Co., Ltd.	Dadukou, Chongqing	180,000	83.33	174,420	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

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1. CORPORATE INFORMATION AND GROUP STRUCTURE (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of interest owned by the Bank/ voting rights %	Amount invested by the Bank	Principal activities
Huachuan Rongxing Village and Township Bank Co., Ltd.	Huachuan, Heilongjiang	344,655	99.63	343,379	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.	Luoyang, 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

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1. CORPORATE INFORMATION AND GROUP STRUCTURE (Continued)

Company name	Place of incorporation/ registration and operations	Nominal value of issued share/ paid-up capital	Percentage of interest owned by the Bank/ voting rights %	Amount invested by the Bank	Principal activities
Hainan Baoting Rongxing Village and Township Bank Co., Ltd.	Baoting, Hainan	30,000	96.67	29,000	Village and township bank
Chongqing Shapingba Rongxing Village and Township Bank Co., Ltd.	Shapingba, Chongqing	100,000	80.00	80,000	Village and township bank
Hejian Ronghui Village and Township Bank Co., Ltd.	Hejian, Hebei	50,000	100.00	50,000	Village and township bank
Chongqing Youyang 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 Maiji 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

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1. CORPORATE INFORMATION AND GROUP STRUCTURE (Continued)

During the year ended 31 December 2023, the major changes to the structure of the Group are as follows:

With the approval of the 2021 Annual General Meeting, wholly owned subsidiaries of Bayan Rongxing Village and Township Bank Co., Ltd. (“Bayan Village Bank”) and Yanshou Rongxing Village and Township Bank Co., Ltd. (“Yanshou Village Bank”) were merged by the Bank and converted into its branches at their original locations.

Other than the major changes mentioned as above, the Group’s structure remained unchanged during the year ended 31 December 2023.

2. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of Preparation

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and interpretations issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2023, together with the relevant transitional provisions, have been adopted by the Group in preparation of the financial information throughout the reporting period.

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

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Bank. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

2.1 Basis of Preparation (Continued)

Basis of consolidation (Continued)

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

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

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

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

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

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

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

2.2 Standards and amendments effective in 2023

On 1 January 2023, the Group adopted the following new standards and amendments.

IFRS 17 and related amendments	<i>Insurance Contracts</i>
Amendment to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred tax related to assets and liabilities arising from a single transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

2.3 Standards and amendments that are not yet effective and have not been early adopted by the Group in 2023

Standards	Subject of amendment	Effective for annual periods beginning on or after
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to IAS 21	<i>Lack of Exchangeability</i>	1 January 2025

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Foreign Currency Translation

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

3.2 Financial Instruments

3.2.1 Initial Recognition and Measurement

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

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

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

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Financial Instruments (Continued)

3.2.2 Financial Assets

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

Business models

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

Contractual cash flow characteristics

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Financial Instruments (Continued)

3.2.2 Financial Assets (Continued)

Financial assets at amortised cost

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

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

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

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

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

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

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

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Financial Instruments (Continued)

3.2.2 Financial Assets (Continued)

Financial assets at fair value through profit or loss

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

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

Equity instruments

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

Reclassification of financial assets

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Financial Instruments (Continued)

3.2.3 Financial Liabilities

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

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

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

An entity shall not reclassify any financial liability.

3.2.4 Financial Assets and Financial Liabilities Held for Trading

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

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Financial Instruments (Continued)

3.2.5 Financial Guarantee and Loan Commitment

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

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

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

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

3.2.6 Determination of Fair Value

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

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Financial Instruments (Continued)

3.2.7 De-Recognition of Financial Instruments

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

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

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

3.2.8 Impairment Losses on Assets

On the financial reporting date, the Group evaluates and confirms the relevant impairment provisions to financial assets measured at amortised cost, investments in debt instruments measured at fair value through other comprehensive income, and loan commitments and financial guarantee contracts on the basis of anticipated credit losses. See Note 50(a) for specific information.

3.2.9 Derivative Financial Instruments

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

3.2.10 Offsetting of Financial Instruments

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.3 Repurchase and Reverse Repurchase Transactions

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

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

3.4 Property and Equipment

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

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

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.4 Property and Equipment (Continued)

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

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

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

3.5 Repossessed Assets

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

3.6 Business Combinations

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

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.6 Business Combinations (Continued)

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

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

3.7 Provisions

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

3.8 Asset Impairment

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

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

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.9 Cash and Cash Equivalents

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

3.10 Employee Benefits

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

Statutory defined contribution plans

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

Early retirement benefits

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.11 Fiduciary Activities

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

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

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

3.12 Recognition of Income and Expense

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

Interest income and expense

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.12 Recognition of Income and Expense (Continued)

Interest income and expense (Continued)

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

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

Fee and commission income

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

Government grants

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

3.13 Income Tax

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

Current income tax

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

Deferred income tax

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.13 Income Tax (Continued)

Deferred income tax (Continued)

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

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

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

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

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.13 Income Tax (Continued)

Deferred income tax (Continued)

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

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

3.14 Leases

Recognition of lease

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

Evaluation of lease term

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

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.14 Leases (Continued)

Evaluation of lease term (Continued)

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

Group as a lessee

Right-of-use assets

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

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When lease payments change, the Group remeasures lease liabilities and adjusts the book value of right-of-use assets accordingly. If the book value of the right-of-use asset has been reduced to zero, but the lease liability still needs to be further reduced, the Group recognises the remaining amount as profit or loss.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.14 Leases (Continued)

Evaluation of lease term (Continued)

Group as a lessee (Continued)

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term, except short-term leases and leases of low-value assets. In calculating the present value of lease payments, the Group uses internal interest rate, or incremental borrowing rate when internal interest rate is not obtainable. The Group uses fixed interest rate to calculate interest expense on lease liabilities, and recognises profit or loss (or assets if otherwise stipulated). Variable lease payments, not included in lease liabilities, are recognised as profit or loss (or assets if otherwise stipulated) when made.

After the commencement date, the carrying amount of lease liabilities is remeasured if there is a change in lease payments, estimated payable amounts of guarantee residual value, discount rate, or situations that influence the Group's decision whether to exercise purchase options, extension options, or termination options.

Changes in leases

Changes in lease are the changes in the lease scope, lease consideration, and lease duration. Lease changes include the addition or termination of the right to use one or more leased assets, and the extension or shortening of the lease term in the contract.

When the following conditions are met, the Group regards the change as a separate lease change in the process of accounting treatment.

- (i) The lease change expands the scope of the lease by adding the right to use one or more leased assets;
- (ii) The increase in consideration is equivalent to the price of the additional part of the lease scope.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.14 Leases (Continued)

Evaluation of lease term (Continued)

Group as a lessee (Continued)

Changes in leases (Continued)

If the lease change is not regarded as a separate change, on the effective date of the lease change, the Group re-determines the lease term and calculates the present value of the lease payment to remeasure the lease liability. In the process of calculating the present value of lease payments after the change, the Group refers to the interest rate implicit in lease in the remaining lease period as the discount rate. If the leased interest rate is not available, the Group adopts incremental borrowing rate to calculate the present value of lease payment. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Based on the above lease adjustment, the Group distinguishes the following situations for accounting treatment.

- (i) If the lease change leads to a short lease term or small lease scope, the Group reduces the book value of right-of-use assets to represent the partial or complete termination of lease. The relevant gain or loss of termination is included in current profits and losses.
- (ii) In terms of other lease changes, the Group adjusts the book value of the right-of-use asset accordingly.

Short-term leases and leases of low-value assets

The Group recognises leases without purchase options that do not exceed 12 months as short-term leases; Leases are regarded as low-value asset leases if the cost of a single leased asset does not exceed RMB30,000. The Group does not recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. In each period of the lease term, the relevant asset costs or expenses are calculated in accordance with the straight-line method, and the contingent rent is included in the current profit and loss when it actually occurs.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.14 Leases (Continued)

Evaluation of lease term (Continued)

Group as a lessor

A lease that essentially transfers almost all the risks and returns associated with the ownership of the leased asset on the start date of the lease is a finance lease. All other leases are operating leases.

As a lessor of finance leases

Finance lease receivables, the net investment of lease is recorded as the book value of the finance lease receivables. The net lease investment is the sum of the unguaranteed residual value and the present value of the lease receivables at the start of the lease period discounted at interest rate implicit in lease.

The Group calculates and recognises interest income for each period of the lease term at a fixed periodic interest rate. The variable lease payments obtained by the Group, which are not included in the measurement of the net lease investment, are recorded in the current profit and loss when they actually occur.

When a finance lease is changed, and the following conditions are simultaneously met, the Group regard the change as a separate lease change:

- (i) The change expands the scope of lease by adding the right to use one or more leased assets;
- (ii) The change in consideration is equivalent to the separate price of the additional part of the lease scope.

The Group does the following accounting treatments for the changes in finance leases that have not been regarded as separate lease changes:

- (i) If the lease change takes effect on the start date of lease and the lease is classified as an operating lease, the Group regards it as a new lease investment since the effective date of change and the net lease investment before the effective date of the lease change is used as the book value of the leased asset;
- (ii) If the change takes effect on the lease start date and the lease is classified as a finance lease, the Group conducts accounting treatment in accordance with the regulation of contract modification and renegotiation.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.15 Perpetual bonds

At initial recognition, the Group classifies the perpetual bonds issued or their components as financial assets, financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial assets, financial liabilities and equity instruments.

Perpetual bonds issued that should be classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the perpetual bonds are redeemed according to the contractual terms, the redemption price is charged to equity.

3.16 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required, or the amount of obligation cannot be measured reliably. Provisions are disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable and can be reliably estimated, it will then be recognised as a provision.

3.17 Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings. Proposed final dividends are disclosed in the notes to the consolidated financial statements. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as an event after the reporting period.

3.18 Structured Entities

A structured entity is an entity that has been designed so that voting right is not a dominant factor in deciding who controls the entity. Unconsolidated structured entities refer to equity in other entities which have no significant impact on the Group, including but not limited to equity or debt instruments or any other involvements. The Group's unconsolidated structured entities mainly include off-balance sheet non-guaranteed wealth management products sponsored by the Group as disclosed in note 46 to the consolidated financial statements.

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3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.19 Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

4.1 Classification of Financial Assets

Business model

The classification of financial assets at initial recognition depends on the Group's business model of financial asset management. When determining business model, the Group considers the way of enterprise performance evaluation and financial asset achievement reporting to the key management, the risk affecting financial asset performance and its management mode and the way of related business management payment, etc. When evaluating whether to take the contract cash flow as the target, the Group needs to analyse and determine the reason, time, frequency and value of the sale of financial asset before the maturity date.

Contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets. The Group needs to determine a) whether the contractual cash flow only consist of the payment of principal and interest based on outstanding principal; b) whether there is a significant difference between the cash flow after the modification of time value of money and the benchmark cash flow; c) for the financial assets with prepayment terms, whether the fair value of the prepayment term is very small.

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

4.2 Impairment Losses on Financial Assets

The Group measures the impairment losses on all financial assets in accordance with IFRS 9, including many estimates and judgements in the process, especially in determining the amount of impairment losses, estimating future contractual cash flows, the value of collateral and judging the significant increase in credit risk. The Group is affected by various factors in the measurement of impairment, which will result in different levels of impairment provision.

The Group's expected credit loss calculation is the result of model output, which contains many model assumptions and parameter inputs.

The accounting judgements and estimates used in the expected credit loss model include:

- Criteria for judging a significant increase in credit risk
- Definition of credit impaired assets
- Models and parameters for the measurement of ECLs
- Forward-looking information
- Individual impairment assessment

4.3 Fair Value of Derivatives and Other Financial Instruments

The Group establishes fair value of financial instruments with reference to a quoted market price in an active market or, if there is no active market, using valuation techniques. These valuation techniques include the use of recent arm's length transactions, observable prices for similar instruments, discounted cash flow analysis using risk-adjusted interest rates, and commonly used market pricing models. Whenever possible, these models use observable market inputs and data including, for example, interest rate yield curves, foreign currency rates and option volatilities. The results of using valuation techniques are calibrated against industry practice and observable current market transactions in the same or similar instruments.

The Group assesses assumptions and estimates used in valuation techniques including review of valuation model assumptions and characteristics, changes to model assumptions, the quality of market data, whether markets are active or inactive, other fair value adjustments not specifically captured by models and consistency of application of techniques between reporting periods as part of its normal review and approval processes. Valuation techniques are validated and periodically reviewed and, where appropriate, have been updated to reflect market conditions at the financial reporting date.

With respect to the PRC government obligations related to large-scale policy directed financing transactions, fair value is determined using the stated terms of the related instrument and with reference to terms determined by the PRC government in similar transactions engaged in or directed by the PRC government. In this regard, there are no other relevant market prices or yields reflecting arm's length transactions of a comparable size and tenor.

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

4.4 Contingent Liabilities

The Group uses judgement to assess whether the Group has a present legal or constructive obligation as a result of past events at each financial reporting date, and judgement is used to determine if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and to determine a reliable estimate of the amount of the obligation and relevant disclosure in the consolidated financial statements.

4.5 Early Retirement Benefit Obligations

The Group has established liabilities in connection with benefits payable to early retired employees. These amounts of employee benefit expense and these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, inflation rates, and other factors. Actual results that differ from the assumptions are recognised immediately and, therefore, affect recognised expense in the year in which the differences arise. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Group's expense related to its employee early retirement benefit obligations.

4.6 Income Tax

Determining income tax provisions requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. This requires significant estimation on the tax treatments of certain transactions and also significant assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered.

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4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

4.7 Judgement of the Control Level to Investees

Management determines whether the Group controls related investment funds, non-guaranteed wealth management products, asset-backed securities, specific asset management plans and investment trust plans according to note 2.1.

The Group manages or invests several investment funds, non-guaranteed wealth management products, asset-backed securities, specific asset management plans and trust fund plans. When determining whether to control structural entities of these types, the Group mainly estimates the whole economic benefit it has in these structural entities (including revenues by holding directly and expected fees) or the range of power of decision-making in the entities. The Group determines whether to consolidate the structured entities into the financial statements according to whether the Group is an agent or a main responsible party and whether the economic interest of the Group in the entities is significant.

4.8 Impairment of Non-Financial Assets

Non-financial assets are periodically reviewed for impairment and where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to disposal and value in use.

4.9 Lease Terms

Lease terms refer to the irrevocable periods in which the Group has the right to use lease assets. In lease contracts that include extension options that the Group will reasonably exercise, lease terms include the periods covered under the options. The Group applies judgement in evaluating whether to exercise the option to renew the lease, considering all relevant factors that create an economic incentive for it to exercise the renewal, including the expected changes between the commencement date of the contract and exercise date.

4.10 Fair Value of Unlisted Equity Investments

The unlisted equity investments have been valued based on the discounted expected future cash flow of other financial instruments with similar terms and risk characteristics. The valuation requires the Group to make estimates about future cash flow, credit risk, fluctuation, and discount rate.

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5. NET INTEREST INCOME

	Year ended 31 December	
	2023	2022
Interest income on:		
Loans and advances to customers	16,520,066	15,314,775
– Corporate loans and advances	8,526,357	7,062,579
– Personal loans	7,755,086	8,243,070
– Discounted bills	238,623	9,126
Reverse repurchase agreements	572,361	302,742
Financial assets at fair value through other comprehensive income	2,061,813	1,704,703
Financial assets at amortised cost	7,679,062	6,386,203
Due from the central bank	728,368	637,578
Due from banks and other financial institutions	868,390	381,120
Finance lease receivables	1,288,995	1,337,886
Subtotal	29,719,055	26,065,007
Interest expense on:		
Due to customers	(17,967,424)	(14,433,292)
Repurchase agreements	(46,885)	(142,294)
Due to banks and other financial institutions	(697,162)	(940,071)
Debt securities issued	(603,432)	(961,327)
Due to the central bank	(37,684)	(102,729)
Borrowings from banks and other financial institutions	(801,279)	(452,040)
Lease liabilities	(16,207)	(26,077)
Subtotal	(20,170,073)	(17,057,830)
Net interest income	9,548,982	9,007,177
Including: interest income on impaired loans	513,042	395,493

	Year ended 31 December	
	2023	2022
Interest income from:		
Listed debt instruments	4,950,600	4,341,909
Unlisted debt instruments	24,768,455	21,723,098
Subtotal	29,719,055	26,065,007

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6. NET FEE AND COMMISSION INCOME

	Year ended 31 December	
	2023	2022
Fee and commission income:		
Advisory and consulting fees	182,297	287,554
Agency and custodian fees	316,417	328,334
Including: wealth management products	232,000	288,902
Bank card fees	225,306	234,422
Settlement and clearing fees	78,214	44,239
Others	22,078	8,828
Subtotal	824,312	903,377
Fee and commission expense:		
Settlement and clearing fees	(22,410)	(17,508)
Agency fees	(8,052)	(10,837)
Bank card fees	(43,500)	(44,354)
Others	(105,027)	(99,078)
Subtotal	(178,989)	(171,777)
Net fee and commission income	645,323	731,600

7. NET TRADING INCOME

	Year ended 31 December	
	2023	2022
Financial assets at fair value through profit or loss	2,691,911	2,423,308

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.

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8. NET GAIN ON FINANCIAL INVESTMENTS

	Year ended 31 December	
	2023	2022
Gain on disposal of financial assets at amortised cost, net	117,437	217,585
Gain on disposal of financial assets at fair value through other comprehensive income, net	131,044	177,259
Dividends from equity investments at fair value through other comprehensive income	16,446	21,554
Total	264,927	416,398

9. OTHER OPERATING INCOME, NET

	Year ended 31 December	
	2023	2022
(Loss)/gain on sale of property and equipment	(7,625)	73
(Loss)/gain on foreign exchange, net	(19,114)	199,721
Leasing income	45,257	20,932
Government grants and subsidies	7,848	26,409
Others	64,254	44,931
Total	90,620	292,066

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10. OPERATING EXPENSES

	Year ended 31 December	
	2023	2022
Staff costs:		
Salaries, bonuses and allowances	1,908,117	1,779,700
Social insurance	420,785	409,136
Housing fund	164,359	164,051
Staff benefits	114,331	116,295
Labour union expenditure and education costs	28,855	24,041
Early retirement benefits	8,297	9,921
Subtotal	2,644,744	2,503,144
General and administrative expenses	1,779,379	1,538,991
Tax and surcharges	264,172	213,514
Depreciation and amortisation	769,677	780,019
Leasing expense	133,083	85,314
Auditors' remuneration	4,850	4,850
Others	230,621	159,371
Total	5,826,526	5,285,203

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11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of the directors' and supervisors' emoluments of the Bank before tax are as follows:

Name	Position	Year ended 31 December 2023						
		Remuneration Fees RMB'000	Discretionary paid bonuses RMB'000	Contributions to defined contribution schemes RMB'000	Total emoluments before tax RMB'000	Of which: deferred payment RMB'000	Actual amount of remuneration paid (pre-tax) RMB'000	
		(1)	(2)	(3)	(4)	(5)=(1)+(2) +(3)+(4)	(6)	(7)=(5)-(6)
Deng Xinquan	Executive Director and Chairman of the Board	-	719	428	370	1,517	-	1,517
Yao Chunhe (i)	Executive Director and President	-	581	346	118	1,045	-	1,045
Zhao Hongbo	Non-Executive Director	-	-	-	-	-	-	-
Zhang Xianjun	Non-Executive Director	-	-	-	-	-	-	-
Yu Hong	Non-Executive Director	-	-	-	-	-	-	-
Lang Shufeng	Non-Executive Director	-	-	-	-	-	-	-
Sun Yan	Independent Non-Executive Director	288	-	-	-	288	-	288
Zhang Zheng	Independent Non-Executive Director	288	-	-	-	288	-	288
Hou Bojian	Independent Non-Executive Director	364	-	-	-	364	-	364
Jin Qinglu	Independent Non-Executive Director	264	-	-	-	264	-	264
Wang Haibin (ii)	Chairman of the Board of Supervisors, Employee Representative Supervisor	-	293	50	225	568	-	568
Luo Zhonglin (ii)	Employee Representative Supervisor and Member of the nomination committee of the Board of Supervisors	-	37	-	14	51	-	51
Zhao Baocai (iii)	Chairman of the Board of Supervisors and Employee Representative Supervisor	-	419	199	110	728	-	728
Jiang Yongmei (iii)	Employee Representative Supervisors	-	708	1,075	185	1,968	430	1,538
Wang Yuanfang	Employee Representative Supervisor	-	708	968	185	1,861	387	1,474
Li Dong	External Supervisor	144	-	-	-	144	-	144
Li Zhaohua	External Supervisor	144	-	-	-	144	-	144
Sun Yi	External Supervisor	138	-	-	-	138	-	138
Chen Wei (iv)	Shareholder representative supervisor	19	-	-	-	19	-	19

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11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

Note: Pursuant to the relevant PRC regulations, total compensation packages for certain directors and supervisors have not yet been finalised, the amount of the compensation not provided for is not expected to have any significant impact on the Group's 2023 consolidated financial statements, abovementioned compensation including a portion of the discretionary bonus payments are deferred.

- (i) The Proposal on the Appointment of Executive Director was considered and approved at the 2022 first extraordinary general meeting of the Company held on 1 August 2022, and Mr. Yao Chunhe was appointed as an executive Director of the Company. The qualification of Mr. Yao Chunhe as a Director has been approved by the Heilongjiang Office of the former CBIRC, with effect from 3 March 2023. The Proposal on the Appointment of the President was considered and approved at the 2022 fourth extraordinary meeting of the Board held by the Company on 8 July 2022. Mr. Yao Chunhe was appointed as the president of the Company and his qualification as the president has been approved by the Heilongjiang Office of the former CBIRC, with effect from 3 March 2023.
- (ii) On 13 March 2023, Mr. Wang Haibin resigned as the chairman and an employee Supervisor of the Board of Supervisors of the Company and Mr. Luo Zhonglin resigned as an employee Supervisor and a member of the nomination committee of the Board of Supervisors of the Company.
- (iii) On 13 March 2023, Mr. Zhao Baocai and Ms. Jiang Yongmei were appointed as employee Supervisors at the sixteenth meeting of the fifth session of the employee representative of the Company, and Mr. Zhao Baocai was elected as the chairman of the Board of Supervisors at the 2023 second extraordinary meeting of the Board of Supervisors.
- (iv) On 28 August 2023, Ms. Chen Wei was elected as a shareholder representative Supervisor at the 2023 first extraordinary general meeting of the Company.

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11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

Details of the directors' and supervisors' emoluments of the Bank before tax are as follows:

Name	Position	Year ended 31 December 2022						
		Fees RMB'000	Remuneration paid RMB'000	Discretionary bonuses RMB'000	Contributions to defined contribution schemes RMB'000	Total emoluments before tax RMB'000	Of which: deferred payment RMB'000	Actual amount of remuneration paid (pre-tax) RMB'000
		(1)	(2)	(3)	(4)	(5)=(1)+(2) +(3)+(4)	(6)	(7)=(5)-(6)
Deng Xinquan	Executive Director and Chairman of the Board	-	726	2,142	122	2,990	1,285	1,705
Yao Chunhe (i)	Executive Director and President	-	-	-	-	-	-	-
Zhao Hongbo	Non-Executive Director	-	-	-	-	-	-	-
Zhang Xianjun	Non-Executive Director	-	-	-	-	-	-	-
Yu Hong	Non-Executive Director	-	-	-	-	-	-	-
Lang Shufeng	Non-Executive Director	-	-	-	-	-	-	-
Zhang Zheng	Independent Non-Executive Director	288	-	-	-	288	-	288
Sun Yan	Independent Non-Executive Director	288	-	-	-	288	-	288
Hou Bojian	Independent Non-Executive Director	364	-	-	-	364	-	364
Jin Qinglu	Independent Non-Executive Director	264	-	-	-	264	-	264
Wang Haibin	Chairman of the Board of Supervisors, Employee Representative Supervisor	-	510	1,494	183	2,187	896	1,291
Fang Shang (ii)	Employee Representative Supervisor, President Assistant	-	501	1,326	225	2,052	510	1,542
Luo Zhonglin	Employee Representative Supervisor	-	498	1,206	172	1,876	603	1,273
Wang Yuanfang (iii)	Employee Representative Supervisor	-	743	868	171	1,782	347	1,435
Yang Xuemei (iv)	Supervisor	40	-	-	-	40	-	40
Li Dong	External Supervisor	144	-	-	-	144	-	144
Li Zhaohua	External Supervisor	144	-	-	-	144	-	144
Sun Yi	External Supervisor	126	-	-	-	126	-	126

Note: Pursuant to the relevant PRC regulations, a portion of the discretionary bonus payments for the Chairman of the Board of Directors (the "Board"), the President, the Chairman of the Board of Supervisors, Executive Directors and other senior management members are deferred.

- (i) At the 2022 first extraordinary general meeting of the Company held on 1 August 2022, Yao Chunhe was appointed as the executive Director, and his appointment was effective from 3 March 2023.
- (ii) On 10 October 2022, Fang Shang resigned as an employee supervisor of the eighth board of supervisors of the Company and a member of the supervisory committee of the board of supervisors.
- (iii) On 10 October 2022, the Company held an employee representative meeting and appointed Wang Yuanfang as the employee supervisor of the board of supervisors.

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11. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

- (iv) On 6 September 2022, Yang Xuemei resigned as a shareholder supervisor of the eighth board of supervisors and a member of the supervision committee of the board of supervisors of the Company.

During the year ended 31 December 2023, Zhao Hongbo, Zhang Xianjun, Yu Hong and Lang Shufeng, non-executive Directors of the Bank, agreed to waive remuneration before tax of RMB144 thousand, RMB168 thousand, RMB144 thousand and RMB144 thousand, respectively. (During the year ended 31 December 2022: Zhao Hongbo, Zhang Xianjun, Yu Hong and Lang Shufeng, non-executive Directors of the Bank, agreed to waive remuneration before tax of RMB144 thousand, RMB168 thousand, RMB144 thousand and RMB144 thousand, respectively).

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

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12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Bank are employees of the Bank. Their emoluments were determined based on the prevailing market rates of the region where the Bank operates. During the years ended 31 December 2023 and 2022, the five highest paid individuals of the Group comprised one director and two supervisors and one directors of the Bank, respectively, whose emoluments are disclosed in notes 11 and 48(b) to the consolidated financial statements. During the years ended 31 December 2023 and 2022, the emoluments of remaining two and four highest paid individuals are set out below:

	Year ended 31 December	
	2023	2022
Salaries, allowances and discretionary bonuses	3,373	12,881
Contribution to defined contribution schemes	568	862
Total	3,941	13,743

The number of non-director and non-supervisor employees whose emoluments fell within the following bands is set out below:

	Number of employees Year ended 31 December	
	2023	2022
RMB1,000,001 to RMB2,000,000	1	–
RMB2,000,001 to RMB3,000,000	1	–
RMB3,000,001 to RMB4,000,000	–	3
RMB4,000,001 to RMB5,000,000	–	1
RMB5,000,001 to RMB6,000,000	–	–
Total	2	4

Pursuant to the relevant PRC regulations, total compensation packages for certain employees mentioned above in 2023 have not yet been finalised, the amount of the compensation not provided for is not expected to have any significant impact on the Group's 2023 consolidated financial statements.

During the year ended 31 December 2023, no emoluments were paid by the Bank to any of these non-director and non-supervisor individuals as an inducement to join or were payable to such persons upon joining the Group or as compensation for loss of office (During the year ended 31 December 2022: Nil).

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13. CREDIT IMPAIRMENT LOSSES

	Year ended 31 December	
	2023	2022
Provision for/(reversal of) impairment losses on:		
Loans and advances to customers at amortised cost	5,737,648	5,110,008
Financial investments at amortised cost	951,693	1,148,177
Financial assets at fair value through other comprehensive income	(41,856)	31,396
Finance lease receivables	166,948	303,058
Others	143,496	(8,476)
Total	6,957,929	6,584,163

14. INCOME TAX (CREDIT)/EXPENSE

(a) Income tax

	Year ended 31 December	
	2023	2022
Current income tax	351,267	657,030
Deferred income tax	(782,066)	(368,344)
Total	(430,799)	288,686

(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 (credit)/expense applicable to profit before tax at the PRC statutory income tax rate to income tax (credit)/expense at the Group's effective income tax rate is as follows:

	Year ended 31 December	
	2023	2022
Profit before tax	457,308	1,001,183
Tax at the PRC statutory income tax rate	114,327	250,296
Effect of different tax rates for certain subsidiaries	(17,153)	(15,415)
Items not deductible for tax purposes	379,059	623,111
Non-taxable income (i)	(798,907)	(483,896)
Adjustment for income tax from prior years	9,196	17,049
Effect of unrecognised tax deductible losses	24,579	31,041
Others	(141,900)	(133,500)
Income tax (credit)/expense at the Group's effective income tax rate	(430,799)	288,686

- (i) 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.

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15. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK

The consolidated profit attributable to equity holders of the Bank for the year ended 31 December 2023 includes a profit of RMB740 million (for the year ended 31 December 2022: RMB555 million) which has been dealt with in the financial statements of the Bank.

16. DIVIDENDS

The Bank proposed not to distribute any dividend for the years ended 31 December 2023 and 2022.

17. EARNINGS PER SHARE

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

	Year ended 31 December	
	2023	2022
Net profit attributable to equity holders of the Bank	739,993	554,769
Less: Distribution of interests of perpetual bonds	(567,600)	(534,000)
Net profit attributable to ordinary shareholders of the Bank	172,393	20,769
Weighted average number of ordinary shares in issue (expressed in thousands) at the end of the year	10,995,600	10,995,600
Basic and diluted earnings per share (expressed in RMB per share)	0.02	0.00

The Group had no potentially dilutive ordinary shares for the year ended 31 December 2023 (for the year ended 31 December 2022: Nil).

Basic earnings per share for the years ended 31 December 2023 and 2022 were computed by dividing distributions on non-cumulative perpetual bonds declared for the period was deducted from the amounts attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year. The Bank has declared an interest of RMB568 million on perpetual bonds during the year ended 31 December 2023 (during the year ended 31 December 2022: RMB534 million).

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18. CASH AND BALANCES WITH THE CENTRAL BANK

	As at 31 December	
	2023	2022
Cash	864,775	1,012,544
Mandatory reserves with the central bank (i)	42,761,730	38,447,365
Surplus reserves with the central bank (ii)	20,131,695	37,148,721
Fiscal deposits with the central bank	93,006	146,445
Subtotal	63,851,206	76,755,075
Accrued interest	22,202	20,439
Total	63,873,408	76,775,514

- (i) The Group is required to place mandatory reserve deposits with the PBOC. Mandatory reserve deposits with the central bank are not available for use in the Group's daily operations. As at 31 December 2023 and 31 December 2022, the mandatory deposit reserve ratios of the branches and subsidiaries of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirements of the PBOC.
- (ii) Surplus reserves with the central bank include funds for the purpose of cash settlement.

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19. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2023	2022
Nostro accounts:		
Banks operating in Mainland China	7,005,171	10,390,630
Other financial institutions operating in Mainland China	51,655	153,168
Banks operating outside Mainland China	988,900	644,768
Subtotal	8,045,726	11,188,566
Accrued interest	35,333	266
Less: Allowance for impairment losses	(5,467)	(1,137)
Subtotal	8,075,592	11,187,695
Placements with banks and other financial institutions:		
Banks operating in Mainland China	2,700,000	750,000
Other financial institutions operating in Mainland China	20,850,000	12,160,000
Banks operating outside Mainland China	–	1,700,000
Subtotal	23,550,000	14,610,000
Accrued interest	250,973	95,144
Less: Allowance for impairment losses	(10,349)	(40,578)
Subtotal	23,790,624	14,664,566
Total	31,866,216	25,852,261

As at 31 December 2023 and 31 December 2022, the Group included nostro accounts and placements with banks and other financial institutions in stage 1, and measured the impairment losses based on expected credit loss (“ECL”) in the next 12 months.

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20. REVERSE REPURCHASE AGREEMENTS

	As at 31 December	
	2023	2022
Reverse repurchase agreements analysed by counterparty:		
Banks operating in Mainland China	764,000	999,989
Other financial institutions in Mainland China	19,168,767	–
Accrued interest	16,758	784
Less: Allowance for impairment losses	(3,095)	(23)
Total	19,946,430	1,000,750
Reverse repurchase agreements analysed by collateral:		
Bonds	19,932,767	999,989
Accrued interest	16,758	784
Less: Allowance for impairment losses	(3,095)	(23)
Total	19,946,430	1,000,750

As at 31 December 2023 and 31 December 2022, reverse repurchase agreements were in stage 1, and measured the impairment losses based on ECLs in the next 12 months.

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21. LOANS AND ADVANCES TO CUSTOMERS

21.1 Analysis of loans and advances to customers by measurement category

	As at 31 December	
	2023	2022
Loans and advances measured at amortised cost		
Corporate loans and advances	184,005,130	161,043,133
Personal loans	118,550,619	117,360,722
Subtotal	302,555,749	278,403,855
Loans and advances measured at fair value through other comprehensive income		
Discounted bills	20,626,955	6,011,014
Total loans and advances to customers	323,182,704	284,414,869
Accrued interest	3,532,668	2,289,961
Less: Allowance for impairment losses	(18,276,498)	(14,920,009)
Loans and advances to customers, net	308,438,874	271,784,821

As at 31 December 2023, loans and advances to customers measured at fair value through other comprehensive income of the Group amounted to RMB20,626,955 thousand were in stage 1 and the corresponding accumulated allowance for impairment losses on the above-mentioned loans and advances to customers amounted to RMB10,098 thousand. As at 31 December 2022, loans and advances to customers measured at fair value through other comprehensive income of the Group amounted to RMB6,011,014 thousand were in stage 1 and the corresponding accumulated allowance for impairment losses on the above-mentioned loans and advances to customers amounted to RMB401 thousand.

21.2 Analysis of loans and advances to customers by industry, collateral type and analysis of overdue loans and advances to customers are presented in Note 50(a).

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21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

21.3 Analysis of loans and advances to customers

	As at 31 December 2023			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	
Total loans and advances at amortised cost	235,791,515	36,663,610	30,100,624	302,555,749
Accrued interest	2,651,579	811,053	70,036	3,532,668
Allowance for impairment losses at amortised cost	(3,103,354)	(3,325,025)	(11,848,119)	(18,276,498)
Loans and advances to customers at amortised cost, net	235,339,740	34,149,638	18,322,541	287,811,919
	As at 31 December 2022			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	Total
Total loans and advances at amortised cost	228,408,884	22,461,511	27,533,460	278,403,855
Accrued interest	2,244,806	45,014	141	2,289,961
Allowance for impairment losses at amortised cost	(2,570,973)	(1,945,512)	(10,403,524)	(14,920,009)
Loans and advances to customers at amortised cost, net	228,082,717	20,561,013	17,130,077	265,773,807

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21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

21.4 Movements in allowance for impairment losses of loan and advances to customers at amortised cost during the year are summarised as follows:

	For the year ended 31 December 2023			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	
As at 1 January 2023	2,570,973	1,945,512	10,403,524	14,920,009
Charge for the year	631,101	1,438,345	3,668,202	5,737,648
Write-offs and transferred for the year	–	–	(2,313,128)	(2,313,128)
Stage conversion	(98,720)	(58,832)	157,552	–
Converted to Stage 1	125,855	(93,670)	(32,185)	–
Converted to Stage 2	(157,207)	189,755	(32,548)	–
Converted to Stage 3	(67,368)	(154,917)	222,285	–
Recovery of loans and advances previously written off	–	–	445,102	445,102
Exchange difference	–	–	(91)	(91)
Accreted interest on impaired loans	–	–	(513,042)	(513,042)
As at 31 December 2023	3,103,354	3,325,025	11,848,119	18,276,498

During the year ended 31 December 2023, the loan principal transferred from stage 1 to stage 2 and stage 3 was RMB25,038 million, and corresponding impairment provision increased by RMB1,359 million. The loan principal transferred from stage 2 to stage 3 was RMB1,396 million, impairment provision increasing by RMB69 million. The loan principal transferred from stage 2 to stage 1 was RMB1,938 million, impairment provision decreasing by RMB98 million. The loan principal transferred from stage 3 to stage 1 and stage 2 was RMB491 million, impairment provision decreasing by RMB46 million.

During the year ended 31 December 2023, the Group transferred loans and advances amount of RMB66 million to independent third parties and the transfer price was RMB51 million.

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21. LOANS AND ADVANCES TO CUSTOMERS (Continued)

21.4 Movements in allowance for impairment losses of loan and advances to customers at amortised cost during the year are summarised as follows: (Continued)

	For the year ended 31 December 2022			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	
As at 1 January 2022	3,950,605	2,168,461	7,661,744	13,780,810
Charge/(Reversal) for the year	(939,323)	180,968	5,868,363	5,110,008
Write-offs and transferred for the year	–	–	(3,899,551)	(3,899,551)
Stage conversion	(440,312)	(403,917)	844,229	–
Converted to Stage 1	413,212	(355,463)	(57,749)	–
Converted to Stage 2	(345,264)	370,259	(24,995)	–
Converted to Stage 3	(508,260)	(418,713)	926,973	–
Recovery of loans and advances previously written off	–	–	324,024	324,024
Exchange difference	3	–	208	211
Accreted interest on impaired loans	–	–	(395,493)	(395,493)
As at 31 December 2022	2,570,973	1,945,512	10,403,524	14,920,009

During the year ended 31 December 2022, the loan principal transferred from stage 1 to stage 2 and stage 3 was RMB22,719 million, and corresponding impairment provision increased by RMB3,372 million. The loan principal transferred from stage 2 to stage 3 was RMB4,008 million, impairment provision increasing by RMB1,078 million. The loan principal transferred from stage 2 to stage 1 was RMB2,091 million, impairment provision decreasing by RMB342 million. The loan principal transferred from stage 3 to stage 1 and stage 2 was RMB268 million, impairment provision decreasing by RMB75 million.

During the year ended 31 December 2022, the Group transferred loans and advances amount of RMB731 million to independent third parties and the transfer price was RMB692 million.

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22. DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivative financial instruments related to interest rate, currency rate and price of precious metal, for trading and on behalf of customers.

The contractual/notional amounts and fair values of derivative instruments held by the Group are set out in the following tables. The contractual/notional amounts of financial instruments provide a basis for comparison with fair value instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in interest rates, currency rates and prices of precious metal relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

	As at 31 December					
	2023			2022		
	Contractual/ notional amount	Fair value		Contractual/ notional amount	Fair value	
Assets		Liabilities	Assets		Liabilities	
Foreign exchange forwards and swaps	1,988,317	909	(35,380)	2,138,695	-	(86,682)
Option contract	126,264,502	699,268	(699,268)	140,672,856	936,460	(936,460)
	128,252,819	700,177	(734,648)	142,811,551	936,460	(1,023,142)

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23. FINANCIAL INVESTMENTS

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

	As at 31 December	
	2023	2022
Government debt securities	173,058	393,977
Corporate debt securities	1,746,779	2,386,278
Trust investments and asset management plans (i)	45,031,249	54,369,207
Subtotal	46,951,086	57,149,462
Equity instruments	307,705	337,295
Funds	38,452,499	25,047,692
Accrued interest	147,891	170,076
Total	85,859,181	82,704,525

As at 31 December 2023 and 2022, no debt securities measured at fair value through profit or loss were pledged.

- (i) The Group classified the trust investments and asset management plans that could not pass the SPPI testing as financial assets at fair value through profit or loss.

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23. FINANCIAL INVESTMENTS (Continued)

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

	As at 31 December	
	2023	2022
Government debt securities	52,359,702	30,768,000
Policy bank debt securities	14,727,628	6,442,816
Financial institution debt securities	6,717,931	3,854,697
Corporate debt securities	7,137,022	10,938,174
Subtotal	80,942,283	52,003,687
Equity investments	5,215,011	7,161,203
Accrued interest	848,260	722,953
Net balance	87,005,554	59,887,843

As at 31 December 2023, all debt securities at fair value through other comprehensive income were in stage 1 and the corresponding accumulated allowance for impairment losses amounted to RMB27,680 thousand. As at 31 December 2022, debt securities of RMB150,000 thousand at fair value through other comprehensive income of the Group were in stage 3, and the Group's accumulated allowance for impairment losses on the above-mentioned debt instruments amounted to RMB105,000 thousand. Other debt securities at fair value through other comprehensive income were in stage 1, and the corresponding accumulated allowance for impairment losses amounted to RMB45,806 thousand.

As at 31 December 2023, debt securities of RMB2,932,934 thousand, RMB4,934,801 thousand and RMB524,721 thousand at fair value through other comprehensive income of the Group were pledged in fixed time deposits, repurchase agreements and due to the central bank respectively. As at 31 December 2022, debt securities of RMB1,633,598 thousand and RMB2,081,113 thousand at fair value through other comprehensive income of the Group were pledged in fixed time deposits and due to the central bank respectively.

The Group irrevocably designated parts of its equity investments and classified as financial assets at fair value through other comprehensive income.

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23. FINANCIAL INVESTMENTS (Continued)

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

Movements in allowance for impairment losses of debt securities of financial assets at fair value through other comprehensive income during year are summarised as follows:

	For the year ended 31 December 2023			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
As at 1 January 2023	45,806	–	105,000	150,806
Reversal for the year	(18,126)	–	(33,427)	(51,553)
Write-offs	–	–	(71,573)	(71,573)
As at 31 December 2023	27,680	–	–	27,680

	For the year ended 31 December 2022			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
As at 1 January 2022	15,612	–	105,000	120,612
Charge for the year	30,194	–	–	30,194
Write-offs	–	–	–	–
As at 31 December 2022	45,806	–	105,000	150,806

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23. FINANCIAL INVESTMENTS (Continued)

(c) Financial assets at amortised cost

	As at 31 December	
	2023	2022
Government debt securities	50,485,401	34,031,478
Policy bank debt securities	11,870,389	13,816,505
Financial institution debt securities	2,469,995	2,769,969
Corporate debt securities	44,064,756	24,214,630
Inter-bank certificates of deposits	368,372	1,732,562
Trust investments and asset management plans	66,317,393	76,482,112
Subtotal	175,576,306	153,047,256
Accrued interest	3,490,583	2,327,101
Allowance for impairment losses	(6,972,564)	(6,139,013)
Net balance	172,094,325	149,235,344

As at 31 December 2023, debt securities of RMB3,495,141 thousand, RMB284,023 thousand, RMB10,093,338 thousand and RMB8,110,927 at amortised cost of the Group were pledged in repurchase agreements, due to the central bank, fixed time deposits and borrowing from banks and other financial institutions respectively.

As at 31 December 2022, debt securities of RMB3,301,638 thousand, RMB2,263,466 thousand, RMB7,697,694 thousand and RMB1,633,410 at amortised cost of the Group were pledged in repurchase agreements, due to the central bank, fixed time deposits and borrowing from banks and other financial institutions respectively.

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23. FINANCIAL INVESTMENTS (Continued)

(c) Financial assets at amortised cost (Continued)

Movements in allowance for impairment losses on financial assets at amortised cost during the year are summarised as follows:

	For the year ended 31 December 2023			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
As at 1 January 2023	788,574	804,663	4,545,776	6,139,013
Charge/(Reversal) for the year	(28,990)	(107,311)	1,087,994	951,693
Write-offs	–	–	(118,142)	(118,142)
Stage conversion	(173,791)	(697,352)	871,143	–
Converted to Stage 1	13,728	(13,728)	–	–
Converted to Stage 2	–	–	–	–
Converted to Stage 3	(187,519)	(683,624)	871,143	–
As at 31 December 2023	585,793	–	6,386,771	6,972,564

	For the year ended 31 December 2022			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
As at 1 January 2022	760,830	746,569	3,552,281	5,059,680
Charge for the year	363,783	110,980	673,414	1,148,177
Write-offs	–	–	(68,844)	(68,844)
Stage conversion	(336,039)	(52,886)	388,925	–
Converted to Stage 1	–	–	–	–
Converted to Stage 2	(162,179)	162,179	–	–
Converted to Stage 3	(173,860)	(215,065)	388,925	–
As at 31 December 2022	788,574	804,663	4,545,776	6,139,013

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24. FINANCE LEASE RECEIVABLES

	As at 31 December	
	2023	2022
Finance lease receivables	25,845,729	23,564,314
Less: Unearned finance lease income	(2,199,808)	(1,976,744)
Finance lease receivables, net	23,645,921	21,587,570
Accrued interest	132,601	157,318
Less: Allowance for impairment losses	(1,006,907)	(928,022)
Net balance	22,771,615	20,816,866

As at 31 December 2023, The Group divided finance lease receivables into stage 1, stage 2 and stage 3. The gross amounts were RMB21,935,983 thousand, RMB1,517,944 thousand, and RMB324,595 thousand respectively, and allowances for impairment losses were RMB262,656 thousand, RMB431,605 thousand, and RMB312,646 thousand, respectively.

As at 31 December 2022, The Group divided finance lease receivables into stage 1, stage 2 and stage 3. The gross amounts were RMB20,356,467 thousand, RMB1,091,571 thousand, and RMB296,850 thousand respectively, and allowances for impairment losses were RMB202,358 thousand, RMB528,911 thousand, and RMB196,753 thousand, respectively.

As at 31 December 2023, the fair value of collateral that the Group holds relating to finance lease receivables amounted to RMB28,053,022 thousand (As at 31 December 2022: RMB23,785,706 thousand). The collateral mainly consists of right to charge for tourist attractions, provision of other public services and other receivables.

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24. FINANCE LEASE RECEIVABLES (Continued)

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

	As at 31 December					
	2023			2022		
	Finance lease receivables	Unearned finance lease income	Finance lease receivables, net	Finance lease receivables	Unearned finance lease income	Finance lease receivables, net
Less than 1 year	12,060,602	(1,224,960)	10,835,642	11,228,337	(1,060,810)	10,167,527
1 year to 2 years	8,126,109	(629,616)	7,496,493	7,072,125	(520,154)	6,551,971
2 years to 3 years	4,984,631	(318,450)	4,666,181	3,360,741	(200,550)	3,160,191
3 years to 5 years	674,387	(26,782)	647,605	1,873,850	(193,923)	1,679,927
More than 5 years	-	-	-	29,261	(1,307)	27,954
	25,845,729	(2,199,808)	23,645,921	23,564,314	(1,976,744)	21,587,570

Movements in allowance for impairment losses of finance lease receivable during the year are summarised are as follows:

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	Total
As at 1 January 2023	202,358	528,911	196,753	928,022
Charge/(Reversal) for the year	64,443	(100,166)	202,671	166,948
Stage conversion	(4,145)	2,860	1,285	-
Converted to Stage 1	2,779	(2,713)	(66)	-
Converted to Stage 2	(6,683)	7,180	(497)	-
Converted to Stage 3	(241)	(1,607)	1,848	-
Write-offs and transferred	-	-	(117,301)	(117,301)
Recovery of finance lease receivables previously written off	-	-	29,238	29,238
As at 31 December 2023	262,656	431,605	312,646	1,006,907

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24. FINANCE LEASE RECEIVABLES (Continued)

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	Total
As at 1 January 2022	292,169	551,795	557,871	1,401,835
Charge/(Reversal) for the year	(77,153)	(31,878)	412,089	303,058
Stage conversion	(12,658)	8,994	3,664	-
Converted to Stage 1	-	-	-	-
Converted to Stage 2	(8,995)	8,995	-	-
Converted to Stage 3	(3,663)	(1)	3,664	-
Write-offs and transferred	-	-	(791,296)	(791,296)
Recovery of finance lease receivables previously written off	-	-	14,425	14,425
As at 31 December 2022	202,358	528,911	196,753	928,022

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25. PROPERTY AND EQUIPMENT

	Properties and buildings	Construction in progress	Leasehold improvements	Office equipment	Motor vehicles	Operating lease fixed assets	Total
Cost:							
At 1 January 2023	9,267,514	216,532	678,775	2,416,053	69,085	314,398	12,962,357
Additions	11,807	23,985	17,321	35,875	1,651	-	90,639
Transfer from construction in progress	205	(5,166)	-	4,961	-	-	-
Disposals	-	(13,554)	-	(15,665)	(3,011)	-	(32,230)
At 31 December 2023	9,279,526	221,797	696,096	2,441,224	67,725	314,398	13,020,766
At 1 January 2022	6,912,553	2,651,014	653,088	2,139,376	67,702	314,398	12,738,131
Additions	9,390	147,503	25,687	55,332	4,390	-	242,302
Transfer from construction in progress	2,345,710	(2,580,829)	-	235,119	-	-	-
Disposals	(139)	(1,156)	-	(13,774)	(3,007)	-	(18,076)
At 31 December 2022	9,267,514	216,532	678,775	2,416,053	69,085	314,398	12,962,357
Accumulated depreciation:							
At 1 January 2023	1,750,231	-	604,582	1,828,861	60,201	112,570	4,356,445
Depreciation charge for the year	300,914	-	40,542	97,181	3,042	7,953	449,632
Disposals	-	-	-	(2,508)	(2,874)	-	(5,382)
At 31 December 2023	2,051,145	-	645,124	1,923,534	60,369	120,523	4,800,695
At 1 January 2022	1,537,051	-	564,784	1,697,583	55,193	104,617	3,959,228
Depreciation charge for the year	213,180	-	39,798	141,656	7,872	7,953	410,459
Disposals	-	-	-	(10,378)	(2,864)	-	(13,242)
At 31 December 2022	1,750,231	-	604,582	1,828,861	60,201	112,570	4,356,445
Impairment loss:							
At 31 December 2022 and 1 January 2023	-	-	-	-	-	101,027	101,027
Provided for the year	-	-	-	-	-	-	-
At 31 December 2023	-	-	-	-	-	101,027	101,027
Net carrying amount:							
At 31 December 2023	7,228,381	221,797	50,972	517,690	7,356	92,848	8,119,044
At 31 December 2022	7,517,283	216,532	74,193	587,192	8,884	100,801	8,504,885

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25. PROPERTY AND EQUIPMENT (Continued)

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

	As at 31 December	
	2023	2022
Held in China:		
10 to 50 years	6,954,833	7,415,315
Less than 10 years	273,548	101,968
	7,228,381	7,517,283

As at 31 December 2023, the process of obtaining the titles for the Group's properties and buildings with an aggregate net carrying value of RMB2,768 million (31 December 2022: RMB3,042 million) was still in progress. Management is of the view that the aforesaid matter would not affect the rights of the Group to these assets nor have any significant impact on the business operation of the Group.

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26. DEFERRED INCOME TAX ASSETS AND LIABILITIES

(a) Analysed by nature

	As at 31 December			
	2023		2022	
	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	24,218,247	6,016,345	20,342,141	5,040,547
Lease liabilities	328,881	80,732	141,428	33,822
Provisions	99,598	24,900	50,902	12,726
Salaries, bonuses, allowances and subsidies payable	174,528	42,537	117,627	28,355
Early retirement benefits	32,790	8,198	35,715	8,929
Deferred revenue	146,098	36,524	79,064	19,715
Others	224,374	45,199	223,862	47,286
Subtotal	25,224,516	6,254,435	20,990,739	5,191,380
Deferred income tax liabilities:				
Right-of-use assets	(349,512)	(85,649)	(96,587)	(22,446)
Changes in fair value of financial assets at fair value through profit or loss	(2,182,590)	(545,648)	(1,424,902)	(356,226)
Changes in fair value of financial assets at fair value through other comprehensive income	(369,317)	(92,329)	83,493	20,873
Subtotal	(2,901,419)	(723,626)	(1,437,996)	(357,799)
Total	22,323,097	5,530,809	19,552,743	4,833,581

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26. DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

(b) Movements in deferred income tax

At 31 December 2023

	At 1 January 2023	Total gains/ (losses) recorded in profit or loss	Total gains/(losses) recorded in other comprehensive income	At 31 December 2023
Deferred income tax assets/(liabilities):				
Allowance for impairment losses	5,040,547	975,798	–	6,016,345
Lease liabilities	33,822	46,910	–	80,732
Right-of-use assets	(22,446)	(63,203)	–	(85,649)
Provisions	12,726	12,174	–	24,900
Changes in fair value of financial assets at fair value through profit or loss	(356,226)	(189,422)	–	(545,648)
Changes in fair value of financial assets at fair value through other comprehensive income	20,873	–	(113,202)	(92,329)
Allowance for impairment losses on the financial assets at fair value through other comprehensive income	–	(28,364)	28,364	–
Salaries, bonuses, allowances and subsidies payable	28,355	14,182	–	42,537
Early retirement benefits	8,929	(731)	–	8,198
Deferred revenue	19,715	16,809	–	36,524
Others	47,286	(2,087)	–	45,199
Deferred income tax, net	4,833,581	782,066	(84,838)	5,530,809

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26. DEFERRED INCOME TAX ASSETS AND LIABILITIES (Continued)

(b) Movements in deferred income tax (Continued)

At 31 December 2022

	At 1 January 2022	Total gains/ (losses) recorded in profit or loss	Total gains/(losses) recorded in other comprehensive income	At 31 December 2022
Deferred income tax assets/(liabilities):				
Allowance for impairment losses	4,465,550	574,997	–	5,040,547
Lease liabilities	12,086	21,736	–	33,822
Right-of-use assets	–	(22,446)	–	(22,446)
Provisions	34,549	(21,823)	–	12,726
Changes in fair value of financial assets				
at fair value through profit or loss	(158,453)	(197,773)	–	(356,226)
Changes in fair value of financial assets at fair value through other comprehensive income	(96,349)	–	117,222	20,873
Allowance for impairment losses on the financial assets at fair value through other comprehensive income	–	7,849	(7,849)	–
Salaries, bonuses, allowances and subsidies payable	44,822	(16,467)	–	28,355
Early retirement benefits	9,807	(878)	–	8,929
Deferred revenue	8,998	10,717	–	19,715
Others	34,854	12,432	–	47,286
Deferred income tax, net	4,355,864	368,344	109,373	4,833,581

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27. OTHER ASSETS

	As at 31 December	
	2023	2022
Interest receivables (a)	176,368	497,987
Right-of-use assets (b)	360,430	463,733
Land use rights	337	4,068
Advance payments	471,001	850,236
Settlement and clearing accounts	724,666	2,725,321
Intangible assets (c)	436,550	473,909
Other receivables	798,663	1,515,285
Repossessed assets (d)	4,494,605	4,145,046
Others	74,410	21,945
Subtotal	7,537,030	10,697,530
Less: Allowance for impairment losses	(413,938)	(297,326)
Total	7,123,092	10,400,204

(a) Interest receivable

As at 31 December 2023, the carrying amounts of the Group's overdue interest receivables in stage 1, 2 and 3 were RMB46,224 thousand, RMB130,144 thousand and Nil respectively. The allowance for impairment losses were RMB672 thousand, RMB1,111 thousand and Nil, respectively. As at 31 December 2022, the carrying amounts of the Group's overdue interest receivables in stage 1, 2 and 3 were RMB234,868 thousand, RMB262,964 thousand and RMB155 thousand, respectively. The allowance for impairment losses were RMB3,420 thousand, RMB36,380 thousand and RMB155 thousand, respectively.

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27. OTHER ASSETS (Continued)

(b) Right-of-use assets

	Properties and buildings	Motor vehicles and others	Total
Cost:			
At 1 January 2023	835,026	84,541	919,567
Additions	146,649	15,148	161,797
Decrease	(180,046)	(83,068)	(263,114)
At 31 December 2023	801,629	16,621	818,250
Accumulated depreciation:			
At 1 January 2023	404,855	50,979	455,834
Additions	158,960	10,095	169,055
Decrease	(119,226)	(47,843)	(167,069)
At 31 December 2023	444,589	13,231	457,820
Net carrying amount:			
At 31 December 2023	357,040	3,390	360,430
At 1 January 2023	430,171	33,562	463,733
	Properties and buildings	Motor vehicles and others	Total
Cost:			
At 1 January 2022	677,453	82,999	760,452
Additions	271,333	19,445	290,778
Decrease	(113,760)	(17,903)	(131,663)
At 31 December 2022	835,026	84,541	919,567
Accumulated depreciation:			
At 1 January 2022	316,120	45,100	361,220
Additions	192,884	22,567	215,451
Decrease	(104,149)	(16,688)	(120,837)
At 31 December 2022	404,855	50,979	455,834
Net carrying amount:			
At 31 December 2022	430,171	33,562	463,733
At 1 January 2022	361,333	37,899	399,232

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27. OTHER ASSETS (Continued)

(c) Intangible assets

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

(d) Repossessed assets

	As at 31 December	
	2023	2022
Land use rights and buildings	4,494,605	4,145,046

28. DUE TO THE CENTRAL BANK

	As at 31 December	
	2023	2022
Small enterprises supporting re-lending	3,069,413	2,610,051
Agricultural supporting re-lending	265,635	291,326
Poverty alleviation re-lending	73,730	65,650
Subtotal	3,408,778	2,967,027
Interest payable	1,875	1,767
Total	3,410,653	2,968,794

29. BORROWINGS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2023	2022
Unsecured borrowings	21,201,961	13,565,184
Pledged borrowings	886,458	702,348
Subtotal	22,088,419	14,267,532
Interest payable	252,402	137,903
Total	22,340,821	14,405,435

As at 31 December 2023, the pledged borrowings of RMB886 million were secured by the finance lease receivables of RMB1,076 million. (As at 31 December 2022, the pledged borrowings of RMB702 million were secured by the finance lease receivables of RMB1,310 million).

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30. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December	
	2023	2022
Deposits:		
Banks operating in Mainland China	21,353,563	22,802,506
Banks operating outside Mainland China	2,230,809	1,791,392
Subtotal	23,584,372	24,593,898
Interest payable	119,258	270,336
Subtotal	23,703,630	24,864,234
Placements:		
Banks operating in Mainland China	600,912	2,000,000
Other financial institutions operating in Mainland China	–	125,000
Subtotal	600,912	2,125,000
Interest payable	6,413	13,848
Subtotal	607,325	2,138,848
Total	24,310,955	27,003,082

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

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31. REPURCHASE AGREEMENTS

	As at 31 December	
	2023	2022
Repurchase agreements analysed by counterparty:		
Banks operating in Mainland China	10,364,366	3,250,000
Other financial institutions in Mainland China	300,000	–
Interest payable	4,014	3,201
Total	10,668,380	3,253,201
Repurchase agreements analysed by collateral:		
Bonds	8,238,165	3,000,000
Bills	2,426,201	250,000
Interest payable	4,014	3,201
Total	10,668,380	3,253,201

32. DUE TO CUSTOMERS

	As at 31 December	
	2023	2022
Demand deposits:		
Corporate deposits	81,370,072	80,580,386
Personal deposits	44,899,366	48,926,312
Subtotal	126,269,438	129,506,698
Fixed time deposits:		
Corporate deposits	106,021,505	108,477,376
Personal deposits	400,214,645	319,841,767
Subtotal	506,236,150	428,319,143
Demand and fixed time deposits	632,505,588	557,825,841
Convertible negotiated deposit (i)	10,000,000	–
Interest payable	14,483,080	7,761,355
Total	656,988,668	565,587,196

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32. DUE TO CUSTOMERS (Continued)

(i) Convertible negotiated deposit

After obtaining the proceeds from issuance of local government special bonds, the Department of Finance of Heilongjiang Province has deposited the relevant funds in the form of negotiated deposit into the special convertible negotiated deposit account in the Bank. The deposit is included in the Bank's other tier-one capital and is converted to ordinary shares in stages to replenish the Bank's capital and be included in its core tier-one capital when the conversion conditions specified in the agreement are triggered. The maturity of the deposit shall be set in accordance with the maturity requirements in batches. Among them, RMB2.0 billion is for the six-year maturity, RMB2.0 billion is for the seven-year maturity, RMB2.0 billion is for the eight-year maturity, RMB2.0 billion is for the nine-year maturity and RMB2.0 billion is for the ten-year maturity. The interest is paid semi-annually on the convertible negotiated deposit, and the interest rate shall match with the corresponding local government special bonds issuance interest rate.

The conversion for convertible negotiated deposit may be fully or partially converted into the ordinary shares of the Bank if one of the following triggering events occurs: (i) The core tier-one capital adequacy ratio of the Bank drops to 5.125% or below; or (ii) As confirmed by the regulatory authorities, the core tier-one capital adequacy ratio of the Bank is not less than 5.125%, but non-viability trigger events occurred to the Bank. The non-viability trigger event is defined as the earlier of: (a) the National Administration of Financial Regulation having decided that without a conversion, the Bank would become non-viable; or (b) the relevant authorities having decided that injection of capital or equivalent support by a public sector is necessary, without which the Bank would become non-viable. Subject to the above triggering conditions, if the core tier-one capital adequacy ratio of the Bank is still lower than 5.125% as calculated after all the convertible amount is converted into the ordinary shares of the Bank in accordance with the agreement, the Bank shall at the same time take other measures to ensure that the core tier-one capital adequacy ratio reaches 5.125%, otherwise the Harbin Municipal Finance Bureau has the right to suspend the conversion. Subject to the above triggering conditions, if the designated share-holding entity does not satisfy the relevant requirements of the Banking and Insurance Regulatory Authorities and the Harbin Municipal Government, or if the class and number of ordinary shares to be converted and the shareholding structure of the Bank after the conversion as calculated do not satisfy the relevant requirements of the Hong Kong Stock Exchange in respect of the minimum public float, no conversion shall be made until the conversion is in compliance with the relevant requirements of the Banking and Insurance Regulatory Authorities, the Hong Kong Stock Exchange and the Harbin Municipal Government. In principle, only one conversion can be made during the term of the convertible negotiated deposit.

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33. DEBT SECURITIES ISSUED

	As at 31 December	
	2023	2022
Negotiable certificates of deposit issued (i)	23,401,584	28,569,900
Payable of asset-backed securities	324,750	–
Total	23,726,334	28,569,900

- (i) During the years ended 31 December 2023 and 2022, the Group issued at discount 418 and 353 interbank negotiable certificates of deposit with face value of RMB100 through the domestic interbank bond market respectively. As at 31 December 2023, 272 negotiable certificates of deposit issued by the Group, with annual interest rates between 2.21% and 3.05% and maturities between one month and one year, were undue, amounting to RMB23,726 million. As at 31 December 2022, 126 negotiable certificates of deposit issued by the Group, with annual interest rates between 2.08% and 3.45% and maturities between one month and one year, were undue, amounting to RMB28,570 million.

34. OTHER LIABILITIES

	As at 31 December	
	2023	2022
Lease guarantee fee	2,285,961	2,040,051
Settlement and clearing accounts	1,565,599	1,427,622
Salaries, bonuses, allowances and subsidies payable (a)	838,904	675,529
Lease liabilities	338,095	450,889
Accounts payable from agency services	175,567	299,197
Accrued expenses	362,738	226,460
Sundry tax payables	351,300	220,266
Deferred revenue (b)	140,439	159,461
Dividends payable	30,751	74,127
Provisions	99,790	50,902
Other payables	836,232	586,479
Total	7,025,376	6,210,983

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34. OTHER LIABILITIES (Continued)

(a) Salaries, bonuses, allowances and subsidies payable

	As at 31 December	
	2023	2022
Salaries, bonuses and allowances	764,206	602,078
Social insurance	11,725	14,207
Housing fund	17,144	13,100
Employee benefits	500	–
Labour union expenditure and education costs	12,539	10,429
Early retirement benefits	32,790	35,715
Total	838,904	675,529

The Group has no forfeiture of pension scheme contributions (i.e. contributions processed by the employer on behalf of the employee who has exited the scheme prior to vesting of such contributions). As at 31 December 2023 and 31 December 2022, no forfeited contribution under the pension scheme of the Group is available for deduction of contribution payable in coming years.

(b) Deferred revenue

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

	As at 31 December	
	2023	2022
Intermediary services	140,439	159,461

35. SHARE CAPITAL

	As at 31 December			
	2023		2022	
	Number of shares (thousand)	Nominal value	Number of shares (thousand)	Nominal value
Issued and fully paid ordinary shares at par value RMB1 per share	10,995,600	10,995,600	10,995,600	10,995,600
At the beginning and end of the year	10,995,600	10,995,600	10,995,600	10,995,600

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36. OTHER EQUITY INSTRUMENTS

	1 January 2023		Changes during the year		31 December 2023	
	Number of shares (thousand)	Amount	Number of shares (thousand)	Amount	Number of shares (thousand)	Amount
Issuance of perpetual bonds						
2022 Perpetual bonds with no maturity date (i)	7,000	699,717	-	-	7,000	699,717
2021 Perpetual bonds with no maturity date – Phase 1 (ii)	80,000	7,999,830	-	-	80,000	7,999,830
2021 Perpetual bonds with no maturity date – Phase 2 (iii)	30,000	2,999,460	-	-	30,000	2,999,460
Total	117,000	11,699,007	-	-	117,000	11,699,007

	1 January 2022		Changes during the year		31 December 2022	
	Number of shares (thousand)	Amount	Number of shares (thousand)	Amount	Number of shares (thousand)	Amount
Issuance of perpetual bonds						
2022 Perpetual bonds with no maturity date (i)	-	-	7,000	699,717	7,000	699,717
2021 Perpetual bonds with no maturity date – Phase 1 (ii)	80,000	7,999,830	-	-	80,000	7,999,830
2021 Perpetual bonds with no maturity date – Phase 2 (iii)	30,000	2,999,460	-	-	30,000	2,999,460
Total	110,000	10,999,290	7,000	699,717	117,000	11,699,007

- (i) On 26 December 2022, being approved by relevant regulatory authorities in China, the Group issued perpetual bonds in an amount of RMB700 million with no fixed maturity date which the coupon rate of the Bond for the first five years is 4.8%, respectively, and is subject to adjustment every five years.
- (ii) On 29 June 2021, being approved by relevant regulatory authorities in China, the Group issued perpetual bonds in an amount of RMB8,000 million with no fixed maturity date which the coupon rate of the Bond for the first five years is 4.8% and is subject to adjustment every five years.
- (iii) On 12 November 2021, being approved by relevant regulatory authorities in China, the Group issued perpetual bonds in an amount of RMB3,000 million with no fixed maturity date which the coupon rate of the Bond for the first five years is 5.0%, respectively, and is subject to adjustment every five years. The perpetual bonds were successful issue on 16 November 2021.

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36. OTHER EQUITY INSTRUMENTS (Continued)

These perpetual bonds have no maturity date and will continue indefinitely until redeemed by the Bank in accordance with their terms. The Bank is entitled to redeem the perpetual bonds at fully or partially written down of par value on the fifth and each of the subsequent interest payment dates of the perpetual bonds if the Bank fulfilled the conditions in their terms. These perpetual bonds have no accumulated interest and the Company can elect to defer or cancel payment of interest due pursuant to their terms, the aforesaid deferral or cancellation of interest shall not constitute a default by the Bank.

The perpetual bonds are classified as equity instruments as they do not include any contractual obligation:

- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

During the year ended 31 December 2023, RMB568 million interest payment was paid by the Group to the holders of perpetual bonds. During the year ended 31 December 2022, RMB534 million interest payment was paid by the Group to the holders of perpetual bonds.

37. CAPITAL RESERVE

	Share premium	Other Capital Reserve	Total
At 1 January 2022, 31 December 2022 and 1 January 2023	7,624,993	32,291	7,657,284
Movement during the year	(204,229)	204,229	-
At 31 December 2023	7,420,764	236,520	7,657,284

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38. COMPONENTS OF OTHER COMPREHENSIVE INCOME

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

	Gains/(Losses) on debt instruments at fair value through other comprehensive income	Gains/(Losses) on equity instruments at fair value through other comprehensive income	Total
At 1 January 2022	292,396	86,533	378,929
Other comprehensive income after tax	(278,054)	(58,265)	(336,319)
Other comprehensive income in the previous period and transferred to retained earnings in the current year	–	8,200	8,200
At 31 December 2022 and 1 January 2023	14,342	36,468	50,810
Other comprehensive income after tax	455,927	(198,562)	257,365
Other comprehensive income in the previous period and transferred to retained earnings in the current year	–	(2,853)	(2,853)
At 31 December 2023	470,269	(164,947)	305,322

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

For the year ended 31 December 2023	Amount before tax	Income tax	Amount after tax
Items that will not be reclassified to profit or loss			
Changes in fair value of equity instruments designated at fair value through other comprehensive income	(265,700)	67,138	(198,562)
Items that may be reclassified to profit or loss in subsequent years			
Changes in fair value of debt instruments measured at fair value through other comprehensive income	715,537	(178,884)	536,653
Allowance for impairment losses on debt instruments at fair value through other comprehensive income	(113,461)	28,365	(85,096)
Other comprehensive income in the previous period and transferred to profit or loss in the current period	5,827	(1,457)	4,370
Total	342,203	(84,838)	257,365

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38. COMPONENTS OF OTHER COMPREHENSIVE INCOME (Continued)

Transactions of other comprehensive income attributed to equity holders of the Bank in the consolidated statement of comprehensive income: (Continued)

For the year ended 31 December 2022	Amount before tax	Income tax	Amount after tax
Items that will not be reclassified to profit or loss			
Changes in fair value of equity instruments designated at fair value through other comprehensive income	(74,953)	16,688	(58,265)
Items that may be reclassified to profit or loss in subsequent years			
Changes in fair value of debt instruments measured at fair value through other comprehensive income	(168,039)	42,010	(126,029)
Allowance for impairment losses on debt instruments at fair value through other comprehensive income	31,396	(7,849)	23,547
Other comprehensive income in the previous period and transferred to profit or loss in the current period	(234,096)	58,524	(175,572)
Total	(445,692)	109,373	(336,319)

39. SURPLUS RESERVES

	Statutory surplus reserves	Discretionary surplus reserves	Total
At 1 January 2022	3,877,041	26,186	3,903,227
Appropriation during the year	16,846	-	16,846
At 31 December 2022 and 1 January 2023	3,893,887	26,186	3,920,073
Appropriation during the year	36,177	-	36,177
At 31 December 2023	3,930,064	26,186	3,956,250

Under the Company Law of the People's Republic of China, the Bank is required to appropriate 10% of its net profit to the statutory surplus reserve. The appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital. Subject to the approval of the shareholders, the statutory surplus reserve can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserve amount used to increase the share capital is limited to a level where the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the share capital.

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year to the discretionary surplus reserve upon approval by the shareholders in general meetings. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

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40. GENERAL AND REGULATORY RESERVES

	Year ended 31 December	
	2023	2022
Balance as at the beginning of the year	7,880,595	7,584,624
Increase during the year (i)	349,677	295,971
Balance as at the end of the year	8,230,272	7,880,595

- (i) During the year ended 31 December 2023, the appropriation made by the Group in the amount of RMB349,677 thousand (During the year ended 31 December 2022: RMB295,971 thousand).

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

41. UNDISTRIBUTED PROFITS

	Year ended 31 December	
	2023	2022
Balance as at the beginning of the year	18,971,130	19,271,378
Net profit for the year attributable to equity holders of the Bank	739,993	554,769
Net of: Appropriation to surplus reserves	(36,177)	(16,846)
Appropriation to general and regulatory reserves	(349,677)	(295,971)
Distribution of interests of perpetual bonds	(567,600)	(534,000)
Transfer of loss on disposal of financial asset at fair value through other comprehensive income to retained earnings	2,853	(8,200)
Balance as at the end of the year	18,760,522	18,971,130

As approved by the equity holders of the Group at the 2022 Annual General Meeting held in May 2023, the Bank did not distribute any cash dividends for the year ended 31 December 2022.

As approved by the equity holders of the Group at the 2021 Annual General Meeting held in May 2022, the Bank did not distribute any cash dividends for the year ended 31 December 2021.

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42. CASH AND CASH EQUIVALENTS

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

	As at 31 December	
	2023	2022
Cash on hand (note 18)	864,775	1,012,544
Balances with the central bank (note 18)	20,131,695	37,148,721
Due from banks and other financial institutions	16,088,729	18,298,566
Reverse repurchase agreements	19,946,430	1,000,750
Total	57,031,629	57,460,581

43. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

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

	As at 31 December	
	2023	2022
Contracted, but not provided for	15,468	10,321
Approved, but not contracted	1,291	2,805
Total	16,759	13,126

(b) Credit commitments

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

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

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

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

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43. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(b) Credit commitments (Continued)

	As at 31 December	
	2023	2022
Bank bill acceptances	6,431,953	10,280,304
Letters of guarantee issued	522,629	188,054
Letters of credit	3,647,568	2,871,766
Undrawn credit card limits	20,501,570	32,176,876
Total	31,103,720	45,517,000

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

	As at 31 December	
	2023	2022
Financial guarantees and credit related commitments	5,226,062	10,046,411

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 NFRA and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and commitments.

(c) Legal proceedings

As at 31 December 2023, significant legal proceedings exceeding RMB10,000 thousand outstanding against the Group (for itself or as a third party) were Nil (As at 31 December 2022: RMB36,400 thousand). As at 31 December 2023, the Group expects that there will be a loss caused by these litigations and made provisions amounted to RMB17,000 thousand (As at 31 December 2022: RMB18,061 thousand).

(d) Redemption commitments of government bonds

As an underwriting agent of the government, the Bank underwrites certain PRC government bonds and sells the bonds to the general public. The Group is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds plus any interest accrued up to the redemption date. As at 31 December 2023, the Bank had underwritten and sold bonds with an accumulated amount of RMB602 million (As at 31 December 2022: RMB1,057 million) to the general public, and these government bonds have not yet matured nor been redeemed. Management expects that the amount of redemption of these government bonds through the Bank prior to maturity will not be material. The MOF will not provide funding for the early redemption of these government bonds on a back-to-back basis but is obliged to repay the principal and the respective interest upon maturity.

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44. FIDUCIARY ACTIVITIES

	As at 31 December	
	2023	2022
Designated funds	1,640,483	1,190,681
Designated loans	1,640,483	1,190,681

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

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

45. TRANSFERS OF FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continues to recognise the transferred assets.

Repurchase agreements

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase. The counterparties are allowed to sell or repledge those securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional cash collateral. The Group has determined that the Group retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Group recognised a financial liability for cash received as collateral.

As at 31 December 2023 and 2022, none of the above-mentioned financial assets or financial liabilities which did not qualify for derecognition was transferred to third parties.

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45. TRANSFERS OF FINANCIAL ASSETS (Continued)

Securitisation of credit assets

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

For the year ended 31 December 2023, the Group neither transferred nor retained substantially all the risks (mainly including the credit risk, early repayment risk and interest rate risk of the transferred assets) and rewards of the ownership and retained the control in these financial assets (For the year ended 31 December 2022: Nil).

As at 31 December 2023, the Group recognised the securitised credit assets with an original value of RMB599,424 thousand and recognised RMB324,750 thousand of payable of asset-backed securities as debt securities issued (As at 31 December 2022: Nil).

46. INTERESTS IN STRUCTURED ENTITIES

The Group is principally involved with structured entities through financial investments, asset management and credit asset transfers. These structured entities generally finance the purchase of assets by issuing securities or by other means. The Group determines whether or not to consolidate these structured entities depending on the Group's controls on them.

Structured entities consolidated by the Group include certain securitisation products issued, managed and invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has right to variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns. As at 31 December 2023, the consolidated structured entities amounted to RMB642,184 thousand (As at 31 December 2022: Nil).

The interests held by the Group in the unconsolidated structured entities are set out below:

46.1 Unconsolidated structured entities managed by the Group

Wealth management products

When conducting the wealth management business, the Group has established various structured entities to provide customers with specialised investment opportunities within narrow and well-defined objectives. As at 31 December 2023, the balance of the unconsolidated wealth management products issued by the Group amounted to RMB28,865 million (As at 31 December 2022: RMB43,223 million). For the year ended 31 December 2023, fee and commission income included commission and custodian fee and management fee income from the wealth management business that amounted to RMB232,000 thousand (For the year ended 31 December 2022: RMB288,902 thousand).

For the purpose of asset-liability management, wealth management products may trigger short-term financing needs for the Group and other banks. However, the Group is not contractually obliged to provide financing. For the year ended 31 December 2023, the Group did not provide any financing to the unconsolidated wealth management products (For the year ended 31 December 2022: Nil).

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46. INTERESTS IN STRUCTURED ENTITIES (Continued)

46.2 Structured entities sponsored by other financial institutions

The Group has invested in some structured entities which are issued or managed by other institutions and are out of the consolidation scope, and the Group recognises its investment income. These structured entities include trust fund plans and asset management plans, funds, etc. These structured entities' nature and purpose are to earn management fees by managing the investors' assets, and the way of financing is to issue investment products to investors. For the years ended 31 December 2023 and 2022, the Group has not provided liquidity support for those kinds of structured entities.

The interests held by the Group in the structured entities sponsored by other financial institutions through direct investments are set out below:

	As at 31 December 2023			
	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	45,031,249	66,317,393	111,348,642	104,575,678
Funds	38,452,499	–	38,452,499	38,452,499
	As at 31 December 2022			
	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total	Maximum exposure to loss
Trust investments and asset management plans	54,369,207	76,482,112	130,851,319	124,705,452
Funds	25,047,692	–	25,047,692	25,047,692

47. ASSETS PLEDGED AS SECURITY

Financial assets of the Group including securities and finance lease receivables have been pledged as security for liabilities or contingent liabilities, and mainly arise from repurchase agreements, time deposit agreements, debt securities lending and borrowing agreement, due to the central bank and borrowings from banks and other financial institutions. As at 31 December 2023, the carrying value of the financial assets of the Group pledged as security amounted to approximately RMB23,064 million (31 December 2022: approximately RMB19,195 million).

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48. RELATED PARTY DISCLOSURES

(a) Significant related party disclosures

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

Name	Share percentage in the Bank	
	As at 31 December	
	2023	2022
	%	%
Harbin Economic Development and Investment Company Limited	29.63	29.63
Heilongjiang Financial Holding Group Company Limited	18.51	18.51
Fubon Life Insurance Company Limited	6.60	6.71

(ii) Subsidiaries of the Bank

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

(iii) Key management personnel of the Group and their close family members.

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

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48. RELATED PARTY DISCLOSURES (Continued)

(b) Related party transactions

1. Transactions between the Group and related parties

- (i) Transactions between the Group and shareholders of the Group with ownership of 5% or above
Interest expense on due to customers

	Year ended 31 December			
	2023		2022	
	Amount	Interest rate	Amount	Interest rate
Heilongjiang Financial Holding Group Company Limited	46,433	0.25-1.35%	33,153	0.35-1.38%
Harbin Economic Development and Investment Company Limited	6	0.25%	8	0.35%

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

	Year ended 31 December			
	2023		2022	
	Amount	Interest rate	Amount	Interest rate
Interest income	171	0.00-2.93%	445	3.28-5.39%
Interest expense	279	0.00-4.18%	174	0.35-4.35%

- (iii) Transactions between the Bank and its subsidiaries

	Year ended 31 December			
	2023		2022	
	Amount	Interest rate	Amount	Interest rate
Interest income	546,924	2.48-4.00%	946,787	2.50-3.85%
Interest expense	300,087	0.72-0.99%	326,768	0.99-3.40%

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48. RELATED PARTY DISCLOSURES (Continued)

(b) Related party transactions (Continued)

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

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

Operating expenses

	Year ended 31 December	
	2023	2022
Shanghai Tonglian Financial Services Co., Ltd.	–	130

(v) Transactions with other related parties

	Year ended 31 December	
	2023	2022
Emoluments of key management personnel and their close family members	23,046	35,025

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

2. Balances with related parties

(i) Balances between the Group and shareholders of the Group with ownership of 5% or above

Due to customers

	As at 31 December			
	2023		2022	
	Balance	Interest rate	Balance	Interest rate
Heilongjiang Financial Holding Group Company Limited	2,722,845	0.25-1.35%	846,265	0.35-1.38%
Harbin Economic Development and Investment Company Limited	1,990	0.25%	1,984	0.35%

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48. RELATED PARTY DISCLOSURES (Continued)

(b) Related party transactions (Continued)

2. Balances with related parties (Continued)

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

	As at 31 December			
	2023		2022	
	Balance	Interest rate	Balance	Interest rate
Loans and advances to customers	5,088	0.00-2.93%	12,541	3.28-5.39%
Due to customers	26,367	0.00-4.18%	11,574	0.35-4.35%

(iii) Balances between the Group and its subsidiaries

	As at 31 December			
	2023		2022	
	Balance	Interest rate	Balance	Interest rate
Due from banks and other financial institutions	13,750,000	2.50-3.85%	16,675,000	2.50-3.85%
Due to banks	9,539,733	0.72-0.99%	10,623,914	0.99-3.40%
Due to customers	12,219	0.99%	819,910	0.99%

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49. SEGMENT INFORMATION

(a) Operating segments

For management purposes, the Group is organised into four different operating segments as follows according to products and services:

Corporate financial business

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

Retail financial business

Retail financial business covers the provision of financial products and services to retail customers. The products and services include deposits, bank cards and credit cards, personal loans and collateral loans, and personal wealth management services.

Interbank financial business

Interbank financial business covers money market placements, investments and repurchasing, foreign exchange transactions for the Group's own accounts or on behalf of customers.

Other business

This represents 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.

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49. SEGMENT INFORMATION (Continued)

(a) Operating segments (Continued)

	Corporate financial business	Retail financial business	Interbank financial business	Other business	Total
<u>Year ended 31 December 2023</u>					
External net interest income/(expense)	4,861,514	(4,291,509)	8,995,184	(16,207)	9,548,982
Internal net interest (expense)/income	(329,270)	9,714,759	(9,385,489)	-	-
Net fee and commission income	109,235	241,108	294,980	-	645,323
Other income, net (i)	99	58,943	1,844,293	1,144,123	3,047,458
Operating income	4,641,578	5,723,301	1,748,968	1,127,916	13,241,763
Operating expenses	(1,006,885)	(4,508,703)	(280,610)	(30,328)	(5,826,526)
Credit impairment losses on:					
Loans and advances to customers	(3,134,361)	(2,603,287)	-	-	(5,737,648)
Others	(408,676)	(13,303)	(836,282)	37,980	(1,220,281)
Operating profit/(loss)	91,656	(1,401,992)	632,076	1,135,568	457,308
Profit/(loss) before tax	91,656	(1,401,992)	632,076	1,135,568	457,308
Income tax credit					430,799
Profit for the year					888,107
Other segment information:					
Depreciation and amortisation	76,748	679,617	8,350	4,962	769,677
Capital expenditure	40,705	305,669	3,275	657	350,306
<u>As at 31 December 2023</u>					
Segment assets	238,935,605	176,504,698	395,817,946	2,070,476	813,328,725
Segment liabilities	202,788,080	462,994,288	81,874,216	1,783,940	749,440,524
Other segment information:					
Credit commitments	10,602,149	20,501,571	-	-	31,103,720

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

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

	Corporate financial business	Retail financial business	Interbank financial business	Other business	Total
<u>Year ended 31 December 2022</u>					
External net interest					
income/(expense)	4,314,769	(1,457,822)	6,176,307	(26,077)	9,007,177
Internal net interest					
(expense)/income	(381,015)	7,585,911	(7,204,896)	-	-
Net fee and commission income	134,450	283,871	313,279	-	731,600
Other income, net (i)	40,782	12,346	2,665,949	412,695	3,131,772
Operating income	4,108,986	6,424,306	1,950,639	386,618	12,870,549
Operating expenses	(1,115,597)	(3,914,527)	(235,967)	(19,112)	(5,285,203)
Credit impairment losses on:					
Loans and advances to customers	(2,609,229)	(2,500,779)	-	-	(5,110,008)
Others	(249,708)	(19,046)	(1,198,947)	(6,454)	(1,474,155)
Operating profit/(loss)	134,452	(10,046)	515,725	361,052	1,001,183
Profit/(loss) before tax	134,452	(10,046)	515,725	361,052	1,001,183
Income tax expense					(288,686)
Profit for the year					712,497
Other segment information:					
Depreciation and amortisation	116,448	651,428	7,181	4,962	780,019
Capital expenditure	44,339	302,493	2,817	657	350,306
<u>As at 31 December 2022</u>					
Segment assets	205,134,454	185,784,935	319,999,274	1,814,391	712,733,054
Segment liabilities	192,693,860	380,845,178	74,327,552	1,545,837	649,412,427
Other segment information:					
Credit commitments	13,324,203	32,168,103	-	-	45,492,306

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

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49. SEGMENT INFORMATION (Continued)

(b) Geographical information

The Group operates principally in Mainland China.

The distribution of the geographical areas is as follows:

Heilongjiang region:	Including Head Office, Harbin, Shuangyashan, Jixi, Hegang, Suihua, Daqing, Qitaihe, Mudanjiang, Jiamusi, Qiqihar, Yichun, Nongken, Harbin Bank Financial Leasing Co., Ltd. and Harbin Bank Consumer Finance Co., Ltd. as well as village and township banks operating within Heilongjiang.
Other regions in 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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49. SEGMENT INFORMATION (Continued)

(b) Geographical information (Continued)

	Mainland China				Total
	Heilongjiang region	Other regions in Northeastern China	Southwestern China	Other regions	
<u>Year ended 31 December 2023</u>					
External net interest income	5,486,312	448,355	2,363,192	1,251,123	9,548,982
Internal net interest (expense)/income	(157,299)	25,764	(59,834)	191,369	–
Net fee and commission income	560,391	24,518	52,524	7,890	645,323
Other income, net (i)	3,265,604	11,611	1,416	(231,173)	3,047,458
Operating income	9,155,008	510,248	2,357,298	1,219,209	13,241,763
Operating expenses	(4,446,798)	(378,588)	(504,629)	(496,511)	(5,826,526)
Impairment losses on:					
Loans and advances to customers	(4,954,383)	(12,464)	(416,612)	(354,189)	(5,737,648)
Other credit impairment losses	(1,220,033)	(548)	3	297	(1,220,281)
Operating (loss)/profit	(1,466,206)	118,648	1,436,060	368,806	457,308
(Loss)/profit before tax	(1,466,206)	118,648	1,436,060	368,806	457,308
Income tax credit					430,799
Profit for the year					888,107
Other segment information:					
Depreciation and amortisation	509,078	65,660	107,452	87,487	769,677
Capital expenditure	158,458	2,538	8,343	10,323	179,662
<u>As at 31 December 2023</u>					
Segment assets	628,326,027	49,590,286	74,375,480	61,036,932	813,328,725
Segment liabilities	569,525,891	49,106,433	72,243,567	58,564,633	749,440,524
Other segment information:					
Credit commitments	22,777,586	6,351,803	12,197,223	4,190,888	45,517,500

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

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49. SEGMENT INFORMATION (Continued)

(b) Geographical information (Continued)

	Mainland China				Total
	Heilongjiang region	Other regions in Northeastern China	Southwestern China	Other regions	
<u>Year ended 31 December 2022</u>					
External net interest income	5,219,586	345,782	2,106,450	1,335,359	9,007,177
Internal net interest (expense)/income	(123,799)	(219,271)	(181,069)	524,139	–
Net fee and commission income/(expense)	709,078	9,658	15,600	(2,736)	731,600
Other income, net (i)	3,084,964	778	16,380	29,650	3,131,772
Operating income	8,889,829	136,947	1,957,361	1,886,412	12,870,549
Operating expenses	(4,025,498)	(332,911)	(471,511)	(455,283)	(5,285,203)
Impairment losses on:					
Loans and advances to customers	(4,109,470)	(397,656)	(450,954)	(151,928)	(5,110,008)
Other credit impairment losses	(1,460,565)	(13,592)	–	2	(1,474,155)
Operating (loss)/profit	(705,704)	(607,212)	1,034,896	1,279,203	1,001,183
(Loss)/profit before tax	(705,704)	(607,212)	1,034,896	1,279,203	1,001,183
Income tax expense					(288,686)
Profit for the year					712,497
Other segment information:					
Depreciation and amortisation	527,167	60,420	116,802	75,630	780,019
Capital expenditure	314,227	1,169	6,235	28,675	350,306
<u>As at 31 December 2022</u>					
Segment assets	552,770,672	41,683,760	57,910,064	60,368,558	712,733,054
Segment liabilities	494,736,652	41,371,076	55,754,423	57,550,276	649,412,427
Other segment information:					
Credit commitments	22,772,001	6,349,643	12,184,675	4,185,987	45,492,306

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

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT

A description and an analysis of the major risks faced by the Group are as follows:

The Board has the ultimate responsibility for risk management and oversees the Group's risk management functions through the Risk Management Committee and the Audit Committee of the Board.

The President supervises the risk management strategies and reports directly to the Board. He chairs two management committees including the Risk Management Committee and the Asset and Liability Management Committee. These two committees formulate and make recommendations in respect of risk management strategies and policies through the President to the Risk Management Committee of the Board. The Chief Risk Officer assists the President to supervise and manage various risks.

The Group has also assigned departments to monitor financial risks within the Group, including the Risk Management Department to monitor credit risk and operational risk as well as the Asset and Liability Management department together with the Risk Management Department to monitor market and liquidity risks. The Risk Management Department is primarily responsible for coordinating and establishing a comprehensive risk management framework, preparing consolidated reports on credit risk, market risk, liquidity risk and operational risk and reporting directly to the Chief Risk Officer.

The Group maintains a dual-reporting line structure at the branch level for risk management purposes. Under this structure, the risk management departments of the branches report to both the corresponding risk management departments at the head office and management of the relevant branches.

(a) Credit risk

Credit risk is the risk of loss arising from a borrower's or counterparty's inability to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate guarantee, commitment or investment of funds. Credit risk affecting the group is primarily due to loans, debt instruments, guarantees, commitment as well as other risks both on and off the statement of financial position.

The principal features of the Group's credit risk management function include:

- Centralised credit management procedures;
- Risk management rules and procedures that focus on risk control throughout the entire credit business process, including customer investigation and credit rating, granting of credit limits, loan evaluation, loan review and approval, granting of loan and post-disbursement loan monitoring;
- A stringent qualification system for the loan approval officers; and
- Information management systems designed to enable a real time risk monitoring.

To enhance the credit risk management practices, the Group also launches training programs periodically for credit officers at different levels.

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Risk concentration

Credit risk is often greater when counterparties are concentrated in one single industry, or geographic location or have comparable economic characteristics.

(i) Credit risk measurement

Measurement of ECLs

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

According to the changes of credit risk of financial instruments since initial recognition, the Group calculates the ECL by three stages:

- Stage 1: The financial instruments without significant increases in credit risk after initial recognition are included in stage 1 to calculate their impairment allowance at an amount equivalent to the ECL of the financial instrument for the next 12 months;
- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in stage 2, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;
- Stage 3: Financial assets with objective evidence of impairment at the financial reporting date are included in stage 3, with their impairment allowance measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

For the previous accounting period, the impairment allowance has been measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, at the financial reporting date of the current period, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance of the financial instruments at the financial reporting date of the current period according to the ECL in the next 12 months.

For credit-impaired financial assets that have been purchased or owned, the Group only recognises the accumulated amount equivalent to the ECL for the lifetime as impairment allowance since the initial recognition at the financial reporting date. The Group recognises the amount of the change to the ECL for the lifetime as an impairment loss or gain in profit on each financial reporting date.

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Credit risk measurement (Continued)

Measurement of ECLs (Continued)

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

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

When measuring the ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of the occurrence a credit loss is very low.

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

- Criteria for judging a significant increase in credit risk;
- Definition of credit-impaired financial assets;
- Models and parameters for measuring ECLs;
- Forward-looking information; and
- Individual impairment assessment.

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

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

Quantitative criteria

- At the reporting date, the rating or the Probability of Default (“PD”) of the financial instruments reaches a certain extent, compared with the one at initial recognition;
- The debtors’ contractual payment (including principal and interest) are overdue more than 30 days.

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; and
- The list of pre-warning debtors.

Upper limit criteria

- Debtor contract payments (including principal and interest) are overdue for more than 30 days.

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Credit risk measurement (Continued)

Definition of credit-impaired financial asset

The method adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, and takes into account quantitative and qualitative criteria. When the Group assesses whether a credit impairment of a debtor occurs, the following main factors are considered:

- The issuer or the debtor encounters significant financial difficulty;
- The debtor is in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, has granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- An active market for that financial asset disappears because of financial difficulties of the issuer or the debtor;
- The purchase or origination of a financial asset at a deep discount reflects the incurred credit losses; and
- Any principal, advances, interest and corporate bond investments held by debtors are overdue for more than 90 days.

The credit impairment of a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Credit risk measurement (Continued)

Parameters of ECL measurement

Depending on whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECLs of 12 months or the entire lifetime respectively. The key measuring parameters of ECLs include the PD, Loss Given Default (“LGD”) and Exposure at Default (“EAD”). Based on the current New Basel Capital Accord used in risk management and the requirements of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collateral and repayments) and forward-looking information in order to establish the model of PD, LGD and EAD.

Relative definitions are listed as follows:

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

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) Credit risk measurement (Continued)

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECLs both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECLs of various business types, such as Gross domestic product ("GDP"), Industrial added value, Consumer Price Index, and Producer Price Index.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. In this process, the Group mainly applies the experts' judgement. According to the result, the Group forecasts these economic indicators regularly and also determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

When calculating the weighted average ECL provision, the Group determines the optimistic, neutral and pessimistic scenarios and their weightings through a combination of macro-statistical analysis and expert judgement.

As at 31 December 2023, the Group has taken into account different macro-economic scenarios, made forward-looking forecasts of macro-economic indicators. Of which, the quarterly year-on-year GDP growth rate used to estimate ECL is 5% in the neutral scenario for 2024.

The Group has carried out sensitivity analysis of macro-economic indicators used in forward-looking measurement. As at 31 December 2023, when the key economic indicators in the neutral scenario moved up or down by 10%, the ECL did not change by more than 5% (31 December 2022: did not change by more than 5%).

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50. 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 resulted in a change in the contractual cash flows. Such contract modifications include loan extension, modification of the repayment schedule, and change of the settlement method. When the contract modification does not cause substantial changes and does not result in the derecognition of the original assets, the Group assesses the default risk of the modified assets on the reporting date and compares the default risk with the original contract terms under initial confirmation, also recalculates the book value of financial assets and includes the relevant gain or loss in the current profit or loss. The recalculated book value of the financial asset is determined based on the present value of the contractual cash flows that will be re-negotiated or modified based on the discounted to present value at the original effective interest rate.

Collateral

The amount and type of collateral required depend on the assessment of the credit risk of the counterparty. Guidelines are in place specifying the types of collateral and valuation parameters which can be accepted.

Reverse repurchase business is mainly collateralised by bills or investment securities. As part of the reverse repurchase agreements, the Group has received securities that it is allowed to sell or repledge in the absence of default by their owners.

Corporate loans are mainly collateralised by properties or other assets. As at 31 December 2023, the carrying value of corporate loans covered by collateral amounted to RMB71,641 million (31 December 2022: RMB60,665 million).

Personal loans are mainly collateralised by residential properties. As at 31 December 2023, the carrying value of personal loans covered by collateral amounted to RMB42,098 million (31 December 2022: RMB41,945 million).

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(i) *Credit risk measurement (Continued)*

Collateral (Continued)

The Group prefers more liquid collateral with a relatively stable market value and does not accept the collateral that is illiquid, with difficulties in registration or high fluctuations in market value. The value of collateral should be assessed and confirmed by the Group or valuation agents identified by the Group. The value of collateral should adequately cover the outstanding balance of loans. The loan-to-value ratio depends on types of collateral, usage condition, liquidity, price volatility and realisation cost. All collateral has to be registered in accordance with the relevant laws and regulations. The credit officers inspect the collateral and assess the changes in the value of collateral regularly.

Although collateral can be an important mitigation of credit risk, the Group grants loans based on the assessment of the borrowers' ability to meet obligations out of their cash flows, instead of the value of collateral. The necessity of collateral is dependent on the nature of the loan. In the event of default, the Group might sell the collateral for repayment. The fair values of collateral of past due but not impaired loans and impaired loans are disclosed in note 50(a)(iv).

The credit business management department monitors the market value of collateral periodically and requests additional collateral in accordance with the underlying agreement when it is considered necessary.

It is the Group's policy to dispose of repossessed assets in an orderly manner. In general, the Group does not occupy repossessed assets for business use.

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50. 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:

	As at 31 December	
	2023	2022
Balances with the central bank	63,008,635	75,762,970
Due from banks and other financial institutions	31,866,216	25,852,261
Reverse repurchase agreements	19,946,430	1,000,750
Loans and advances to customers	308,438,874	271,784,821
Derivative financial assets	700,177	936,460
Financial investments		
– Financial assets at fair value through profit or loss	85,551,476	82,367,230
– Financial assets at fair value through other comprehensive income	81,790,543	52,726,640
– Financial assets at amortised cost	172,094,325	149,235,344
Finance lease receivables	22,771,615	20,816,866
Others	1,301,694	4,456,654
Subtotal	787,469,985	684,939,996
Credit commitments	31,091,566	45,483,641
Total maximum credit risk exposure	818,561,551	730,423,637

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iii) Risk concentrations

By industry distribution

The credit risk exposures of the Group mainly comprise loans and advances to customers, finance lease receivables and investments in debt securities. Details of the composition of the Group's investments in debt securities are set out in note 50(a)(vi) to the consolidated financial statements. The composition of the Group's gross loans and advances to customers by industry is analysed as follows:

	As at 31 December	
	2023	2022
Corporate loans and advances		
Agriculture, forestry, animal husbandry and fishing	1,449,600	1,478,161
Mining	193,059	91,074
Manufacturing	9,334,133	6,948,919
Production and supply of electricity, gas and water	10,137,139	4,922,892
Construction	11,463,087	10,716,808
Commercial trade	32,517,429	24,950,244
Transportation, storage and postal services	2,728,578	2,796,616
Lodging and catering	3,180,201	3,413,049
Information transmission, software and information technology services	332,685	357,065
Finance	1,900	7,200
Real estate	29,650,331	29,847,521
Leasing and commercial services	72,548,437	64,013,162
Scientific research and technological services	532,458	535,587
Water, environment and public utility management	8,714,421	9,875,138
Resident services and other services	164,086	174,134
Education	128,373	136,200
Health and social affair	376,030	423,780
Culture, sports and entertainment	553,183	355,583
Subtotal	184,005,130	161,043,133
Discounted bills	20,626,955	6,011,014
Personal loans		
Personal business	23,320,855	25,268,997
Mortgages	12,098,998	13,138,592
Personal consumption	68,832,837	64,993,844
Loans to farmers	14,297,929	13,959,289
Subtotal	118,550,619	117,360,722
Total	323,182,704	284,414,869

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iii) Risk concentrations (Continued)

By geographical distribution

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

	As at 31 December	
	2023	2022
Heilongjiang region	181,370,171	156,440,954
Northeastern China excluding Heilongjiang	39,742,888	38,253,928
Southwestern China	66,114,264	57,847,408
Other regions	35,955,381	31,872,579
Total	323,182,704	284,414,869

By type of guarantees

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

	As at 31 December	
	2023	2022
Unsecured loans	117,153,305	88,388,383
Guaranteed loans	91,416,241	78,810,715
Loans secured by mortgages	97,337,458	104,389,713
Pledged loans	17,275,700	12,826,058
Total	323,182,704	284,414,869

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iv) Loans and advances to customers

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

	As at 31 December	
	2023	2022
Corporate loans and advances		
Neither past due nor impaired	171,622,240	128,146,978
Past due but not impaired	16,187,125	23,114,805
Impaired	16,822,720	15,792,364
Subtotal	204,632,085	167,054,147
Personal loans		
Neither past due nor impaired	102,965,972	102,573,693
Past due but not impaired	2,306,743	3,045,933
Impaired	13,277,904	11,741,096
Subtotal	118,550,619	117,360,722
Total	323,182,704	284,414,869

Neither past due nor impaired

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

	As at 31 December 2023		
	Pass	Special Mention	Total
Corporate loans and advances	169,961,414	1,660,826	171,622,240
Personal loans	102,348,115	617,857	102,965,972
Total	272,309,529	2,278,683	274,588,212

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For the year ended 31 December 2023
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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iv) Loans and advances to customers (Continued)

Neither past due nor impaired (Continued)

	As at 31 December 2022		
	Pass	Special Mention	Total
Corporate loans and advances	126,796,699	1,350,279	128,146,978
Personal loans	102,362,152	211,541	102,573,693
Total	229,158,851	1,561,820	230,720,671

Past due but not impaired

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

Overdue days	As at 31 December 2023			Total
	Within 1 month	1 to 3 months	Over 3 months	
Corporate loans and advances	4,308,311	11,878,814	–	16,187,125
Personal loans	955,590	1,351,153	–	2,306,743
Total	5,263,901	13,229,967	–	18,493,868

Overdue days	As at 31 December 2022			Total
	Within 1 month	1 to 3 months	Over 3 months	
Corporate loans and advances	6,182,131	16,932,674	–	23,114,805
Personal loans	1,508,201	1,537,732	–	3,045,933
Total	7,690,332	18,470,406	–	26,160,738

As at 31 December 2023, the fair value of collateral that the Group holds relating to corporate loans which are past due but not impaired amounted to RMB29,377,063 thousand (31 December 2022: RMB28,999,505 thousand), and the fair value of collateral that the Group holds relating to personal loans which are past due but not impaired amounted to RMB2,734,124 thousand (31 December 2022: RMB2,755,708 thousand).

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iv) Loans and advances to customers (Continued)

Impaired

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

	As at 31 December	
	2023	2022
Corporate loans and advances	16,822,720	15,792,364
Personal loans	13,277,904	11,741,096
Total	30,100,624	27,533,460

As at 31 December 2023, the fair value of collateral that the Group holds relating to loans individually determined to be impaired amounted to RMB29,813,755 thousand (As at 31 December 2022: RMB26,922,043 thousand). The collateral mainly consists of land, buildings, equipment and others.

Loans and advances rescheduled

Loans and advances rescheduled represent the loans and advances whose original contract repayment terms have been modified as a result of the deterioration of borrowers' financial conditions or inability to repay the loans and advances according to contractual terms. Forms of loans and advances rescheduled include deferral of payments, borrowing for repayment, deduction of interest or part of the principal, modification of the repayment method, improvement of collateral, changing the type of guarantee, etc. As at 31 December 2023, the gross value of the loans and advances rescheduled held by the Group amounted to RMB17,754 million (31 December 2022: RMB16,201 million).

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

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

(v) *Finance lease receivables*

	As at 31 December	
	2023	2022
Finance lease receivables, net		
Neither past due nor impaired	21,935,983	20,356,468
Past due but not impaired	1,517,944	1,091,570
Impaired	324,595	296,850
Subtotal	23,778,522	21,744,888
Less: Allowance for impairment losses	(1,006,907)	(928,022)
Net balance	22,771,615	20,816,866

(vi) *Financial assets*

The following tables represent an analysis of the carrying value of financial assets by credit or issuer rating and credit risk characteristic:

Financial assets at fair value through other comprehensive income

	As at 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
AAA	19,955,470	–	–	19,955,470
AA – to AA+	8,608,695	–	–	8,608,695
A+ or below	–	–	–	–
Unrated	53,226,378	–	–	53,226,378
Total	81,790,543	–	–	81,790,543

	As at 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
AAA	13,356,112	–	–	13,356,112
AA – to AA+	13,771,702	–	–	13,771,702
A+ or below	–	–	150,000	150,000
Unrated	25,448,826	–	–	25,448,826
Total	52,576,640	–	150,000	52,726,640

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(vi) Financial assets (Continued)

Financial assets at amortised cost

	As at 31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
AAA	40,548,843	–	–	40,548,843
AA – to AA+	35,508,391	–	–	35,508,391
A+ or below	315,637	–	–	315,637
Unrated	74,647,373	–	28,046,645	102,694,018
Total	151,020,244	–	28,046,645	179,066,889
Less: Allowance for impairment losses	(593,183)	–	(6,379,381)	(6,972,564)
Net balance	150,427,061	–	21,667,264	172,094,325

	As at 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
AAA	26,586,267	–	–	26,586,267
AA – to AA+	13,063,883	–	–	13,063,883
A+ or below	3,379,428	–	–	3,379,428
Unrated	90,958,159	9,570,510	11,816,110	112,344,779
Total	133,987,737	9,570,510	11,816,110	155,374,357
Less: Allowance for impairment losses	(788,574)	(804,663)	(4,545,776)	(6,139,013)
Net balance	133,199,163	8,765,847	7,270,334	149,235,344

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk

Liquidity risk is the risk that capital will not be sufficient or funds will not be raised at reasonable cost in a timely manner for the repayment of debts. This may arise from mismatches of amount or maturity between assets and liabilities.

The Group manages its liquidity risk through the Asset and Liability Management Department and aims at:

- optimising the structure of assets and liabilities;
- maintaining the stability of the deposit base;
- projecting cash flows and evaluating the level of current assets; and
- in terms of liquidity of the branches, maintaining an efficient internal fund transfer mechanism.

The Group expected the remaining maturity of their financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

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(Amount in thousands of RMB, unless otherwise stated)**50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)****(b) Liquidity risk (Continued)**(i) *Analysis of the remaining maturity of the financial assets and financial liabilities is set out below:*

31 December 2023	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with the central bank and other financial institutions	-	21,018,672	-	-	-	-	-	42,854,736	63,873,408
Due from banks and other financial institutions and reverse repurchase agreements	-	5,286,032	24,997,209	6,311,103	15,218,302	-	-	-	51,812,646
Loans and advances to customers	45,307,465	-	2,970,682	20,822,447	78,125,398	107,685,601	53,527,281	-	308,438,874
Derivative financial assets	-	-	70,136	126,302	503,739	-	-	-	700,177
Financial investments	20,530,224	53,018,355	978,579	5,920,614	40,897,715	127,880,613	90,083,650	5,649,310	344,959,060
Finance lease receivables	426,932	-	1,308,497	1,692,162	7,198,513	12,145,511	-	-	22,771,615
Other financial assets	174,585	729,054	51,718	41,038	123,079	147,741	34,479	-	1,301,694
Total financial assets	66,439,206	80,052,113	30,376,821	34,913,666	142,066,746	247,859,466	143,645,410	48,504,046	793,857,474
Financial liabilities:									
Due to the central bank	-	-	2,120	49,415	3,359,118	-	-	-	3,410,653
Borrowings from banks and other financial institutions	-	-	2,771,538	9,950,862	9,114,337	504,084	-	-	22,340,821
Due to banks and other financial institutions and reverse repurchase agreements	-	2,295,374	10,521,341	3,275,237	18,887,383	-	-	-	34,979,335
Derivative financial liabilities	-	-	70,136	144,696	519,816	-	-	-	734,648
Due to customers	-	167,064,839	35,466,884	42,209,729	147,017,906	265,166,594	62,716	-	656,988,668
Debt securities issued	-	-	4,126,683	6,843,959	12,755,692	-	-	-	23,726,334
Other financial liabilities	-	808,276	721,208	441,078	973,083	2,349,193	302,106	-	5,594,944
Total financial liabilities	-	170,168,489	53,679,910	62,914,976	192,627,335	268,019,871	364,822	-	747,775,403
Net position	66,439,206	(90,116,376)	(23,303,089)	(28,001,310)	(50,560,589)	(20,160,405)	143,280,588	48,504,046	46,082,071

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

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

31 December 2022	Overdue	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Undated	Total
Financial assets:									
Cash and balances with the central bank	-	38,181,704	-	-	-	-	-	38,593,810	76,775,514
Due from banks and other financial institutions and reverse repurchase agreements	-	11,147,439	8,069,426	501,312	7,134,834	-	-	-	26,853,011
Loans and advances to customers	41,750,035	-	17,317,914	10,182,375	77,235,114	74,889,453	50,409,930	-	271,784,821
Derivative financial assets	-	-	69,514	138,138	728,808	-	-	-	936,460
Financial investments	21,115,852	25,187,379	2,010,613	4,476,920	39,941,118	109,810,999	69,333,792	19,951,039	291,827,712
Finance lease receivables	374,962	-	922,098	1,683,241	6,938,884	10,871,832	25,849	-	20,816,866
Other financial assets	458,032	2,739,587	184,198	132,521	338,163	473,110	131,043	-	4,456,654
Total financial assets	63,698,881	77,256,109	28,573,763	17,114,507	132,316,921	196,045,394	119,900,614	58,544,849	693,451,038
Financial liabilities:									
Due to the central bank	-	-	1,108,269	718,558	1,141,967	-	-	-	2,968,794
Borrowings from banks and other financial institutions	-	-	3,396,510	5,093,522	5,394,283	521,120	-	-	14,405,435
Due to banks and other financial institutions and repurchase agreements	-	1,872,773	3,407,877	6,082,016	18,893,617	-	-	-	30,256,283
Derivative financial liabilities	-	-	69,514	138,138	815,490	-	-	-	1,023,142
Due to customers	-	140,674,206	42,069,989	50,848,240	139,247,660	192,746,379	722	-	565,587,196
Debt securities issued	-	-	5,289,899	8,422,769	14,857,232	-	-	-	28,569,900
Other financial liabilities	-	434,414	554,509	291,023	1,239,505	2,310,710	274,664	-	5,104,825
Total financial liabilities	-	142,981,393	55,896,567	71,594,266	181,589,754	195,578,209	275,386	-	647,915,575
Net position	63,698,881	(65,725,284)	(27,322,804)	(54,479,759)	(49,272,833)	467,185	119,625,228	58,544,849	45,535,463

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

(ii) Maturity analysis of contractual undiscounted cash flows

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

31 December 2023	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	21,018,672	-	-	-	-	-	42,854,736	63,873,408
Due from banks and other financial institutions and reverse repurchase agreements	5,286,032	25,040,355	6,322,563	15,638,623	-	-	-	52,287,573
Loans and advances to customers	-	3,013,729	21,213,138	82,393,416	125,381,234	89,604,551	45,307,465	366,913,533
Financial investments	53,018,355	1,269,791	6,741,857	48,301,284	149,650,765	109,843,291	26,939,122	395,764,465
Finance lease receivables	-	1,485,140	1,920,600	8,170,296	13,785,127	-	484,566	25,845,729
Other financial assets	729,054	51,718	41,038	123,079	147,741	34,479	174,585	1,301,694
Total financial assets	80,052,113	30,860,733	36,239,196	154,626,698	288,964,867	199,482,321	115,760,474	905,986,402

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

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

31 December 2023	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	-	2,122	49,557	3,401,682	-	-	-	3,453,361
Borrowings from banks and other financial institutions	-	2,782,983	10,058,841	9,326,122	536,595	-	-	22,704,541
Due to banks and other financial institutions and repurchase agreements	2,295,374	10,963,238	3,387,993	20,287,279	-	-	-	36,933,884
Due to customers	167,064,839	36,457,428	51,711,198	151,713,387	274,908,756	67,027	-	681,922,635
Debt securities issued	-	4,126,683	6,843,959	12,755,692	-	-	-	23,726,334
Other financial liabilities	808,276	723,263	462,531	1,001,109	2,459,187	344,051	-	5,798,417
Total financial liabilities	170,168,489	55,055,717	72,514,079	198,485,271	277,904,538	411,078	-	774,539,172
Net position	(90,116,376)	(24,194,984)	(36,274,883)	(43,858,573)	11,060,329	199,071,243	115,760,474	131,447,230
Derivative cash flows								
Derivative financial instruments settled on a gross basis	-	70,168	126,573	506,774	-	-	-	703,515
Total inflow	-	(70,168)	(126,573)	(506,774)	-	-	-	(703,515)
Credit commitments	111,554	1,113,582	3,201,843	6,033,451	141,720	-	20,502,570	31,104,720

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

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

31 December 2022	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Overdue/ Undated	Total
Non-derivative cash flows								
Financial assets:								
Cash and balances with the central bank	38,181,704	-	-	-	-	-	38,593,810	76,775,514
Due from banks and other financial institutions and reverse repurchase agreements	11,147,439	8,074,310	519,792	7,336,308	-	-	-	27,077,849
Loans and advances to customers	-	17,411,439	10,332,104	81,614,902	88,700,856	84,989,056	49,968,736	333,017,093
Financial investments	25,047,693	2,196,951	5,133,655	44,756,280	128,966,310	84,656,611	41,789,844	332,547,344
Finance lease receivables	-	1,043,800	1,905,397	7,854,690	12,306,716	29,261	424,450	23,564,314
Other financial assets	2,739,587	184,198	132,521	338,163	473,110	131,043	458,032	4,456,654
Total financial assets	77,116,423	28,910,698	18,023,469	141,900,343	230,446,992	169,805,971	131,234,872	797,438,768

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

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

31 December 2022	Repayable on demand	Less than one month	One to three months	Three months to one year	One to five years	More than five years	Overdue/ Undated	Total
Non-derivative cash flows (Continued)								
Financial liabilities:								
Due to the central bank	-	1,108,913	719,188	1,148,642	-	-	-	2,976,743
Borrowings from banks and other financial institutions	-	3,408,265	5,146,212	5,520,423	562,431	-	-	14,637,331
Due to banks and other financial institutions and repurchase agreements	1,956,291	3,596,615	6,452,768	18,927,395	-	-	-	30,933,069
Due to customers	140,674,205	42,104,676	51,140,232	142,117,037	209,846,035	861	-	585,883,046
Debt securities issued	-	5,300,000	8,470,000	15,150,000	-	-	-	28,920,000
Other financial liabilities	434,414	561,299	306,873	1,278,720	2,329,260	228,555	-	5,139,121
Total financial liabilities	143,064,910	56,079,768	72,235,273	184,142,217	212,737,726	229,416	-	668,489,310
Net position	(65,948,487)	(27,169,070)	(54,211,804)	(42,241,874)	17,709,266	169,576,555	131,234,872	128,949,458
Derivative cash flows								
Derivative financial instruments settled on a gross basis								
Total inflow	-	69,544	138,361	2,872,034	-	-	-	3,079,939
Total outflow	-	(69,544)	(138,361)	(2,897,742)	-	-	-	(3,105,647)
Credit commitments	15,433,851	26,000	3,113,643	9,469,469	61	17,473,976	-	45,517,000

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk

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

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

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

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

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

(i) Currency risk

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

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

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

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

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

Currency	Change in rate	Effect on profit before tax	
		As at 31 December	
		2023	2022
USD	-1%	(38,474)	(38,973)
HKD	-1%	(609)	221
RUB	-1%	(67)	(77)

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

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(Amount in thousands of RMB, unless otherwise stated)**50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)****(c) Market risk (Continued)****(i) Currency risk (Continued)**

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

31 December 2023	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	63,846,240	9,939	1,020	13,674	2,535	63,873,408
Due from banks and other financial institutions and reverse repurchase agreements	50,294,496	1,138,283	13,244	49,567	317,056	51,812,646
Loans and advances to customers	308,429,833	4,689	-	-	4,352	308,438,874
Derivative financial assets	-	700,177	-	-	-	700,177
Financial investments	342,031,459	2,927,601	-	-	-	344,959,060
Finance lease receivables	22,771,615	-	-	-	-	22,771,615
Other financial assets	1,300,549	1,056	-	89	-	1,301,694
Total financial assets	788,674,192	4,781,745	14,264	63,330	323,943	793,857,474
Financial liabilities:						
Due to the central bank	3,410,653	-	-	-	-	3,410,653
Borrowings from banks and other financial institutions	22,340,821	-	-	-	-	22,340,821
Due to banks and other financial institutions and repurchase agreements	34,944,119	2,250	-	32,966	-	34,979,335
Derivative financial liabilities	-	734,648	-	-	-	734,648
Due to customers	656,636,322	60,451	627	2,063	289,205	656,988,668
Debt securities issued	23,726,334	-	-	-	-	23,726,334
Other financial liabilities	5,558,004	15	36,925	-	-	5,594,944
Total financial liabilities	746,616,253	797,364	37,552	35,029	289,205	747,775,403
Net position	42,057,939	3,984,381	(23,288)	28,301	34,738	46,082,071
Credit commitments	31,021,738	81,982	-	-	-	31,103,720

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(i) Currency risk (Continued)

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

31 December 2022	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	RUB (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Financial assets:						
Cash and balances with the central bank	76,719,981	22,219	712	31,069	1,533	76,775,514
Due from banks and other financial institutions and reverse repurchase agreements	26,015,072	580,544	15,204	37,113	205,078	26,853,011
Loans and advances to customers	271,673,814	86,437	-	-	24,570	271,784,821
Derivative financial assets	-	936,460	-	-	-	936,460
Financial investments	288,355,169	3,472,543	-	-	-	291,827,712
Finance lease receivables	20,816,866	-	-	-	-	20,816,866
Other financial assets	4,455,196	1,353	-	105	-	4,456,654
Total financial assets	688,036,098	5,099,556	15,916	68,287	231,181	693,451,038
Financial liabilities:						
Due to the central bank	2,968,794	-	-	-	-	2,968,794
Borrowings from banks and other financial institutions	14,405,435	-	-	-	-	14,405,435
Due to banks and other financial institutions and repurchase agreements	30,148,551	81,387	-	26,345	-	30,256,283
Derivative financial liabilities	-	1,023,142	-	-	-	1,023,142
Due to customers	565,283,235	85,287	967	3,193	214,514	565,587,196
Debt securities issued	28,569,900	-	-	-	-	28,569,900
Other financial liabilities	5,068,315	113	36,397	-	-	5,104,825
Total financial liabilities	646,444,230	1,189,929	37,364	29,538	214,514	647,915,575
Net position	41,591,868	3,909,627	(21,448)	38,749	16,667	45,535,463
Credit commitments	44,922,253	594,288	-	-	459	45,517,000

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk

The Group's bank account interest rate risk mainly arises from the mismatches of the repricing dates between interest-generating assets and interest-bearing liabilities. The Group's interest-generating assets and interest-bearing liabilities are mainly denominated in RMB. The PBOC establishes interest rate policy for RMB which includes a cap for RMB deposit rates and a floor for RMB loan rates.

The Group manages its interest rate risk by:

- regularly monitoring the macroeconomic factors that may have an impact on the PBOC benchmark interest rates;
- optimising the differences in timing between contractual repricing (maturities) of interest-generating assets and interest-bearing liabilities; and
- managing the deviation of the pricing of interest-generating assets and interest-bearing liabilities from the PBOC benchmark interest rates.

A principal part of the Group's management of interest rate risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling). The Group aims to mitigate the impact of prospective interest rate movements which could reduce future net interest income, while balancing the cost of such hedging on the current revenue.

The sensitivity of the net interest income is the effect of the assumed changes in interest rates on the net interest income, arising from the financial assets and financial liabilities held at the year end that are subject to repricing within the coming year. The sensitivity of other comprehensive income is the effect of the assumed changes in interest rates on other comprehensive income, calculated by revaluing financial assets measured at fair value through other comprehensive income held at the year end.

Interest rate risk of the Group's trading book mainly exists in transactions, including those of bonds. For the management of interest rate risk, the Group uses explicit criteria for the classification of financial assets in the trading account, re-evaluates the market value of trading account assets daily, sets trading limits, stop-loss limits and risk limitation for the purpose of limit management, and monitors and controls the limits by frequency.

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's net interest income and equity.

Change in basis points	Effect on net interest income		Effect on other comprehensive income	
	31 December		31 December	
	2023	2022	2023	2022
+ 100 basis points	(1,030,092)	(1,385,620)	(2,124,348)	(1,725,020)
- 100 basis points	1,030,092	1,385,620	2,296,316	1,903,501

The interest rate sensitivities set out in the tables above are for illustration only and are based on simplified scenarios. The figures represent the effect of the proforma movements in net interest income and other comprehensive income based on the projected yield curve scenarios and the Group's current interest rate risk profile. This effect, however, does not incorporate actions that would be taken by management to mitigate the impact of interest rate risk. The projections above also assume that interest rates of all maturities fluctuate by the same amount and, therefore, do not reflect the potential impact on net interest income and other comprehensive income in the case where some rates change while others remain unchanged.

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(Amount in thousands of RMB, unless otherwise stated)**50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)****(c) Market risk (Continued)****(ii) Interest rate risk (Continued)**

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

	Less than three months	Three months to one year	One to five years	More than five years	Non- interest- bearing	Total
31 December 2023						
Financial assets:						
Cash and balances with the central bank	62,986,431	-	-	-	886,977	63,873,408
Due from banks and other financial institutions and reverse repurchase agreements	36,551,264	15,218,302	-	-	43,080	51,812,646
Loans and advances to customers	23,651,522	77,592,603	106,463,629	53,060,567	47,670,553	308,438,874
Derivative financial assets	-	-	-	-	700,177	700,177
Financial investments	59,567,246	39,259,881	130,189,080	89,232,837	26,710,016	344,959,060
Finance lease receivables	2,999,895	7,196,680	12,142,418	-	432,622	22,771,615
Other financial assets	-	-	-	-	1,301,694	1,301,694
Total financial assets	185,756,358	139,267,466	248,795,127	142,293,404	77,745,119	793,857,474
Financial liabilities:						
Due to the central bank	51,284	3,357,494	-	-	1,875	3,410,653
Borrowings from banks and other financial institutions	12,399,212	9,013,420	494,288	-	433,901	22,340,821
Due to banks and other financial institutions and repurchase agreements	16,023,024	18,731,167	-	-	225,144	34,979,335
Derivative financial liabilities	-	-	-	-	734,648	734,648
Due to customers	230,270,648	145,261,120	261,598,718	54,820	19,803,362	656,988,668
Debt securities issued	10,970,642	12,755,692	-	-	-	23,726,334
Other financial liabilities	129,400	482,209	1,966,492	55,906	2,960,937	5,594,944
Total financial liabilities	269,844,210	189,601,102	264,059,498	110,726	24,159,867	747,775,403
Total interest sensitivity gap	(84,087,852)	(50,333,636)	(15,264,371)	142,182,678	N/A	N/A

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

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

31 December 2022	Less than three months	Three months to one year	One to five years	More than five years	Non-interest- bearing	Total
Financial assets:						
Cash and balances with the central bank	75,742,531	-	-	-	1,032,983	76,775,514
Due from banks and other financial institutions and reverse repurchase agreements	19,699,086	7,134,834	-	-	19,091	26,853,011
Loans and advances to customers	27,204,572	76,671,694	73,995,059	49,966,736	43,946,760	271,784,821
Derivative financial assets	-	-	-	-	936,460	936,460
Financial investments	5,888,849	37,567,935	109,708,728	69,264,041	69,398,159	291,827,712
Finance lease receivables	2,598,170	6,919,786	10,841,910	25,778	431,222	20,816,866
Other financial assets	-	-	-	-	4,456,654	4,456,654
Total financial assets	131,133,208	128,294,249	194,545,697	119,256,555	120,221,329	693,451,038
Financial liabilities:						
Due to the central bank	1,825,060	1,141,967	-	-	1,767	2,968,794
Borrowings from banks and other financial institutions	8,354,155	5,329,820	520,568	-	200,892	14,405,435
Due to banks and other financial institutions and repurchase agreements	11,039,664	18,820,984	-	-	395,635	30,256,283
Derivative financial liabilities	-	-	-	-	1,023,142	1,023,142
Due to customers	225,831,080	139,247,660	192,746,379	722	7,761,355	565,587,196
Debt securities issued	13,712,668	14,857,232	-	-	-	28,569,900
Other financial liabilities	13,168	42,224	264,259	131,238	4,653,936	5,104,825
Total financial liabilities	260,775,795	179,439,887	193,531,206	131,960	14,036,727	647,915,575
Total interest sensitivity gap	(129,642,587)	(51,145,638)	1,014,491	119,124,595	N/A	N/A

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(d) Capital management

The Group's objectives on capital management are:

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

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

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

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

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

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50. FINANCIAL INSTRUMENT RISK MANAGEMENT (Continued)

(d) Capital management (Continued)

	As at 31 December	
	2023	2022
Core capital		
Qualified part of share capital	10,995,600	10,995,600
Qualified part of capital reserves	7,657,284	7,657,284
Surplus reserve and general reserves	12,186,522	11,800,668
Undistributed profits	18,760,522	18,971,130
Qualified part of non-controlling interests	1,082,512	906,718
Other comprehensive income	305,322	50,810
Core tier 1 capital deductible items:		
Fully deductible items	(912,238)	(473,909)
Net core tier 1 capital	50,075,524	49,908,301
Net other tier 1 capital	21,843,342	11,819,903
Net tier 1 capital	71,918,866	61,728,204
Net tier 2 capital	7,057,053	7,051,161
Net capital	78,975,919	68,779,365
Total risk-weighted assets	576,068,147	577,632,754
Core tier 1 capital adequacy ratio	8.69%	8.64%
Tier 1 capital adequacy ratio	12.48%	10.69%
Capital adequacy ratio	13.71%	11.91%

51. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Financial assets and liabilities measured at fair value

The Group uses the following hierarchy for the determination and disclosure of the fair value of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

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

31 December 2023	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value</u>				
Derivative financial assets	–	700,177	–	700,177
Financial assets at fair value				
through profit or loss				
– Debt securities	–	1,827,713	92,124	1,919,837
– Funds	–	38,452,499	–	38,452,499
– Trust investments and asset management plans	–	34,075,906	10,955,343	45,031,249
– Equity instruments	9,525	–	298,180	307,705
Subtotal	9,525	74,356,118	11,345,647	85,711,290
Financial assets at fair value through				
other comprehensive income				
– Debt securities	–	80,942,283	–	80,942,283
– Equity instruments	49,935	49,291	5,115,785	5,215,011
Subtotal	49,935	80,991,574	5,115,785	86,157,294
Loan and advance measured at				
fair value through other				
comprehensive income				
– Discounted bills	–	20,626,955	–	20,626,955
Total	59,460	176,674,824	16,461,432	193,195,716
<u>Financial liabilities measured</u>				
at fair value				
Derivative financial liabilities	–	734,648	–	734,648

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

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

31 December 2022	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value</u>				
Derivative financial assets	–	936,460	–	936,460
Financial assets at fair value through profit or loss				
– Debt securities	–	2,688,131	92,124	2,780,255
– Funds	–	25,047,692	–	25,047,692
– Trust investments and asset management plans	–	40,546,712	13,822,495	54,369,207
– Equity instruments	9,525	–	327,770	337,295
Subtotal	9,525	68,282,535	14,242,389	82,534,449
Financial assets at fair value through other comprehensive income				
– Debt securities	–	52,003,687	–	52,003,687
– Equity instruments	71,922	47,350	7,041,931	7,161,203
Subtotal	71,922	52,051,037	7,041,931	59,164,890
Loan and advance measured at fair value through other comprehensive income				
– Discounted bills	–	6,011,014	–	6,011,014
Total	81,447	127,281,046	21,284,320	148,646,813
<u>Financial liabilities measured at fair value</u>				
Derivative financial liabilities	–	1,023,142	–	1,023,142

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

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

During the year ended 31 December 2023, there is no significant transfer among each level (During the year ended 31 December 2022: Nil).

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods are adopted to determine the fair values of these assets and liabilities.

The financial instruments classified as Level 2 by the Group are mainly debt investment, derivative financial instruments and discounted bills measured at fair value through other comprehensive income. For debt securities, the fair values of these bonds are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd; For derivative financial instruments, the fair values are determined based on discounted cash flow and other valuation methods; For discounted bills, the fair values are determined based on discounted cash flow. The determination are based on a valuation technique for which all significant inputs are observable market data.

The financial instruments classified as Level 3 by the Group are mainly unlisted equity instruments and trust fund plans and asset management. The valuation methods used are mainly market method and discounted cash flow method, and the unobservable parameters involved are mainly net assets, discount rate, liquidity discount, etc.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other financial institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

As at 31 December 2023 and 31 December 2022, the Group and the Bank had no assets or liabilities measured at fair value that were discontinued.

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51. 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:

	2023	
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
As at 1 January	14,242,389	7,041,931
Additions	–	392,891
Disposals/transfers	(2,590,804)	(2,221,035)
Loss through profit or loss	(305,938)	–
Loss through other comprehensive income	–	(98,002)
As at 31 December	11,345,647	5,115,785

	2022	
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income
As at 1 January	2,341,854	7,239,874
Additions	12,837,977	86,744
Disposals/transfers	(753,117)	(190,018)
Loss through profit or loss	(184,325)	–
Loss through other comprehensive income	–	(94,669)
As at 31 December	14,242,389	7,041,931

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51. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Financial assets and liabilities not measured at fair value

Financial assets and financial liabilities not measured at fair value in the balance sheet mainly include: Balances with the central bank, Due from banks and other financial institutions, Reverse repurchase agreements, Loans and advances to customers measured at amortised cost, Investment in debt securities measured at amortised cost, Due to the central bank, Borrowings from banks and other Financial institutions, Repurchase agreements, Due to customers, Financial bonds payables, etc.

For debt securities measured at amortised cost and financial bonds payable not reflected or disclosed at fair value, the following table sets forth their book value and fair value:

	As at 31 December 2023		As at 31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at amortised cost	168,603,742	177,695,014	146,908,243	158,465,028
Financial liabilities				
Debt securities issued	23,726,334	23,743,553	28,569,900	28,353,857

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

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52. SUBSEQUENT EVENTS

- I. As approved at the 21st meeting of the 8th session of Board of Directors held on 27 March 2024, the profit distribution plan of 2023 was as follows:
 1. 10% of 2023 net profit amounting to RMB36,177 thousand is appropriated to the statutory surplus reserve;
 2. Withdrawal of general and regulatory reserves of RMB898,064 thousand; and
 3. The bank proposed not to distribute any dividend for the year ended 31 December 2023.

The above profit distribution plan will be processed after the approval by shareholders in annual general meeting.

Except for the above, there were no significant events after the reporting period.

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(Amount in thousands of RMB, unless otherwise stated)**53. STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY OF THE BANK****(a) Statement of financial position of the Bank**

	As at 31 December	
	2023	2022
ASSETS		
Cash and balances with the central bank	61,484,724	74,592,485
Due from banks and other financial institutions	41,313,714	39,672,322
Reverse repurchase agreements	19,946,430	1,000,750
Loans and advances to customers	276,510,185	245,035,918
Derivative financial assets	700,177	936,460
Financial investments	344,953,066	291,827,712
– financial assets at fair value through profit or loss	85,853,187	82,704,525
– financial assets at fair value through other comprehensive income	87,005,554	59,887,843
– financial assets at amortised cost	172,094,325	149,235,344
Investments in subsidiaries	5,023,399	5,032,420
Property and equipment	7,657,633	8,014,150
Deferred income tax assets	4,874,957	4,200,729
Other assets	6,411,188	9,773,588
TOTAL ASSETS	768,875,473	680,086,534
LIABILITIES		
Due to the central bank	2,941,867	2,376,839
Borrowings from banks and other financial institutions	33,947,238	38,475,412
Derivative financial liabilities	734,648	1,023,142
Repurchase agreements	10,218,380	3,003,201
Due to customers	634,796,987	543,732,843
Income tax payable	112,621	350,286
Debt securities issued	23,401,584	28,569,900
Other liabilities	3,703,719	3,383,794
TOTAL LIABILITIES	709,857,044	620,915,417
EQUITY		
Share capital	10,995,600	10,995,600
Other equity instruments	11,699,007	11,699,007
Capital reserves	7,435,133	7,639,362
Other comprehensive income	305,322	50,810
Surplus reserves	3,956,250	3,920,073
General and regulatory reserves	7,445,737	7,131,754
Undistributed profits	17,181,380	17,734,511
TOTAL EQUITY	59,018,429	59,171,117
TOTAL EQUITY AND LIABILITIES	768,875,473	680,086,534

DENG Xinquan

Chairman

YAO Chunhe

President

YANG DazhiAssistant to the
President
(in Charge of Finance)**DONG Kai**General Manager of
Finance and Accounting
Department

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

(b) Statement of changes in equity of the Bank

	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserves	General and regulatory reserves	Undistributed profits	Total
Balance as at 1 January 2023	10,995,600	11,699,007	7,639,362	50,810	3,920,073	7,131,754	17,794,511	59,171,117
Movements during the year								
Total comprehensive income	-	-	(204,229)	254,512	36,177	313,983	(553,131)	(152,688)
Issuance of perpetual bonds	-	-	-	257,365	-	-	361,776	619,141
Profit distribution	-	-	-	-	-	-	-	-
1. Appropriation to surplus reserves	-	-	-	-	36,177	313,983	(350,160)	-
2. Appropriation to general and regulatory reserves	-	-	-	-	36,177	-	(36,177)	-
3. Distribution to shareholders	-	-	-	-	-	313,983	(313,983)	-
Distribution of interests of perpetual bonds	-	-	-	-	-	-	-	-
Transfer of loss on disposal of financial asset at fair value through other comprehensive income to retained earnings	-	-	-	(2,853)	-	-	2,853	-
Other	-	-	(204,229)	-	-	-	-	(204,229)
Balance as at 31 December 2023	10,995,600	11,699,007	7,435,133	305,322	3,956,250	7,445,737	17,181,380	59,018,429

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

(b) Statement of changes in equity of the Bank (Continued)

	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserves	General and regulatory reserves	Undistributed profits	Total
Balance as at 1 January 2022	10,995,600	10,999,290	7,639,362	378,929	3,903,227	6,922,570	18,334,283	59,173,261
Movements during the year								
Total comprehensive income	-	699,717	-	(328,119)	16,846	209,184	(599,772)	(2,144)
Issuance of perpetual bonds	-	-	-	(336,319)	-	-	168,458	(167,861)
Profit distribution	-	699,717	-	-	-	-	699,717	699,717
1. Appropriation to surplus reserves	-	-	-	-	16,846	209,184	(226,030)	-
2. Appropriation to general and regulatory reserves	-	-	-	-	16,846	-	(16,846)	-
3. Distribution to shareholders	-	-	-	-	-	209,184	(209,184)	-
Distribution of interests of perpetual bonds	-	-	-	-	-	-	-	-
Transfer of loss on disposal of financial asset at fair value through other comprehensive income to retained earnings	-	-	-	8,200	-	-	(8,200)	(534,000)
Balance as at 31 December 2022	10,995,600	11,699,007	7,639,362	50,810	3,920,073	7,131,754	17,734,511	59,171,117

54. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2024.

Unaudited Supplementary Financial Information

For the year ended 31 December 2023
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In accordance with the Hong Kong Listing Rules and the Banking (Disclosure) Rules, the Group discloses the unaudited supplementary financial information as follows:

(A) LIQUIDITY RATIO

	As at 31 December	
	2023	2022
RMB current assets to RMB current liabilities	116.58%	97.97%
Foreign currency current assets to foreign currency current liabilities	407.87%	257.92%

These liquidity ratios are calculated based on relevant regulations provided by the former China Banking and Insurance Regulatory Commission and Chinese accounting policies.

(B) CURRENCY CONCENTRATIONS

	USD	HKD	RUB	Others	Total
31 December 2023					
Spot assets	4,091,397	37,534	–	386,675	4,515,606
Spot liabilities	(3,536,122)	(37,565)	–	(386,018)	(3,959,705)
Forward purchases	–	–	–	–	–
Forward sales	(2,018,570)	–	–	–	(2,018,570)
Net long/(short) position	(1,463,295)	(31)	–	657	(1,462,669)
31 December 2022					
Spot assets	4,169,539	37,352	–	301,001	4,507,892
Spot liabilities	(3,805,467)	(37,364)	–	(301,222)	(4,144,053)
Forward purchases	17,467	–	–	6,124	23,591
Forward sales	(2,226,478)	–	–	–	(2,226,478)
Net long/(short) position	(1,844,939)	(12)	–	5,903	(1,839,048)

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(C) INTERNATIONAL CLAIMS

The Group discloses international claims according to Banking (Disclosure) Rules (L.N. 160 of 2014). International claims are risk exposures generated from the countries or geographical areas where the counterparties take the ultimate risk while considering the transfer of the risk, excluding local claims on local residents in local currency. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a counterparty whose head office is located in another country.

International claims are included in Due from banks and other financial institutions.

International claims have been disclosed by major country or geographical area. A country or geographical area is reported when the claims from the country or area constitute 10% or more of the aggregate amount of international claims, after taking into account risk transfers.

	Banks	Others	Total
31 December 2023			
Asia Pacific excluding Mainland China	80,963	–	80,963
– of which attributed to Hong Kong	21,942	–	21,942
Europe	273,584	–	273,584
North America	634,354	–	634,354
Total	988,901	–	988,901
31 December 2022			
Asia Pacific excluding Mainland China	2,007,117	–	2,007,117
– of which attributed to Hong Kong	1,717,318	–	1,717,318
Europe	136,325	–	136,325
North America	201,326	–	201,326
Total	2,344,768	–	2,344,768

Unaudited Supplementary Financial Information

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(D) LOANS AND ADVANCES TO CUSTOMERS

(i) Overdue loans and advances to customers:

Overdue days	31 December 2023				Total
	Within 90 days	91 days to 1 year	1 to 5 years	Over 5 years	
Unsecured loans	1,356,407	1,762,351	6,345,636	124,606	9,589,000
Guaranteed loans	4,925,845	477,898	5,362,388	1,177,587	11,943,718
Loans secured by mortgages	11,068,861	1,771,203	10,451,140	1,330,734	24,621,938
Pledged loans	124,138	39,690	1,465,166	420	1,629,414
Total	17,475,251	4,051,142	23,624,330	2,633,347	47,784,070

Overdue days	31 December 2022				Total
	Within 90 days	91 days to 1 year	1 to 5 years	Over 5 years	
Unsecured loans	1,374,570	2,688,645	4,589,176	136,913	8,789,304
Guaranteed loans	8,691,986	2,173,704	5,394,155	10,328	16,270,173
Loans secured by mortgages	16,145,235	2,867,088	7,701,650	345,330	27,059,303
Pledged loans	71,901	1,040,761	431,814	173	1,544,649
Total	26,283,692	8,770,198	18,116,795	492,744	53,663,429

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

	As at 31 December	
	2023	2022
Heilongjiang region	16,644,210	22,358,405
Northeastern China excluding Heilongjiang	11,791,977	10,496,037
Southwestern China	8,666,683	8,560,131
Other regions	10,681,200	12,248,856
Total	47,784,070	53,663,429

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

As at 31 December 2023, there were no overdue amounts due from banks and other financial institutions in respect of principal or interest (31 December 2022: Nil).

(F) OVERDUE PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

As at 31 December 2023, there were no overdue placements with banks and other financial institutions in respect of principal or interest (31 December 2022: 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. As at 31 December 2023, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals.

Documents for Inspection

- I. Financial Statements with Signature and Seal of Legal Representative, Person in Charge of Accounting Work and Person in Charge of Accounting Firms
- II. Original Audit Report with Accounting Firms' Seals and Certified Public Accountants' Signatures and Seals
- III. Text of Annual Report Autographed by Directors of the Company
- IV. Articles of Association of the Company