BQD 青岛银行

Bank of Qingdao Co., Ltd.*
青島銀行股份有限公司*

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

(H Shares Stock Code: 3866)
(Preference Shares Stock Code: 4611)

Announcement of Interim Results for the Six Months Ended 30 June 2022

The board of directors (the "**Board**") of Bank of Qingdao Co., Ltd. (the "**Bank**" or "**Bank of Qingdao**") is pleased to announce the unaudited interim results (the "**Interim Results**") of the Bank and its subsidiaries (the "**Company**") for the six months ended 30 June 2022 (the "**Reporting Period**") prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**"), and compliance with International Accounting Standard 34, Interim Financial Reporting, issued by the International Accounting Standards Board. The Board and its Audit Committee have reviewed and confirmed the Interim Results.

Unless otherwise specified, the currency of the amounts mentioned in this results announcement is Renminbi.

1. CORPORATE BASIC INFORMATION

1.1 Corporate Basic Information

Legal name in Chinese:	青島銀行股份有限公司 (Abbreviation: 青島銀行)
Legal name in English:	BANK OF QINGDAO CO., LTD. (Abbreviation: BANK OF QINGDAO)
Legal representative:	Jing Zailun
Authorized representatives:	Jing Zailun, Zhang Qiaowen

Class of Shares	Stock Abbreviation	Stock Code	Listing Exchange
A Shares	BQD	002948	Shenzhen Stock Exchange
H Shares	BQD	3866	The Stock Exchange of Hong Kong Limited
Offshore preference shares	BQD 17USDPREF	4611	The Stock Exchange of Hong Kong Limited

1.2 Contact Persons and Contact Details

Secretary to the Board:	Zhang Qiaowen[Note]
Joint company secretaries:	Zhang Qiaowen, Yu Wing Sze
Registered and office address:	Building 3, No. 6, Qinling Road, Laoshan District, Qingdao, Shandong Province, China Postal code: 266061
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Company website:	http://www.qdccb.com/

Note: The Bank held the 17th meeting of the eighth session of the Board on 8 August 2022, at which it has agreed to appoint Ms. Zhang Qiaowen, the assistant president of the Bank, as the secretary to the Board. Ms. Zhang shall officially perform her duties from the date of obtaining the qualification certificate of secretary to the Board from the Shenzhen Stock Exchange and the approval of her qualification by the Qingdao Office of the China Banking and Insurance Regulatory Commission. Mr. Jing Zailun, the chairman of the Bank, shall temporarily perform the duties of the secretary to the Board before Ms. Zhang Qiaowen officially takes office.

2. FINANCIAL HIGHLIGHTS

The financial information and indicators set out in this announcement which have been prepared in accordance with the International Financial Reporting Standards and the relevant provisions are consolidated information of the Company unless otherwise specified.

Item	**January to June 2022**	January to June 2021	**Year-on-year change**
Business performance (RMB' 000)			**Change (%)**
Net interest income	**3,974,750**	3,908,157	1.70
Net non-interest income	**2,236,590**	1,418,893	57.63
Operating income	**6,211,340**	5,327,050	16.60
Operating expenses	**(1,822,459)**	(1,536,404)	18.62
Credit impairment losses	**(2,058,483)**	(1,650,058)	24.75
Profit before taxation	**2,324,371**	2,140,588	8.59
Net profit	**2,060,334**	1,832,972	12.40
Net profit attributable to shareholders of the Bank	**2,018,395**	1,797,590	12.28
Per share (RMB/share)			**Change (%)**
Basic earnings per share(1)	**0.36**	0.38	(5.26)
Diluted earnings per share(1)	**0.36**	0.38	(5.26)

Item	**30 June 2022**	31 December 2021	**Change from the end of last year**
Scale indicators (RMB' 000)			**Change (%)**
Total assets(2)	**536,409,742**	522,249,610	2.71
Loans and advances to customers:			
Total loans to customers(2)	**265,268,036**	244,205,480	8.62
Add: Accrued interest	**632,531**	829,555	(23.75)
Less: Impairment provision for loans and advances to customers measured at amortized cost	**(7,367,446)**	(6,426,337)	14.64
Loans and advances to customers	**258,533,121**	238,608,698	8.35
Provision for loan impairment	**(7,385,548)**	(6,439,606)	14.69
Of which: Impairment provision for loans and advances to customers at fair value through other comprehensive income	**(18,102)**	(13,269)	36.42
Total liabilities(2)	**497,877,643**	488,921,882	1.83
Deposits from customers:			
Total deposits from customers(2)	**330,030,436**	313,524,923	5.26
Add: Accrued interest	**5,394,351**	4,440,884	21.47
Deposits from customers	**335,424,787**	317,965,807	5.49

Item	30 June 2022	31 December 2021	Change from the end of last year
Scale indicators (RMB' 000)			**Change (%)**
Share capital	**5,820,355**	4,509,690	29.06
Equity attributable to shareholders of the Bank	**37,797,927**	32,635,495	15.82
Equity attributable to shareholders	**38,532,099**	33,327,728	15.62
Net capital base	**49,842,578**	47,075,226	5.88
Of which: Net core tier-one capital	**30,218,270**	24,910,985	21.30
Other tier-one capital	**7,931,158**	7,912,511	0.24
Tier-two capital	**11,693,150**	14,251,730	(17.95)
Total risk-weighted assets	**343,031,729**	297,412,693	15.34
Per share (RMB/share)			**Change (%)**
Net assets per share attributable to ordinary shareholders of the Bank[3]	**5.14**	5.20	(1.15)

Item	January to June 2022	January to June 2021	Year-on-year change
Profitability indicators (%)			**Change**
Return on average total asset[4] (annualized)	**0.78**	0.76	0.02
Weighted average return on net assets[1] (annualized)	**14.03**	15.38	(1.35)
Net interest spread[5] (annualized)	**1.89**	1.96	(0.07)
Net interest margin[6] (annualized)	**1.76**	1.90	(0.14)
Net fee and commission income to operating income	**13.46**	14.46	(1.00)
Cost-to-income ratio[7]	**28.13**	27.51	0.62

Item	30 June 2022	31 December 2021	Change from the end of last year
Asset quality indicators (%)			**Change**
Non-performing loan ratio	**1.33**	1.34	(0.01)
Provision coverage ratio	**209.07**	197.42	11.65
Loan provision ratio	**2.78**	2.64	0.14
Indicators of capital adequacy ratio (%)			**Change**
Core tier-one capital adequacy ratio(8)	**8.81**	8.38	0.43
Tier-one capital adequacy ratio(8)	**11.12**	11.04	0.08
Capital adequacy ratio(8)	**14.53**	15.83	(1.30)
Total equity to total assets ratio	**7.18**	6.38	0.80
Other indicators (%)			**Change**
Liquidity coverage ratio	**136.89**	179.54	(42.65)
Liquidity ratio	**84.63**	73.28	11.35

Notes:

(1) Earnings per share and weighted average return on net assets were calculated in accordance with the "Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Computation and Disclosure of Return on Net Assets and Earnings per Share" (2010 Revision) (《公開發行證券的公司信息披露編報規則第9號－淨資產收益率和每股收益的計算及披露》(2010年修訂)). The Bank completed A share and H share rights issue in January and February 2022 respectively. In accordance with the Accounting Standards for Enterprises No. 34 – Earnings per Share and the relevant application guidelines, rights issue is an offer of ordinary shares to all existing shareholders at a price lower than the prevailing market price of the shares. In fact, it can be construed as a hybrid of issuing shares at a market price and no-consideration bonus issue. The Bank recalculated the earnings per share for the period under comparison in consideration of the bonus issue factors included in the rights issue. The basic earnings per share and diluted earnings per share for the same period of 2021 before recalculation were both RMB0.40 per share. For details, please refer to "11. Basic and Diluted Earnings per Share" under "Notes to the Unaudited Interim Financial Report" in this results announcement. Basic earnings per share and weighted average return on net assets decreased year-on-year, mainly due to the significant increase in weighted average share capital and weighted average net assets after the rights issue. The Bank issued offshore preference shares in September 2017. Therefore, in calculating weighted average return on net assets, the effect from preference shares has been deducted from the "weighted average net assets".

(2) For details of the structure of total assets, total liabilities, total loans to customers and total deposits from customers, please refer to "5. Analysis of Major Items of the Statement of Financial Position in 3. Management Discussion and Analysis" of this results announcement.

(3) Net assets per share attributable to ordinary shareholders of the Bank = (equity attributable to shareholders of the Bank – other equity instruments)/the number of ordinary shares as at the end of the period. The adjusted net assets per share attributable to ordinary shareholders of the Bank as at 31 December 2021 has taken account of the bonus issue factors included in the rights issue.

(4) Return on average total assets = net profit/average balance of total assets at the beginning and at the end of the period.

(5) Net interest spread = average yield of interest-earning assets – average cost rate of interest-bearing liabilities.

(6) Net interest margin = net interest income/average balance of interest-earning assets.

(7) Cost-to-income ratio = (operating expenses – tax and surcharges)/operating income.

(8) The relevant indicators of capital adequacy ratio were calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and other relevant regulatory regulations.

3. MANAGEMENT DISCUSSION AND ANALYSIS

I. The Bank's Principal Business During the Reporting Period

The Bank, formerly known as Qingdao City Cooperative Bank and Qingdao City Commercial Bank, was established in November 1996 and is headquartered in Qingdao, Shandong Province. Having experienced several years of development, the Bank has constantly improved in terms of corporate governance, risk management and control and IT construction, and has developed distinctive features of "sound governance, attentive service, solid risk control and prominent technology". In December 2015, the Bank's H Shares were listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"); in January 2019, the Bank's A shares were listed on the Shenzhen Stock Exchange.

The Bank mainly offers several services and products such as corporate and personal deposits, loans, payment and settlement to its customers, and its development is driven by three major business segments including retail banking, corporate banking and financial markets, which have formed a strong customer base and shaped a new financial business model of distinctive and high-quality development. The Bank's business is based in Qingdao with a footprint extending to other regions of Shandong. As at the end of the Reporting Period, there were 16 branches and 172 branch offices in major cities of Shandong Province such as Jinan, Yantai and Weihai. The Bank has two subsidiaries. In February 2017, the Bank initiated the establishment of BQD Financial Leasing Company Limited ("**BQD Financial Leasing**"), which was owned as to 51% by the Bank. In September 2020, the Bank initiated the establishment of Qingyin Wealth Management Company Limited ("**Qingyin Wealth Management**"), which was wholly owned by the Bank. As at the end of the Reporting Period, the Bank had more than 4,000 employees.

As at the end of the Reporting Period, total assets of the Company amounted to RMB536.410 billion, total liabilities amounted to RMB497.878 billion, capital adequacy ratio was 14.53%, and non-performing loan ratio was 1.33%, down by 0.01 percentage point as compared with that at the end of the previous year. During the Reporting Period, the accumulated net profit was RMB2.060 billion, representing an increase of 12.40% over the same period of last year.

II. Analysis of the Core Competitiveness

Centering on the development vision of "Innovative Finance, Brilliant Banking", the Bank is firmly committed to the strategic goal of "being a technology-driven bank that offers new quality financial products with lean management and outstanding features", and its sustainable development capacity is constantly enhanced. The Bank's core competitiveness is mainly reflected in:

1. **Party construction and corporate governance complemented each other.** The Bank has always organically integrated the Party's leadership into the full process of its corporate governance and regarded the improvement of corporate governance as the foundation of the Bank and the source of its development. Strictly implementing the Rules and Procedures of Party Committee and the decision-making mechanism of "three important and one great" matters, the Bank insisted on taking the study of the Party Committee as a pre-procedure for the Board and the management to decide major issues, adhered to shareholder governance and built a sound equity structure with diversity, reasonableness and mutual checks and balances. The Bank continued to improve various corporate governance system of the Company so as to ensure the compliance and efficient operation of the general meeting, the Board and the Board of Supervisors and the management. Insisting on compliance first, the Bank firmly established a comprehensive, prudent, solid and effective internal control mechanism. In addition, it cultivated a governance culture of respect for shareholders and trust and win-win.

2. **The soft power of "BQD services" provided "solid support" for the business development.** From the earliest standardized service to the warm service and then to the current advocated value-based service, BQD services provided by the Bank always focus on customer needs, express passion and respect, convey kindness and warmth, promote development with services and create value with services. The Bank continuously optimized and adjusted the way of service management, coordinated and formed a synergy to improve customer experience, and further expanded the connotation and extension of "BQD services" with the keynote of improving quality in stability, thus creating a new advantage of value-based service management.

3. **A full process and multi-dimensional risk management and control system was in place.** The Bank continued to track, evaluate and optimize the unified credit management, centralized management and quota management, and proceeded with the construction of a multi-level unified credit granting system and a large amount risk exposure system covering all customers, all assets, and the entire organization. It managed the asset quality dynamically and enhanced the analysis and prediction of the change in the overall risk in order to control the trend of risk change in real time. The Bank strived to minimize the cost of each risk by strengthening the credit risk cost control and strengthening the comprehensive remediation of overdue loans, non-performing loans and other risky loans.

4. **The improvement of business management was efficiently driven by digital transformation.** The Bank vigorously promoted mobilization, onlineization and digitization, and adopted the distributed database and micro-service architecture to realize a 3-in-1 digital corporate operation system integrating the online business hall, the offline business hall and the comprehensive corporate operation platform. With data-driven decision making and Retail Smart Outlet 3.0 that accesses the smart marketing system, the Bank comprehensively enhanced business values of the financial technology in channel expansion, scenario service, product innovation, process optimization, risk identification and other aspects. Normalized monitoring mechanism was established to strengthen the monitoring, alert and disposal of network security and fully consolidate the foundation of information technology risk management.

5. **New growth was boosted by "Financial Leasing + Wealth Management".** Focusing on the fields of smart agriculture, smart community, consumer leasing, industrial internet, marine pasture, new energy, etc., BQD Financial Leasing created a new financial leasing pattern to help farmers in China, and launched the "Nongzutong" to effectively solve the problems of being difficult to finance and being expensive to finance for "agriculture, the countryside and farmers" through financing and leasing. Strictly following the guidance of national policy, BQD Wealth Management made deployment for the "carbon neutrality", so that more investors may seize the "green opportunity". It actively participated in the development of blue finance and successfully issued products with the special theme of carbon neutrality, ESG, charity and blue finance to facilitate the "Marine Strategy" of Qingdao and its construction of being a global marine center city, among which the financial products with the theme of carbon neutrality, charitable wealth management and blue finance are the new products in China.

III. Summary of Overall Operations

3.1 Status of Key Operational Indicators Achievements

(1) Total assets amounted to RMB536.410 billion, representing an increase of RMB14.160 billion or 2.71% as compared with that at the end of the previous year;

(2) Total loans to customers amounted to RMB265.268 billion, representing an increase of RMB21.063 billion or 8.62% as compared with that at the end of the previous year;

(3) Total deposits from customers amounted to RMB330.030 billion, representing an increase of RMB16.506 billion or 5.26% as compared with that at the end of the previous year;

(4) Net profit amounted to RMB2.060 billion, representing a year-on-year increase of RMB227 million or 12.40%; net profit attributable to shareholders of the parent company amounted to RMB2.018 billion, representing a year-on-year increase of RMB221 million or 12.28%;

(5) Non-performing loan ratio was 1.33%, representing a decrease of 0.01 percentage point as compared with that at the end of the previous year; provision coverage ratio was 209.07%, representing an increase of 11.65 percentage points as compared with that at the end of the previous year; capital adequacy ratio was 14.53%, the core tier-one capital adequacy ratio stood at 8.81%, representing an increase of 0.43 percentage point as compared with that at the end of the previous year;

(6) Return on average total assets was 0.78%, representing a year-on-year increase of 0.02 percentage point;

(7) Basic earnings per share was RMB0.36, representing a year-on-year decrease of RMB0.02; weighted average return on net assets was 14.03%, representing a year-on-year decrease of 1.35 percentage points.

3.2 Major Tasks of Operation and Management

(1) The Company strived to lead cohesion through Party building, and serve the local community to demonstrate its responsibility. The Company further improved its working style, and actively fulfilled its social responsibilities. During the Reporting Period, the Company thoroughly studied and fully implemented the spirit of provincial and municipal party congresses, striving to improve the quality and efficiency of financial services to support the real economy. The Company continued to strengthen the leadership of Party building, continued to innovate in grass-roots Party building, deepened comprehensive and strict governance of the Party, strengthened political supervision, and consolidated the "two responsibilities" to escort business development.

(2) The Company made early deployments to push forward asset-related businesses and acted in advance to ensure loan issuance. Early plan and movements were made regarding corporate banking businesses in order to ensure asset-related businesses and loan issuance. During the Reporting Period, corporate loans amounted to RMB23.938 billion. The Company fully supported the real economy and fully fulfill the task of its inclusive financial service. Newly added inclusive loans amounted to RMB3.572 billion, with 9,241 new inclusive loan customers; the balance of inclusive loans accounted for 10.23%, representing an increase of 0.52 percentage point as compared with that at the end of the previous year, in compliance with regulatory assessment requirements at this phase.

(3) Retail deposits made a breakthrough, while corporate deposits gained momentum. The retail strategy achieved remarkable results. Retail deposits increased by RMB18.244 billion as compared with the end of the previous year, representing an increase of nearly RMB6 billion as compared with the same period of previous year. During the Reporting Period, 3,438 new customers were acquired in agency payroll payment, representing an increase of 91.00% as compared with the same period of previous year. At the end of the Reporting Period, the total deposit balance of community finance and agriculture-benefiting finance exceeded RMB10 billion. Various measures were taken to increase corporate deposits. During the Reporting Period, investment banking retained bond issuance funds of RMB21.257 billion through the issuance of underwriting products, representing a year-on-year increase of 52.60%. Cash management products absorbed demand deposits with a daily average of RMB21.125 billion, representing a year-on-year increase of 21.96%. The effective deposits retained for bill acceptance were RMB16.881 billion, representing a year-on-year increase of 34.82%.

(4) BQD Financial Leasing and Qingyin Wealth Management kept pace with each other, and the scale efficiency has steadily improved. BQD Financial Leasing increased the deployment of leasing assets to achieve double growth in revenue and profit. During the Reporting Period, BQD Financial Leasing's asset deployment amounted to RMB7.029 billion, and the scale of leased assets exceeded RMB15 billion, achieving revenue of RMB240 million, representing a year-on-year increase of 35.54%, and the net profit was RMB86 million, representing a year-on-year increase of 18.53%. Qingyin Wealth Management achieved remarkable results in channel expansion. During the Reporting Period, Qingyin Wealth Management included more than 20 institutions, and the funds raised through agency sales accounted for more than 20%. At the end of the Reporting Period, the product scale of Qingyin Wealth Management amounted to RMB170.770 billion, representing an increase of 1.77% as compared with the end of the previous year; the asset scale amounted to RMB192.899 billion, representing an increase of 6.14% as compared with the end of the previous year; the income from wealth management fees amounted to RMB459 million, representing a year-on-year increase of 10.55%, demonstrating steady improvement in scale efficiency.

(5) Maintaining steady and promising credit quality and continuously improving the risk control ability. The Bank implemented comprehensive management of credit risk and strengthened the centralized control of credit operations by including loans due over 60 days into non-performing loans for three consecutive years, with good control on new non-performing loans. By strengthening the disposal of existing non-performing loans, the Bank recorded a significant increase in the proportion of cash recovery, coupled with a continuously stable and declining non-performing loan ratio. Leveraging on the increasingly mature unified credit granting and the gradual improvement in the professional loan approval, the Bank also actively promoted the parallel operations to and expand the scope of professional loan approval.

(6) Accelerating the digital transformation and driving the improvement in business management. The Bank has accelerated the construction of digital operations, as well as the transfer of products online. The first phase of the intelligent corporate marketing management platform has been launched, while the online business hall has completed the comprehensive test of system development. Besides, the second phase of the intelligent retail marketing platform and the YingXiaoTong APP (營銷通APP) have also been launched. By comprehensively promoting the digitalization of management, the Bank has achieved remarkable results in respect of technology empowerment, and optimized the system for unified credit granting, credit risk and financial consolidation management on an ongoing basis. Furthermore, the Eagle Eye 360 intelligent risk monitoring platform 2.0 has been under construction, while the first phase of the "Warning Platform for Smart Personal Loan" has been launched.

4. Analysis of Major Items of the Statement of Profit or Loss

4.1 Financial Performance Summary

During the Reporting Period, the Company's profit before tax amounted to RMB2.324 billion, representing a year-on-year increase of RMB184 million or 8.59%; net profit attributable to shareholders of the parent company amounted to RMB2.018 billion, representing a year-on-year increase of RMB221 million or 12.28%. During the Reporting Period, while adhering to the regulatory policy orientation, the Company maintained its business scale, optimized its business structure, and achieved continuous improvement in operating efficiency. Effective income tax rate was 11.36%, representing a year-on-year decrease of 3.01 percentage points, which was mainly due to the increase in tax-free income from the local government bonds and the funds. The following table sets forth the changes in the Company's major profit items during the periods indicated.

Unit: RMB'000

Item	**January to June 2022**	January to June 2021	**Change in amount**	**Change (%)**
Net interest income	**3,974,750**	3,908,157	66,593	1.70
Net fee and commission income	**835,845**	770,325	65,520	8.51
Net trading gains/(losses), net gains arising from investments and other net operating income	**1,400,745**	648,568	752,177	115.98
Operating expenses	**(1,822,459)**	(1,536,404)	(286,055)	18.62
Credit impairment losses	**(2,058,483)**	(1,650,058)	(408,425)	24.75
Other asset impairment losses	**(6,027)**	–	(6,027)	N/A
Profit before tax	**2,324,371**	2,140,588	183,783	8.59
Income tax expenses	**(264,037)**	(307,616)	43,579	(14.17)
Net profit	**2,060,334**	1,832,972	227,362	12.40
Of which: Net profit attributable to shareholders of the parent company	**2,018,395**	1,797,590	220,805	12.28
Net profit attributable to non-controlling interests	**41,939**	35,382	6,557	18.53

4.2 Operating Income

During the Reporting Period, the Company's operating income amounted to RMB6.211 billion, representing a year-on-year increase of RMB884 million or 16.60%, mainly due to the growth in net interest income, net fee and commission income as the Company continued optimizing the structure of asset and liability while increasing support to the real economy, and strove to expand its intermediary services. The Company grasped the opportunities in the bond market, therefore achieved relatively rapid increase in the net investment income. The exchange gains and losses increased when the market saw exchange rate fluctuations. Among the operating income, net non-interest income accounted for 36.01%, representing a year-on-year increase of 9.37 percentage points. The following table sets forth the principal components of the Company's operating income and the changes during the periods indicated.

Unit: RMB'000

Item	**January to June 2022**		January to June 2021		**Percentage changes (percentage point)**
	Amount	**Percentage (%)**	Amount	Percentage (%)	
Net interest income	**3,974,750**	**63.99**	3,908,157	73.36	(9.37)
Interest income	**9,758,810**	**157.11**	8,881,975	166.73	(9.62)
Of which: Interest income from loans and advances to customers	**6,291,728**	**101.29**	5,613,418	105.38	(4.09)
Interest income from financial investments	**2,550,980**	**41.07**	2,616,902	49.12	(8.05)
Interest income from deposits with banks and other financial institutions	**16,229**	**0.27**	12,689	0.24	0.03
Interest income from placements with banks and other financial institutions	**105,228**	**1.69**	83	–	1.69
Interest income from financial assets held under resale agreements	**173,802**	**2.80**	140,753	2.64	0.16
Interest income from deposits with central bank	**153,617**	**2.47**	191,341	3.59	(1.12)
Interest income from long-term receivables	**467,226**	**7.52**	306,789	5.76	1.76
Interest expense	**(5,784,060)**	**(93.12)**	(4,973,818)	(93.37)	0.25
Net non-interest income	**2,236,590**	**36.01**	1,418,893	26.64	9.37
Of which: Net fee and commission income	**835,845**	**13.46**	770,325	14.46	(1.00)
Other net non-interest income	**1,400,745**	**22.55**	648,568	12.18	10.37
Operating income	**6,211,340**	**100.00**	5,327,050	100.00	–

4.3 Net Interest Income

During the Reporting Period, the Company's net interest income amounted to RMB3.975 billion, representing a year-on-year increase of RMB67 million or 1.70%. This was primarily due to the growth in net interest income as the Company expanded the scale of interest-earning assets while strengthening structural adjustment and enhancing the proportion of loans in response to the downward trend in market interest rates and net margin compression. The following table sets forth the average balance of interest-earning assets and interest-bearing liabilities items, interest income/expense and average yield/cost rate of the Company for the periods indicated. The average balances of interest-earning assets and interest-bearing liabilities represent the daily average balances.

Unit: RMB'000

	January to June 2022			January to June 2021		
Item	**Average balance**	**Interest income/ expense**	**Average yield/ cost rate**	Average balance	Interest income/ expense	Average yield/ cost rate
Interest-earning assets						
Loans and advances to customers	**249,690,713**	**6,291,728**	**5.08%**	218,831,432	5,613,418	5.17%
Financial investment	**137,238,414**	**2,550,980**	**3.75%**	136,311,271	2,616,902	3.87%
Deposits and placements with banks and other financial institutions(1)	**30,439,323**	**295,259**	**1.96%**	19,485,557	153,525	1.59%
Deposits with central bank	**23,700,664**	**153,617**	**1.31%**	29,254,150	191,341	1.32%
Long-term receivables	**14,711,185**	**467,226**	**6.40%**	10,615,623	306,789	5.83%
Total	**455,780,299**	**9,758,810**	**4.32%**	414,498,033	8,881,975	4.32%
Interest-bearing liabilities						
Deposits from customers	**308,459,110**	**3,353,888**	**2.19%**	277,353,506	2,836,680	2.06%
Deposits and placements from banks and other financial institutions(2)	**49,399,977**	**606,075**	**2.47%**	49,536,339	617,796	2.51%
Debt securities issued	**96,808,249**	**1,499,946**	**3.12%**	85,839,314	1,376,898	3.23%
Others	**25,826,740**	**324,151**	**2.53%**	13,060,794	142,444	2.20%
Total	**480,494,076**	**5,784,060**	**2.43%**	425,789,953	4,973,818	2.36%
Net interest income	**/**	**3,974,750**	**/**	/	3,908,157	/
Net interest spread	**/**	**/**	**1.89%**	/	/	1.96%
Net interest margin	**/**	**/**	**1.76%**	/	/	1.90%

Notes:

(1) Deposits and placements with banks and other financial institutions include financial assets held under resale agreements.

(2) Deposits and placements from banks and other financial institutions include financial assets sold under repurchase agreements.

During the Reporting Period, the average balance of interest-earning assets was RMB455.780 billion, representing a year-on-year increase of RMB41.282 billion or 9.96%; net interest spread was 1.89%, representing a year-on-year decrease of 0.07 percentage point; net interest margin was 1.76%, representing a year-on-year decrease of 0.14 percentage point. Under the fierce competition of market bidding, together with the factors such as supporting the real economy and reducing the financing cost of enterprises, the yields of loans and investments decreased, while the cost rate of deposits increased, resulting in a year-on-year decrease in net interest margin. However, with the continuously promotion of structural adjustment, net interest margin increased by 0.01 percentage point as compared to the first quarter.

The following table sets forth the breakdown of changes in the Company's interest income and interest expense due to volume and rate changes for the periods indicated. The volume changes were measured by changes in average balance; rate changes were measured by changes in average rate, and changes in interest income and expense due to volume and rate changes were included in the changes in interest income and expense due to volume changes.

Unit: RMB'000

	January to June 2022 vs. January to June 2021		
Item	**Due to volume**	**Due to rate**	**Net increase (decrease)**
Interest-earning assets			
Loans and advances to customers	775,975	(97,665)	678,310
Financial investment	15,193	(81,115)	(65,922)
Deposits and placements with banks and other financial institutions	105,982	35,752	141,734
Deposits with central bank	(36,273)	(1,451)	(37,724)
Long-term receivables	130,431	30,006	160,437
Interest income changes	**991,308**	**(114,473)**	**876,835**
Interest-bearing liabilities			
Deposits from customers	338,410	178,798	517,208
Deposits and placements from banks and other financial institutions	(1,895)	(9,826)	(11,721)
Debt securities issued	169,872	(46,824)	123,048
Others	160,334	21,373	181,707
Interest expense changes	**666,721**	**143,521**	**810,242**
Net interest income changes	**324,587**	**(257,994)**	**66,593**

4.4 *Interest Income*

During the Reporting Period, the Company's interest income was RMB9.759 billion, representing a year-on-year increase of RMB877 million or 9.87%, mainly due to the increase in the size of loans of the Company and the rapid growth in loan interest income. The interest income from loans and advances to customers and from financial investments constituted major components of the interest income of the Company.

Interest income of loans and advances to customers

During the Reporting Period, the Company's interest income from loans and advances to customers amounted to RMB6.292 billion, representing a year-on-year increase of RMB678 million or 12.08%, mainly due to the Company's continued efforts to expand the size of loans issued, resulting in a decline in the yield of loans, while the interest income from loans saw a continuous increase. The following table sets forth the average balance, interest income and average yield of each component of the Company's loans and advances to customers for the periods indicated.

Unit: RMB'000

	January to June 2022			January to June 2021		
Item	**Average balance**	**Interest income**	**Average yield**	Average balance	Interest income	Average yield
Corporate loans	**160,761,299**	**4,068,444**	**5.10%**	146,230,658	3,748,150	5.17%
Personal loans	**71,216,228**	**2,021,792**	**5.72%**	59,206,436	1,658,178	5.65%
Discounted bills	**17,713,186**	**201,492**	**2.29%**	13,394,338	207,090	3.12%
Total	**249,690,713**	**6,291,728**	**5.08%**	218,831,432	5,613,418	5.17%

Interest income from financial investments

During the Reporting Period, the Company's interest income from financial investments was RMB2.551 billion, representing a year-on-year decrease of RMB66 million or a drop of 2.52%, mainly due to the Company's continued efforts to reduce non-standard assets, and appropriately increase investments with stable return such as government bonds, maintaining steady growth of interest income from financial investment.

Interest income from deposits and placements with banks and other financial institutions

During the Reporting Period, the Company's interest income from deposits and placements with banks and other financial institutions amounted to RMB295 million, representing a year-on-year increase of RMB142 million or 92.32%, mainly attributable to the Company's appropriate change in resource allocation and expansion in placements with banks in line with the interbank market conditions.

4.5 Interest Expense

During the Reporting Period, the Company's interest expense amounted to RMB5.784 billion, representing a year-on-year increase of RMB810 million or 16.29%, mainly due to the increase in interest expenses on deposits from customers and borrowings from central bank as a result of the Company's expansion of debt scale. Interest expenses on deposits from customers and interest expenses on debt securities issued were major components of the interest expense of the Company.

Interest expense on deposits from customers

During the Reporting Period, the Company's interest expense on deposits from customers was RMB3.354 billion, representing a year-on-year increase of RMB517 million or 18.23%, mainly due to an increase in interest expenses from time deposits which had a larger proportion in our increased deposit size, resulting in an increase in the cost rate of deposits. The following table sets forth the average balance, interest expense and average cost rate of each component of the Company's deposits from customers for the periods indicated.

Unit: RMB'000

	January to June 2022			January to June 2021		
Item	**Average balance**	**Interest expense**	**Average cost rate**	Average balance	Interest expense	Average cost rate
Corporate deposits						
Demand	**98,953,242**	**472,910**	**0.96%**	102,436,858	461,799	0.91%
Time	**92,261,487**	**1,294,382**	**2.83%**	81,478,529	1,105,542	2.74%
Sub-total	**191,214,729**	**1,767,292**	**1.86%**	183,915,387	1,567,341	1.72%
Personal deposits						
Demand	**26,678,617**	**40,189**	**0.30%**	23,209,948	34,859	0.30%
Time	**90,565,764**	**1,546,407**	**3.44%**	70,228,171	1,234,480	3.54%
Sub-total	**117,244,381**	**1,586,596**	**2.73%**	93,438,119	1,269,339	2.74%
Total	**308,459,110**	**3,353,888**	**2.19%**	277,353,506	2,836,680	2.06%

Interest expense on deposits and placements from banks and other financial institutions

During the Reporting Period, the Company's interest expense on deposits and placements from banks and other financial institutions amounted to RMB606 million, representing a year-on-year decrease of RMB12 million or 1.90%, mainly due to the decreases in the cost rate of deposits and placements from banks and other financial institutions as a result of the downward interest rates on the market.

Interest expense on debt securities issued

During the Reporting Period, the Company's interest expense on debt securities issued amounted to RMB1.500 billion, representing a year-on-year increase of RMB123 million or 8.94%, mainly due to the expansion of the scale of interbank certificates of deposit, and the increase in interest expenses on the debt securities issued.

4.6 *Net Non-interest Income*

During the Reporting Period, the Company's net non-interest income was RMB2.237 billion, representing a year-on-year increase of RMB818 million, or 57.63%. This was mainly due to the growth in net fee and commission income as a result of the Company's efforts to expand its intermediary services; faster growth in net gains arising from investments income as a result of capitalizing on bond market opportunities; the increase in exchange gains and losses as a result of exchange rate fluctuations. The following table sets forth the main components of the Company's net non-interest income for the periods indicated.

Unit: RMB'000

Item	**January to June 2022**	January to June 2021
Fee and commission income	**980,635**	846,442
Less: Fee and commission expense	**(144,790)**	(76,117)
Net fee and commission income	**835,845**	770,325
Net trading gains/(losses), net gains arising from investments and other net operating income	**1,400,745**	648,568
Net non-interest income	**2,236,590**	1,418,893

4.7 Net Fee and Commission Income

During the Reporting Period, the Company's net fee and commission income amounted to RMB836 million, representing a year-on-year increase of RMB66 million or 8.51%. This was mainly due to the fact that the Company vigorously expanded intermediary services such as wealth management, credit cards and trade finance businesses, which led to increase in fee and commission income. The following table sets forth the main components of the Company's net fee and commission income for the periods indicated.

Unit: RMB'000

Item	**January to June 2022**	January to June 2021
Fee and commission income	**980,635**	846,442
Of which: Wealth management service fees	**458,739**	414,948
Agency service fees	**276,796**	235,461
Custody and bank card service fees	**156,412**	102,985
Settlement fees	**55,924**	34,305
Financial leasing fees	**17,628**	52,224
Others	**15,136**	6,519
Less: Fee and commission expense	**(144,790)**	(76,117)
Net fee and commission income	**835,845**	770,325

During the Reporting Period, the wealth management service fee income amounted to RMB459 million, representing a year-on-year increase of RMB44 million or 10.55%, mainly due to increased management service fees as the scale of wealth management products increased steadily by the timely response to market fluctuations with professional investment and research capabilities of our wealth management subsidiaries; agency service fees amounted to RMB277 million, representing a year-on-year increase of RMB41 million or 17.55%, mainly due to increased service fees from agency business for insurance; custody and bank card service fees amounted to RMB156 million, representing a year-on-year increase of RMB53 million or 51.88%, mainly due to increased credit card service fees; settlement fees amounted to RMB56 million, representing a year-on-year increase of RMB22 million or 63.02%, mainly due to increased letters of credit fees; financial leasing service fees amounted to RMB18 million, representing a year-on-year decrease of RMB35 million or 66.25%, mainly due to the adjustment to the leased assets charging pattern of the leased subsidiaries; others service fees amounted to RMB15 million, representing a year-on-year increase of RMB9 million, mainly due to increased service fees from factoring financing business. Fee and commission expense amounted to RMB145 million, representing a year-on-year increase of RMB69 million, mainly due to increased service fees arising from wealth management, credit card and agricultural support business.

4.8 Net Trading Gains/(Losses), Net Gains Arising from Investments and Other Net Operating Income

During the Reporting Period, the Company's net trading gains/(losses), net gains arising from investments and other net operating income, amounted to RMB1.401 billion, representing a year-on-year increase of RMB752 million or 115.98%. This was mainly due to the rapid increase in net gains arising from investments as the Company strengthened the prospective study of bond market, seized market opportunities and caught income in a timely manner; an increase in exchange gains and losses as a result of exchange rate fluctuations. The following table sets forth the main components of the Company's net trading gains/(losses), net gains arising from investments and other operating income, for the periods indicated.

Unit: RMB'000

Item	**January to June 2022**	January to June 2021
Net trading gains/(losses)	**422,623**	(89,297)
Net gains arising from investments	**951,323**	728,170
Other operating income	**26,799**	9,695
Total	**1,400,745**	648,568

4.9 Operating Expenses

During the Reporting Period, the Company's operating expenses amounted to RMB1.822 billion, representing a year-on-year increase of RMB286 million or 18.62%, mainly due to the Company's efforts to expand its business as well as strictly control of expenses, thus resulting in a stable but slight increase in staff costs, depreciation and amortization; the accelerated progress of other general and administrative expenses in line with the business development and the lower base of the same period last year. The following table sets forth the main components of the Company's operating expenses for the periods indicated.

Unit: RMB'000

Item	**January to June 2022**	January to June 2021
Staff costs	**884,788**	858,594
Property and equipment expenses	**358,342**	318,893
Tax and surcharges	**75,089**	70,741
Other general and administrative expenses	**504,240**	288,176
Operating expenses	**1,822,459**	1,536,404

4.10 Credit impairment losses

During the Reporting Period, the Company's credit impairment losses amounted to RMB2.058 billion, representing a year-on-year increase of RMB408 million or 24.75%. Credit impairment losses from loans and advances to customers constituted the largest component of the credit impairment losses. During the Reporting Period, credit impairment losses from loans and advances to customers amounted to RMB1.545 billion, representing a year-on-year increase of RMB282 million or 22.34%, mainly due to the fact that the Company appropriately increased the provision for impairment in response to the rapid growth of loans and considering factors such as the impact of the pandemic on the economy in the second quarter. In addition, the total credit impairment loss of financial investments amounted to RMB363 million, representing a year-on-year increase of RMB62 million. The credit impairment loss of long-term receivables amounted to RMB98 million, representing a year-on-year increase of RMB45 million, both of which were in line with the credit risk profile of the corresponding assets. The following table sets forth the main components of the Company's credit impairment losses for the periods indicated.

Unit: RMB'000

Item	**January to June 2022**	January to June 2021
Loans and advances to customers	**1,544,922**	1,262,812
Financial investments measured at amortized cost	**378,103**	(42,254)
Financial investments at fair value through other comprehensive income	**(14,971)**	343,563
Long-term receivables	**98,264**	53,731
Deposits with banks and other financial institutions	**(307)**	1,251
Placements with banks and other financial institutions	**11,886**	335
Financial assets held under resale agreements	**(21,110)**	6,028
Credit commitment	**23,266**	6,139
Others	**38,430**	18,453
Credit impairment losses	**2,058,483**	1,650,058

5. Analysis of Major Items of the Statement of Financial Position

5.1 Assets

As at the end of the Reporting Period, the Company's total assets amounted to RMB536.410 billion, representing an increase of RMB14.160 billion or 2.71% as compared with that at the end of the previous year. The following table sets forth the components of the Company's total assets as at the dates indicated.

Unit: RMB'000

	30 June 2022		31 December 2021		**Change from the end of last year**		31 December 2020	
Item	**Amount**	**% of total**	Amount	% of total	**Change in amount (%)**	**Change in % of total**	Amount	% of total
Loans and advances to customers	**258,533,121**	**48.20**	238,608,698	45.69	8.35	2.51	202,358,484	44.01
Financial investments measured at fair value through profit or loss	**61,174,696**	**11.40**	55,947,254	10.71	9.34	0.69	37,250,405	8.10
Financial investments measured at fair value through other comprehensive income	**88,029,065**	**16.41**	72,613,395	13.90	21.23	2.51	66,828,002	14.53
Financial investments measured at amortized cost	**56,424,420**	**10.52**	61,422,152	11.76	(8.14)	(1.24)	74,157,602	16.13
Cash and deposits with central bank	**37,944,972**	**7.07**	53,241,394	10.19	(28.73)	(3.12)	47,219,397	10.27
Deposits with banks and other financial institutions	**1,941,528**	**0.36**	2,126,922	0.41	(8.72)	(0.05)	2,568,919	0.56
Placements with banks and other financial institutions	**7,023,303**	**1.31**	5,108,646	0.98	37.48	0.33	–	–
Financial assets held under resale agreements	**–**	**–**	12,288,925	2.35	(100.00)	(2.35)	9,726,476	2.12
Derivative financial assets	**125,883**	**0.02**	146,617	0.03	(14.14)	(0.01)	286,400	0.06
Long-term receivables	**15,238,236**	**2.84**	11,688,253	2.24	30.37	0.60	11,001,178	2.39
Property and equipment	**3,386,855**	**0.63**	3,390,193	0.65	(0.10)	(0.02)	3,247,768	0.71
Right-of-use asset	**854,540**	**0.16**	845,889	0.16	1.02	–	826,821	0.18
Deferred income tax assets	**2,400,013**	**0.45**	2,505,442	0.48	(4.21)	(0.03)	2,468,017	0.54
Other assets	**3,333,110**	**0.63**	2,315,830	0.45	43.93	0.18	1,888,136	0.40
Total assets	**536,409,742**	**100.00**	522,249,610	100.00	2.71	–	459,827,605	100.00

5.1.1 Loans and advances to customers

As at the end of the Reporting Period, the Company's loans and advances to customers amounted to RMB258.533 billion, representing an increase of RMB19.924 billion or 8.35% as compared with that at the end of the previous year; accounted for 48.20% of the total assets, up by 2.51 percentage points as compared with that at the end of the previous year. Total loans to customers amounted to RMB265.268 billion, representing an increase of RMB21.063 billion or 8.62% as compared with that at the end of the previous year. During the Reporting Period, the Company comprehensively adhered to the guidelines of national monetary policy and continued to improve the ability of finance to serve the real economy. Thus, the Company recorded a continuous growth in the loans and advances to customers, with an increasing proportion of the total assets. The following table sets forth the components of the loans and advances to customers of the Company by product type as at the dates indicated.

Unit: RMB'000

	30 June 2022		31 December 2021		**Change from the end of last year**		31 December 2020	
Item	**Amount**	**% of total**	Amount	% of total	**Change in amount (%)**	**Change in % of total**	Amount	% of total
Corporate loans	**173,759,909**	**65.50**	149,822,068	61.35	15.98	4.15	138,776,966	67.12
Personal loans	**76,181,265**	**28.72**	76,743,188	31.43	(0.73)	(2.71)	60,755,096	29.39
Discounted bills	**15,326,862**	**5.78**	17,640,224	7.22	(13.11)	(1.44)	7,215,159	3.49
Total loans to customers	**265,268,036**	**100.00**	244,205,480	100.00	8.62	–	206,747,221	100.00
Add: Accrued interest	**632,531**	/	829,555	/	(23.75)	/	899,064	/
Less: Provision for impairment on loans and advances to customers measured at amortized cost	**(7,367,446)**	/	(6,426,337)	/	14.64	/	(5,287,801)	/
Loans and advances to customers	**258,533,121**	/	238,608,698	/	8.35	/	202,358,484	/

Corporate loans

As at the end of the Reporting Period, the Company's corporate loans amounted to RMB173.760 billion, representing an increase of RMB23.938 billion or 15.98% as compared with that at the end of the previous year; accounted for 65.50% of the total loans to customers (excluding accrued interest, the same hereinafter), up by 4.15 percentage points as compared with that at the end of the previous year. During the Reporting Period, the Company strived to develop its green and blue loan business according to the credit policy, while continuously increasing its credit support for inclusive, private enterprises, manufacturing industry and people's livelihood support.

Personal loans

As at the end of the Reporting Period, the Company's individual loans amounted to RMB76.181 billion, representing a decrease of RMB562 million or 0.73% as compared with that at the end of the previous year; accounted for 28.72% of the total loans to customers, down by 2.71 percentage points as compared with that at the end of the previous year. During the Reporting Period, the Company vigorously developed its credit card business and actively provided inclusive financial services to small and micro enterprises and individual business owners. In compliance with the regulatory requirements, the Company also steadily developed housing mortgage loans, so as to orderly draw back the Internet loans outside the region.

Discounted bills

As at the end of the Reporting Period, the Company's discounted bills amounted to RMB15.327 billion, representing a decrease of RMB2.313 billion or 13.11% as compared with that at the end of the previous year; accounted for 5.78% of the total loans to customers, down by 1.44 percentage points as compared with that at the end of the previous year. During the Reporting Period, in light of the situation of low market interest rates, the Company moderately adjusted its capital allocation to lower the proportion of discounted bills at the end of the period.

5.1.2 Financial investments

As at the end of the Reporting Period, the Company's carrying value of financial investments amounted to RMB205.628 billion, representing an increase of RMB15.645 billion or 8.24% as compared with that at the end of last year. The following table sets forth the components of the Company's financial investment portfolio as at the dates indicated.

Unit: RMB'000

	30 June 2022		31 December 2021	
Item	**Amount**	**% of total**	Amount	% of total
Financial investments measured at fair value through profit or loss	**61,174,696**	**29.75**	55,947,254	29.45
Financial investments measured at fair value through other comprehensive income	**88,029,065**	**42.81**	72,613,395	38.22
Financial investments measured at amortized cost	**56,424,420**	**27.44**	61,422,152	32.33
Financial investments	**205,628,181**	**100.00**	189,982,801	100.00

Financial investments measured at fair value through profit or loss

As at the end of the Reporting Period, the Company's carrying value of financial investments measured at fair value through profit or loss amounted to RMB61.175 billion, representing an increase of RMB5.227 billion or 9.34% as compared with that at the end of last year. The increase was mainly due to the fact that the Company added a bond-type asset management plan with stable revenue in response to the market volatility. The following table sets forth the components of the Company's financial investments measured at fair value through profit or loss as at the dates indicated.

Unit: RMB'000

Item	**30 June 2022**	31 December 2021
Debt securities issued by banks and other financial institutions	**900,104**	877,656
Debt securities issued by corporate entities	**231,174**	106,924
Investment funds	**40,775,801**	39,973,092
Asset management plans	**17,789,617**	13,488,145
Trust fund plans	**1,478,000**	1,501,437
Financial investments measured at fair value through profit or loss	**61,174,696**	55,947,254

Financial investments measured at fair value through other comprehensive income

As at the end of the Reporting Period, the Company's carrying value of financial investments measured at fair value through other comprehensive income amounted to RMB88.029 billion, representing an increase of RMB15.416 billion or 21.23% as compared with that at the end of last year. The increase was mainly due to the fact that the Company strengthened its investment management need of liquidity, adjusted its investment structure, and increased the scale of corporate bond investment with relatively high yield. The following table sets forth the components of the Company's financial investment measured at fair value through other comprehensive income as at the dates indicated.

Unit: RMB'000

Item	**30 June 2022**	31 December 2021
Government bonds	**33,764,881**	31,766,923
Debt securities issued by policy banks	**4,689,886**	1,075,384
Debt securities issued by banks and other financial institutions	**13,470,990**	11,447,917
Debt securities issued by corporate entities	**33,104,112**	22,697,107
Asset management plans	**2,014,100**	3,755,953
Other investments	**–**	701,504
Equity investments	**23,250**	23,250
Add: Accrued interest	**961,846**	1,145,357
Financial investments measured at fair value through other comprehensive income	**88,029,065**	72,613,395

Financial investments measured at amortized cost

As at the end of the Reporting Period, the Company's carrying value of financial investments measured at amortized cost amounted to RMB56.424 billion, representing a decrease of RMB4.998 billion or 8.14% as compared with that at the end of last year. The decrease was mainly due to the fact that the Company strengthened its investment management need of liquidity, adjusted its investment structure, appropriately decreased the scale of investments measured at amortized cost, and reduced investments in debt securities issued by banks and other financial institutions. The following table sets forth the components of the Company's financial investments measured at amortized cost as at the dates indicated.

Unit: RMB'000

Item	30 June 2022	31 December 2021
Government bonds	**27,069,184**	27,859,492
Debt securities issued by policy banks	**10,720,639**	9,989,948
Debt securities issued by banks and other financial institutions	**6,771,543**	10,543,252
Debt securities issued by corporate entities	**891,910**	1,073,845
Asset management plans	**3,080,990**	4,340,630
Trust fund plans	**1,738,700**	1,768,700
Other investments	**7,030,000**	6,080,000
Total financial investments measured at amortized cost	**57,302,966**	61,655,867
Add: Accrued interest	**747,379**	1,014,107
Less: Provision for impairment losses	**(1,625,925)**	(1,247,822)
Carrying value of financial investments measured at amortized cost	**56,424,420**	61,422,152

5.2 Liabilities

As at the end of the Reporting Period, the Company's total liabilities amounted to RMB497.878 billion, representing an increase of RMB8.956 billion or 1.83% as compared with that at the end of last year. The following table sets forth the components of the Company's total liabilities as at the dates indicated.

Unit: RMB'000

Item	**30 June 2022**		31 December 2021		**Change from the end of last year**		31 December 2020	
	Amount	**% of total**	Amount	% of total	**Change in Amount (%)**	**Change in % of total**	Amount	% of total
Deposits from customers	**335,424,787**	**67.37**	317,965,807	65.03	5.49	2.34	275,750,710	64.29
Deposits from banks and other financial institutions	**8,519,016**	**1.71**	6,341,814	1.30	34.33	0.41	17,024,732	3.97
Placements from banks and other financial institutions	**18,341,396**	**3.68**	16,904,500	3.46	8.50	0.22	12,947,575	3.02
Financial assets sold under repurchase agreements	**14,107,980**	**2.83**	25,305,596	5.18	(44.25)	(2.35)	33,099,349	7.72
Derivative financial liabilities	**131,725**	**0.03**	144,689	0.03	(8.96)	–	288,347	0.07
Borrowings from central bank	**24,597,582**	**4.94**	25,494,116	5.21	(3.52)	(0.27)	11,207,069	2.61
Income tax payable	**71,463**	**0.01**	124,032	0.03	(42.38)	(0.02)	431,921	0.10
Debt securities issued	**90,876,914**	**18.25**	92,218,300	18.86	(1.45)	(0.61)	72,834,508	16.98
Lease liabilities	**526,433**	**0.11**	505,895	0.10	4.06	0.01	453,671	0.11
Other liabilities	**5,280,347**	**1.07**	3,917,133	0.80	34.80	0.27	4,882,865	1.13
Total liabilities	**497,877,643**	**100.00**	488,921,882	100.00	1.83	–	428,920,747	100.00

5.2.1 Deposits from customers

As at the end of the Reporting Period, the Company's deposits from customers amounted to RMB335.425 billion, representing an increase of RMB17.459 billion or 5.49% as compared with that at the end of last year, and accounting for 67.37% of the total liabilities, representing an increase of 2.34 percentage points as compared with that at the end of last year; total deposits from customers amounted to RMB330.030 billion, representing an increase of RMB16.506 billion or 5.26% as compared with that at the end of last year. The following table sets forth the components of the Company's deposits from customers by product type and customer type as at the dates indicated.

Unit: RMB'000

	30 June 2022		31 December 2021		**Change from the end of last year**		31 December 2020	
Item	**Amount**	**% of total**	Amount	% of total	**Change in amount (%)**	**Change in % of total**	Amount	% of total
Corporate deposits	**201,246,328**	**60.98**	202,889,723	64.71	(0.81)	(3.73)	183,447,242	67.38
Demand deposits	**103,670,339**	**31.41**	118,280,119	37.73	(12.35)	(6.32)	111,491,369	40.95
Time deposits	**97,575,989**	**29.57**	84,609,604	26.98	15.32	2.59	71,955,873	26.43
Personal deposits	**128,674,415**	**38.99**	110,430,522	35.22	16.52	3.77	88,339,315	32.45
Demand deposits	**29,725,101**	**9.01**	29,923,260	9.54	(0.66)	(0.53)	22,899,499	8.41
Time deposits	**98,949,314**	**29.98**	80,507,262	25.68	22.91	4.30	65,439,816	24.04
Outward remittance and remittance payables	**108,171**	**0.03**	80,246	0.03	34.80	–	428,585	0.16
Fiscal deposits to be transferred	**1,522**	**–**	124,432	0.04	(98.78)	(0.04)	16,342	0.01
Total customer deposits	**330,030,436**	**100.00**	313,524,923	100.00	5.26	–	272,231,484	100.00
Add: Accrued interest	**5,394,351**	/	4,440,884	/	21.47	/	3,519,226	/
Deposits from customers	**335,424,787**	/	317,965,807	/	5.49	/	275,750,710	/

As at the end of the Reporting Period, the Company's personal deposits accounted for 38.99% of the total deposits from customers (excluding accrued interest, the same hereinafter), representing an increase of 3.77 percentage points as compared with that at the end of last year; corporate deposits accounted for 60.98% of the total deposits from customers, representing a decrease of 3.73 percentage points as compared with that at the end of last year; demand deposits accounted for 40.42% of the total deposits from customers, representing a decrease of 6.85 percentage points as compared with that at the end of last year.

5.2.2 Deposits from banks and other financial institutions

As at the end of the Reporting Period, the Company's deposits from banks and other financial institutions amounted to RMB8.519 billion, representing an increase of RMB2.177 billion or 34.33% as compared with that at the end of last year, mainly due to the reinforcing active management by the Company over the interbank liabilities, appropriately adjusted the liability structure, while decreasing the size of financial assets sold under repurchase agreements, appropriately increasing the scale of deposits from banks.

5.2.3 Financial assets sold under repurchase agreements

As at the end of the Reporting Period, the Company's financial assets sold under repurchase agreements amounted to RMB14.108 billion, representing a decrease of RMB11.198 billion or 44.25% as compared with that at the end of last year, mainly due to the reinforcing active management by the Company over the interbank liabilities, and constantly decreasing the size of financial assets sold under repurchase agreements.

5.2.4 Borrowings from central bank

As at the end of the Reporting Period, the Company's borrowings from central bank amounted to RMB24.598 billion, representing a decrease of RMB897 million or 3.52% as compared with that at the end of last year, mainly due to the maturity of part of the Company's rediscount.

5.2.5 Debt securities issued

As at the end of the Reporting Period, the Company's debt securities issued amounted to RMB90.877 billion, representing a decrease of RMB1.341 billion or 1.45% as compared with that at the end of last year, mainly due to the fact that the Company exercised the redemption option on the tier-two capital bonds of RMB3.0 billion. For details of the bonds, please refer to "Notes to the Unaudited Interim Financial Report – 32 Debt Securities Issued" of this results announcement.

5.3 Equity Attributable to Shareholders

As at the end of the Reporting Period, the shareholders' equity of the Company amounted to RMB38.532 billion, representing an increase of RMB5.204 billion or 15.62% as compared with that at the end of last year. Equity attributable to the shareholders of the Bank amounted to RMB37.798 billion, representing an increase of RMB5.162 billion or 15.82% as compared with that at the end of last year, mainly due to the completion of the A share and H share rights issue by the Company, which replenished its capital by RMB4.154 billion. The following table sets forth the components of the Company's shareholders' equity as of the dates indicated.

Unit: RMB'000

Item	**30 June 2022**	31 December 2021
Share capital	**5,820,355**	4,509,690
Other equity instruments		
Including: preference shares	**7,853,964**	7,853,964
Capital reserve	**11,181,510**	8,337,869
Other comprehensive income	**667,487**	746,499
Surplus reserve	**2,103,883**	2,103,883
General risk reserve	**5,576,461**	5,576,461
Retained earnings	**4,594,267**	3,507,129
Total equity attributable to equity shareholders of the Bank	**37,797,927**	32,635,495
Non-controlling interests	**734,172**	692,233
Total equity	**38,532,099**	33,327,728

6. Analysis of Cash Flows Statement

As at the end of the Reporting Period, net cash flows generated from operating activities of the Company was RMB-6.789 billion, representing an increase of RMB3.032 billion as compared with the same period of the previous year, which was mainly due to an increase in inflows generated from financial assets held under resale agreements of RMB11.444 billion, which was partially offset by an increase in expenses from financial assets sold under repurchase agreements of RMB9.690 billion. Among which, cash outflows generated from operating assets decreased by RMB9.851 billion and cash inflows generated from operating liabilities decreased by RMB7.338 billion.

Net cash flows generated from investing activities was RMB-10.655 billion, representing an increase of RMB1.085 billion as compared with the same period of the previous year, which was mainly due to an increase in proceeds from disposal and redemption of investments of RMB6.005 billion, while the above impact was partially offset by an increase in payments on acquisition of investments of RMB5.203 billion.

Net cash flows generated from financing activities was RMB305 million, representing a decrease of RMB20.044 billion as compared with the same period of the previous year, which was mainly due to a decrease in net proceeds from debt securities issued of RMB9.745 billion, and an increase in repayment of debt securities issued of RMB13.589 billion.

7. Segment Reporting

The following segment operating performance is presented by business segment. The Company's main businesses include corporate banking, retail banking and financial market business and others. The following table shows a summary of the operating performance of each business segment of the Company during the periods presented.

Unit: RMB'000

	January to June 2022		January to June 2021	
Item	**Segment operating income**	**Ratio (%)**	Segment operating income	Ratio (%)
Corporate banking	**3,075,410**	**49.51**	2,827,449	53.08
Retail banking	**1,266,838**	**20.40**	1,063,614	19.97
Financial market business	**1,608,887**	**25.90**	1,253,422	23.53
Un-allocated items and others	**260,205**	**4.19**	182,565	3.42
Total	**6,211,340**	**100.00**	5,327,050	100.00

Unit: RMB'000

Item	January to June 2022 Segment profit before taxation	Ratio (%)	January to June 2021 Segment profit before taxation	Ratio (%)
Corporate banking	**660,331**	**28.41**	841,195	39.30
Retail banking	**436,505**	**18.78**	439,117	20.51
Financial market business	**1,091,966**	**46.98**	759,888	35.50
Un-allocated items and others	**135,569**	**5.83**	100,388	4.69
Total	**2,324,371**	**100.00**	2,140,588	100.00

8. Analysis of Assets and Liabilities

8.1 Major Offshore Assets

N/A.

8.2 Assets and Liabilities Measured at Fair Value

Unit: RMB'000

Main item	31 December 2021	Changes in fair value included in profit or loss for the current period	Cumulative changes in fair value recognized in equity	Impairment provided during the current period	30 June 2022
Financial investments measured at fair value through profit or loss	55,947,254	73,322	N/A	N/A	**61,174,696**
Loans and advances to customers measured at fair value through other comprehensive income	17,640,224	N/A	19,377	4,833	**15,326,862**
Financial investments measured at fair value through other comprehensive income	72,613,395	N/A	396,011	(14,971)	**88,029,065**
Derivative financial assets	146,617	(20,734)	N/A	N/A	**125,883**
Derivative financial liabilities	(144,689)	12,964	N/A	N/A	**(131,725)**

8.3 Restricted Asset Rights as at the End of the Reporting Period

Please refer to "Notes to the Unaudited Interim Financial Report – 44(6). Pledged Assets" of this results announcement.

9. Analysis of Quality of Loans

During the Reporting Period, the Company continuously strengthened the quality control of credit assets. While the credit assets grew steadily, the quality of credit assets continuously improved. As at the end of the Reporting Period, the total amount of loans of the Company (excluding accrued interest) was RMB265.268 billion; total non-performing loans amounted to RMB3.533 billion; non-performing loan ratio was 1.33%. For the purpose of discussion and analysis, unless otherwise specified, the amount of loans presented in the analysis below excludes accrued interest.

9.1 Distribution of Loans by Five Categories

Unit: RMB'000

	30 June 2022		31 December 2021	
Item	**Amount**	**% of total**	Amount	% of total
Normal loans	**259,460,383**	**97.81**	238,428,347	97.63
Special mention loans	**2,275,121**	**0.86**	2,515,230	1.03
Substandard loans	**1,910,449**	**0.72**	1,563,381	0.64
Doubtful loans	**1,249,602**	**0.47**	1,429,220	0.59
Loss loans	**372,481**	**0.14**	269,302	0.11
Total loans to customers	**265,268,036**	**100.00**	244,205,480	100.00
Total non-performing loans	**3,532,532**	**1.33**	3,261,903	1.34

Under the five-category classification system for loan supervision, the non-performing loans of the Company included the substandard, doubtful and loss loans. As at the end of the Reporting Period, the proportion of non-performing loans decreased by 0.01 percentage point as compared with that at the end of last year to 1.33%, of which the proportion of substandard loans increased by 0.08 percentage point to 0.72%, the proportion of doubtful loans decreased by 0.12 percentage point to 0.47% and the proportion of loss loans increased by 0.03 percentage point to 0.14%, as compared with that at the end of last year respectively.

9.2 Distribution of Loans by Product Type

Unit: RMB'000

Item	**30 June 2022** Amount of loans	**% of Total**	31 December 2021 Amount of loans	% of Total
Corporate-related loans	**189,086,771**	**71.28**	167,462,292	68.57
Working capital loans	**112,423,388**	**42.38**	90,853,050	37.20
Fixed asset loans	**60,565,066**	**22.83**	54,827,929	22.45
Import and export bills transactions	**771,455**	**0.29**	4,141,089	1.70
Discounted bills	**15,326,862**	**5.78**	17,640,224	7.22
Retail loans	**76,181,265**	**28.72**	76,743,188	31.43
Personal housing loans	**46,795,906**	**17.64**	45,937,206	18.81
Personal consumption loans	**18,251,540**	**6.88**	19,015,201	7.79
Personal business loans	**11,133,819**	**4.20**	11,790,781	4.83
Total loans to customers	**265,268,036**	**100.00**	244,205,480	100.00

9.3 Distribution of Loans by Industry

Unit: RMB'000

Item	**30 June 2022** Amount of loans	**% of Total**	31 December 2021 Amount of loans	% of Total
Corporate-related loans	**189,086,771**	**71.28**	167,462,292	68.57
Manufacturing	**37,686,085**	**14.21**	33,331,662	13.65
Construction	**33,495,408**	**12.63**	28,960,161	11.86
Water conservancy, environment and public utility management	**24,802,496**	**9.35**	20,997,541	8.60
Real estate	**24,443,440**	**9.21**	21,257,028	8.70
Renting and business services	**22,072,255**	**8.32**	20,453,934	8.38
Wholesale and retail trade	**21,351,006**	**8.05**	20,430,787	8.37
Financial services	**8,618,993**	**3.25**	7,721,467	3.16
Production and supply of electric and heating power, gas and water	**4,525,109**	**1.71**	3,783,905	1.55
Transportation, storage and postal services	**4,187,085**	**1.58**	3,859,235	1.58
Scientific research and technical services	**2,385,160**	**0.90**	2,218,078	0.91
Others	**5,519,734**	**2.07**	4,448,494	1.81
Retail loans	**76,181,265**	**28.72**	76,743,188	31.43
Total loans to customers	**265,268,036**	**100.00**	244,205,480	100.00

9.4 Distribution of Loans by Region

Unit: RMB'000

Region	**30 June 2022** Amount of loans	**% of Total**	31 December 2021 Amount of loans	% of Total
Shandong Province	**265,268,036**	**100.00**	244,205,480	100.00
Of which: Qingdao City	**149,653,621**	**56.42**	139,440,339	57.10

9.5 Distribution of Loans by Type of Collateral

Unit: RMB'000

Item	**30 June 2022** Amount of loans	**30 June 2022** % of Total	31 December 2021 Amount of loans	31 December 2021 % of Total
Unsecured loans	**60,617,531**	**22.85**	54,080,566	22.15
Guaranteed loans	**53,174,942**	**20.05**	49,142,728	20.12
Mortgage loans	**105,459,637**	**39.75**	94,014,190	38.50
Pledged loans	**46,015,926**	**17.35**	46,967,996	19.23
Total loans to customers	**265,268,036**	**100.00**	244,205,480	100.00

9.6 Loans to the Top Ten Single Borrowers

Unit: RMB'000

Top ten borrowers	**Industry**	**Amount of loans as at the end of the Reporting Period**	**Percentage in total loans %**
A	Renting and business services	2,280,000	0.86
B	Renting and business services	2,130,000	0.80
C	Renting and business services	1,900,000	0.72
D	Culture, sports and entertainment	1,800,000	0.68
E	Renting and business services	1,700,000	0.64
F	Renting and business services	1,675,000	0.63
G	Manufacturing	1,655,278	0.62
H	Renting and business services	1,654,120	0.62
I	Construction	1,598,000	0.60
J	Transportation, storage and postal services	1,526,000	0.58
Total		17,918,398	6.75

9.7 Distribution of Loans by Overdue Period

Unit: RMB'000

Overdue period	30 June 2022 Amount of loans	30 June 2022 % of Total	31 December 2021 Amount of loans	31 December 2021 % of Total
Overdue for 3 months (inclusive) or less	**1,555,487**	**0.59**	990,946	0.41
Overdue for over 3 months to 1 year (inclusive)	**1,250,432**	**0.47**	557,398	0.23
Overdue for over 1 year to 3 years (inclusive)	**1,031,564**	**0.39**	907,074	0.37
Overdue for over 3 years	**242,638**	**0.09**	300,896	0.12
Total overdue loans	**4,080,121**	**1.54**	2,756,314	1.13
Total loans to customers	**265,268,036**	**100.00**	244,205,480	100.00

9.8 Repossessed Assets and Provision for Impairment

As at the end of the Reporting Period, the Company had no repossessed assets.

9.9 Changes in Provision for Impairment of Loans

The Company has performed loan impairment accounting and confirmed loss provision based on expected credit losses. If the credit risk of loan is low as at the end of the Reporting Period or has not increased significantly since initial recognition, the Company measures its loss provision based on expected credit losses for the future 12 months. In other situations, the Company measures their loss provisions based on lifetime expected credit losses.

The Company re-measures expected credit losses at the end of each reporting period. In addition, the Company regularly reviews a number of key parameters and assumptions involved in the process of determining impairment provision based on the expected credit loss model, including probability of default, loss rate of default and other parameter estimations, as well as forward-looking adjustment and other adjustment factors. The changes in the Company's provision for impairment of loans are detailed in the following table.

Unit: RMB'000

Item	**January to June 2022**	**2021**
Balance at the beginning of the period/year	**6,439,606**	5,302,582
Provision for the period/year	**1,544,922**	3,110,029
Write-offs for the period/year	**(606,467)**	(2,496,161)
Recovery of write-offs for the period/year	**12,433**	539,709
Other changes	**(4,946)**	(16,553)
Balance at the end of the period/year	**7,385,548**	6,439,606

The Company maintained a strong and prudent provision policy. As at the end of the Reporting Period, the Company's provision for impairment of loans (including discounted bills) amounted to RMB7.386 billion, representing an increase of RMB946 million or 14.69% as compared with that at the end of last year. The provision coverage ratio reached 209.07%, representing an increase of 11.65 percentage points as compared with that at the end of last year; the provision rate of loans stood at 2.78%, representing an increase of 0.14 percentage point as compared with that at the end of last year, both provision indicators satisfying regulatory requirements.

9.10 Countermeasures Taken against Non-performing Assets

During the Reporting Period, the Company continued to strengthen high-quality development by improving the management for non-performing assets and accelerating the disposal of existing non-performing assets, enhanced dynamic monitoring of potential risks by strictly controlling new additions through prospective study and customer-based policies, optimized the market-based recovery mechanism and assessment policy for asset preservation, strengthened the disposal of non-performing assets by comprehensively taking measures such as independent recovery, judicial disposal, asset write-off, and assignment of debts, carrying forward the work comprehensively, making breakthroughs in key areas, and taking multiple measures simultaneously to promote the disposal and resolution work. The Bank optimized the disposal strategy for non-performing assets to improve the quality and effectiveness of their recovery and disposal with a focus on quality and efficiency improvement.

9.11 Credit Extension to Group Customers and Risk Management

The Company established a management system and credit management information system in line with characteristics of the risk management for the credit granting business to group customers. The Company stipulated risk management system for the credit granting business to group customers according to its operation and management needs, including organizational construction of risk management for the credit granting business to group customers, specific measures for risk management and prevention, the standard for ensuring scope of an individual group customer, the standard of credit limit to an individual group customer, internal reporting procedures, allocation of internal responsibilities, etc.

The Company adhered to the principles of "implementing unified credit extension, providing an appropriate amount, employing classified management, conducting real-time monitoring and adopting a leading bank system" in extending credit to group customers, and continuously enhanced the control of the entire process of credit extension to group customers. Firstly, it implemented unified management for credit extension to group customers and centralized risks control of credit extension to group customers. Secondly, according to the level of risks of group customers and its own risks commitment capacity, it properly determined the general credit limit to group customers to prevent the concentration of credit risks. Thirdly, based on the requirements of risk control, it conducted centralized control over credit limit to group customers. Fourthly, it implemented unified risk statistics and risk monitoring for group customers, continuously improved the risk warning mechanism, and timely prevented and resolved credit risks of group customers. Fifthly, it adopted a leading bank system for credit extension to group customers, with the leading bank responsible for the overall credit extension management of group customers, and reporting the material matters on group customers to the head office as required.

9.12 Rescheduled Loans

Unit: RMB'000

Item	**30 June 2022** Amount of loans	% of total	31 December 2021 Amount of loans	% of total
Rescheduled loans	**275,491**	**0.10**	275,588	0.11
Total loans and advances to customers	**265,268,036**	**100.00**	244,205,480	100.00

The Company implemented strict management and control on rescheduled loans. As at the end of the Reporting Period, the proportion of rescheduled loans of the Company was 0.10%, which decreased by 0.01 percentage point as compared to that at the beginning of the year.

10. Analysis of Capital Adequacy Ratio and Leverage Ratio

The Company continuously optimized business structure, strengthened capital management, targeted at constantly enhancing the ability to resist risk of capital and boosting return on capital, and on this basis, reasonably identified the Company's capital adequacy ratio target and guided business development by means of performance appraisal and capital allocation in a bid to achieve the coordinated development of its overall strategy, business development and capital management strategy.

In terms of internal capital management, the Company reinforced the allocation and management functions of economic capital, coordinated the development of assets business and capital saving, and raised capital saving awareness of operating agencies. In the performance appraisal scheme, it considered the capital consumption status and earnings of various institutions, gradually optimized the risk-adjusted performance appraisal scheme, and guided its branches and management departments to carry out more capital-saving businesses and businesses of high capital returns, so as to maximize the yield of risk-weighted assets. Moreover, the Company set up a sound mechanism to balance and restrict capital occupancy and risk assets and ensured that the capital adequacy ratio continued to meet the standard.

10.1 Capital Adequacy Ratio

The Company calculates capital adequacy ratio in accordance with the "Regulation Governing Capital of Commercial Banks (Provisional)" (《商業銀行資本管理辦法(試行)》) issued by the China Banking and Insurance Regulatory Commission (the "**CBIRC**") and other relevant regulatory provisions. The on-balance sheet risk-weighted assets are calculated with different risk weights determined in accordance with each asset, credit of the counterparty, market and other relevant risks and by considering the effects of qualified pledge and guarantee. The same method is also applied to the calculation of off-balance sheet exposure. Market risk-weighted assets are calculated with the standard approach, and the operational risk-weighted assets are calculated with the basic indicator approach. During the Reporting Period, the Company further improved its capability on risk identification and assessment through developing a comprehensive risk management system, so that the Company can measure risk-weighted assets more accurately based on business nature. During the Reporting Period, the Company's capital adequacy indicators complied with the capital requirements prescribed by the regulators.

As at the end of the Reporting Period, the Company's capital adequacy ratio was 14.53%, representing a decrease of 1.30 percentage points as compared with that at the end of last year, mainly due to the exercise of redemption option for secondary bonds of RMB3 billion; the core tier-one capital adequacy ratio stood at 8.81%, representing an increase of 0.43 percentage point as compared with that at the end of last year. During the Reporting Period, the Company expanded its credit support for the real economy and increased its risk-weighted assets. In terms of capital replenishment, the Company raised a net capital of RMB4.154 billion through A share and H share rights issue, to supplement core tier-one capital, improve the level of capital adequacy, and further improve its capacities on risk resistance and supporting the development of the real economy.

Relevant information on the Company's capital adequacy ratio as at the dates indicated is listed in the following table:

Unit: RMB'000

The Company	**30 June 2022**	31 December 2021
Total core tier-one capital	**30,522,918**	25,220,636
Of which: Share capital	**5,820,355**	4,509,690
Qualifying portion of capital reserve	**11,181,510**	8,337,869
Other comprehensive income	**667,487**	746,499
Surplus reserve	**2,103,883**	2,103,883
General reserve	**5,576,461**	5,576,461
Retained earnings	**4,594,267**	3,507,129
Qualifying portion of non-controlling interests	**578,955**	439,105
Core tier-one capital deductions	**(304,648)**	(309,651)
Net core tier-one capital	**30,218,270**	24,910,985
Other tier-one capital	**7,931,158**	7,912,511
Net tier-one capital	**38,149,428**	32,823,496
Tier-two capital	**11,693,150**	14,251,730
Net capital base	**49,842,578**	47,075,226
Total risk-weighted assets	**343,031,729**	297,412,693
Of which: Total credit risk-weighted assets	**286,639,694**	253,908,512
Total market risk-weighted assets	**36,834,890**	23,947,036
Total operational risk-weighted assets	**19,557,145**	19,557,145
Core tier-one capital adequacy ratio (%)	**8.81**	8.38
Tier-one capital adequacy ratio (%)	**11.12**	11.04
Capital adequacy ratio (%)	**14.53**	15.83

As at the end of the Reporting Period, the capital adequacy ratio at the parent company level of the Bank was 14.27%, down by 1.20 percentage points from the end of the previous year; the core tier-one capital adequacy ratio was 8.40%, representing an increase of 0.61 percentage point as compared with that at the end of last year.

Relevant information on the Bank's capital adequacy ratio as at the dates indicated is listed in the following table:

Unit: RMB'000

The Bank	30 June 2022	31 December 2021
Total core tier-one capital	**29,274,755**	24,160,420
Of which: Share capital	**5,820,355**	4,509,690
Qualifying portion of capital reserve	**11,181,510**	8,337,869
Other comprehensive income	**667,487**	746,499
Surplus reserve	**2,103,883**	2,103,883
General reserve	**5,409,946**	5,409,946
Retained earnings	**4,091,574**	3,052,533
Core tier-one capital deductions	**(1,793,960)**	(1,976,884)
Net core tier-one capital	**27,480,795**	22,183,536
Other tier-one capital	**7,853,964**	7,853,964
Net tier-one capital	**35,334,759**	30,037,500
Tier-two capital	**11,356,048**	13,989,996
Net capital base	**46,690,807**	44,027,496
Total risk-weighted assets	**327,151,214**	284,616,189
Of which: Total credit risk-weighted assets	**271,839,907**	242,192,736
Total market risk-weighted assets	**36,834,890**	23,947,036
Total operational risk-weighted assets	**18,476,417**	18,476,417
Core tier-one capital adequacy ratio (%)	**8.40**	7.79
Tier-one capital adequacy ratio (%)	**10.80**	10.55
Capital adequacy ratio (%)	**14.27**	15.47

10.2 Leverage Ratio

According to the "Measures for the Administration of the Leverage Ratio of Commercial Banks (Revision)" (《商業銀行槓桿率管理辦法(修訂)》) of the CBIRC, the leverage ratio of a commercial bank shall not be lower than 4%. As at the end of the Reporting Period, the Company's leverage ratio calculated according to the "Measures for the Administration of the Leverage Ratio of Commercial Banks (Revision)" was 6.45%, higher than required by the CBIRC, up by 0.58 percentage point from the end of the previous year, mainly due to increased net tier-one capital from the completion of the rights issue of A shares and H shares by the Company.

The following table sets out the Company's accounting items corresponding to the leverage ratio-related regulatory items and the differences between the regulatory items and the accounting items.

Unit: RMB'000

No.	Item	**30 June 2022**	31 December 2021
1	Total consolidated assets	**536,409,742**	522,249,610
2	Consolidated adjustments	**–**	–
3	Customer assets adjustments	**–**	–
4	Derivative adjustments	**2,371,021**	2,371,999
5	Securities financing transactions adjustments	**–**	–
6	Off-balance sheet items adjustments	**53,268,106**	34,991,307
7	Other adjustments	**(304,648)**	(309,651)
8	Balance of assets on and off balance sheet after adjustments	**591,744,221**	559,303,265

The following table sets out information of the Company's leverage ratio level, net tier-one capital, assets on and off balance sheet after adjustments and relevant details:

Unit: RMB'000

No.	Item	30 June 2022	31 December 2021
1	Assets on the balance sheet (excluding derivatives and securities financing transactions)	**536,283,859**	509,814,068
2	Less: Tier-one capital deductions	**(304,648)**	(309,651)
3	The balance of assets on the balance sheet after adjustments (excluding derivatives and securities financing transactions)	**535,979,211**	509,504,417
4	Replacement cost of various types of derivatives (net of qualified margins)	**125,883**	146,617
5	Potential risk exposure in various types of derivatives	**2,371,021**	2,371,999
6	The sum of collaterals deducted from the balance sheet	**–**	–
7	Less: Assets receivables formed due to qualified margins provided	**–**	–
8	Less: The balance of derivative assets formed due to transactions with central counterparties for providing clearing service for the customers	**–**	–
9	Notional principal for sold credit derivatives	**–**	–
10	Less: The balance of sold credit derivatives assets which can be deducted	**–**	–
11	The balance of derivatives assets	**2,496,904**	2,518,616
12	The balance of accounting assets for securities financing transactions	**–**	12,288,925
13	Less: The balance of securities financing transactions assets which can be deducted	**–**	–
14	Counterparty credit risk exposure to securities financing transactions	**–**	–
15	The balance of securities financing transactions assets formed due to securities financing transactions by proxy	**–**	–
16	The balance of securities financing transactions assets	**–**	12,288,925
17	The balance of items off balance sheet	**53,268,106**	34,991,307
18	Less: The balance of items off balance sheet reduced due to credit conversion	**–**	–
19	The balance of items off balance sheet after adjustments	**53,268,106**	34,991,307
20	Net tier-one capital	**38,149,428**	32,823,496
21	The balance of assets on and off balance sheet after adjustments	**591,744,221**	559,303,265
22	Leverage ratio (%)	**6.45**	5.87

Relevant information on the Company's leverage ratio as at the dates indicated is listed in the following table:

Unit: RMB'000

Item	**30 June 2022**	31 March 2022	31 December 2021	30 September 2021
Leverage ratio (%)	**6.45**	6.63	5.87	5.96
Net tier-one capital	**38,149,428**	37,833,279	32,823,496	32,170,544
The balance of assets on and off balance sheet after adjustments	**591,744,221**	570,494,146	559,303,265	539,915,346

According to the "Regulatory Requirements on the Information Disclosure Regarding the Capital Composition of the Commercial Banks" (《關於商業銀行資本構成信息披露的監管要求》) issued by the CBIRC, the information concerning the capital composition, explanation on development of relevant items and the main characteristics of the capital instruments of the Company will be further disclosed in the "**Investor Relations**"on the website of the Bank (http://www.qdccb.com/).

11. Investment Analysis

11.1 Overview

Unit: RMB'000

Investees	**Beginning of the period**	**End of the period**	**Percentage of shareholding in investees (%)**	**Cash dividend for the current period**
China UnionPay Co., Ltd.	13,000	13,000	0.34	–
Shandong City Commercial Bank Cooperation Alliance Co., Ltd.	10,000	10,000	2.15	–
Clearing Center for City Commercial Banks	250	250	0.81	–
Total	23,250	23,250	N/A	–

Note: The above investments are accounted for as financial investments measured at fair value through other comprehensive income in the statement of financial position.

As at the end of the Reporting Period, for details of other information concerning the Company's investments, please refer to "3. Management Discussion and Analysis 5.1.2 Financial Investments" and "14. Analysis of Main Shares Holding Companies and Joint Stock Companies" of this results announcement.

11.2 Significant Equity Investments Made during the Reporting Period

During the Reporting Period, the Company did not make any significant equity investment.

11.3 Significant Non-equity Investments in Progress during the Reporting Period

During the Reporting Period, the Company did not have any significant non-equity investment in progress.

11.4 Investment in Securities

Set out below is the breakdown of the Company's investment in securities as at the end of the Reporting Period:

Unit: RMB'000

Type of security	Investment amount in securities	% of total investment in securities
Government bonds	60,834,065	46.22
Debt securities issued by policy banks	15,410,525	11.71
Debt securities issued by banks and other financial institutions	21,142,637	16.06
Debt securities issued by corporate entities	34,227,196	26.01
Total	131,614,423	100.00

Set out below are the top ten investments in securities held by the Company which are considered significant in terms of nominal value as at the end of the Reporting Period:

Unit: RMB'000

Name of security	**Nominal value**	**Interest rates (%)**	**Maturity date**	**Impairment provision**
Bond 1	5,170,000.00	3.39	2050-03-16	152.79
Bond 2	2,740,000.00	3.18	2026-09-05	278.22
Bond 3	2,400,000.00	2.88	2029-06-10	432.72
Bond 4	2,250,000.00	3.55	2040-05-19	406.68
Bond 5	2,130,000.00	3.12	2026-12-05	66.67
Bond 6	2,100,000.00	2.68	2030-05-21	62.58
Bond 7	2,000,000.00	3.23	2030-03-23	203.89
Bond 8	2,000,000.00	2.76	2024-11-05	204.79
Bond 9	1,950,000.00	3.13	2029-11-21	60.71
Bond 10	1,900,000.00	2.47	2024-09-02	58.45

11.5 Derivative Investments

Unit: RMB'000

	30 June 2022			31 December 2021		
Item	**Nominal amount**	**Fair value of assets**	**Fair value of liabilities**	Nominal amount	Fair value of assets	Fair value of liabilities
Interest rate swaps and others	**49,278,900**	**125,883**	**(131,725)**	50,646,662	146,617	(144,689)

Notes:

1. Within the risk appetite established by the Board and the risk framework of its own derivatives market, the Company followed the limit requirements and actively carried out various derivatives transactions. As of 30 June 2022, derivative financial instruments held by the Company included interest rate swaps and others.

2. During the Reporting Period, there were no significant changes in the Company's derivatives accounting policies and specific accounting principles as compared with the previous reporting period.

11.6 Use of Proceeds Raised

(1) General Use of Proceeds Raised

During the Reporting Period, the Bank completed the A share rights issue and H share rights issue. The net proceeds from the A share rights issue and H share rights issue by the Bank, less issuance expenses, had been fully used to replenish the core tier-one capital of the Bank, so as to increase the capital adequacy ratio of the Bank, support the sustainable and healthy business development in the future, and enhance the capital strength and competitiveness of the Bank.

Unit: RMB0'000

Raising year	Raising method	Total proceeds	Total proceeds used during the current period	Total cumulative proceeds used	Total proceeds involved in change of use during the Reporting Period	Total cumulative proceeds involved in change of use	Proportion of total cumulative proceeds involved in change of use	Total unused proceeds	Uses and whereabouts of unused proceeds	Amount of proceeds idle for more than two years
2022	A share rights issue and H share rights issue	419,483.92	419,483.92	419,483.92	0.00	0.00	0.00%	0.00	N/A	0.00
Total	–	419,483.92	419,483.92	419,483.92	0.00	0.00	0.00%	0.00	–	0.00

(2) Commitment of Use of Proceeds Raised

N/A.

(3) Change of Use of Proceeds Raised

During the Reporting Period, the Bank did not have any change of use of proceeds raised.

12. Material Disposal of Assets and Equity Interest

During the Reporting Period, there was no material disposal of assets and equity interest of the Company.

13. Other Financial Information

13.1 Analysis of Off-balance Sheet Items

The Company's off-balance sheet items include credit commitments and capital commitments, etc. Credit commitments are the most important parts. As at the end of the Reporting Period, the balance of credit commitments reached RMB59.666 billion. For details, please refer to "Notes to the Unaudited Interim Financial Report – 44 Commitments and Contingencies" of this results announcement.

13.2 Overdue and Outstanding Debts

As at the end of the Reporting Period, the Company had no overdue or outstanding debts.

13.3 Pledge of Assets

As at the end of the Reporting Period, the Company pledged part of its assets as collateral under repurchase agreements and borrowings from central bank. For details, please refer to "Notes to the Unaudited Interim Financial Report – 44(6) Pledged Assets" of this results announcement.

13.4 Major Statement Items and Financial Indicators with a Change Rate of over 30% and Its Main Reasons

Unit: RMB'000

Item	**January to June 2022**	January to June 2021	**Changes (%)**	**Main reasons**
Fee and commission expense	**(144,790)**	(76,117)	90.22	Increase in the wealth management, credit cards, and agricultural aid businesses fees
Net trading gains/(losses)	**422,623**	(89,297)	573.28	Increase in the exchange gains and losses from market exchange rate fluctuations
Net gains arising from investments	**951,323**	728,170	30.65	Increase in the investment gain of financial assets measured at fair value through other comprehensive income
Other operating income	**26,799**	9,695	176.42	Increase in the incentives for inclusive small and micro loans
Other comprehensive income, net of tax	**(79,012)**	362,039	(121.82)	Decrease in changes in credit impairment provision of financial assets measured at fair value through other comprehensive income

Unit: RMB'000

Item	**30 June 2022**	31 December 2021	**Changes (%)**	**Main reasons**
Placements with banks and other financial institutions	**7,023,303**	5,108,646	37.48	Increase in the placements with non-inter-banks and other financial institutions
Financial assets held under resale agreements	**–**	12,288,925	(100.00)	Decrease in the scale of bonds purchased under resale agreements
Long-term receivables	**15,238,236**	11,688,253	30.37	Increase in the finance lease receivable of subsidiaries
Other assets	**3,333,110**	2,315,830	43.93	Increase in the settlement payable

Item	30 June 2022	31 December 2021	Changes (%)	Main reasons
Deposits from banks and other financial institutions	**8,519,016**	6,341,814	34.33	The Company strengthened its inter-bank active liability management, moderately adjusted its interbank liability structure, and appropriately increased the size of relatively stable inter-bank time deposits while reducing financial assets sold under repurchase agreements
Financial assets sold under repurchase agreements	**14,107,980**	25,305,596	(44.25)	The Company strengthened its inter-bank active liability management, continued to reduce the size of its bonds sold under repurchase agreements
Income tax payable	**71,463**	124,032	(42.38)	Income tax payable was greater than the provision amount
Other liabilities	**5,280,347**	3,917,133	34.80	Increase in the financial liabilities related to gold
Capital reserve	**11,181,510**	8,337,869	34.11	Completion of the A share rights issue and H share rights issue and increase in the share premium
Retained earnings	**4,594,267**	3,507,129	31.00	Increase in the retained earnings

13.5 Changes in Interest Receivables

Unit: RMB'000

Item	31 December 2021	Increase during the period	Recovery during the period	**30 June 2022**
Loans and advances to customers	28,754	380,283	(324,010)	**85,027**
Long-term receivables	–	1,240	(1,026)	**214**
Total	28,754	381,523	(325,036)	**85,241**

Note: In accordance with the "Format of the Financial Statements of the Financial Enterprise for 2018" released by the Ministry of Finance of the People's Republic of China, the item "interest receivables" only reflects the interests that has been due and can be collected but not yet received on the balance sheet date. Since the amount is relatively small, it should be included under "other assets". The Company has made impairment provision for interest receivables, and the bad debt write-off procedures and policies have been implemented.

13.6 Provision for Bad Debts

Unit: RMB'000

Item	**30 June 2022**	31 December 2021	**Changes**
Other receivables	**295,111**	138,315	156,796
Interest receivables	**85,241**	28,754	56,487
Less: Bad debt provision	**(52,226)**	(19,895)	(32,331)

14. Analysis of Main Shares Holding Companies and Joint Stock Companies

14.1 Major Subsidiaries and Investees Accounting for over 10% of the Net Profit of the Company

Unit: RMB in 100 million

Name of company	Type of company	Main business	Registered capital	Total assets	Net assets	Operating income	Operating Profit	Net profit
Qingyin Wealth Management Company Limited	Wholly – owned subsidiary	Public offering of wealth management products to the general public, investment and management of properties entrusted by investors; private placement of wealth management products to qualified investors, investment and management of properties entrusted by investors; wealth management advisory and consulting services; and other business approved by CBIRC	10.00	15.10	14.15	3.33	2.74	2.04
BQD Financial Leasing Company Limited	Subsidiary	Finance leasing business; transferring in and out assets under a finance lease; fixed income securities investment business; accepting guaranteed deposit of the lessee; absorbing fixed deposits over 3 months (inclusive) from non-bank shareholders; interbank lending and borrowing; obtaining loans from financial institutions; lending loans to offshore borrowers; disposal of and dealing with leased articles; economic consulting, etc.	10.00	161.57	14.98	2.40	1.15	0.86

14.2 Acquisition and Disposal of Subsidiaries during the Reporting Period

During the Reporting Period, there was no acquisition and disposal of subsidiaries of the Bank.

14.3 Particulars of Major Companies Controlled or Invested in by the Company

Qingyin Wealth Management was established on 16 September 2020, with a registered capital of RMB1.00 billion. It was registered in Qingdao, and was wholly initiated and established by the Bank. Qingyin Wealth Management is the first wealth management subsidiary of a city commercial bank approved in the Northern China and the sixth within the whole country, and the business scope of which is public offering of wealth management products to the general public, private placement of wealth management products to eligible investors, investment and management of properties entrusted by investors, and provision of wealth management advisory and consulting services. Guided by new asset management regulations and supporting policies, Qingyin Wealth Management is committed to focusing on the essence of asset management business and serving the real economy, and builds a complete and innovative wealth management product system while adhering to the business philosophy of "establishment with compliance, governance with professionalism, emergence with innovation and enhancement with technology". Targeting the needs of specific groups of people and relying on strong investment and research capabilities, it creates an innovative wealth management corporate brand which is "inclusive + distinctive".

BQD Financial Leasing was established on 15 February 2017, with a registered capital of RMB1.00 billion. It was registered in Qingdao, and was initiated and established by the Bank. The Bank holds 51% of the share capital of BQD Financial Leasing. Under the guidance of the national strategies and policies, leveraging on its characteristic of the lightweight business model, BQD Financial Leasing sticks to its main responsibility and primary business. With finance leasing, direct leasing and other business as key growth drivers, it also continues to focus on the fields such as smart agriculture, energy innovation, double-carbon industry, green agriculture and blue economy, building an asset system with diversified profit models and supporting the advancement of the real economy.

15. Overview of Business Development

15.1 Retail Banking

During the Reporting Period, in terms of retail banking, with construction of customer base as its core and adhering to its business philosophy of "acquiring customers in quantity, attracting active customers online, and refining the selection of customers", the Bank comprehensively promoted the development of retail customer base by ways of payroll credit and payment services, community finance and agriculture-benefiting finance, thereby expanding the scale of business development and gradually improving the business capacity. During the Reporting Period, the Company's retail banking achieved operating income of RMB1.267 billion, accounting for 20.40% of the Company's total operating income.

1. *Retail customers and customer asset management*

The Bank saw record new retail customers in a continuously optimized customer base structure. As at the end of the Reporting Period, the Bank held RMB276.398 billion assets of retail customers, representing an increase of RMB22.490 billion or 8.86% as compared with that at the end of the previous year. The Bank had 327.8 thousand mid-to-high end customers with financial assets above RMB200 thousand, representing an increase of 28.1 thousand as compared with that at the end of the previous year, for a total of RMB239.712 billion assets, accounting for 86.73% of all retail assets, representing an increase of 0.16 percentage point as compared with that at the end of the previous year.

Retail deposits continued to grow while the payroll credit business was booming. As at the end of the Reporting Period, the balance of the Bank's retail deposits was RMB128.674 billion, representing an increase of RMB18.244 billion or 16.52% as compared with that at the end of the previous year. It accounted for 38.99% of the total customer deposits, representing an increase of 3.77 percentage points as compared with that at the end of the previous year. During the Reporting Period, the Bank gained 3,438 new customer companies for payroll credit business, representing an increase of 91.00% over the same period of the previous year. Payroll credit business has driven an increase of 67.3 thousand new customers, accounting for 23.88% of the new individual customers.

The second phase of the intelligent retail marketing system has been launched, and the smart outlet service was further upgraded. During the Reporting Period, the Bank promoted the development of the Bank's retail digital transformation through the intelligent retail marketing system integrating digitalization, automation and intelligence. As at the end of the Reporting Period, the utilization rate of the intelligent retail marketing system at outlet reached 100%. During the Reporting Period, 161 branches of the Bank have commenced the smart outlet services. Combined with the customer needs and the optimized business processes, the service scenarios have been upgraded and the alternative rate of individual non-cash transactions reached 90%.

Actively building a “Data Lab”. The Bank continued to promote the standardized governance of the retail data. By promoting the data standardization from the dimension of application, the Bank also explored the data applications to enhance the data value. During the Reporting Period, the Bank formulated 155 standardized indicators for the group and scale of retail customers, and provided effective support for its business development through data analysis and application.

2. *Retail loans*

As at the end of the Reporting Period, the balance of the Bank’s retail loans (including credit card) was RMB76.181 billion, representing a decrease of RMB562 million or 0.73% as compared with that at the end of the previous year, accounting for 28.72% of the total balance of various loans. During the Reporting Period, the Bank developed inclusive finance and provided loan services for individual industrial commercial households and small and micro enterprises. On the premise of meeting the regulatory requirements, it steadily developed personal housing loans and increased the proportion of Internet loans granted in the province to build its self-operated Internet loan brand.

Personal housing loans developed steadily. The Bank’s personal housing loans business supported residents’ reasonable demand for homes, while ensuring compliance with policy and regulatory requirements. Due to the lack of market demand during the Reporting Period, the growth of personal housing loans slowed down as compared to previous years. As at the end of the Reporting Period, the balance of the Bank’s personal housing loans was RMB46.796 billion, representing an increase of RMB859 million or 1.87% as compared with that at the end of the previous year. During the Reporting Period, primary housing loans business can be approved through automatic procedures, which significantly improved business efficiency.

The proportion of Internet loans granted in the province was increased to build its self-operated Internet loan brand. During the Reporting Period, the balance of Internet loans amounted to RMB14.062 billion, of which 77.12% was granted in the province, representing an increase of 16.79% as compared with that at the end of the previous year. During the Reporting Period, the Bank vigorously developed its self-operated Internet loan “Hairong Yidai” by launching “Hairong Yidai – Convenient Loans” for residents in the province and optimizing such products as “rural revitalization loan” and “easy loans for stores”, thereby forming a complete sequence of self-operated Internet loan products. As at the end of the Reporting Period, the number of customers from “Hairong Yidai” was 1.0 thousand and the business balance was RMB169 million, representing an increase of 233.80% as compared with that at the end of the previous year.

3. *Credit card business*

The Bank upheld the principle of prudent risk management for its credit card business by strengthening operational compliance and developing customer base. As at the end of the Reporting Period, the cumulative number of credit cards issued reached 3.3608 million, representing an increase of 11.97% as compared with that at the end of the previous year, and the credit card overdraft balance was RMB10.632 billion, representing an increase of 19.72% as compared with that at the end of the previous year. During the Reporting Period, the accumulated transaction amount was RMB36.921 billion, representing a year-on-year increase of 56.31%.

The Bank pursued both the efficiency and quality of customer acquisition and continued to push ahead with product innovation. For credit card business, the Bank insisted on the policy of "customer acquisition + customer activation" and focused on the development of its own customer acquisition capacity, so that the activation rate continued to increase. In June 2022, the Bank launched its first platinum credit card, the "Owner's Card", aiming to acquire high-end customers and increase customer transaction scale.

The Bank enhanced customer stickiness and continued to advance the operation of installment. Through special marketing activities such as the "Qingdao Bank Weekly Dessert Season", the Bank strived to build a brand of activities to enhance customer stickiness and improve overall operational efficiency. The Bank continued to advance the operation of installment products. It enhanced the scale of installment business by refining customer access strategies and leveraging online channels.

4. *Wealth management and private banking business*

Adhering to the "customer-centric and market-oriented" service philosophy, the Bank is committed to building a professional service team and implementing customer segmentation by leveraging on market opportunities, so as to improve its customer service capabilities and drive a steady increase in the number of customers and asset size.

As at the end of the Reporting Period, the Bank had 53.6 thousand retail customers with assets under management of over RMB1 million, an increase of 4.1 thousand or 8.28% from the end of the previous year, for a total of RMB123.772 billion assets managed by the Bank, an increase of RMB9.812 billion or 8.61% from the end of the previous year. During the Reporting Period, the Bank realized RMB157 million wealth management service fees and commission income, increasing by 23.62% year on year. Among them, the income from agency for trust products was RMB79 million, the income from agency for insurance was RMB62 million, and the income from agency for funds was RMB16 million.

5. Customer service management

During the Reporting Period, the Bank, closely aligning with the theme of retail business development in service management, further expanded the intension and extension of BQD service to break new ground for the service management value. With continuous efforts to promote service experience management, the Bank completed the closed loop from service quality management to service experience management, in order to establish its core competitiveness in user experience. Firstly, the Bank strived to establish an industry-leading user experience evaluation system. By digging the customer service process, the Bank introduced net promoter score (NPS), an experience evaluation indicator for customer satisfaction, and applied innovative tools such as the "Peak-End Rule" and the "PDCA Cycle" management model to reshape the experience-oriented user evaluation system and coordinate the upgrading of the user experience-centric service management system. Secondly, the Bank focused on data analysis by leveraging the intelligent and digital upgrading. In particular, the Bank explored customers' pain points and blockages in the process through studying customer preferences to create a two-wheel driven service management model of "product experience + service experience", simplifying the process and promoting continuous upgrading of product services. Thirdly, the Bank launched an extensive campaign to traceability management of consumer complaints. With customer complaint and dissatisfaction as the "key points" for service experience improvement, the Bank incorporated consumers' poor service experience into the closed-loop management of assessment, and carried out analysis, assessment, supervision and following-up in different management means to establish a complaint handling mechanism featured with "quick response, active handling and retrospective improvement".

15.2 Corporate banking

During the Reporting Period, the Bank established a grid-based marketing system and a front-end marketing mechanism to strengthen the service support capability of the headquarters. In addition, the Bank made precise efforts to expand customer base, increased income from intermediary business and reduced capital expenditures, driving a steady growth in corporate business. During the Reporting Period, the Company's corporate banking business achieved operating income of RMB3.075 billion, accounting for 49.51% of the Company's operating income.

1. Corporate deposits

During the Reporting Period, the Bank achieved steady growth in corporate deposits by capturing policy opportunities through "headquarter-to-headquarter" marketing, reaching out to industrial customers and acquiring customers from the source in bulk. As at the end of the Reporting Period, the balance of corporate deposits (excluding accrued interest) reached RMB201.246 billion, accounting for 60.98% of the balance of various deposits (excluding accrued interest). Specifically, the corporate demand deposit amounted to RMB103.670 billion, accounting for 31.41%, and corporate time deposit amounted to RMB97.576 billion, accounting for 29.57%. The average cost ratio of corporate deposits was 1.86%. During the Reporting Period, the Bank's efforts in customer base construction gradually emerged as a driver for increased deposits, with the average daily deposits from new corporate customers increasing by RMB3.610 billion and the average daily deposits from strategic customers at headquarter level reaching RMB82.820 billion, representing an increase of RMB11.551 billion as compared with that at the end of the previous year. During the Reporting Period, the Bank focused on the advancement of key projects, with deposits of RMB8.120 billion received from the bidding of key projects such as treasury cash management, medical insurance fund transferring, special metro funds and housing maintenance funds. Moreover, the Bank strengthened the marketing of special bonds with granting loans of RMB11.991 billion.

2. Corporate-related loans

During the Reporting Period, amid challenges from economic downturn and decline in effective demand, the Bank seized quality assets and increased its credit facilities. As at the end of the Reporting Period, the Bank's balance of corporate-related loans (including discounted bills and excluding accrued interest) amounted to RMB189.087 billion, representing an increase of RMB21.624 billion as compared with that at the end of the previous year, representing an increase of 12.91% and accounting for 71.28% of the total loans (excluding accrued interest). The Bank fully implemented the new development concept with focusing on green and low-carbon development to develop a distinctive blue-finance brand. Furthermore, the Bank increased its support for the construction of new infrastructure such as livelihood project, key project and information technology, strengthened credit investment in high-end advanced manufacturing industries such as rail transportation and actively participated in the development of emerging strategic industries including new energy and new materials, so as to constantly enhance the capacity of financial services supporting the real economy and effectively satisfy the credit needs of private enterprises and inclusive small and micro-sized enterprises. Meanwhile, the Bank, based on the supply-side structural reform, subdivided the agricultural and rural markets and spared no effort to serve the rural revitalization, with aims to establish a financial service system featured with optimized allocation of financial resources, improved quality of the supply system and sound management and guarantee mechanism.

3. *Corporate customers*

Revolving around customers, the Bank focused on building the customer base by promoting "the basic management and grass-roots management strategy" to expand foundational customer base, and adhering to hierarchical management to optimize customer structure, so as to achieve increased number and improved quality of customers. During the Reporting Period, the Bank paid close attention to the reserve of high-quality projects, followed major national and regional strategic plans and provincial and municipal industrial development plans, and strengthened accurate marketing to listed or to-be-listed, specialized, fine, characteristic and innovative companies specializing in green finance, blue finance and carbon finance. As at the end of the Reporting Period, the total corporate customers who have opened accounts with the Bank amounted to 194.2 thousand, representing an increase of 14.5 thousand or 8.07% from the end of the previous year.

The Bank continued to promote the expansion of corporate customers by virtue of "industry + customer + product + service solution" to provide adaptive financial solutions for target customer groups. During the Reporting Period, the Bank registered 103 new core supply chain enterprises, 1,010 upstream and downstream customers with balance; 272 new international settlement customers, 1,696 active cross-border business customers; 12 core customers who signed up for cash management, 1,259 basic customers. During the Reporting Period, the number of customers who are A-share listed companies within Shandong Province amounted to 168, the number of specialized, fine, characteristic and innovative customers amounted to 3,962, and the number of customers in sanitary/health sector amounted to 2,836.

The Bank continued to adhere to the inclusive business development policy of "serving small and micro enterprises (SMEs) based on the local economy", and to focus on the three business directions of "technological finance, agricultural finance and livelihood finance" for strengthening product innovation and improving service level, so as to support development of SMEs. Since the epidemic, the Bank has implemented the support policies of governments at all levels and regulatory authorities for SMEs by launching "Easy Loan", "Growing Loan", "e Tax Loan" and other characteristic businesses, to fully support SMEs to fight against the epidemic and resume production. As at the end of the Reporting Period, the Bank has a total of 13 branches with specialized services for SMEs, with the number of SMEs which were granted inclusive loans to SMEs[1] amounted to 52.5 thousand, representing an increase of 9.2 thousand from the end of the previous year. The balance of inclusive loans to SMEs amounted to RMB25.578 billion, up by RMB3.572 billion or 16.23% from the end of the previous year, higher than the growth of the Bank's all other loans. The non-performing loan ratio of inclusive loans to SMEs was 1.60%, and the average interest rate was 4.75%. The Bank completed the assessment requirements of the regulatory authorities by phases.

[1] The inclusive loans to small and micro enterprises included loans to small and micro enterprises, loans to individual business owners and loans to owners of small and micro enterprises with an individual lending amount of below or equivalent to RMB10 million, excluding any discounted amount.

4. *Corporate products*

During the Reporting Period, the Bank set out to establish the inclusive "Cloud Platform" to accelerate the digital transformation, pursuant to which, the Bank launched the online credit loan product, "Qingyin Tax E Loan", based on the data analysis of Shandong Provincial Tax Bureau; launched online "Inclusive Operating Loan" to realize online granting loans to and repaying loans by SMEs; launched "Free Trade Tax Rebate Loan" to facilitate cross-border operation of small and medium-sized foreign trade enterprises; implemented the first energy pledge financing of a legal bank in Shandong Province, and the first emission pledge loan in Qingdao; and design "Photovoltaic Loan" green financial products to practice the economy of "carbon peaking and carbon neutrality".

15.3 Financial Markets

During the Reporting Period, as for the financial markets, the Bank optimized the asset structure, and adhered to the development principle of light capital to enrich investment varieties for multiple channels to increase income and profits. It actively promoted the issuance of capital bonds with no fixed term to provide strong support for business development. While continuously strengthening the comprehensive strength of wealth management, the Bank continued to enrich the product portfolios to give play to marketing commission channels. In addition, the Bank gave full play to the advantages of corporate banking qualification to expand the coverage of issuance and underwriting business, which significantly improved the depth and breadth of investment banking business, and increased its brand influence year by year. During the Reporting Period, the Company's financial markets achieved RMB1.609 billion operating income, accounting for 25.90% of the Company's operating income.

1. *Proprietary investment*

As at the end of the Reporting Period, the Bank's proprietary investment (excluding accrued interest) amounted to RMB203.933 billion, representing an increase of RMB20.370 billion or 11.10% as compared with that at the end of last year. This included RMB129.986 billion bond investment, representing an increase of RMB18.077 billion or 16.15% as compared with that at the end of last year, mainly due to the increase in investment in non-financial corporate bonds, local government bonds and railway bonds; RMB40.776 billion investments in public fund products, representing an increase of RMB803 million or 2.01% as compared with that at the end of last year, mainly due to the increased investment in bond-type public funds; RMB26.101 billion interbank asset management and trust products, representing an increase of RMB1.247 billion or 5.02% as compared with that at the end of last year; RMB7.030 billion other debt financing products, representing an increase of RMB248 million as compared with that at the end of last year, mainly due to a small increase of investment in debt financing plans in local financial asset exchanges.

During the Reporting Period, the Bank responded to regulatory orientation, focused on market changes, continued to optimize the investment structure, actively participated in market transactions, adhered to the principle of light-capitalization development, increased total assets while controlling the capital consumption ratio, strengthened the swing trading of standardized assets, and improved comprehensive profitability. First, the Bank implemented regulatory policies, maintained a stable growth in total financial investments, and controlled incremental indirect investments and non-standard investments, where asset investment transitioned from entrusted management to independent management to improve risk management coverage and control; non-standard investments gradually transitioned to standardized asset investment. The Bank focused on providing regional financial services to improve asset liquidity. Second, the Bank saw active market transactions and steadily growth in the underwriting of policy financial bonds and local bonds. Third, it reduced capital occupation. While steadily raising the total investments, the Bank maintained the proportion of risk-weighted assets in financial investments at a low level, and showed its significant advantage in the efficiency of unit risk asset revenue. Fourth, the Bank strengthened government finance to improve asset liquidity. During the Reporting Period, the Bank's incremental services were dominated by pledged high-liquidity assets such as national debts and local government bonds, as well as open-end public funds, expanded the size of low-risk bonds, and strengthened the profitability of trading high-grade bonds while maintaining sufficient liquidity and the high ability to replace assets in the right time.

2. *Interbank business*

The Bank reported a stable, liquid inter-bank liability structure. As at the end of the Reporting Period, the balance of interbank deposit certificates issued was RMB72.565 billion, representing an increase of 12.14% as compared with that at the end of last year, and accounting for 14.98% of the total liabilities of the Bank.

The Bank actively participated in trying market trading and derivative trading, with continuously raising trading volume. The Bank actively responded to the new market making rules, and obtained the qualifications as a spot bond market maker in the bond market, becoming the first city commercial bank spot bond market maker in Shandong Province. During the Reporting Period, the Bank continued to obtain the primary dealer qualification for open market business in 2022. Through reasonable pricing and continuous and stable financing, the Bank actively carried out various businesses, continuously improved the quality and comprehensive strength of interbank market transactions, and gave full play to the active role of primary dealers in the open market, contributing to the healthy and stable operation of the interbank market business.

3. Asset management

During the Reporting Period, the net value of the Company's wealth management products was stable, with obvious comparative advantages among peers. The Company has established and issued industry-themed fixed-term products, with product series continuing to be enriched. The Bank's external wealth management financing was in good condition, its channel expansion achieved fruitful results, and the management scale and profitability achieved a steady increase.

As at the end of the Reporting Period, wealth management products of the Company reached 597, with a balance of RMB170.770 billion, and the scale of wealth management products increased by 1.77% as compared with that at the end of last year. During the Reporting Period, wealth management products issued by the Company reached 241, raising a total amount of RMB337.886 billion, representing an increase of 1.29% as compared to the same period of last year. During the Reporting Period, the service fee and commission income from wealth management products reached RMB459 million, representing an increase of RMB0.044 billion or 10.55% as compared to the same period of last year.

As at the end of the Reporting Period, the balance of the Company's investment assets from wealth management products was RMB192.899 billion. The assets were directly and indirectly invested in fixed income, non-standardized debt, public funds and capital market assets mainly. This included RMB167.435 billion fixed income assets, accounting for 86.80%, RMB11.114 billion non-standardized debt assets, accounting for 5.76%, RMB10.814 billion public funds, accounting for 5.61% and RMB3.536 billion capital market assets, accounting for 1.83%.

During the Reporting Period, according to the Ranking Report on Wealth Management Capability of Banks (2022 Q2)" released by PY Standard, BQD Wealth Management, the Bank's wholly-owned subsidiary, ranked sixth in comprehensive wealth management capability among urban and commercial wealth management institutions. Moreover, BQD Wealth Management was awarded the Golden Honor Award for Outstanding ROI Wealth Management Companies and Golden Honor Award for Outstanding Innovative Wealth Management Companies by PY Standard again by virtue of its excellent comprehensive strength and good customer reputation.

4. *Investment banking*

During the Reporting Period, the Bank's issued products covered three major product lines, i.e. debt financing instruments, wealth management direct financing instruments and debts financing plans, involving a total issuance amount of RMB25.057 billion, up by 39.75% over the same period of the previous year, and RMB17.028 billion was underwritten by the Bank, up by 41.25% over the same period of the previous year. Among which, there were 23 debt financing instruments with an issuance amount of RMB18.402 billion and RMB10.373 billion underwritten by the Bank, up by 5.58% over the same period of the previous year. There were 27 non-standard products issued with an issuance amount of RMB6.655 billion and RMB6.655 billion underwritten by the Bank, up by 198.43% over the same period of the previous year.

The scope and of scale of investment banking business has been significantly improved, so did the Bank's brand influence. During the Reporting Period, the Bank recorded the best prices of many projects among those comparables, allowing the Bank to satisfy the low-cost financing needs of good large businesses with less capital, which thus increased the customer loyalty and enhanced customer relationship. The Bank seized the opportunity for issuance and achieved good performance, and therefore established its image in the bond market by virtue of its excellent comprehensive business capabilities. During the Reporting Period, the Bank ranked first in terms of both scale and number of underwritings among issuers with corporate credit of AA and AA+ in Shandong Province, and ranked second and third in terms of underwriting scales and numbers of medium and long-term debt financing instruments (excluding short-term financings and ultra-short-term financings) in Shandong Province, respectively. The Bank had shown a competitive edge in field of marketization of bond business.

15.4 Distribution Channels

1. *Physical distribution channels*

The Bank's business outlets are based in Qingdao, expanding throughout Shandong Province. As at the end of the Reporting Period, the Bank had 172 business outlets, including 16 branches, in 15 cities of Shandong Province, including Qingdao, Jinan, Dongying, Weihai, Zibo, Dezhou, Zaozhuang, Yantai, Binzhou, Weifang, Linyi, Jining, Tai'an, Heze, and Rizhao. In Qingdao, the Bank had 1 Head Office, 1 branch and 99 sub-branches. The Bank's controlling subsidiary BQD Financial Leasing and wholly-owned subsidiary BQD Wealth Management are headquartered in Qingdao.

2. *Self-service banking channels*

As at the end of the Reporting Period, the Bank had 104 in-bank self-service banks and 414 self-service machines, including 18 ATMs, 270 self-service cash deposit and teller machines (CTM) and 126 self-service terminals providing services including withdrawal, deposit, transfer, account inquiry, and payment. At the end of the Reporting Period, the Bank completed 2.9401 million self-service banking transactions for a total amount of RMB9.823 billion.

3. *Electronic banking channels*

The Bank kept developing the innovative E-banking business focusing on project construction and customer experience improvement by adopting FinTech to constantly improve and optimize online service channels such as mobile banking and online banking as well as comprehensively enhance the channel service capacity and the advantages in E-channel services.

(1) Mobile finance

During the Reporting Period, with the increase in the number of retail customers, the number of users of the Bank's mobile banking service was in constant and rapid growth. The number of existing mobile banking users reached 4.2383 million, representing an increase of 370.9 thousand or 9.59% as compared with that at the end of the previous year; 38.8893 million transactions, representing a decrease of 5.05% as compared with that in the same period of the previous year; a transaction amount of RMB199.026 billion, representing a decrease of 7.92% as compared with that in the same period of last year.

During the Reporting Period, the sales volume of wealth management products on the mobile banking channel continued to rise. The total sales of wealth management products were RMB225.157 billion, representing an increase of 6.47% as compared with that in the same period of last year. The proportion of mobile banking sales to that in the whole channel reached 91.94%, representing an increase of 2.56 percentage points as compared with that in the same period of last year.

(2) Internet banking

As at the end of the Reporting Period, the number of personal online banking customers totaled 741.8 thousand, representing an increase of 0.04% as compared with that at the end of last year, and accumulated a total of 14.8033 million transactions, representing a decrease of 10.4% as compared with that in the same period of last year. Total transaction amounted to RMB92.902 billion, representing a decrease of 21.5% as compared with that in the same period of last year. Personal online banking transactions were continuously decreasing.

(3) 5G SMS

During the Reporting Period, the Bank, as the first bank to launch commercial 5G SMS in Shandong Province, attended Unicom's Ecological Development Forum & Press Conference on "Intelligent Future '5G SMS'", bringing automatic banking services into users' lives, and fully realizing the lightweight and mobile services with a new experience of financial services to users.

15.5 Information technology

During the Reporting Period, the Bank continued to promote its technological innovation strategy, actively explored the practical application of new concepts and new technologies, continued to improve the management of the information technology team, and strived to build a complete financial technology support and innovation system. In addition, the Bank accelerated the implementation of its key projects, and fully supported the implementation of the digital transformation strategy of business lines, so as to facilitate the achievement of various strategic goals.

1. *Two-way integration of technology and business created a new stage of integration*

   During the Reporting Period, the Bank launched more than 20 IT projects. It successfully completed the implementation of 23 projects such as the corporate intelligent marketing management platform project, Mobile Banking 6.0, and Intelligent Retail Web 3.0. Driven by technological innovation, the Bank intensified research on new technologies and independent research and development, and strengthened the independent controllability of key technologies, so as to comprehensively enhance the business value of Fintech in channel expansion, scenario services, product innovation, process optimization, and risk identification.

   Focusing on the construction of the corporate intelligent marketing management platform and the corporate online business hall project, the Bank achieved a breakthrough in its corporate digital transformation strategy. With the comprehensive upgrade of Mobile Banking 6.0, the Bank continued to improve the construction of mobile financial channels to optimize the functions of electronic channel fund display and AIP, so as to enhance customer stickiness and stability. With Intelligent Retail Web 3.0 connected to the intelligent marketing system, the Bank accelerated the digital transformation of retail to realize online and offline integrated marketing. With the successful launch of the unified credit extension and credit risk consolidated management system at the group level, the Bank achieved overall network management and integrated operation of credit extension business, marking a milestone in comprehensive risk management.

2. *It consolidated the foundation to ensure the continuous safe and stable operation of the business system*

   During the Reporting Period, the Bank successfully completed the network security protection during major events such as the Beijing Winter Olympics and Paralympics. It established and improved the information technology system, strengthened the self-examination of information technology risks, as well as identified and promptly dealt with various hidden risks, so as to form a closed-loop risk management. It launched the big data cluster product upgrade project to comprehensively upgrade the big data cluster base. It strengthened outsourcing risk management to continuously improve the quality of information technology outsourcing services. By establishing a normalized monitoring mechanism, it strengthened network security monitoring, early warning and handling to comprehensively consolidate the foundation of information technology risk management, so as to ensure the reliable, stable, continuous and efficient operation of the information system.

16. Structured Entities Controlled by the Company

Structured entities controlled by the Company are the asset-backed securities sponsored by the Company. The Company controls these entities because the Company has power over, is exposed to, or has rights 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 returns. The Company does not provide financial support to the controlled structured entities.

17. Risk Management

17.1 Credit Risk Management

Credit risk refers to the risk arising from the failure by the obligating party or a party concerned to meet its obligations in accordance with agreed upon terms. The Company's credit risks are mainly derived from loan portfolios, investment portfolios, guarantees and commitments, etc.. The management of credit risk is centralised and led by the Credit Risk Management Committee of the head office. Each business unit is required to implement credit policies and procedures, and is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its credit portfolios, including those subject to central approval.

The Company is committed to the establishment of a credit risk management system with comprehensive functions, controlled and balanced risks, a streamlined structure and high efficiency as well as well-delegated authority and duties. The risk management procedures and methods are constantly being improved and the credit system is being optimized. The Bank continues to build an accurate and efficient risk-monitoring system and a quick-response mechanism. Asset quality is further controlled and monitored to strengthen smart risk control capabilities practically. The Company has adopted the following key measures to strengthen its credit risk management:

(1) Strengthened the Group's unified credit granting management and improved our credit risk management and control. We have continuously optimised the management and control plan for the concentration limit of credit granting at the Group and headquarters level, supported the implementation of the "central review of group risk asset acceptance" mechanism, and accelerated the development of a hierarchical unified credit system and a large risk exposures system that covered all customers and assets and the entire bank.

(2) Continued to optimise credit asset quality control, implemented dynamic refined management, strengthened the pre-assessment and analysis of the trends of risk migrations and changes, actively controlled and monitored the trends of risk changes, strengthened the dynamic monitoring of the regional distribution and industrial distribution of non-performing loans, enhanced pre-processing capabilities for risk signals, strengthened the management of maturing loans and overdue loans, enhanced the disposal of risky loans,

stepped up efforts in increasing cash collection and cancellation of non-performing loans, making efforts to resolve the stock of non-performing assets. The loans that were overdue more than 60 days continued to be managed as non-performing loans to maintain a downward trend and achieved the control target.

(3) Strengthened the dynamic management of quality indicators and enhanced the comprehensive control of risk assets. The Company continued to strengthen the refined dynamic management of various quality indicators of credit assets, conducted dynamic analysis, dynamic tracking and enhancement of research and judgment combined with daily risk inspection, striving to achieve full coverage, overall control and early resolution to ensure the continuous optimization of various quality indicators of assets. The Company also continuously strengthened the disposal of non-performing assets by taking multiple measures including the combination of litigation, transfer, write-off and other means to make breakthroughs in key points, with good results being achieved.

(4) Strengthened the adherence to the credit policies to improve the quality and effectiveness of serving the real economy. The Company continued to optimize credit structure by focusing on key areas such as inclusive loans to small and micro enterprises, rural revitalization, fintech, green finance and marine finance and increasing financial support for manufacturing, especially advanced manufacturing and strategic emerging industries, innovated supply chain financing model and enhanced the service capabilities of upstream and downstream enterprises to effectively improve the quality and effectiveness of serving the real economy.

(5) Strengthened the construction of credit management system and continuously enhanced credit compliance management. The Bank continued to improve the credit risk system and business process to build an intensive and efficient credit management system, and solidly carried out internal control and compliance management construction activities to further improve the internal credit control system, enhance the effectiveness of internal control, further deepen the awareness of compliance and establish an effective mechanism of "not daring to, not being able to and not wanting to violate".

(6) Continuously strengthened the construction of risk early warning platform to enhance the intelligent risk control of credit management. The Company continued to improve its intelligent risk control ability in respect of credit risk by continuously utilizing advanced mobile internet technology, image technology and risk measurement tools, and introducing channel data to improve the timeliness and accuracy of risk assessment and early warning, thereby enhancing credit operation efficiency in a comprehensive manner and increasing the intelligence level of credit risk management.

During the Reporting Period, by taking the said measures, the Company further improved the quality of its assets and effectively controlled credit risks.

17.2 Liquidity Risk Management

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain sufficient funds at a reasonable cost to sustain its asset growth or pay debts due even if the bank's solvency remains strong.

The objective of the Company's liquidity risk management is to ensure that the Company has sufficient cash flows to meet payment obligations and fund business operations on a timely basis. Based on its development strategy, the Company continuously improved its level of liquidity risk management and measures, strengthened its capability of identifying, monitoring, measuring and refining the management and control of liquidity risks, and maintained a reasonable balance between liquidity and profitability.

The Company has established a liquidity risk management governance structure according to the principle of the segregation of the formulation, implementation and supervision of its liquidity risk management policies, specifying the roles, responsibilities and reporting lines of the Board, the board of supervisors, senior management, special committees and the relevant departments of the Bank in liquidity risk management in order to enhance the effectiveness thereof. The Company has established a prudent risk appetite in respect of liquidity risks, which better suits the current development stage of the Company. The current liquidity risk management policy and system basically meet the regulation requirements and its own management needs.

The Company measures, monitors, and identifies liquidity risks from the perspectives of short-term provision and term structure of assets and liabilities, closely monitors every indicator of the quota according to fixed frequency and conducts regular stress tests to evaluate its ability to meet liquidity requirements under extreme conditions. In addition, the Company has enacted a liquidity emergency plan and would conduct tests and evaluations thereon on a regular basis.

The Company holds an appropriate amount of liquid assets to ensure the satisfaction of its liquidity needs and at the same time has sufficient capital to meet the unexpected payment needs that may arise from daily operation. Furthermore, the Company's internal control system for liquidity risk management is sound and compliant. The Company conducts internal special audits on liquidity risks annually and generates and submits an independent audit report to the Board.

The Company closely monitors changes in liquidity patterns and market expectations, and deploys in advance and dynamically adjusts its liquidity management strategy based on changes in its asset and liability business and the liquidity gap to ensure that its liquidity risk is within a reasonable and controllable range. During the Reporting Period, the Company focused on strengthening its liquidity risk management in the following areas:

1. Continuously allocated sufficient qualified and high-quality liquidity assets to ensure adequate liquidity reserves;

2. Took various measures simultaneously to promote stable deposit growth, whereby the proportion of deposits has increased steadily, and the stability of liabilities has been further enhanced;

3. Strengthened the monitoring, adjustment and control of indicators to ensure that various liquidity indicators meet management expectations through limits management, limits monitoring, early warning and other management methods;

4. Conducted daily liquidity risk management, strengthened market analysis and study, prospectively conducted capital arrangement to improve the capital utilization efficiency on the basis of ensuring the safety of liquidity across the Bank;

5. Considered main factors and external environmental factors that may trigger liquidity risk in a comprehensive manner and conducted liquidity risk stress test on a quarterly basis by reasonably setting stress scenarios.

As at the end of the Reporting Period, the Company's liquidity coverage ratio and net stable funding ratio are presented below:

Item of liquidity coverage ratio (RMB'000)	**30 June 2022**	31 December 2021
Qualified and high-quality current assets	**86,684,805**	99,172,073
Net cash outflows in next 30 days	**63,326,550**	55,237,499
Liquidity coverage ratio (%)	**136.89**	179.54

Note: Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks, the liquidity coverage ratio of commercial banks shall not be lower than 100%.

Item of net stable funding ratio (RMB'000)	**30 June 2022**		31 March 2022	
	The Company	**The Bank**	The Company	The Bank
Available stable funding	**307,395,440**	**303,105,566**	296,770,955	292,179,113
Required stable funding	**292,483,675**	**274,274,693**	289,611,485	272,564,046
Net stable funding ratio (%)	**105.10**	**110.51**	102.47	107.20

Note: According to the "Measures for Liquidity Risk Management of Commercial Banks", the net stable funding ratio of commercial banks shall not be lower than 100%.

For more information on the Company's liquidity risk management, refer to "42(3) Liquidity risk under Notes to the Unaudited Interim Financial Report" in this results announcement.

17.3 Market Risk Management

Market risk is a risk that any change in the value of financial instruments due to any change in interest rates, exchange rates and other market factors may result in potential losses to future earnings or future cash flows. Market risks affecting the Company's services are dominated by interest rate risks and exchange rate risks.

In accordance with the relevant requirements for market risk management placed by the regulators and with reference to the relevant provisions of Basel New Capital Accord, during the Reporting Period, the Company continued to improve the market risk management system, refine the market risk management policies and promote the construction of the market risk management information system. The Company's sound and compliant market risk management internal control system defines the responsibilities of, and reporting requirements on, the Board, senior management and various departments under the market risk governance structure, clarifies the market risk management policy and identification, measurement, monitoring and control procedures, and makes clear market risk reporting, information disclosure, emergency response and market risk capital measurement procedures and requirements. The Company has a well-established management system for market risk indicators limits and conducts special internal market risk audits regularly, reports market risk management to senior management and the Board, and prepares independent reports.

17.3.1 Analysis of interest rate risks

The Company distinguishes bank accounts and trading accounts according to the regulations of the regulators and traditional banking management practices and adopts market risk identification, measurement, monitoring and control measures based on the different nature and characteristics of bank accounts and trading accounts.

A trading account contains freely tradable financial instruments and commodity positions held by the Bank for trading or for hedging the risks of other items. Positions recorded in trading accounts shall not be subject to any trading terms or may be fully hedged to avoid risks, accurately valued and actively managed. Interest rate risk of the Company's trading accounts are mainly measured and monitored with methods such as sensitivity analysis, stress tests and scenario simulation. During the Reporting Period, the Company continued to strengthen market risk monitoring and reporting, optimize the market risk limit system and improve the market risk policy system to ensure that interest rate risks in trading accounts were controllable.

Compared with trading accounts, the Bank's other services are recorded in bank accounts. The Company quantitatively evaluates the impact of interest rate changes on the Company's net interest income and economic value for different currencies and different sources of risks with methods such as repricing gap analysis, duration analysis, net interest income analysis, economic value analysis and stress testing, and prepares reports based on the analysis results to propose management suggestions and the service adjustment strategy. During the Reporting Period, the Company paid close attention to external policy trends and changes in the interest rate environment, further refined the interest rate risk management of the corporate banking book, and ensured that rate risks of the banking book were controllable. At the same time, the Company continued to adjust its business pricing and asset-liability structure strategies, and achieved growth in net interest income.

17.3.2 Analysis of interest rate sensitivity

The Company uses sensitivity analysis to measure the potential impact of changes in interest rates on the Company's net interest income. The following table sets forth the results of interest rate sensitivity analysis by assets and liabilities on 30 June 2022 and 31 December 2021 respectively.

Unit: RMB'000

Item	**30 June 2022 (Decrease)/ Increase**	31 December 2021 (Decrease)/ Increase
Change in annualized net interest income		
Interest rate increased by 100 bps	**(498,591)**	(499,826)
Interest rate decreased by 100 bps	**498,591**	499,826

The above sensitivity analysis is based on the fact of assets and liabilities having a static interest rate risk structure. The analysis measures only changes in interest rates over a one-year period, reflecting the impact of repricing of the Company's assets and liabilities over a one-year period on the Company's annualized calculation of interest income, based on the following assumptions:

1. All assets and liabilities re-priced or mature within three months and after three months but within one year are assumed to be re-priced or mature at the beginning of their respective periods (i.e. all of those assets and liabilities re-priced or mature within three months are re-priced or mature in real time; all of those assets and liabilities re-priced or mature after three months but within one year are re-priced or mature immediately after three months);

2. There is a parallel shift in the yield curve and in interest rates;

3. There are no other changes in the portfolio of assets and liabilities, and all positions will be retained and rolled over upon maturity.

The analysis does not take into account the effect of risk management measures taken by management. The actual changes in the Company's net interest income resulting from increases or decreases in interest rates may differ from the results of the sensitivity analysis based on the above assumptions.

17.3.3 Analysis of exchange rate risk

The Company's exchange rate risks mainly arise from mismatched currencies in non-RMB assets and liabilities held in the Company's bank accounts. The Company controls the exchange rate risks of bank accounts to be acceptable to the Company by strictly controlling risk exposures. The Company's exchange rate risk measurement and analysis methods mainly include foreign exchange exposure analysis, scenario simulation analysis and stress testing. During the Reporting Period, the Company paid close attention to exchange rate trends, proactively analyzed the impact of exchange rate changes based on the domestic and foreign macroeconomic situation, and proposed an asset-liability optimization plan. Given the prudent foreign exchange risk appetite, the exchange rate risk level of the Company was stable and controllable as at the end of the Reporting Period.

17.3.4 Analysis of exchange rate sensitivity

The following table sets forth the results of the analysis of exchange rate sensitivity based on the current assets and liabilities on 30 June 2022 and 31 December 2021 respectively.

Unit: RMB'000

Item	**30 June 2022 Increase/ (Decrease)**	31 December 2021 Increase/ (Decrease)
Change in annualized net profit		
Foreign exchange rate increased by 100 bps	**9,269**	9,313
Foreign exchange rate decreased by 100 bps	**(9,269)**	(9,313)

The above sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions. The analysis is based on the following assumptions:

1. The foreign exchange sensitivity is the gain or loss recognized as a result of 100 basis points fluctuation in the foreign currency exchange rates against the average of the central parity rates of RMB on the reporting date;

2. The exchange rates against RMB for all foreign currencies change in the same direction simultaneously;

3. The foreign exchange exposures calculated include spot foreign exchange exposures, forward foreign exchange exposures and options, and all positions will be retained and rolled over upon maturity.

The analysis does not take into account the effect of risk management measures taken by the management. The actual changes in the Company's net foreign exchange gain or loss resulting from change in foreign exchange rates may differ from the results of the sensitivity analysis based on the above assumptions.

17.4 Operational Risk Management

Operational risk refers to the risk of loss arising from inadequate or problematic internal procedures, employees, information technology systems, and external events. The Company's operational risk mainly arises from four types of risk factors, including personnel risk, process risk, information system risk and external event risk. The Board considers the operational risk as a major risk faced by the Company and has effectively shouldered the ultimate responsibility for monitoring of the effectiveness of operational risk management. The senior management has control of the overall condition of the Company's operational risk management and strictly implemented the operational risk management strategies and policies approved by the Board.

The Company focuses on preventing systematic operational risks and material losses from operational risks. The Board explicitly sets an acceptable operational risk level and supervises the senior management's monitoring of and evaluation on the adequacy and effectiveness of the internal control system; the senior management works out systematic systems, processes and methods and adopts corresponding risk control measures according to the acceptable risk level determined by the Board, so as to prevent and control operational risks in a comprehensive manner.

During the Reporting Period, the Company actively improved the operational risk management system, effectively identified, evaluated, monitored, controlled and mitigated operational risks, and vigorously promoted the enhancement of the level of operational risk management, so its operational risks had been well contained. During the Reporting Period, the Company focused on strengthening its operational risk management in the following aspects:

(1) Consistently strengthening case prevention and control, as well as staff training to build solid basis of risk prevention and control. The Company created a linkage mechanism for conducting risk screening and case warning education activities on a regular basis, strengthened the staff training continuously, put emphasis on staff's behavior management and ideological source governance, to improve staff's business operation level and compliance awareness, and strictly prohibiting the risk of non-compliance of personnel.

(2) Strengthening operational risk control in key areas and strictly controlling the occurrence of operational risks. The risk identification and rectification on key businesses and key areas within the Bank is conducted based on internal and external supervision and inspection, for the purpose of rectifying the problems through a self-knowledge and self-governance process, plugging the loopholes in operation and management, and nipping the risks in the bud.

(3) Upgrading the operational risk management tools and strengthening risk monitoring and assessment. The Company made comprehensive use of system monitoring, risk screening, internal inspection, and line supervision etc. to monitor operational risks in all aspects, collected and analysed key operational risk indicators and loss data and provided early warning, captured potential risks in a timely manner and identified control defects, improved internal process construction and blocked operational risks in all aspects.

(4) Optimising business continuity management to ensure the normal operation of the businesses. The Company promoted the business continuity management continuously, improved the system construction of emergency plans comprehensively, organized and conducted business continuity drills, and enhanced the relevant personnel's ability to respond to emergencies and their ability to work collaboratively.

(5) Strengthening outsourcing business management to prevent potential outsourcing risks. The Company improved the outsourcing risk management system, strictly examined the entry of outsourcing projects and service providers, increased the control of outsourcing personnel, controlled the daily operation of outsourcing services strictly, and controlled and prevented the occurrence of outsourcing risks from the source.

18. Development Plan in the Second Half of 2022

18.1 Operating Situation Analysis for the Second Half of the Year

In the second half of 2022, as problems such as supply chain disruptions caused by the epidemic and energy shortages caused by the Russia-Ukraine conflict will persist, the risk of global economic "stagflation" will continue to increase. With the continuous recover of China's economy, Shandong Province and Qingdao City will continue to promote the replacement of old growth drivers with new ones for optimisation and acceleration. The positive fiscal policy will enhance its effectiveness in all-around way, together with the supports of the stable monetary policy in its aggregate structure and the regulatory policy to stabilise growth and adjust structures, the pressure on the banking sector is expected to ease gradually.

18.2 Development Guiding Ideology for the Second Half of the Year

In the second half of 2022, the Bank will continue to adhere to the basic operation guiding ideology of "deep cultivation and fine operation, intensified promotion, optimized structure, and sustained development" by taking concerted efforts and actions at all levels of the Bank proactively and quickly, and seizing the market to continue the solid development momentum in the first half of the year, so as to ensure the full completion of the annual operating plan.

18.3 Major Work Measures in the Second Half of the Year

(1) Developing corporate retails on parallel lines, continuing to capture quality assets

(2) Continuing to focus on building customer base, strengthening debt business development

(3) Enhancing investment risk management, developing bond business steadily

(4) Increasing efforts in investment and research and expanding channels of wealth management, creating special features of financial leasing

(5) Continuing to improve risk control capabilities to ensure stable asset quality

(6) Accelerating the progress of digital transformation to help upgrade business management

(7) Optimising and improving the organisation's layout, implementing the organisation's development plan

(8) Continuing to strengthen the leading of party building, improving comprehensive management

4. OTHER EVENTS

4.1 Earnings and Dividends

The profit of the Company for the six months ended 30 June 2022 and the financial position of the Company as at the same date are set out in the financial report of this results announcement.

Pursuant to the resolutions considered and passed at the 2021 annual general meeting of the Bank on 10 May 2022, the Bank had distributed 2021 cash dividends on 31 May 2022 to shareholders of A shares and H shares whose names appeared on the register of members of the Bank at the close of business on the respective record dates, in accordance with the profit distribution plan to distribute a cash dividend of RMB0.16 per share (tax inclusive).

No ordinary dividend distribution and no transfer from capital reserve to share capital were made by the Bank in 2022 during the interim period.

4.2 Use of Proceeds Raised

The proceeds from issuance of H shares of the Bank had been used in accordance with the intended usage as disclosed in the H share prospectus of the Bank. The net proceeds raised from the global offering of the Bank (after deduction of the underwriting commissions and estimated expenses payable by the Bank in relation to the global offering) had been used to replenish the capital of the Bank to meet the needs of the continued growth of its business.

After deducting the issuance expenses, the proceeds from issuance of offshore preference shares of the Bank had been used for supplementing other tier-one capital of the Bank in accordance with applicable laws and regulations and as approved by the regulatory departments.

The proceeds from issuance of A shares of the Bank had been used in accordance with the intended usage as disclosed in the A share prospectus of the Bank. All of the proceeds raised from the A share issuance of the Bank after deduction of the issuance expenses, had been used to replenish the capital of the Bank to support the continuous and healthy growth of its business.

All of the net proceeds from the A share and H share rights issue (after deducting relevant issuance expenses) had been used to replenish the core tier-one capital, improve the capital adequacy ratio of the Bank, support the sustainable and healthy development of future business and enhance the capital strength and competitiveness of the Bank.

4.3 Changes in Directors, Supervisors and Senior Management

Directors of the Bank are nominated by the Board and elected in accordance with the qualifications of directors and election procedures as specified in the Articles of Association of the Bank; shareholder supervisors and external supervisors are nominated by the board of supervisors, employee supervisors are nominated by the labor union, and all of such supervisors are elected in accordance with the election procedures as specified in the Articles of Association of the Bank. During the Reporting Period and as of the date of this announcement, changes in directors, supervisors and senior management of the Bank are shown in the following table:

Name	Position held	Type of change	Date of change	Reason of change
JING Zailun	Chairman, Executive Director	Newly elected	21 July 2022	–
GUO Shaoquan	Former Chairman, Former Executive Director	Resigned	8 June 2022	Resignation due to supervisory requirements on the length of service in key positions in banks and approaching retirement age
ZHANG Qiaowen[Note]	Secretary to the Board, Assistant President	Newly elected	8 August 2022	–
LU Lan	Former Executive Director, Former Secretary to the Board	Resigned	8 August 2022	Resignation due to her age
CHOI Chi Kin, Calvin	Former Non-Executive Director	Resigned	26 August 2022	Resignation as he would not be able to dedicate enough time and attention to continue with his role as a non-executive director of the Bank due to increasing demands on time to other engagements

Save for the above, during the Reporting Period and as of the date of this announcement, there were no other changes in the directors, supervisors and senior management of the Bank.

4.4 Purchase, Sale and Redemption of Listed Securities

The Company had not purchased, sold or redeemed any listed securities of the Company during the Reporting Period.

Note: The Bank held the 17th meeting of the eighth session of the Board on 8 August 2022, at which it has agreed to appoint Ms. Zhang Qiaowen, assistant president of the Bank, as the secretary to the Board. Ms. Zhang shall officially perform her duties from the date of obtaining the qualification certificate of secretary to the board from the Shenzhen Stock Exchange and the approval of her qualification by the Qingdao Office of the China Banking and Insurance Regulatory Commission. Mr. Jing Zailun, the chairman of the Bank, shall temporarily perform the duties of the secretary to the Board before Ms. Zhang Qiaowen officially takes office.

4.5 Relevant Details of Offshore Preference Shares

4.5.1 Adjustment to the Conversion Price of Offshore Preference Shares

Pursuant to the terms and conditions of the Bank's offshore preference shares, the Bank may adjust the conversion price in the event of the rights issue. According to the adjustments, the initial conversion price of HKD4.76 per share were adjusted to HKD4.64 per share due to the rights issue (the "**Adjustment**").

Pursuant to the terms of the Bank's offshore preference shares, the formula for determining the number of shares to be converted shall be: Q=V/P × conversion exchange rate. Where: "Q" denotes the number of ordinary H shares that shall be converted into from the offshore preference shares held by each offshore preference shareholder; "V" denotes the number of offshore preference shares held by each offshore preference shareholder that is subject to mandatory conversion multiplied by their issue price; "P" denotes the then effective mandatory conversion price for the offshore preference shares.

Immediately before the Adjustment, the maximum number of 1,960,536,176 new ordinary shares may be issued upon full conversion of outstanding convertible preference shares shall be converted at the initial conversion price of HKD4.76 per share.

As a result of the Adjustment, the maximum number of new ordinary shares may be issued upon full conversion of outstanding convertible preference shares shall increase from 1,960,536,176 to 2,009,910,815, with the adjusted conversion price of HKD4.64 per share, representing approximately 25.67% of the total issued ordinary share capital as enlarged by issuance of the foregoing new ordinary shares.

4.5.2 Proposed Redemption of Offshore Preference Shares

On 29 June 2022, the Board of the Bank considered and approved the resolution on the redemption of the offshore preference shares. The Bank has received a reply letter from the Qingdao Office of the China Banking and Insurance Regulatory Commission (the "**CBIRC Qingdao Office**"), pursuant to which, the CBIRC Qingdao Office has agreed the redemption of the offshore preference shares by the Bank. The Bank will exercise the right to redeem all of the offshore preference shares on 19 September 2022 in accordance with the requirements of relevant laws and regulations and the Articles of Association of the Bank.

4.6 Statement of Compliance with the Hong Kong Listing Rules

The Bank has adopted the required standard in the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Hong Kong Listing Rules as the code of conduct regarding securities transactions by directors and supervisors of the Bank. Having made enquiries to all directors and supervisors, it was confirmed that they had complied with the above Model Code during the Reporting Period.

During the Reporting Period, the Bank strictly complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Hong Kong Listing Rules, and, where appropriate, adopted the recommended best practices therein.

4.7 Audit Committee

The audit committee of the Board has reviewed the accounting standards and practices adopted by the Bank with the management and has reviewed the Interim Results for the six months ended 30 June 2022.

5. REVIEW REPORT

Review report to the board of directors of Bank of Qingdao Co., Ltd.
(A joint stock company incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 86 to 169 which comprises the consolidated statement of financial position of Bank of Qingdao Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Group") as of 30 June 2022 and the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the International Auditing and Assurance Standards Board. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2022 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 August 2022

Unaudited consolidated statement of profit or loss
for the six months ended 30 June 2022
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June 2022 (unaudited)	2021 (unaudited)
Interest income		**9,758,810**	8,881,975
Interest expense		**(5,784,060)**	(4,973,818)
Net interest income	*3*	**3,974,750**	3,908,157
Fee and commission income		**980,635**	846,442
Fee and commission expense		**(144,790)**	(76,117)
Net fee and commission income	*4*	**835,845**	770,325
Net trading gains/(losses)	*5*	**422,623**	(89,297)
Net gains arising from investments	*6*	**951,323**	728,170
Other operating income	*7*	**26,799**	9,695
Operating income		**6,211,340**	5,327,050
Operating expenses	*8*	**(1,822,459)**	(1,536,404)
Credit losses	*9*	**(2,058,483)**	(1,650,058)
Impairment losses on other assets		**(6,027)**	–
Profit before taxation		**2,324,371**	2,140,588
Income tax expense	*10*	**(264,037)**	(307,616)
Net profit for the period		**2,060,334**	1,832,972
Profit attributable to:			
Equity shareholders of the Bank		**2,018,395**	1,797,590
Non-controlling interests		**41,939**	35,382
Basic and diluted earnings per share (in RMB)	*11*	**0.36**	0.38

The notes on pages 95 to 169 form part of this interim financial report.

Unaudited consolidated statement of profit or loss and other comprehensive income
for the six months ended 30 June 2022
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	**Six months ended 30 June** **2022** **(unaudited)**	2021 (unaudited)
Net profit for the period		**2,060,334**	1,832,972
Other comprehensive income:			
Item that will not be reclassified to profit or loss			
– Remeasurement of defined benefit liability		**–**	(68)
Items that may be reclassified subsequently to profit or loss			
– Changes in fair value of financial assets measured at fair value through other comprehensive income	*37(4)*	**(71,408)**	103,832
– Credit losses of financial assets measured at fair value through other comprehensive income	*37(4)*	**(7,604)**	258,275
Other comprehensive income, net of tax		**(79,012)**	362,039
Total comprehensive income		**1,981,322**	2,195,011
Total comprehensive income attributable to:			
Equity shareholders of the Bank		**1,939,383**	2,159,629
Non-controlling interests		**41,939**	35,382

The notes on pages 95 to 169 form part of this interim financial report.

Unaudited consolidated statement of financial position
as at 30 June 2022
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	**30 June 2022 (unaudited)**	31 December 2021 (audited)
Assets			
Cash and deposits with central bank	*12*	**37,944,972**	53,241,394
Deposits with banks and other financial institutions	*13*	**1,941,528**	2,126,922
Placements with banks and other financial institutions	*14*	**7,023,303**	5,108,646
Derivative financial assets	*15*	**125,883**	146,617
Financial assets held under resale agreements	*16*	**–**	12,288,925
Loans and advances to customers	*17*	**258,533,121**	238,608,698
Financial investments:			
– Financial investments measured at fair value through profit or loss	*18*	**61,174,696**	55,947,254
– Financial investments measured at fair value through other comprehensive income	*19*	**88,029,065**	72,613,395
– Financial investments measured at amortised cost	*20*	**56,424,420**	61,422,152
Long-term receivables	*22*	**15,238,236**	11,688,253
Property and equipment	*23*	**3,386,855**	3,390,193
Right-of-use assets	*24*	**854,540**	845,889
Deferred tax assets	*25*	**2,400,013**	2,505,442
Other assets	*26*	**3,333,110**	2,315,830
Total assets		**536,409,742**	**522,249,610**
Liabilities			
Borrowings from central bank	*27*	**24,597,582**	25,494,116
Deposits from banks and other financial institutions	*28*	**8,519,016**	6,341,814
Placements from banks and other financial institutions	*29*	**18,341,396**	16,904,500
Derivative financial liabilities	*15*	**131,725**	144,689
Financial assets sold under repurchase agreements	*30*	**14,107,980**	25,305,596
Deposits from customers	*31*	**335,424,787**	317,965,807
Income tax payable		**71,463**	124,032
Debt securities issued	*32*	**90,876,914**	92,218,300
Lease liabilities	*33*	**526,433**	505,895
Other liabilities	*34*	**5,280,347**	3,917,133
Total liabilities		**497,877,643**	488,921,882

The notes on pages 95 to 169 form part of this interim financial report.

	Note	30 June 2022 (unaudited)	31 December 2021 (audited)
Equity			
Share capital	*35*	**5,820,355**	4,509,690
Other equity instrument			
Including: preference shares	*36*	**7,853,964**	7,853,964
Capital reserve	*37(1)*	**11,181,510**	8,337,869
Surplus reserve	*37(2)*	**2,103,883**	2,103,883
General reserve	*37(3)*	**5,576,461**	5,576,461
Other comprehensive income	*37(4)*	**667,487**	746,499
Retained earnings	*38*	**4,594,267**	3,507,129
Total equity attributable to equity shareholders of the Bank		**37,797,927**	32,635,495
Non-controlling interests		**734,172**	692,233
Total equity		**38,532,099**	33,327,728
Total liabilities and equity		**536,409,742**	522,249,610

Approved and authorised for issue by the board of directors on 26 August 2022.

Jing Zailun
Legal Representative
(Chairman)

Wang Lin
President

Chen Shuang
Vice President in charge
of finance function

Meng Dageng
Chief Financial Officer

(Company Stamp)

The notes on pages 95 to 169 form part of this interim financial report.

Unaudited consolidated statement of changes in equity
for the six months ended 30 June 2022
(Expressed in thousands of Renminbi, unless otherwise stated)

For the six months ended 30 June 2022

		Attributable to equity shareholders of the Bank									
	Note	**Share capital**	**Other equity instrument** *Note 37(1)*	**Capital reserve** *Note 37(2)*	**Surplus reserve** *Note 37(3)*	**General reserve** *Note 37(4)*	**Other comprehensive income**	**Retained earnings**	**Total**	**Non - controlling interests**	**Total equity**
Balance at 1 January 2022		**4,509,690**	**7,853,964**	**8,337,869**	**2,103,883**	**5,576,461**	**746,499**	**3,507,129**	**32,635,495**	**692,233**	**33,327,728**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**(79,012)**	**2,018,395**	**1,939,383**	**41,939**	**1,981,322**
Shareholders' contributions of capital:											
– Contribution by ordinary shareholders	*35*	**1,310,665**	**–**	**2,843,641**	**–**	**–**	**–**	**–**	**4,154,306**	**–**	**4,154,306**
Appropriation of profit:											
– Dividends	*38*	**–**	**–**	**–**	**–**	**–**	**–**	**(931,257)**	**(931,257)**	**–**	**(931,257)**
Balance at 30 June 2022 (unaudited)		**5,820,355**	**7,853,964**	**11,181,510**	**2,103,883**	**5,576,461**	**667,487**	**4,594,267**	**37,797,927**	**734,172**	**38,532,099**

For the six months ended 30 June 2021

		Attributable to equity shareholders of the Bank									
	Note	Share capital	Other equity instrument	Capital reserve *Note 37(1)*	Surplus reserve *Note 37(2)*	General reserve *Note 37(3)*	Other comprehensive income *Note 37(4)*	Retained earnings	Total	Non - controlling interests	Total equity
Balance at 1 January 2021		4,509,690	7,853,964	8,337,869	1,859,737	5,072,217	32,717	2,618,980	30,285,174	621,684	30,906,858
Total comprehensive income		–	–	–	–	–	362,039	1,797,590	2,159,629	35,382	2,195,011
Appropriation of profit:											
– Dividends	*38*	–	–	–	–	–	–	(811,744)	(811,744)	–	(811,744)
Balance at 30 June 2021 (unaudited)		4,509,690	7,853,964	8,337,869	1,859,737	5,072,217	394,756	3,604,826	31,633,059	657,066	32,290,125

The notes on pages 95 to 169 form part of this interim financial report.

For the year ended 31 December 2021

	Note	Attributable to equity shareholders of the Bank								Non - controlling interests	Total equity
		Share capital	Other equity instrument	Capital reserve *Note 37(1)*	Surplus reserve *Note 37(2)*	General reserve *Note 37(3)*	Other comprehensive income *Note 37(4)*	Retained earnings	Total		
Balance at 1 January 2021		4,509,690	7,853,964	8,337,869	1,859,737	5,072,217	32,717	2,618,980	30,285,174	621,684	30,906,858
Total comprehensive income		–	–	–	–	–	713,782	2,922,664	3,636,446	70,549	3,706,995
Appropriation of profit:											
– Appropriation to surplus reserve	*37(2)*	–	–	–	244,146	–	–	(244,146)	–	–	–
– Appropriation to general reserve	*37(3)*	–	–	–	–	504,244	–	(504,244)	–	–	–
– Dividends	*38*	–	–	–	–	–	–	(1,286,125)	(1,286,125)	–	(1,286,125)
Balance at 31 December 2021		4,509,690	7,853,964	8,337,869	2,103,883	5,576,461	746,499	3,507,129	32,635,495	692,233	33,327,728

The notes on pages 95 to 169 form part of this interim financial report.

Unaudited consolidated cash flow statement
for the six months ended 30 June 2022
(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
Cash flows from operating activities		
Profit before taxation	**2,324,371**	2,140,588
Adjustments for:		
Credit losses	**2,058,483**	1,650,058
Impairment losses on other assets	**6,027**	–
Depreciation and amortisation	**268,794**	237,321
Unrealised foreign exchange (gains)/losses	**(414,747)**	83,708
Net losses on disposal of property and equipment, intangible assets and other assets	**948**	408
Gains from changes in fair value	**(65,372)**	(243,160)
Net gains arising from investments	**(878,000)**	(486,076)
Interest expense on debt securities issued	**1,499,946**	1,376,898
Interest income from financial investments	**(2,550,980)**	(2,616,902)
Others	**5,766**	(10,593)
	2,255,236	2,132,250
Changes in operating assets		
Net decrease/(increase) in deposits with central bank	**855,723**	(1,506,275)
Net increase in deposits with banks and other financial institutions	**(100,000)**	(400,000)
Net increase in placements with banks and other financial institutions	**(6,350,000)**	–
Net increase in loans and advances to customers	**(21,634,550)**	(28,786,942)
Net decrease in financial assets held under resale agreements	**12,303,355**	859,324
Net (increase)/decrease in long-term receivables	**(3,559,753)**	706,601
Net (increase)/decrease in other operating assets	**(640,026)**	150,607
	(19,125,251)	(28,976,685)

The notes on pages 95 to 169 form part of this interim financial report.

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
Changes in operating liabilities		
Net (decrease)/increase in borrowings from central bank	**(1,017,797)**	3,731,423
Net increase/(decrease) in deposits from banks and other financial institutions	**2,162,142**	(9,172,293)
Net increase in placements from banks and other financial institutions	**1,375,490**	1,612,808
Net decrease in financial assets sold under repurchase agreements	**(11,196,494)**	(1,506,628)
Net increase in deposits from customers	**16,505,513**	23,379,478
Net increase/(decrease) in other operating liabilities	**2,448,425**	(429,842)
	10,277,279	17,614,946
Income tax paid	**(196,314)**	(591,560)
Net cash flows used in operating activities	**(6,789,050)**	(9,821,049)
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	**41,464,164**	35,459,562
Cash received from investment gains and interest	**3,946,159**	3,728,016
Proceeds from disposal of property and equipment, intangible assets and other assets	**491**	1,152
Payments on acquisition of investments	**(55,873,676)**	(50,670,542)
Payments on acquisition of property and equipment, intangible assets and other assets	**(192,221)**	(257,877)
Net cash flows used in investing activities	**(10,655,083)**	(11,739,689)
Cash flows from financing activities		
Cash received from investors	**4,177,035**	–
Net proceeds from debt securities issued	**45,327,568**	55,072,378
Repayment of debt securities issued	**(46,334,377)**	(32,745,332)
Interest paid on debt securities issued	**(1,834,523)**	(1,106,230)
Dividends paid	**(930,301)**	(810,994)
Payment of lease liabilities	**(76,929)**	(61,009)
Payment for other financing activities	**(23,736)**	–
Net cash flows generated from financing activities	**304,737**	20,348,813

The notes on pages 95 to 169 form part of this interim financial report.

	Note	Six months ended 30 June **2022** **(unaudited)**	 2021 (unaudited)
Effect of foreign exchange rate changes on cash and cash equivalents		**1,320**	(17,771)
Net decrease in cash and cash equivalents		**(17,138,076)**	(1,229,696)
Cash and cash equivalents as at 1 January		**42,853,368**	29,279,481
Cash and cash equivalents as at 30 June	*39*	**25,715,292**	28,049,785
Net cash flows generated from operating activities include:			
Interest received		**7,534,638**	6,855,467
Interest paid		**(3,163,156)**	(3,433,999)

The notes on pages 95 to 169 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

1 BACKGROUND INFORMATION

Bank of Qingdao Co., Ltd. (the "Bank"), formerly known as Qingdao City Cooperative Bank Co., Ltd., is a joint-stock commercial bank established on 15 November 1996 with the approval of the People's Bank of China (the "PBOC") according to the notices YinFu [1996] No. 220 "Approval upon the Preparing of Qingdao City Cooperative Bank" and YinFu [1996] No.353 "Approval upon the Opening of Qingdao City Cooperative Bank".

The Bank changed its name from Qingdao City Cooperative Bank Co., Ltd. to Qingdao City Commercial Bank Co., Ltd. in 1998 according to LuyinFu [1998] No. 76 issued by Shandong Branch of the PBOC. The Bank changed its name from Qingdao City Commercial Bank Co., Ltd. to Bank of Qingdao Co., Ltd. in 2008 according to YinJianFu [2007] No.485 issued by the formerly China Banking Regulatory Commission (the "CBRC").

The Bank obtained its financial institution licence No. B0170H237020001 from the Qingdao Office of the China Banking and Insurance Regulatory Commission.. The Bank obtained its business license with a unified social credit code 91370200264609602K from the Qingdao Municipal Bureau of Administrative Services, and the registered office is located at Building No. 3, No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the People's Republic of China (the "PRC"). In December 2015, the Bank's H-shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 3866). In January 2019, the Bank's A-shares were listed on Shenzhen Stock Exchange (Stock code: 002948). In January and February 2022, the Bank completed the A Share Rights Issue and H Share Rights Issue respectively. The share capital of the Bank increased to RMB5.820 billion after the completion of the above rights issue. The share capital of the Bank is RMB5.820 billion as at 30 June 2022.

The Bank has 16 branches in Jinan, Dongying, Weihai, Zibo, Dezhou, Zaozhuang, Yantai, Binzhou, Weifang, Qingdao Westcoast, Laiwu, Linyi, Jining, Taian, Heze and Rizhao as at 30 June 2022. The principal activities of the Bank and its subsidiaries (collectively the "Group") are the provision of corporate and personal deposits, loans and advances, settlement, financial market business, financial leasing, wealth management and other services as approved by the regulatory authority. The background information of the subsidiaries is shown in Note 21. The Bank mainly operates in Shandong Province.

For the purpose of this report, Mainland China excludes the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(1) Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue by the Bank's Board of Directors on 26 August 2022.

The interim financial report and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs"), and should be read in conjunction with the Group's last annual financial report for the year ended 31 December 2021.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with International Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the International Auditing and Assurance Standards Board ("IAASB").

(2) Accounting judgements and estimates

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2021.

(3) Changes in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the accounting period ended 30 June 2022.

3 NET INTEREST INCOME

	Six months ended 30 June	
	2022	2021
Interest income arising from		
Deposits with central bank	**153,617**	191,341
Deposits with banks and other financial institutions	**16,229**	12,689
Placements with banks and other financial institutions	**105,228**	83
Loans and advances to customers		
– Corporate loans and advances	**4,068,444**	3,748,150
– Personal loans and advances	**2,021,792**	1,658,178
– Discounted bills	**201,492**	207,090
Financial assets held under resale agreements	**173,802**	140,753
Financial investments	**2,550,980**	2,616,902
Long-term receivables	**467,226**	306,789
Sub-total	**9,758,810**	8,881,975
Interest expense arising from		
Borrowings from central bank	**(308,951)**	(142,444)
Deposits from banks and other financial institutions	**(58,815)**	(125,018)
Placements from banks and other financial institutions	**(307,299)**	(226,438)
Deposits from customers	**(3,353,888)**	(2,836,680)
Financial assets sold under repurchase agreements	**(239,961)**	(266,340)
Debt securities issued	**(1,499,946)**	(1,376,898)
Others	**(15,200)**	–
Sub-total	**(5,784,060)**	(4,973,818)
Net interest income	**3,974,750**	3,908,157

4 NET FEE AND COMMISSION INCOME

	Six months ended 30 June 2022	2021
Fee and commission income		
Wealth management service fees	**458,739**	414,948
Agency service fees	**276,796**	235,461
Custody and bank card service fees	**156,412**	102,985
Settlement fees	**55,924**	34,305
Financial leasing service fees	**17,628**	52,224
Others	**15,136**	6,519
Sub-total	**980,635**	846,442
Fee and commission expense	**(144,790)**	(76,117)
Net fee and commission income	**835,845**	770,325

5 NET TRADING GAINS/(LOSSES)

	Note	Six months ended 30 June 2022	2021
Net gains/(losses) of foreign exchange and foreign exchange rate derivative financial instruments	*(i)*	**418,656**	(70,619)
Net gains/(losses) from debt securities	*(ii)*	**13,005**	(10,856)
Net losses from non-foreign exchange derivative financial instruments		**(9,038)**	(7,822)
Total		**422,623**	(89,297)

Notes:

(i) Net gains/(losses) of foreign exchange and foreign exchange rate derivative financial instruments include gains or losses from the purchase and sale of foreign currency spot, foreign exchange derivative financial instruments, and translation of foreign currency monetary assets and liabilities into RMB, etc.

(ii) Net gains/(losses) from debt securities mainly include gains or losses arising from the buying and selling of, and changes in the fair value of debt securities held for trading.

6 NET GAINS ARISING FROM INVESTMENTS

	Six months ended 30 June	
	2022	2021
Net gains on financial investments measured at fair value through profit or loss	**668,773**	623,582
Net gains on disposal of financial assets measured at fair value through other comprehensive income	**282,536**	104,588
Others	**14**	–
Total	**951,323**	728,170

7 OTHER OPERATING INCOME

	Six months ended 30 June	
	2022	2021
Government grants	**19,294**	13,340
Rental income	**467**	499
Net losses on disposal of property and equipment, intangible assets and other assets	**(948)**	(408)
Others	**7,986**	(3,736)
Total	**26,799**	9,695

8 OPERATING EXPENSES

	Six months ended 30 June	
	2022	2021
Staff costs		
– Salaries, bonuses and allowances	**592,447**	561,495
– Social insurance and housing allowances	**82,681**	70,215
– Staff welfare expenses	**62,163**	81,352
– Staff education expenses	**15,240**	14,577
– Labor union expenses	**11,934**	11,328
– Post-employment benefits		
– Defined contribution plans	**120,293**	108,407
– Supplementary retirement benefits	**30**	11,220
Sub-total	**884,788**	858,594
Property and equipment expenses		
– Depreciation and amortisation	**268,794**	237,321
– Electronic equipment operating expenses	**46,181**	42,874
– Maintenance	**43,367**	38,698
Sub-total	**358,342**	318,893
Tax and surcharges	**75,089**	70,741
Other general and administrative expenses	**504,240**	288,176
Total	**1,822,459**	1,536,404

9 CREDIT LOSSES

	Six months ended 30 June	
	2022	2021
Deposits with banks and other financial institutions	**(307)**	1,251
Placements with banks and other financial institutions	**11,886**	335
Financial assets held under resale agreements	**(21,110)**	6,028
Loans and advances to customers	**1,544,922**	1,262,812
Financial investments measured at amortised cost	**378,103**	(42,254)
Financial investments measured at FVOCI		
– Debt instruments	**(14,971)**	343,563
Long-term receivables	**98,264**	53,731
Credit commitments	**23,266**	6,139
Others	**38,430**	18,453
Total	**2,058,483**	1,650,058

10 INCOME TAX EXPENSE

(1) Income tax for the reporting period

		Six months ended 30 June	
	Note	**2022**	2021
Current tax		**126,959**	530,869
Deferred tax	*25(2)*	**137,078**	(223,253)
Total		**264,037**	307,616

(2) Reconciliations between income tax and accounting profit are as follows:

	Six months ended 30 June	
	2022	2021
Profit before taxation	**2,324,371**	2,140,588
Statutory tax rate	**25%**	25%
Income tax calculated at statutory tax rate	**581,093**	535,147
Tax effect of non-deductible expenses for tax purpose		
– Annuity	**4,241**	4,166
– Entertainment expenses	**1,360**	1,627
– Others	**5,239**	12,621
Sub-total	**10,840**	18,414
Tax effect of non-taxable income for tax purpose *(Note (i))*	**(327,896)**	(245,945)
Income tax	**264,037**	307,616

Note:

(i) Non-taxable income consists of interest income from the PRC government bonds and local government bonds, and dividend income from funds, which are exempt from income tax under the PRC tax regulations.

11 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share was computed by dividing the profit for the year attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares in issue. Diluted earnings per share was computed by dividing the adjusted profit attributable to the ordinary shareholders of the Bank based on assuming conversion of all dilutive potential shares for the year by the adjusted weighted average number of ordinary shares in issue. There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the reporting period.

		Six months ended 30 June		
	Note	**2022**	2021 (after adjustment)	2021 (before adjustment)
Weighted average number of ordinary shares (in thousands)	*11(1)*	**5,563,768**	4,764,216	4,509,690
Net profit attributable to equity shareholders of the Bank		**2,018,395**	1,797,590	1,797,590
Less: dividends on preference shares declared		**–**	–	–
Net profit attributable to ordinary shareholders of the Bank		**2,018,395**	1,797,590	1,797,590
Basic and diluted earnings per share (in RMB)		**0.36**	0.38	0.40

Note:

As stated in Note 36, the Bank issued 60,150,000 shares in respect of the USD overseas preference share on 19 September 2017. On 30 June 2022, the carrying amount of the overseas preference share equals to RMB7,854 million.

The above overseas preference share adopts the non-cumulative dividend payment method, that is, the dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Bank will not participate the distribution of residual profits with ordinary shareholders. In the case of meeting relevant distribution conditions, dividends of the preference share will be paid each year after the declaration of the Board of Directors of the Bank on 19 September each year.

Therefore, in calculating the earnings per share for six months ended 30 June 2022, the Bank did not consider the effects of dividends that may be distributed to shareholders of the overseas preference share in September 2022 on the net profit attributable to shareholders of the ordinary shares of the Bank (Dividends distributed to shareholders of the overseas preference share by the Bank in September 2021 were RMB474 million).

(1) Weighted average number of ordinary shares (in thousands)

	Six months ended 30 June		
	2022	2021 (after adjustment)	2021 (before adjustment)
Number of ordinary shares as at 1 January	**4,509,690**	4,509,690	4,509,690
Effect of the rights issues	**1,054,078**	254,526	–
Weighted average number of ordinary shares	**5,563,768**	4,764,216	4,509,690

In January and February 2022, the Bank offered rights issues to its existing A share and H share shareholders, respectively, at prices less than their fair values. Therefore, there were bonus elements for these rights issues and the weighted average number of ordinary shares were adjusted accordingly.

12 CASH AND DEPOSITS WITH CENTRAL BANK

	Note	**30 June 2022**	31 December 2021
Cash on hand		**333,407**	369,326
Deposits with central bank			
– Statutory deposit reserves	*12(1)*	**17,702,231**	18,294,944
– Surplus deposit reserves	*12(2)*	**19,884,893**	34,288,149
– Fiscal deposits		**15,963**	278,973
Sub-total		**37,603,087**	52,862,066
Accrued interest		**8,478**	10,002
Total		**37,944,972**	53,241,394

(1) The Bank places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at 30 June 2022, the statutory deposit reserve ratios for RMB deposits applicable to the Bank were 5.5% (31 December 2021: 6.0%). As at 30 June 2022, the statutory deposit reserve ratios for foreign currency deposits applicable to the Bank were 8.0% (31 December 2021: 9.0%). The Bank's subsidiary places statutory deposit reserves with the PBOC in accordance with relevant regulations.

The statutory deposit reserves are not available for the Group's daily business.

(2) The surplus deposit reserves are maintained with the PBOC mainly for the purpose of clearing.

13 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2022	31 December 2021
In Mainland China		
– Banks	**1,727,185**	1,409,836
– Other financial institutions	**17,842**	120,697
Outside Mainland China		
– Banks	**182,559**	584,236
Accrued interest	**15,109**	13,627
Sub-total	**1,942,695**	2,128,396
Less: Provision for impairment losses	**(1,167)**	(1,474)
Total	**1,941,528**	2,126,922

14 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2022	31 December 2021
In Mainland China		
– Banks	**–**	4,112,327
– Other financial institutions	**6,950,000**	1,000,000
Accrued interest	**90,099**	1,229
Sub-total	**7,040,099**	5,113,556
Less: Provision for impairment losses	**(16,796)**	(4,910)
Total	**7,023,303**	5,108,646

15 DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2022			31 December 2021		
	Nominal amount	**Fair value of assets**	**Fair value of Liabilities**	Nominal amount	Fair value of assets	Fair value of Liabilities
Interest rate swap contracts and others	**49,278,900**	**125,883**	**(131,725)**	50,646,662	146,617	(144,689)
Total	**49,278,900**	**125,883**	**(131,725)**	50,646,662	146,617	(144,689)

16 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(1) Analysed by type and location of counterparty

	30 June 2022	31 December 2021
In Mainland China		
– Banks	–	10,004,500
– Other financial institutions	–	2,298,855
Accrued interest	–	6,680
Sub-total	–	12,310,035
Less: Provision for impairment losses	–	(21,110)
Total	–	12,288,925

(2) Analysed by type of security held

	30 June 2022	31 December 2021
Debt securities	–	12,303,355
Accrued interest	–	6,680
Sub-total	–	12,310,035
Less: Provision for impairment losses	–	(21,110)
Total	–	12,288,925

17 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by nature

	30 June 2022	31 December 2021
Measured at amortised cost:		
Corporate loans and advances		
– Corporate loans	**173,759,909**	149,822,068
Sub-total	**173,759,909**	149,822,068
Personal loans and advances		
– Residential mortgage	**46,795,906**	45,937,206
– Personal consumption loans	**18,251,540**	19,015,201
– Personal business loans	**11,133,819**	11,790,781
Sub-total	**76,181,265**	76,743,188
Accrued interest	**632,531**	829,555
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost		
– 12-month expected credit loss ("ECL")	**(3,682,084)**	(3,159,298)
– lifetime ECL		
– not credit-impaired loans	**(864,427)**	(603,867)
– credit-impaired loans	**(2,820,935)**	(2,663,172)
Sub-total	**(7,367,446)**	(6,426,337)
Measured at FVOCI:		
Corporate loans and advances		
– Discounted bills	**15,326,862**	17,640,224
Net loans and advances to customers	**258,533,121**	238,608,698

(2) Analysed by type of collateral (excluding accrued interest)

	30 June 2022	31 December 2021
Unsecured loans	**60,617,531**	54,080,566
Guaranteed loans	**53,174,942**	49,142,728
Loans secured by mortgages	**105,459,637**	94,014,190
Pledged loans	**46,015,926**	46,967,996
Gross loans and advances to customers	**265,268,036**	244,205,480

(3) Overdue loans analysed by overdue period (excluding accrued interest)

	30 June 2022				
	Overdue within three months (inclusive)	**Overdue more than three months to one year (inclusive)**	**Overdue more than one year to three years (inclusive)**	**Overdue more than three years**	**Total**
Unsecured loans	**549,497**	**471,151**	**16,143**	**1,995**	**1,038,786**
Guaranteed loans	**636,959**	**634,658**	**917,505**	**199,715**	**2,388,837**
Loans secured by mortgages	**291,171**	**144,623**	**97,916**	**40,928**	**574,638**
Pledged loans	**77,860**	**–**	**–**	**–**	**77,860**
Total	**1,555,487**	**1,250,432**	**1,031,564**	**242,638**	**4,080,121**
As a percentage of gross loans and advances to customers	**0.59%**	**0.47%**	**0.39%**	**0.09%**	**1.54%**

	31 December 2021				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	400,126	86,043	10,969	1,477	498,615
Guaranteed loans	398,106	360,450	798,749	160,503	1,717,808
Loans secured by mortgages	192,714	110,905	97,356	138,916	539,891
Total	990,946	557,398	907,074	300,896	2,756,314
As a percentage of gross loans and advances to customers	0.41%	0.23%	0.37%	0.12%	1.13%

Overdue loans represent loans of which the whole or part of the principal or interest has been overdue for one day (inclusive) or more.

(4) Loans and advances and provision for impairment losses analysis

The provision for impairment losses of loans and advances to customers are as follows:

(i) Provision for impairment losses of loans and advances to customers measured at amortised cost:

	30 June 2022			
	12-month ECL	**Lifetime ECL – not credit-impaired**	**Lifetime ECL – credit-impaired** *(Note (i))*	**Total**
Gross loans and advances to customers measured at amortised cost (including accrued interest)	**244,673,804**	**2,323,193**	**3,576,708**	**250,573,705**
Less: Provision for impairment losses	**(3,682,084)**	**(864,427)**	**(2,820,935)**	**(7,367,446)**
Net loans and advances to customers measured at amortised cost	**240,991,720**	**1,458,766**	**755,773**	**243,206,259**

	31 December 2021			
	12-month ECL	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired *(Note (i))*	Total
Gross loans and advances to customers measured at amortised cost (including accrued interest)	221,484,002	2,544,940	3,365,869	227,394,811
Less: Provision for impairment losses	(3,159,298)	(603,867)	(2,663,172)	(6,426,337)
Net loans and advances to customers measured at amortised cost	218,324,704	1,941,073	702,697	220,968,474

(ii) Provision for impairment losses on loans and advances to customers measured at FVOCI:

	30 June 2022			
	12-month ECL	**Lifetime ECL – not credit-impaired**	**Lifetime ECL – credit-impaired** *(Note (i))*	**Total**
Gross/net loans and advances to customers at FVOCI	**15,326,862**	**–**	**–**	**15,326,862**
Provision for impairment losses through other comprehensive income	**(18,102)**	**–**	**–**	**(18,102)**

	31 December 2021			
	12-month ECL	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired *(Note (i))*	Total
Gross/net loans and advances to customers at FVOCI	17,640,224	–	–	17,640,224
Provision for impairment losses through other comprehensive income	(13,269)	–	–	(13,269)

Note:

(i) The definitions of the credit-impaired financial assets are set out in Note 42(1) Credit risk.

(5) Movements of provision for impairment losses

Movements of the provision for impairment losses on loans and advances to customers are as follows:

(i) Movements of provision for impairment losses of loans and advances to customers measured at amortised cost are as follows:

	Six months ended 30 June 2022			
	12-month ECL	**Lifetime ECL – not credit-impaired**	**Lifetime ECL – credit-impaired**	**Total**
As at 1 January 2022	**3,159,298**	**603,867**	**2,663,172**	**6,426,337**
Transfer to				
– 12-month ECL	**444**	**(434)**	**(10)**	**–**
– Lifetime ECL				
– not credit-impaired loans	**(110,459)**	**110,702**	**(243)**	**–**
– credit-impaired loans	**(36,330)**	**(256,412)**	**292,742**	**–**
Charge for the period	**669,131**	**406,704**	**464,254**	**1,540,089**
Write-offs and transfer out	**–**	**–**	**(606,467)**	**(606,467)**
Recoveries of loans and advances written off	**–**	**–**	**12,433**	**12,433**
Other changes	**–**	**–**	**(4,946)**	**(4,946)**
As at 30 June 2022	**3,682,084**	**864,427**	**2,820,935**	**7,367,446**

	2021			
	12-month ECL	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	Total
As at 1 January 2021	2,113,757	923,214	2,250,830	5,287,801
Transfer to				
– 12-month ECL	4,447	(4,435)	(12)	–
– Lifetime ECL				
– not credit-impaired loans	(53,236)	60,019	(6,783)	–
– credit-impaired loans	(27,721)	(1,077,196)	1,104,917	–
Charge for the year	1,122,051	702,265	1,287,225	3,111,541
Write-offs and transfer out	–	–	(2,496,161)	(2,496,161)
Recoveries of loans and advances written off	–	–	539,709	539,709
Other changes	–	–	(16,553)	(16,553)
As at 31 December 2021	3,159,298	603,867	2,663,172	6,426,337

(ii) ***Movements of the provision for impairment losses on loans and advances to customers measured at FVOCI are as follows:***

	Six months ended 30 June 2022			
	12-month ECL	**Lifetime ECL – not credit-impaired**	**Lifetime ECL – credit-impaired**	**Total**
As at 1 January 2022	**13,269**	**–**	**–**	**13,269**
Charge for the period	**4,833**	**–**	**–**	**4,833**
As at 30 June 2022	**18,102**	**–**	**–**	**18,102**

	2021			
	12-month ECL	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	Total
As at 1 January 2021	14,781	–	–	14,781
Release for the year	(1,512)	–	–	(1,512)
As at 31 December 2021	13,269	–	–	13,269

The Group enters into securitization transactions in the normal course of business. See Note 46 for details.

In addition, during six months ended 30 June 2022 and the year ended 31 December 2021, the Group transferred loans and advances to independent third parties with principal amount of RMB234 million and RMB1,068 million respectively. The transfer price (including the original interest and penalty interest, etc.) was RMB159 million and RMB280 million, respectively.

18 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022	31 December 2021
Financial investments held for trading	**–**	–
Financial investments designated as at FVTPL	**–**	–
Other financial investments measured at FVTPL		
Debt investments issued by the following institutions in Mainland China		
– Banks and other financial institutions	**900,104**	877,656
– Corporate entities	**231,174**	106,924
Sub-total	**1,131,278**	984,580
Investment funds	**40,775,801**	39,973,092
Asset management plans	**17,789,617**	13,488,145
Trust fund plans	**1,478,000**	1,501,437
Total	**61,174,696**	55,947,254
Listed	**104,518**	106,924
Of which: listed outside Hong Kong	**104,518**	106,924
Unlisted	**61,070,178**	55,840,330
Total	**61,174,696**	55,947,254

19 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Note	**30 June 2022**	31 December 2021
Debt securities issued by the following institutions in Mainland China			
– Government		**33,764,881**	31,766,923
– Policy banks		**4,689,886**	1,075,384
– Banks and other financial institutions		**13,470,990**	11,447,917
– Corporate entities		**33,104,112**	22,697,107
Sub-total		**85,029,869**	66,987,331
Asset management plans		**2,014,100**	3,755,953
Other investments		**–**	701,504
Equity investments	*19(1)*	**23,250**	23,250
Accrued interest		**961,846**	1,145,357
Total		**88,029,065**	72,613,395
Listed	*19(2)*	**24,118,989**	24,445,268
Of which: listed outside Hong Kong		**24,118,989**	24,445,268
Unlisted		**63,910,076**	48,168,127
Total		**88,029,065**	72,613,395

(1) The Group holds a number of unlisted equity investments. The Group designates them as financial investments measured at FVOCI, and the details are as follows:

	Six months ended 30 June 2022					
Investees	**Balance at the beginning of the period**	**Increase during the period**	**Decrease during the period**	**Balance at the end of the period**	**Percentage of shareholding in investees (%)**	**Cash dividend for the period**
China UnionPay Co., Ltd.	**13,000**	**–**	**–**	**13,000**	**0.34**	**–**
Shandong City Commercial Bank Cooperation Alliance Co., Ltd.	**10,000**	**–**	**–**	**10,000**	**2.15**	**–**
Clearing Center for City Commercial Banks	**250**	**–**	**–**	**250**	**0.81**	**–**
Total	**23,250**	**–**	**–**	**23,250**		**–**

Investees	2021 Balance at the beginning of the year	Increase during the year	Decrease during the year	Balance at the end of the year	Percentage of shareholding in investees (%)	Cash dividend for the year
China UnionPay Co., Ltd.	13,000	–	–	13,000	0.34	2,600
Shandong City Commercial Bank Cooperation Alliance Co., Ltd.	10,000	–	–	10,000	2.15	–
Clearing Center for City Commercial Banks	250	–	–	250	0.81	–
Total	23,250	–	–	23,250		2,600

For the six months ended 30 June 2022 and the year ended 31 December 2021, the Group did not dispose of any such equity investment, nor transfer any cumulative gain or loss from other comprehensive income to retained earning.

(2) Only bonds traded on stock exchanges are included in listed bonds.

(3) Movements of the provision for impairment losses on debt instruments of financial investments measured at FVOCI are as follows:

	Six months ended 30 June 2022			
	12-month ECL	**Lifetime ECL – not credit-impaired**	**Lifetime ECL – credit-impaired**	**Total**
As at 1 January 2022	**60,404**	**121,265**	**300,555**	**482,224**
Transfer to				
– 12-month ECL	**88,894**	**(88,894)**	**–**	**–**
– Lifetime ECL				
– not credit-impaired	**(4,523)**	**4,523**	**–**	**–**
– credit-impaired	**(267)**	**(10,216)**	**10,483**	**–**
(Release)/Charge for the period	**(102,977)**	**80,728**	**7,278**	**(14,971)**
As at 30 June 2022	**41,531**	**107,406**	**318,316**	**467,253**

	2021			
	12-month ECL	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	Total
As at 1 January 2021	51,291	20,935	62,521	134,747
Transfer to				
– 12-month ECL	3,321	(3,321)	–	–
– Lifetime ECL				
– not credit-impaired	(3,411)	3,411	–	–
– credit-impaired	(209)	(6,033)	6,242	–
Charge for the year	9,412	106,273	231,792	347,477
As at 31 December 2021	60,404	121,265	300,555	482,224

Provision for impairment losses on debt instruments of financial investments measured at FVOCI is recognised in other comprehensive income, and any impairment loss or gain is recognised in the profit or loss without decreasing the carrying amount of financial investments presented in the statement of financial position.

20 FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST

	Note	**30 June 2022**	31 December 2021
Debt securities issued by the following institutions in Mainland China			
– Government		**27,069,184**	27,859,492
– Policy banks		**10,720,639**	9,989,948
– Banks and other financial institutions		**6,771,543**	10,543,252
– Corporate entities		**891,910**	1,073,845
Sub-total		**45,453,276**	49,466,537
Asset management plans		**3,080,990**	4,340,630
Trust fund plans		**1,738,700**	1,768,700
Other investments		**7,030,000**	6,080,000
Accrued interest		**747,379**	1,014,107
Less: Provision for impairment losses	*20(1)*	**(1,625,925)**	(1,247,822)
Total		**56,424,420**	61,422,152
Listed	*20(2)*	**17,645,825**	18,853,576
Of which: listed outside Hong Kong		**17,645,825**	18,853,576
Unlisted		**38,778,595**	42,568,576
Total		**56,424,420**	61,422,152

(1) Movements of the allowance for impairment losses on financial investments measured at amortised cost are as follows:

	Six months ended 30 June 2022			
	12-month ECL	**Lifetime ECL – not credit-impaired**	**Lifetime ECL – credit-impaired**	**Total**
As at 1 January 2022	**298,990**	**516,032**	**432,800**	**1,247,822**
Transfer to				
– 12-month ECL	**6,324**	**(6,324)**	**–**	**–**
– Lifetime ECL				
– not credit-impaired	**(6,070)**	**6,070**	**–**	**–**
– credit-impaired	**–**	**(497,184)**	**497,184**	**–**
(Release)/Charge for the period	**(93,863)**	**24,212**	**447,754**	**378,103**
As at 30 June 2022	**205,381**	**42,806**	**1,377,738**	**1,625,925**

	2021			
	12-month ECL	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	Total
As at 1 January 2021	282,041	541,384	273,095	1,096,520
Transfer to				
– Lifetime ECL				
– not credit-impaired	(653)	653	–	–
– credit-impaired	–	(184,891)	184,891	–
Charge for the year	17,602	158,886	174,814	351,302
Others	–	–	(200,000)	(200,000)
As at 31 December 2021	298,990	516,032	432,800	1,247,822

(2) Only bonds traded on stock exchanges are included in listed bonds.

21 INVESTMENT IN SUBSIDIARIES

	30 June 2022	31 December 2021
BQD Financial Leasing Company Limited	**510,000**	510,000
BQD Wealth Management Company Limited	**1,000,000**	1,000,000
Total	**1,510,000**	1,510,000

The subsidiaries are as follows:

Name	Percentage of equity interest	Voting rights	Paid-in capital *(in thousands)*	Amount invested by the Bank *(in thousands)*	Place of registration and operations	Principal activities
BQD Financial Leasing Company Limited *(Note (i))*	51.00%	51.00%	1,000,000	510,000	Qingdao, China	Financial leasing
BQD Wealth Management Company Limited *(Note (ii))*	100.00%	100.00%	1,000,000	1,000,000	Qingdao, China	Wealth Management

Note:

(i) BQD Financial Leasing Company Limited was co-established by the Bank, Qingdao Hanhe Cable Co., Ltd., Qingdao Port International Co., Ltd. and Qingdao Qianwan Container Terminal Co., Ltd. on 15 February 2017, with a registered capital of RMB1.00 billion.

(ii) BQD Wealth Management Company Limited, a limited liability company wholly owned by the Bank, was established on 16 September 2020, with a registered capital of RMB1.00 billion.

22 LONG-TERM RECEIVABLES

	30 June 2022	31 December 2021
Minimum finance lease receivables	**17,163,963**	13,034,350
Less: Unearned finance lease income	**(1,731,325)**	(1,163,127)
Present value of finance lease receivables	**15,432,638**	11,871,223
Accrued interest	**214,516**	126,022
Sub-total	**15,647,154**	11,997,245
Less: Provision for impairment losses		
– 12-month ECL	**(278,381)**	(227,836)
– Lifetime ECL		
– not credit-impaired	**(34,310)**	(36,120)
– credit-impaired	**(96,227)**	(45,036)
Net balance	**15,238,236**	11,688,253

Movements of the provision for impairment losses on long-term receivable are as follows:

	Six months ended 30 June 2022			
	12-month ECL	**Lifetime ECL-not credit-impaired**	**Lifetime ECL-credit-impaired**	**Total**
As at 1 January 2022	**227,836**	**36,120**	**45,036**	**308,992**
Transfer to				
– Lifetime ECL				
– non credit-impaired	**(2,694)**	**2,694**	**–**	**–**
– credit-impaired	**–**	**(15,171)**	**15,171**	**–**
Charge for the period	**53,239**	**10,667**	**34,358**	**98,264**
Others	**–**	**–**	**1,662**	**1,662**
As at 30 June 2022	**278,381**	**34,310**	**96,227**	**408,918**

	2021			
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
As at 1 January 2021	192,063	59,446	36,075	287,584
Transfer to				
– Lifetime ECL				
– not credit-impaired	(3,659)	3,659	–	–
– credit-impaired	–	(9,330)	9,330	–
Charge/(Release) for the year	39,432	(17,655)	64,695	86,472
Others	–	–	(65,064)	(65,064)
As at 31 December 2021	227,836	36,120	45,036	308,992

Minimum finance lease receivables, unearned finance lease income and present value of finance lease receivables analysed by remaining period are listed as follows:

	30 June 2022		
	Minimum finance lease receivables	**Unearned finance lease income**	**Present value of finance lease receivables**
Repayable on demand	**78,525**	**(8,636)**	**69,889**
Less than 1 year (inclusive)	**7,964,135**	**(878,616)**	**7,085,519**
1 year to 2 years (inclusive)	**4,759,624**	**(465,302)**	**4,294,322**
2 years to 3 years (inclusive)	**2,573,491**	**(209,138)**	**2,364,353**
3 years to 5 years (inclusive)	**1,459,223**	**(130,397)**	**1,328,826**
More than 5 years	**187,073**	**(17,628)**	**169,445**
Indefinite *(Note (i))*	**141,892**	**(21,608)**	**120,284**
Total	**17,163,963**	**(1,731,325)**	**15,432,638**

	31 December 2021		
	Minimum finance lease receivables	Unearned finance lease income	Present value of finance lease receivables
Repayable on demand	–	–	–
Less than 1 year (inclusive)	6,356,792	(624,763)	5,732,029
1 year to 2 years (inclusive)	3,944,051	(325,873)	3,618,178
2 years to 3 years (inclusive)	1,904,459	(134,456)	1,770,003
3 years to 5 years (inclusive)	704,616	(56,171)	648,445
More than 5 years	50,534	(6,035)	44,499
Indefinite *(Note (i))*	73,898	(15,829)	58,069
Total	13,034,350	(1,163,127)	11,871,223

Note:

(i) See Note 42 (3) for the definition of indefinite long-term receivables.

23 PROPERTY AND EQUIPMENT

	Premises	Electronic equipment	Vehicles	Machinery equipment and others	Construction in progress	Total
Cost						
As at 1 January 2021	3,150,797	676,050	67,139	97,254	226,808	4,218,048
Increase	8,399	96,625	12,300	24,540	165,225	307,089
CIP transfer in/(out)	318,125	–	–	–	(318,125)	–
Decrease	(263)	(39,674)	(6,775)	(2,418)	–	(49,130)
As at 31 December 2021	3,477,058	733,001	72,664	119,376	73,908	4,476,007
Increase	19,845	54,794	2,805	7,624	–	85,068
Decrease	(98)	(11,996)	(944)	(739)	–	(13,777)
As at 30 June 2022	**3,496,805**	**775,799**	**74,525**	**126,261**	**73,908**	**4,547,298**
Accumulated depreciation						
As at 1 January 2021	(418,308)	(437,511)	(50,294)	(64,167)	–	(970,280)
Increase	(72,530)	(71,309)	(6,842)	(10,738)	–	(161,419)
Decrease	–	37,483	6,436	1,966	–	45,885
As at 31 December 2021	(490,838)	(471,337)	(50,700)	(72,939)	–	(1,085,814)
Increase	(40,846)	(36,629)	(3,215)	(6,674)	–	(87,364)
Decrease	–	11,145	897	693	–	12,735
As at 30 June 2022	**(531,684)**	**(496,821)**	**(53,018)**	**(78,920)**	**–**	**(1,160,443)**
Net book value						
As at 30 June 2022	**2,965,121**	**278,978**	**21,507**	**47,341**	**73,908**	**3,386,855**
As at 31 December 2021	2,986,220	261,664	21,964	46,437	73,908	3,390,193

As at 30 June 2022 and 31 December 2021, the Group did not have significant property and equipment which were temporarily idle.

The carrying amount of premises with incomplete title deeds of the Group as at 30 June 2022 was RMB11 million (31 December 2021: RMB11 million). Management is in the opinion that the incomplete title deeds would not affect the rights to these assets of the Group.

The net book values of premises at the end of the reporting period are analysed by the remaining terms of the land leases as follows:

	30 June 2022	31 December 2021
Held in Mainland China		
– Long-term leases (over 50 years)	**16,109**	16,304
– Medium-term leases (10 – 50 years)	**2,947,003**	2,967,813
– Short-term leases (less than 10 years)	**2,009**	2,103
Total	**2,965,121**	2,986,220

24 RIGHT-OF-USE ASSETS

	Premises	Others	Total
Cost			
As at 1 January 2021	1,081,656	4,114	1,085,770
Increase	178,065	–	178,065
Decrease	(20,057)	–	(20,057)
As at 31 December 2021	1,239,664	4,114	1,243,778
Increase	88,630	–	88,630
Decrease	(7,662)	–	(7,662)
As at 30 June 2022	**1,320,632**	**4,114**	**1,324,746**
Accumulated depreciation			
As at 1 January 2021	(257,647)	(1,302)	(258,949)
Increase	(155,359)	(651)	(156,010)
Decrease	17,070	–	17,070
As at 31 December 2021	(395,936)	(1,953)	(397,889)
Increase	(79,653)	(326)	(79,979)
Decrease	7,662	–	7,662
As at 30 June 2022	**(467,927)**	**(2,279)**	**(470,206)**
Net book value			
As at 30 June 2022	**852,705**	**1,835**	**854,540**
As at 31 December 2021	843,728	2,161	845,889

25 DEFERRED INCOME TAX ASSETS

(1) Analysed by nature

	30 June 2022		31 December 2021	
	Deductible/ (taxable) temporary differences	**Deferred Income tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred Income tax assets/ (liabilities)
Provision for impairment losses	**9,469,735**	**2,367,433**	9,958,224	2,489,556
Deferred interest income from discounted bills	**166,043**	**41,511**	182,845	45,711
Change in fair value	**(471,413)**	**(117,853)**	(538,790)	(134,697)
Others	**435,687**	**108,922**	419,487	104,872
Total	**9,600,052**	**2,400,013**	10,021,766	2,505,442

(2) Analysed by movement

	Provision for Impairment losses	Deferred interest income from discounted bills *(Note (i))*	Change in fair value	Others *(Note (ii))*	Total
As at 1 January 2021	2,216,502	25,212	136,230	90,073	2,468,017
Recognised in profit or loss	359,545	20,499	(118,363)	13,671	275,352
Recognised in other comprehensive income	(86,491)	–	(152,564)	1,128	(237,927)
As at 31 December 2021	2,489,556	45,711	(134,697)	104,872	2,505,442
Recognised in profit or loss	(124,657)	(4,200)	(12,271)	4,050	(137,078)
Recognised in other comprehensive income	2,534	–	29,115	–	31,649
As at 30 June 2022	**2,367,433**	**41,511**	**(117,853)**	**108,922**	**2,400,013**

Notes:

(i) Pursuant to the requirement issued by the local tax authority, tax obligations arise when the Group receives discounted bills. The deductible temporary difference, which arises from the interest income recognised in profit or loss using the effective interest method, forms deferred tax assets.

(ii) Others mainly include supplementary retirement benefits accrued, provisions, and accumulated depreciation of right-of-use assets, which are deductible against taxable income when actual payment occurs.

26 OTHER ASSETS

	Note	**30 June 2022**	31 December 2021
Continuously involved assets		**922,695**	922,695
Long-term deferred expense		**355,176**	347,664
Intangible assets	*26(1)*	**304,648**	296,612
Prepayments		**290,749**	254,624
Precious metals		**112,576**	112,651
Interest receivable *(Note (i))*	*26(2)*	**85,241**	28,754
Deferred expense		**12,182**	4,556
Repossessed assets *(Note (ii))*		**–**	59,692
Others *(Note (iii))*		**1,302,069**	338,730
Sub-total		**3,385,336**	2,365,978
Less: Provision for impairment losses		**(52,226)**	(50,148)
Total		**3,333,110**	2,315,830

Notes:

(i) As at 30 June 2022, the book value of the Group's interest receivable after deducting the provision for impairment is RMB49.59 million (31 December 2021: RMB12.78 million).

(ii) As at 30 June 2022, the Group has no repossessed assets. As at 31 December 2021, repossessed assets of the Group mainly included premises, etc. The book value of the Group's repossessed assets is RMB29.44 million. The impairment provision for repossessed assets of the Group is RMB30.25 million.

(iii) Mainly includes settlement receivable and other receivables.

(1) Intangible assets

	Six months ended 30 June 2022	2021
Cost		
As at 1 January	**799,866**	659,876
Additions	**62,286**	139,990
Decrease	**–**	–
As at 30 June/31 December	**862,152**	799,866
Accumulated amortisation		
As at 1 January	**(503,254)**	(407,358)
Additions	**(54,250)**	(95,896)
Decrease	**–**	–
As at 30 June/31 December	**(557,504)**	(503,254)
Net value		
As at 30 June/31 December	**304,648**	296,612
As at 1 January	**296,612**	252,518

Intangible assets of the Group mainly include software.

(2) Interest receivable

	30 June 2022	31 December 2021
Interest receivable arising from:		
– Loans and advances to customers	**85,027**	28,754
– Long-term receivables	**214**	–
Total	**85,241**	28,754

27 BORROWINGS FROM CENTRAL BANK

	30 June 2022	31 December 2021
Borrowings	**23,117,542**	22,668,325
Re-discounted bills	**1,240,901**	2,707,914
Accrued interest	**239,139**	117,877
Total	**24,597,582**	25,494,116

28 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2022	31 December 2021
In Mainland China		
– Banks	**35,881**	65,652
– Other financial institutions	**8,458,001**	6,266,088
Accrued interest	**25,134**	10,074
Total	**8,519,016**	6,341,814

29 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2022	31 December 2021
In Mainland China		
– Banks	**17,849,937**	15,792,856
Outside Mainland China		
– Banks	**325,770**	1,007,361
Accrued interest	**165,689**	104,283
Total	**18,341,396**	16,904,500

30 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(1) Analysed by type and location of counterparty

	30 June 2022	31 December 2021
In Mainland China		
– Central Bank	**–**	2,320,000
– Banks	**14,107,737**	22,984,231
Accrued interest	**243**	1,365
Total	**14,107,980**	25,305,596

(2) Analysed by types of collaterals

	30 June 2022	31 December 2021
Discounted bills	**11,610,237**	10,301,931
Debt securities	**2,497,500**	15,002,300
Accrued interest	**243**	1,365
Total	**14,107,980**	25,305,596

31 DEPOSITS FROM CUSTOMERS

	30 June 2022	31 December 2021
Demand deposits		
– Corporate deposits	**103,670,339**	118,280,119
– Personal deposits	**29,725,101**	29,923,260
Sub-total	**133,395,440**	148,203,379
Time deposits		
– Corporate deposits	**97,575,989**	84,609,604
– Personal deposits	**98,949,314**	80,507,262
Sub-total	**196,525,303**	165,116,866
Outward remittance and remittance payables	**108,171**	80,246
Fiscal deposits to be transferred	**1,522**	124,432
Accrued interest	**5,394,351**	4,440,884
Total	**335,424,787**	317,965,807
Including: Pledged deposits	**15,446,762**	17,375,572

32 DEBT SECURITIES ISSUED

	30 June 2022	31 December 2021
Debt securities issued *(Note (i))*	**17,991,162**	26,985,704
Certificates of interbank deposit issued *(Note (ii))*	**72,564,660**	64,711,488
Accrued interest	**321,092**	521,108
Total	**90,876,914**	92,218,300

Notes:

(i) Financial debts with fixed interest rates were issued by the Group. The details are as follows:

(a) Ten-year tier-two capital bonds were issued with an interest rate of 5.00% per annum and with a nominal amount of RMB3.0 billion in June 2017. The debts will mature on 29 June 2027 with annual interest payments. The Group has an option to redeem the debts at the end of the fifth year at the nominal amount. The debts were redeemed on 29 June 2022. As at 31 December 2021, the fair value of the debts was RMB3.030 billion.

(b) Ten-year tier-two capital bonds were issued with an interest rate of 5.00% per annum and with a nominal amount of RMB2.0 billion in July 2017. The debts will mature on 14 July 2027 with annual interest payments. The Group has an option to redeem the debts at the end of the fifth year at the nominal amount. As at 30 June 2022, the fair value of the debts was RMB2.002 billion (31 December 2021: RMB2.022 billion).

(c) Three-year Financial Bonds were issued with an interest rate of 3.65% per annum and with a nominal amount of RMB3.0 billion in May 2019. The debts were redeemed on 22 May 2022 with annual interest payments. As at 31 December 2021, the fair value of the debts was RMB3.013 billion.

(d) Five-year Financial Bonds were issued with an interest rate of 3.98% per annum and with a nominal amount of RMB1.0 billion in May 2019. The debts will mature on 22 May 2024 with annual interest payments. As at 30 June 2022, the fair value of the debts was RMB1.023 billion (31 December 2021: RMB1.025 billion).

(e) Three-year Financial Bonds were issued with an interest rate of 3.70% per annum and with a nominal amount of RMB3.0 billion in May 2019. The debts were redeemed on 31 May 2022 with annual interest payments. As at 31 December 2021, the fair value of the debts was RMB3.014 billion.

(f) Five-year Financial Bonds were issued with an interest rate of 3.98% per annum and with a nominal amount of RMB1.0 billion in May 2019.The debts will mature on 31 May 2024 with annual interest payments. As at 30 June 2022, the fair value of the debts was RMB1.023 billion (31 December 2021: RMB1.025 billion).

(g) Three-year Small and Micro Enterprises Financial Bonds were issued with an interest rate of 3.45% per annum and with a nominal amount of RMB3.0 billion in December 2019.The debts will mature on 5 December 2022 with annual interest payments. As at 30 June 2022, the fair value of the debts was RMB3.018 billion (31 December 2021: RMB3.020 billion).

(h) Five-year Small and Micro Enterprises Financial Bonds were issued with an interest rate of 3.84% per annum and with a nominal amount of RMB1.0 billion in December 2019.The debts will mature on 5 December 2024 with annual interest payments. As at 30 June 2022, the fair value of the debts was RMB1.023 billion (31 December 2021: RMB1.026 billion).

(i) Three-year Small and Micro Enterprises Financial Bonds were issued with an interest rate of 3.42% per annum and with a nominal amount of RMB3.0 billion in December 2019.The debts will mature on 16 December 2022 with annual interest payments. As at 30 June 2022, the fair value of the debts was RMB3.019 billion (31 December 2021: RMB3.019 billion).

(j) Five-year Small and Micro Enterprises Financial Bonds were issued with an interest rate of 3.80% per annum and with a nominal amount of RMB1.0 billion in December 2019.The debts will mature on 16 December 2024 with annual interest payments. As at 30 June 2022, the fair value of the debts was RMB1.022 billion (31 December 2021: RMB1.025 billion).

(k) Ten-year tier-two capital bonds were issued with an interest rate of 4.80% per annum and with a nominal amount of RMB4.0 billion in March 2021. The debts will mature on 24 March 2031 with annual interest payments. The Group has an option to redeem the debts at the end of the fifth year at the nominal amount. As at 30 June 2022, the fair value of the debts was RMB4.191 billion (31 December 2021: RMB4.185 billion).

(l) Ten-year tier-two capital bonds were issued with an interest rate of 4.34% per annum and with a nominal amount of RMB2.0 billion in May 2021. The debts will mature on 28 May 2031 with annual interest payments. The Group has an option to redeem the debts at the end of the fifth year at the nominal amount. As at 30 June 2022, the fair value of the debts was RMB2.063 billion (31 December 2021: RMB2.057 billion).

(ii) The Group issued a number of certificates of interbank deposit with duration between 1 month and 1 year. As at 30 June 2022 and 31 December 2021, the fair value of outstanding certificates of interbank deposit was RMB72.697 billion and RMB64.778 billion, respectively.

33 LEASE LIABILITIES

Maturity analysis on lease liabilities of the Group – analysis on undiscounted cash flows:

	30 June 2022	31 December 2021
Less than 1 year (inclusive)	**135,635**	139,576
1 year to 2 years (inclusive)	**114,166**	105,419
2 years to 3 years (inclusive)	**96,549**	93,499
3 years to 5 years (inclusive)	**127,563**	123,285
Over 5 years	**113,402**	104,222
Total undiscounted cash flows of lease liabilities	**587,315**	566,001
Lease liabilities on statement of financial position	**526,433**	505,895

34 OTHER LIABILITIES

	Note	**30 June 2022**	31 December 2021
Financial liabilities related to precious metals		**1,805,431**	–
Continuously involved liabilities		**922,695**	922,695
Risk guarantee deposits for leasing business		**686,067**	762,878
Employee benefits payable	*34(1)*	**490,326**	825,417
Payable arising from fiduciary activities		**314,388**	175,672
Settlement payable		**269,554**	494,993
Taxes payable	*34(2)*	**240,847**	260,249
ECL on credit commitments	*34(3)*	**160,707**	137,441
Dividend payable		**19,425**	18,469
Others		**370,907**	319,319
Total		**5,280,347**	3,917,133

(1) Employee benefits payable

	30 June 2022	31 December 2021
Salaries, bonuses and allowances payable	**341,526**	625,787
Staff welfare expenses	**2,610**	57,320
Staff education expenses	**37,185**	22,236
Labor union expenses	**20,293**	16,934
Post-employment benefits		
-defined contribution plans	**162**	10,000
Supplementary retirement benefits *(note (i))*	**88,550**	93,140
Total	**490,326**	825,417

Note:

(i) Supplementary retirement benefits include early retirement plan and supplementary retirement plan.

Early retirement plan

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date.

Supplementary retirement plan

The Group provides a supplementary retirement plan to its eligible employees.

(2) Taxes payable

	30 June 2022	31 December 2021
Value added tax payable	**185,362**	210,186
Urban construction tax and surcharges payable	**32,834**	28,860
Others	**22,651**	21,203
Total	**240,847**	260,249

(3) Expected credit loss on credit commitments

Movements of expected credit loss on credit commitments are as follows:

	Six months ended 30 June 2022			
	12-month ECL	**Lifetime ECL-not credit-impaired**	**Lifetime ECL-credit-impaired**	**Total**
As at 1 January 2022	**129,789**	**7,652**	**–**	**137,441**
Charge/(Release) for the period	**28,663**	**(5,397)**	**–**	**23,266**
As at 30 June 2022	**158,452**	**2,255**	**–**	**160,707**

	2021			
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
As at 1 January 2021	102,164	99	–	102,263
Transfer to				
– 12-month ECL	5	(5)	–	–
– Lifetime ECL				
– not credit-impaired loans	(1,078)	1,078	–	–
Charge for the year	28,698	6,480	–	35,178
As at 31 December 2021	129,789	7,652	–	137,441

35 SHARE CAPITAL

Authorised and issued share capital

	30 June 2022	31 December 2021
Number of shares authorised, issued and fully paid at nominal value (in thousands)	**5,820,355**	4,509,690

In January 2022, the Bank issued 782 million ordinary A shares with a nominal value of RMB1 at RMB3.20 per share. In February 2022, the Bank issued 529 million ordinary H shares with a nominal value of RMB1 at HKD3.92 per share. After deducting the above issuance costs, the premium arising from the A Share and H Share Rights Issue amounting to RMB2.844 billion was recorded in capital reserve. After the completion of the above rights issues, the balance of the share capital was RMB5.820 billion, and the balance of the capital reserve was RMB11.182 billion.

36 PREFERENCE SHARES

(1) Preference shares outstanding at the end of the period

Financial instrument outstanding	Issue date	Accounting classification	Initial dividend rate	Issue price	Amount *(in thousands of shares)*	In original currency *(in thousands)*	In RMB *(in thousands)*	Maturity	Conversion
Overseas preference shares	19 Sep 2017	Equity	5.5%	20USD/Share	60,150	1,203,000	7,883,259	None	No
Total							7,883,259		
Less: Issue fees							(29,295)		
Book value							7,853,964		

(2) Main Clauses

(a) Dividend

There is a fixed rate for a certain period after issuance. Dividend reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread. Dividends will be paid annually.

(b) Conditions to distribution of dividends

The Bank could pay dividends while the Bank still has distributable after-tax profit after making up for the previous years' losses, contributing to the statutory surplus reserve and general reserve, and the Bank's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends. The Bank may elect to cancel any dividend which will not constitute a default, but such cancellation will require a shareholder's resolution to be passed.

(c) Dividend stopper

If the Bank cancels all or part of the dividends to the preference shareholders, the Bank shall not make any dividend distribution to ordinary shareholders before the Bank pays the dividends for the current dividend period to the preference shareholders in full.

(d) Order of distribution and liquidation method

The USD overseas preference shareholders will rank equally for payment. The preference shareholders will be subordinated to the depositors, ordinary creditors and holders of Tier 2 capital bonds, but will be senior to the ordinary shareholders.

(e) Mandatory conversion trigger events

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert all or part of the preference shares into H shares, having notified and obtained the consent of regulatory authority but without the need for the consent of preference shareholders or ordinary shareholders, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Bank to above 5.125%; If preference shares were converted to H shares, it could not be converted to preference shares again.

Upon the occurrence of a Tier 2 Capital Trigger Event (Earlier of the two situations: (1) regulatory authority has determined that the Bank would become non-viable if there is no conversion or write-down of capital; (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Bank would become non-viable), the Bank shall have the right to convert all preference shares into H shares, having notified and obtained the consent of regulatory authority but without the need for the consent of preference shareholders or ordinary shareholders. If preference shares were converted to H shares, it could not be converted to preference shares again.

(f) Redemption

Under the premise of obtaining the approval of the regulatory authority and condition of redemption, the Bank has right to redeem all or some of overseas preference stocks in first redemption date and subsequent any dividend payment date. (Redemption price is equal to issue price plus accrued dividend in current period).

The first redemption date of USD preference shares is five years after issuance.

(g) Dividend setting mechanism

Non-cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Bank will not participate the distribution of residual profits with ordinary shareholders. Preference shareholders are senior to the ordinary shareholders on the right to dividends.

(3) Changes in preference shares outstanding

1 January 2022		**Increase during the period**		**30 June 2022**	
Amount *(in thousands of shares)*	**Book value *(in thousands of RMB)***	**Amount *(in thousands of shares)***	**Book value *(in thousands of RMB)***	**Amount *(in thousands of shares)***	**Book value *(in thousands of RMB)***
60,150	**7,853,964**	**–**	**–**	**60,150**	**7,853,964**

1 January 2021		Increase during the year		31 December 2021	
Amount *(in thousands of shares)*	Book value *(in thousands of RMB)*	Amount *(in thousands of shares)*	Book value *(in thousands of RMB)*	Amount *(in thousands of shares)*	Book value *(in thousands of RMB)*
60,150	7,853,964	–	–	60,150	7,853,964

(4) Interests attribute to equity instruments' holders

Items	**30 June 2022**	31 December 2021
Total equity attribute to equity holders of the Bank	**37,797,927**	32,635,495
– Equity attribute to ordinary shareholders of the Bank	**29,943,963**	24,781,531
– Equity attribute to preference shareholders of the Bank	**7,853,964**	7,853,964
Total equity attribute to non-controlling interests	**734,172**	692,233
– Equity attribute to non-controlling interests of ordinary shares	**734,172**	692,233

37 RESERVES

(1) Capital reserve

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

(2) Surplus reserve

The surplus reserve at the end of the reporting period represented statutory surplus reserve fund and discretionary surplus reserve fund.

Pursuant to the Company Law of the PRC and the Article of Association, the Bank is required to appropriate 10% of its net profit as determined under the Accounting Standards for Business Enterprises issued by the MOF after making up for the previous years' losses, to statutory surplus reserve fund until the reserve fund balance reaches 50% of the Bank's registered capital.

(3) General reserve

From 1 July 2012, pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No.20)" issued by the MOF in March 2012, the Bank is required to appropriate a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable industry regulations.

The Bank set aside a general reserve upon approval by the board of directors. The general reserve balance of the Bank as at 31 December 2021 amounted to RMB5.410 billion, which has reached 1.5% of the year ending balance of the Bank's gross risk-bearing assets.

(4) Other comprehensive income

		Six months ended 30 June 2022				
Items	**Balance at the beginning of the period**	**Before-tax amount**	**Less: Previously recognised amount transferred to profit or loss**	**Less: Income tax expense**	**Net-of-tax amount**	**Balance at the end of the period**
Items that will not be reclassified to profit or loss						
Including: Remeasurements of defined benefit plan	**(11,573)**	**–**	**–**	**–**	**–**	**(11,573)**
Items that may be reclassified to profit or loss						
Including: Changes in fair value from financial assets measured at FVOCI	**386,452**	**182,013**	**(282,536)**	**29,115**	**(71,408)**	**315,044**
Credit losses of financial assets measured at FVOCI	**371,620**	**76,198**	**(86,336)**	**2,534**	**(7,604)**	**364,016**
Total	**746,499**	**258,211**	**(368,872)**	**31,649**	**(79,012)**	**667,487**

Items	Balance at the beginning of the year	2021 Before-tax amount	Less: Previously recognised amount transferred to profit or loss	Less: Income tax expense	Net-of-tax amount	Balance at the end of the year
Items that will not be reclassified to profit or loss						
Including: Remeasurements of defined benefit plan	(8,191)	(4,510)	–	1,128	(3,382)	(11,573)
Items that may be reclassified to profit or loss						
Including: Changes in fair value from financial assets measured at FVOCI	(71,238)	603,419	6,835	(152,564)	457,690	386,452
Credit losses of financial assets measured at FVOCI	112,146	390,042	(44,077)	(86,491)	259,474	371,620
Total	32,717	988,951	(37,242)	(237,927)	713,782	746,499

38 PROFIT APPROPRIATION

(1) At the 2021 annual general meeting held on 10 May 2022, the shareholders approved the following profit appropriation for the year ended 31 December 2021:

– Appropriated RMB244 million to statutory surplus reserve;

– Appropriated RMB429 million to general reserve;

– Declared cash dividends to all ordinary shareholders of approximately RMB931 million representing RMB1.60 per 10 shares (including tax).

(2) At the Bank's board of directors meeting held on 30 August 2021. According to the terms of issuance of the offshore preference shares and related authorization, the chairman, the president and the secretary to the board of directors of the Bank jointly signed the Decision on Full Distribution of Dividends of the Fourth Year on Offshore Preference Shares of Bank of Qingdao Co., Ltd. for overseas preference shares to be distributed amounts to USD73.5167 million (including tax), calculated at the initial annual dividend rate of 5.50% (after tax) before the first reset date pursuant to the terms and conditions of overseas preference shares. The dividend payment date is 23 September 2021, and the amount of dividend is equivalent to approximately RMB474 million (including tax).

(3) At the 2020 annual general meeting held on 11 May 2021, the shareholders approved the following profit appropriation for the year ended 31 December 2020:

– Appropriated RMB233 million to statutory surplus reserve;

– Appropriated RMB581 million to general reserve;

– Declared cash dividends to all ordinary shareholders of approximately RMB812 million representing RMB1.80 per 10 shares (including tax).

39 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents:

	30 June 2022	30 June 2021
Cash	**333,407**	528,165
Surplus deposit reserves with central bank	**19,884,893**	22,814,558
Original maturity within three months:		
– Deposits with banks and other financial institutions	**1,007,586**	3,657,289
– Placements with banks and other financial institutions	**200,000**	452,207
– Certificates of interbank deposit issued	**4,289,406**	597,566
Total	**25,715,292**	28,049,785

40 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Relationship of related parties

(a) Major shareholders

Major shareholders include shareholders of the Bank with direct ownership of 5% or above.

Major shareholders' information

Company name	Number of ordinary shares of the Bank held by the Company *(in thousands)*	Proportion of ordinary shares of the Bank held by the Company		Registered location	Business	Legal form	Legal representative
		30 June 2022	31 December 2021				
Intesa Sanpaolo S.p.A. ("ISP")	1,018,562	**17.50%**	13.85%	Italy	Commercial banking	Joint stock limited company	Gian Maria GROS-PIETRO
Qingdao Conson Industrial Co., Ltd. ("Qingdao Conson")	654,623	**11.25%**	11.17%	Qingdao	State-owned assets operation and investment, import and export of goods and technology	Limited liability company	WANG Jianhui
Qingdao Haier Industrial Development Co., Ltd. ("Haier Industrial Development")	532,601	**9.15%**	9.08%	Qingdao	Business activities	Limited liability company	XIE Juzhi

Changes in ordinary shares of the Bank held by major shareholders

	ISP		Qingdao Conson		Haier Industrial Development	
	Number *(in thousands of shares)*	**Percentage**	**Number** *(in thousands of shares)*	**Percentage**	**Number** *(in thousands of shares)*	**Percentage**
As at 1 January 2021	624,754	13.85%	503,556	11.17%	–	–
Increase	–	–	–	–	409,693	9.08%
As at 31 December 2021	624,754	13.85%	503,556	11.17%	409,693	9.08%
Increase	393,808	3.65%	151,067	0.08%	122,908	0.07%
As at 30 June 2022	**1,018,562**	**17.50%**	**654,623**	**11.25%**	**532,601**	**9.15%**

Changes in registered capital of major shareholders

	Currency	**30 June 2022**	31 December 2021
ISP	EUR	**10,369 Million**	10,084 Million
Qingdao Conson	RMB	**2,000 Million**	2,000 Million
Haier Industrial Development	RMB	**4,500 Million**	4,500 Million

(b) Subsidiaries of the Bank

The detailed information of the Bank's subsidiary is set out in Note 21.

(c) Other related parties

Other related parties include members of the board of directors, the board of supervisors and senior management and close family members of such individuals; entities (and their subsidiaries) which members of the board of directors, the board of supervisors and senior management, and close family members of such individuals can control, jointly control or act as directors or senior managers in, etc.

(2) Related party transactions and balances

Related party transactions of the Group mainly refer to loans, deposits and financial investments, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

(a) Transactions with the related parties except subsidiary (excluding remuneration of key management personnel)

	ISP and its group	Qingdao Conson and its group	Haier Investment Development and its group	Other legal person related parties *(Note (i))*	Other natural person related parties	Total	Proportion to gross amount/ balance of similar transactions
As at 30 June 2022							
On-balance sheet items:							
Loans and advances to customers *(Note (ii))*	**–**	**–**	**1,459,297**	**–**	**22,237**	**1,481,534**	**0.56%**
Financial investments at FVTPL	**–**	**–**	**–**	**2,241,617**	**–**	**2,241,617**	**3.66%**
Long-term receivables *(Note (iii))*	**–**	**–**	**328,316**	**–**	**–**	**328,316**	**2.10%**
Deposits with banks and other financial institutions	**1,145**	**–**	**–**	**–**	**–**	**1,145**	**0.06%**
Deposits from customers	**97,157**	**59,804**	**560,090**	**3,992,377**	**128,173**	**4,837,601**	**1.44%**
Deposits from banks and other financial institutions	**–**	**43,522**	**514**	**–**	**–**	**44,036**	**0.52%**
Six months ended 30 June 2022							
Interest income	**–**	**–**	**44,103**	**–**	**516**	**44,619**	**0.46%**
Interest expense	**914**	**393**	**3,540**	**52,218**	**1,942**	**59,007**	**1.02%**
Fee and commission income	**–**	**–**	**–**	**18,497**	**–**	**18,497**	**1.89%**
Other operating losses	**–**	**–**	**–**	**2,100**	**–**	**2,100**	**7.84%**

	ISP and its group	Qingdao Conson and its group	Haier Investment Development and its group	Other corporate related parties	Other individual related parties	Total	Proportion to gross amount/ balance of similar transactions
As at 31 December 2021							
On-balance sheet items:							
Loans and advances to customers *(Note (ii))*	–	–	1,102,328	–	21,278	1,123,606	0.46%
Financial investments at FVTPL	–	–	–	2,228,791	–	2,228,791	3.98%
Long-term receivables *(Note (iii))*	–	–	150,170	–	–	150,170	1.25%
Deposits with banks and other financial institutions	2,043	–	–	–	–	2,043	0.10%
Deposits from customers	158,224	164,535	475,306	4,144,425	96,741	5,039,231	1.58%
Deposits from banks and other financial institutions	–	189	513	–	–	702	0.01%
Off-balance sheet items:							
Bank acceptances *(Note (iv))*	–	–	9	–	–	9	0.00%
Six months ended 30 June 2021							
Interest income	–	–	21,104	–	245	21,349	0.24%
Interest expense	933	1,058	5,058	28,519	1,082	36,650	0.74%
Fee and commission income	–	–	–	16,046	–	16,046	1.90%
Other operating losses	–	–	–	6,300	–	6,300	64.98%

Notes:

(i) For the six months ended 30 June 2022, AMTD Global Markets Limited, the Group's related party, as one of the Underwriters and Joint Bookrunners of the Bank's H Share Rights Issue, received an underwriting commission fee from the Group which is not significant to the financial statements of the Group. The above underwriting commission fee was capitalized as issuance costs of the H Share Rights Issue.

(ii) Loans to related parties (excluding accrued interest)

	30 June 2022	31 December 2021
Qingdao Haiyun Chuangzhi Business Development Co., Ltd.	**800,000**	800,000
Haier Financial Factoring (Chongqing) Co., Ltd.	**367,350**	–
Qingdao Haichen real estate development Co., Ltd.	**269,290**	299,950
Qingdao Haishanghai Commercial Operation Co., Ltd.	**10,000**	–
Qingdao No.1 Courtyard Hotel Co., Ltd.	**10,000**	–
Individuals	**22,195**	21,235
Total	**1,478,835**	1,121,185

(iii) Long-term receivables with related parties (excluding accrued interest)

	30 June 2022	31 December 2021
Qingdao Haier Global Innovation Model Research Co., Ltd.	**325,000**	150,000
Total	**325,000**	150,000

(iv) Bank acceptances with related parties

	30 June 2022	31 December 2021
Qingdao Hainayun Intelligent System Co.,Ltd.	**–**	9
Total	**–**	9

(b) Transactions with subsidiary

	30 June 2022	31 December 2021
Balances at the end of the period/year:		
On-balance sheet items:		
Deposits from banks and other financial institutions	**801,850**	974,828
Placements with banks and other financial institutions	**401,778**	–

	Six months ended 30 June	
	2022	2021
Transactions during the period:		
Interest income	**1,778**	–
Interest expense	**2,846**	2,089
Fee and commission income	**105,481**	9
Fee and commission expense	**55,519**	59,954
Other operating income	**1,016**	1,014

(3) Key management personnel

The Bank's key management personnel includes people having authority and responsibility, directly or indirectly, to plan, command and control the activities of the Bank, including directors, supervisors and senior management at bank level.

	Six months ended 30 June	
	2022	2021
Remuneration of key management personnel	**10,252**	9,819

As at 30 June 2022, the credit card overdraft balance of the Bank to the key management personnel amounted to RMB21.0 thousand (31 December 2021: RMB58.4 thousand), which have been included in loans and advances to related parties stated in Note 40(2).

(4) Plan and transaction of annuity

Except for normal contributions, there were no other related party transactions in the enterprise annuity funds established by the Group and the Bank during the reporting period.

41 SEGMENT REPORTING

The Group manages its business by business lines. Segment assets and liabilities, and segment income, expense and operating results are measured in accordance with the Group's accounting policies. Internal charges and transfer pricing of transactions between segments are determined for management purpose and have been reflected in the performance of each segment. Interest income and expenses earned from third parties are referred to as "External net interest income/expense". Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as "Internal net interest income/expense".

Segment income, expense, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, expenses, assets, and liabilities are determined before intra-group balances, and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total payment during the period to acquire property and equipment, intangible assets and other long-term assets.

The Group defines its reporting segments based on the following for management purpose:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, deposit taking activities, agency services, remittance and settlement services, etc.

Retail banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans and deposit services, etc.

Financial market business

This segment covers the financial market operations. The financial market business includes inter-bank money market transactions, repurchases transactions, investments in debt securities, and non-standardized debt investments, etc.

Un-allocated items and others

This segment contains related business of the subsidiaries except BQD Wealth Management Company Limited., head office assets, liabilities, income and expenses that are not directly attributable to a segment.

	Six months ended 30 June 2022				
	Corporate banking	Retail banking	Financial market business	Un-allocated items and others	Total
External net interest income	**2,374,968**	**495,614**	**886,923**	**217,245**	**3,974,750**
Internal net interest income/(expense)	**561,151**	**414,677**	**(975,828)**	**–**	**–**
Net interest income/(expense)	**2,936,119**	**910,291**	**(88,905)**	**217,245**	**3,974,750**
Net fee and commission income	**107,695**	**364,848**	**347,310**	**15,992**	**835,845**
Net trading (losses)/gains	**(9,026)**	**(8,312)**	**439,961**	**–**	**422,623**
Net gains arising from investments	**41,102**	**–**	**910,221**	**–**	**951,323**
Other operating (losses)/income	**(480)**	**11**	**300**	**26,968**	**26,799**
Operating income	**3,075,410**	**1,266,838**	**1,608,887**	**260,205**	**6,211,340**
Operating expenses	**(829,287)**	**(609,610)**	**(357,478)**	**(26,084)**	**(1,822,459)**
Credit losses	**(1,579,765)**	**(220,723)**	**(159,443)**	**(98,552)**	**(2,058,483)**
Impairment losses on other assets	**(6,027)**	**–**	**–**	**–**	**(6,027)**
Profit before taxation	**660,331**	**436,505**	**1,091,966**	**135,569**	**2,324,371**
Other segment information					
– Depreciation and amortisation	**(101,303)**	**(148,717)**	**(14,995)**	**(3,779)**	**(268,794)**
– Capital expenditure	**72,259**	**106,079**	**12,369**	**1,514**	**192,221**

	30 June 2022				
	Corporate banking	Retail banking	Financial market business	Un-allocated items and others	Total
Segment assets	**211,207,143**	**94,524,624**	**212,861,089**	**15,416,873**	**534,009,729**
Deferred tax assets					**2,400,013**
Total assets					**536,409,742**
Segment liabilities/ Total liabilities	**240,619,410**	**133,655,120**	**109,348,646**	**14,254,467**	**497,877,643**
Credit commitments	**42,164,598**	**17,501,888**	**–**	**–**	**59,666,486**

	Six months ended 30 June 2021				
	Corporate banking	Retail banking	Financial market business	Un-allocated items and others	Total
External net interest income	2,355,198	454,570	975,401	122,988	3,908,157
Internal net interest income/(expense)	441,476	377,403	(818,879)	–	–
Net interest income	2,796,674	831,973	156,522	122,988	3,908,157
Net fee and commission income	51,662	249,721	418,487	50,455	770,325
Net trading losses	(22,174)	(18,417)	(48,706)	–	(89,297)
Net gains arising from investments	1,063	–	727,107	–	728,170
Other operating income	224	337	12	9,122	9,695
Operating income	2,827,449	1,063,614	1,253,422	182,565	5,327,050
Operating expenses	(742,303)	(546,843)	(225,266)	(21,992)	(1,536,404)
Credit losses	(1,243,951)	(77,654)	(268,268)	(60,185)	(1,650,058)
Profit before taxation	841,195	439,117	759,888	100,388	2,140,588
Other segment information					
– Depreciation and amortisation	(89,004)	(133,585)	(4,782)	(9,950)	(237,321)
– Capital expenditure	92,679	139,098	14,723	799	247,299

	31 December 2021				
	Corporate banking	Retail banking	Financial market business	Un-allocated items and others	Total
Segment assets	202,386,003	98,846,968	206,763,705	11,747,492	519,744,168
Deferred tax assets					2,505,442
Total assets					522,249,610
Segment liabilities/ Total liabilities	241,782,150	115,150,726	121,092,429	10,896,577	488,921,882
Credit commitments	33,433,498	12,977,027	–	–	46,410,525

42 RISK MANAGEMENT

The main risks of the Group are described and analyzed as follows:

The board of directors has the ultimate responsibility for risk management and oversees the Group's risk management functions through the Risk Management and Consumer Right Protection Committee, the Audit Committee and the Related Party Transaction Control Committee, etc.

The President is responsible for overall risk management at the senior management level with the assistance of other key management personnel. In accordance with the risk management strategy determined by the board of directors, the senior management keeps abreast of the level of risk and the management status, enabling the Group to have sufficient resources to develop and implement risk management policies and systems, and to monitor, identify and control risks in various businesses.

The Group establishes the comprehensive risk management committee, which is mainly in charge of the comprehensive risk management. Each department within the Group implements risk management policies and procedures in accordance with their respective management functions and is responsible for their own risk management in their respective business areas.

Each branch establishes a branch risk management committee, which is in charge of evaluating the risk status of the branch regularly, determining and improving the risk management and internal control measures and methods, etc., under the guidance from relevant risk management departments of the head office. Each branch should report major risk events to the relevant risk management department of the head office, and carry out risk treatments according to the plans or improvements proposed by the head office department.

The Group has exposure to the following risks from its use of financial instruments in the normal course of the Group's operations, which mainly include: credit risk, interest rate risk, foreign currency risk, liquidity risk and operational risk. This note presents information about the Group's exposure to each of the above risks and their sources, as well as the Group's risk management objectives, policies and processes for measuring and managing risks.

The Group aims to seek an appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to constantly monitor the risks and limits by means of reliable and up-to-date management information systems.

(1) Credit risk

(a) Definition and scope

Credit risk represents the financial loss that arises from the failure of a debtor or counterparty to discharge its contractual obligations or commitments to the Group. Credit risk mainly arises from loan portfolio, investment portfolio, guarantees and various other on- and off-balance sheet credit risk exposures.

The Risk Management and Consumer Right Protection Committee of the Board of Directors monitors the control of credit risk, and regularly reviews related reports on risk profile. Credit risk management is under the unified leadership of the Risk Management Committee of the head office. Each business unit is required to implement credit policies and procedures, and is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

Without taking account of any collateral and other credit enhancements, the maximum exposure to credit risk is represented by the carrying amount of each type of financial assets and the contract amount of credit commitments. In addition to the Group's credit commitments disclosed in Note 44(1), the Group did not provide any other guarantee that might expose the Group to credit risk. The maximum exposure to credit risk in respect of above credit commitments as at the end of the reporting period is disclosed in Note 44(1).

(b) Credit risk assessment method

Stage of financial instruments

The Group classifies financial instruments into three stages and makes provisions for ECL accordingly, depending on whether credit risk on that financial instrument has increased significantly since initial recognition.

The three risk stages are defined as follows:

Stage 1: A financial instrument of which the credit risk has not significantly increase since initial recognition. The amount equal to 12-month ECL is recognised as loss allowance.

Stage 2: A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. The amount equal to lifetime ECL is recognised as loss allowance.

Stage 3: A financial instrument is considered to be credit-impaired as at the end of the reporting period. The amount equal to lifetime ECL is recognised as loss allowance.

Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed as at the end of the reporting period with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

- Failure to make payments of principal or interest on their contractually due dates;

- An actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

- An actual or expected significant deterioration in the operating results of the debtor; and

- Existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Definition of default

The Group considers a financial asset to be in default when:

– The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

– The financial asset is more than 90 days past due.

Credit impairment assessment

At each date of statement of financial position, the Group assesses whether financial assets carried at amortised cost and financial assets measured at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

– significant financial difficulty of the borrower or issuer;

– A breach of contract, such as a default or delinquency in interest or principal payments for over 90 days;

– For economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;

– It is probable that the borrower will enter bankruptcy or other financial reorganization; or

– The disappearance of an active market for that financial asset because of financial difficulties.

Measuring ECL – the parameters, assumptions and valuation techniques

Based on whether there is significant increase in credit risk and whether the asset has suffered credit impairment, the Group measures provision for loss of different assets with 12-month ECL or lifetime ECL respectively. The expected credit loss is the result of the product of probability of default (PD), exposure at default (EAD) and loss given default (LGD), taking into account the time value of the currency. The definitions of these terms are as follows:

• PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan.

• EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan.

• LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies due to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

During the reporting period, there has been no significant changes in the estimate techniques and key assumptions of the Group.

The impairment loss on credit-impaired corporate loans and advance to customers applied cash flow discount method, if there is objective evidence that an impairment loss on a loan or advance has incurred, the amount of the loss is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The allowance for impairment loss is deducted in the carrying amount. The impairment loss is recognised in the statement of profit or loss. In determining allowances on an individual basis, the following factors are considered:

- The sustainability of the borrower's business plan;
- The borrower's ability to improve performance once a financial difficulty has arisen;
- The estimated recoverable cash flows from projects and liquidation;
- The availability of other financial support and the realisable value of collateral; and
- The timing of the expected cash flows.

It may not be possible to identify a single, or discrete events that result in the impairment, but it may be possible to identify impairment through the combined effect of several events. The impairment losses are evaluated at the end of each reporting period, unless unforeseen circumstances require more careful attention.

Forward-looking information included in the expected credit loss model

Both the assessment of significant increase in credit risk since initial recognition and the measurement of ECL of financial instruments involve forward-looking information. Based on the analysis on historical data, the Group periodically assessed alternative macroeconomic indicators and identified key economic indicators that affect the credit risk and ECL of asset portfolios, including gross domestic product (GDP), consumer price index (CPI), and monetary aggregates (M2) etc. The Group identified the relations between these economic indicators and the probability of default historically by conducting regression analysis, and identified the expected probability of default by predicting future economic indicators.

During the six months ended 30 June 2022, the Group has taken into account different macroeconomic scenarios, combined with the impact of other factors such as COVID-19 pandemic on economic development trends, and made forward-looking forecasts of key economic indicators, including the average forecasted year-on-year growth rate of GDP, used to estimate ECL, which is about 4.75% in the neutral scenario.

The Group has carried out sensitivity analysis of key economic variables, used in forward-looking measurement. As at 30 June 2022 and 31 December 2021, when the key economic indicators in the neutral scenario move up or down by 5%, the ECL will not change by more than 1.50%.

Similar to other economic forecasts, there is highly inherent uncertainty in the assessment of estimated economic indicators and the probability of occurrence, and therefore, the actual results may be materially different from the forecasts. The Group believes that these forecasts reflect the Group's best estimate of possible outcomes.

Other forward-looking factors not incorporated in above scenarios, such as the impact of regulatory and legal changes, have also been taken into account. However, they were not considered to have significant impact, and the ECL were not adjusted accordingly. The Group reviews and monitors the appropriateness of the above assumptions on a quarterly basis.

Write-off policy

The Group writes off financial assets when it has exhausted practical recovery efforts and has concluded there is no reasonable expectation of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(c) Assessing credit risk of financial assets after the amendment of contractual cash flows

In order to achieve maximum collection, the Group may modify the contractual terms of loans due to business negotiations or financial difficulties of the borrowers at times.

Such rescheduling activities include extended payment term arrangements, payment holidays and payment forgiveness. Rescheduling policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. The restructuring of loans is most common in the management of medium and long-term loans. The risk stage can only be adjusted lower if the rescheduled loans are reviewed for at least 6 consecutive months and the corresponding stage classification criteria is reached.

(d) Collaterals and other credit enhancements

The Group and its subsidiaries have individually established a range of risk management policies and adopted different methods to mitigate credit risk. A critical method for the Group's control of its credit risks is to acquire collateral, security deposits and guarantees from enterprises or individuals. The Group has specified acceptable types of collaterals, mainly including the following:

– Real estate and land use rights

– Machinery and equipment

– Right to receive payments and accounts receivable

– Financial instruments such as time deposits, debt securities and equities

In order to minimise its credit risk, once an indication of impairment has been identified with an individual loan, the Group will seek additional collateral from counterparties/require additional guarantors or squeeze the credit limit. 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.

Collateral held as security for financial assets other than loans and receivable is determined by the instruments' nature. Debt securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(e) Maximum credit risk exposure

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:

The Group

	30 June 2022	31 December 2021
Deposits with central bank	**37,611,565**	52,872,068
Deposits with banks and other financial institutions	**1,941,528**	2,126,922
Placements with banks and other financial institutions	**7,023,303**	5,108,646
Derivative financial assets	**125,883**	146,617
Financial assets held under resale agreements	**–**	12,288,925
Loans and advances to customers	**258,533,121**	238,608,698
Financial investments:		
– Financial investments measured at FVTPL	**20,398,895**	15,974,162
– Financial investments measured at FVOCI	**88,005,815**	72,590,145
– Financial investments measured at amortised cost	**56,424,420**	61,422,152
Long-term receivables	**15,238,236**	11,688,253
Others	**1,335,084**	347,590
Subtotal	**486,637,850**	473,174,178
Off-balance sheet credit commitments	**59,666,486**	46,410,525
Total maximum credit risk exposure	**546,304,336**	519,584,703

(f) Risk concentrations

Credit risk is often greater when transaction is concentrated in one single industry or have comparable economic features. In addition, different industrial sectors have their unique characteristics in terms of economic development, and could present a different credit risk.

The composition of the Group's gross loans and advances to customers (excluding accrued interest) by industry is analysed as follows:

	30 June 2022		31 December 2021	
	Amount	**Percentage**	Amount	Percentage
Manufacturing	**37,686,085**	**14.21%**	33,331,662	13.65%
Construction	**33,495,408**	**12.63%**	28,960,161	11.86%
Water, environment and public utility management	**24,802,496**	**9.35%**	20,997,541	8.60%
Real estate	**24,443,440**	**9.21%**	21,257,028	8.70%
Renting and business activities	**22,072,255**	**8.32%**	20,453,934	8.38%
Wholesale and retail trade	**21,351,006**	**8.05%**	20,430,787	8.37%
Financial service	**8,618,993**	**3.25%**	7,721,467	3.16%
Production and supply of electric and heating power, gas and water	**4,525,109**	**1.71%**	3,783,905	1.55%
Transportation, storage and postal services	**4,187,085**	**1.58%**	3,859,235	1.58%
Scientific Research and Technical Services Industries	**2,385,160**	**0.90%**	2,218,078	0.91%
Others	**5,519,734**	**2.07%**	4,448,494	1.81%
Subtotal for corporate loans and advances (including discounted bills)	**189,086,771**	**71.28%**	167,462,292	68.57%
Personal loans and advances	**76,181,265**	**28.72%**	76,743,188	31.43%
Total for loans and advances to customers	**265,268,036**	**100.00%**	244,205,480	100.00%

Distribution of debt securities investments (excluding accrued interest) analysed by rating

The Group adopts a credit rating approach to manage the credit risk of the debt securities portfolio held. The ratings are obtained from Wind, Bloomberg Composite, or major rating agencies where the issuers of debt securities are located. The balances of debt securities investments analysed by rating as at the end of the reporting period are as follows:

	30 June 2022					
	Unrated	**AAA**	**AA**	**A**	**Below A**	**Total**
Debt securities (analysed by type of issuers)						
Government	**–**	**60,834,065**	**–**	**–**	**–**	**60,834,065**
Policy banks	**–**	**15,410,525**	**–**	**–**	**–**	**15,410,525**
Banks and other financial institutions	**–**	**19,821,697**	**1,126,498**	**–**	**194,442**	**21,142,637**
Corporate entities	**–**	**14,169,731**	**16,695,483**	**115,510**	**3,246,472**	**34,227,196**
Total	**–**	**110,236,018**	**17,821,981**	**115,510**	**3,440,914**	**131,614,423**

	31 December 2021					
	Unrated	AAA	AA	A	Below A	Total
Debt securities (analysed by type of issuers)						
Government	–	59,622,492	–	–	–	59,622,492
Policy banks	–	11,064,290	–	–	–	11,064,290
Banks and other financial institutions	–	20,963,937	1,505,958	–	397,575	22,867,470
Corporate entities	–	7,259,714	13,381,301	113,111	3,108,691	23,862,817
Total	–	98,910,433	14,887,259	113,111	3,506,266	117,417,069

(g) Analysis on the credit quality of financial instruments

As at 30 June 2022, the Group's credit risk stages of financial instruments are as follows:

The Group

	30 June 2022							
	Book balance				Provision for expected credit losses			
Financial assets measured at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Cash and balances with central banks	**37,944,972**	**–**	**–**	**37,944,972**	**–**	**–**	**–**	**–**
Deposits with banks and other financial institutions	**1,942,695**	**–**	**–**	**1,942,695**	**(1,167)**	**–**	**–**	**(1,167)**
Placements with banks and other financial institutions	**7,040,099**	**–**	**–**	**7,040,099**	**(16,796)**	**–**	**–**	**(16,796)**
Loans and advances to customers								
– General corporate loans and advances	**169,565,882**	**1,692,065**	**2,952,862**	**174,210,809**	**(3,422,749)**	**(724,999)**	**(2,383,385)**	**(6,531,133)**
– Personal loans and advances	**75,107,922**	**631,128**	**623,846**	**76,362,896**	**(259,335)**	**(139,428)**	**(437,550)**	**(836,313)**
Financial investments	**56,064,355**	**407,353**	**1,578,637**	**58,050,345**	**(205,381)**	**(42,806)**	**(1,377,738)**	**(1,625,925)**
Long-term receivables	**15,241,803**	**285,067**	**120,284**	**15,647,154**	**(278,381)**	**(34,310)**	**(96,227)**	**(408,918)**
Total	**362,907,728**	**3,015,613**	**5,275,629**	**371,198,970**	**(4,183,809)**	**(941,543)**	**(4,294,900)**	**(9,420,252)**

	30 June 2022							
	Book balance				Provision for expected credit losses			
Financial assets measured at FVOCI	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers								
– Discounted bills	**15,326,862**	**–**	**–**	**15,326,862**	**(18,102)**	**–**	**–**	**(18,102)**
Financial investments	**84,517,899**	**2,937,633**	**550,283**	**88,005,815**	**(41,531)**	**(107,406)**	**(318,316)**	**(467,253)**
Total	**99,844,761**	**2,937,633**	**550,283**	**103,332,677**	**(59,633)**	**(107,406)**	**(318,316)**	**(485,355)**
Off-balance sheet credit commitments	**59,534,364**	**131,048**	**1,074**	**59,666,486**	**(158,452)**	**(2,255)**	**–**	**(160,707)**

	31 December 2021							
	Book balance				Provision for expected credit losses			
Financial assets measured at amortised cost	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Cash and balances with central banks	53,241,394	–	–	53,241,394	–	–	–	–
Deposits with banks and other financial institutions	2,128,396	–	–	2,128,396	(1,474)	–	–	(1,474)
Placements with banks and other financial institutions	5,113,556	–	–	5,113,556	(4,910)	–	–	(4,910)
Financial assets held under resale agreements	12,310,035	–	–	12,310,035	(21,110)	–	–	(21,110)
Loans and advances to customers								
– General corporate loans and advances	145,413,919	2,087,461	2,959,656	150,461,036	(2,886,893)	(509,657)	(2,397,947)	(5,794,497)
– Personal loans and advances	76,070,083	457,479	406,213	76,933,775	(272,405)	(94,210)	(265,225)	(631,840)
Financial investments	60,537,453	1,557,821	574,700	62,669,974	(298,990)	(516,032)	(432,800)	(1,247,822)
Long-term receivables	11,691,987	247,189	58,069	11,997,245	(227,836)	(36,120)	(45,036)	(308,992)
Total	366,506,823	4,349,950	3,998,638	374,855,411	(3,713,618)	(1,156,019)	(3,141,008)	(8,010,645)

	31 December 2021							
	Book balance				Provision for expected credit losses			
Financial assets measured at FVOCI	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers								
– Discounted bills	17,640,224	–	–	17,640,224	(13,269)	–	–	(13,269)
Financial investments	68,822,269	3,316,960	450,916	72,590,145	(60,404)	(121,265)	(300,555)	(482,224)
Total	86,462,493	3,316,960	450,916	90,230,369	(73,673)	(121,265)	(300,555)	(495,493)
Off-balance sheet credit commitments	46,226,356	184,119	50	46,410,525	(129,789)	(7,652)	–	(137,441)

Note:

(i) As simplified approach of impairment allowance is applied to other financial assets measured at amortised cost, three-stage model is not applicable.

(2) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, exchange rates, commodity prices, stock prices and other prices, etc.

The Group has constructed a market risk management system that formulates procedures to identify, measure, supervise and control market risks. This system aims to limit market risk to an acceptable level through examining and approving new products and quota management.

The Group employs sensitivity analysis, interest repricing gap analysis and foreign currency gap analysis to measure and monitor market risks. The Group classifies the transactions as banking book and trading book transactions, and applies different approaches based on the nature and characteristics of these books to monitor the risks.

Interest rate risk and currency risk are major market risks that confront the Group.

(a) Interest rate risk

The Group's interest rate exposures mainly comprise the mismatching of interest-earning assets and interest-bearing liabilities' repricing dates, as well as the effect of interest rate volatility on trading positions.

The Group primarily uses gap analysis to assess and monitor its repricing risk and adjusts the ratio of floating and fixed rate accounts, the loan repricing cycle, as well as optimises the term structure of its deposits according to the gap status.

The Group implements various methods, such as sensitivity analysis and scenario simulation to measure and monitor interest risk exposure; risk exposure limits, such as interest rate sensitivity and risk exposure are set regularly, and the relevant implementation of these limits is also supervised, managed and reported on a regular basis.

The following tables indicate the assets and liabilities analysis as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

	30 June 2022					
	Total	**Non-interest bearing**	**Less than three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**
Assets						
Cash and deposits with central bank	**37,944,972**	**357,848**	**37,587,124**	**–**	**–**	**–**
Deposits with banks and other financial institutions	**1,941,528**	**15,109**	**1,006,792**	**919,627**	**–**	**–**
Placements with banks and other financial institutions	**7,023,303**	**90,099**	**995,784**	**5,937,420**	**–**	**–**
Loans and advances to customers *(Note (i))*	**258,533,121**	**546,832**	**58,864,607**	**153,005,405**	**40,603,462**	**5,512,815**
Financial investments *(Note (ii))*	**205,628,181**	**1,720,879**	**37,935,061**	**30,972,340**	**60,642,781**	**74,357,120**
Long-term receivables	**15,238,236**	**210,663**	**5,557,992**	**5,103,819**	**4,365,762**	**–**
Others	**10,100,401**	**10,100,401**	**–**	**–**	**–**	**–**
Total assets	**536,409,742**	**13,041,831**	**141,947,360**	**195,938,611**	**105,612,005**	**79,869,935**
Liabilities						
Borrowings from central bank	**24,597,582**	**239,139**	**12,455,991**	**11,902,452**	**–**	**–**
Deposits from banks and other financial institutions	**8,519,016**	**25,134**	**4,083,882**	**4,410,000**	**–**	**–**
Placements from banks and other financial institutions	**18,341,396**	**165,689**	**3,424,145**	**14,751,562**	**–**	**–**
Financial assets sold under repurchase agreements	**14,107,980**	**243**	**14,107,737**	**–**	**–**	**–**
Deposits from customers	**335,424,787**	**5,504,044**	**172,023,898**	**61,335,058**	**96,561,787**	**–**
Debt securities issued	**90,876,914**	**321,092**	**11,954,246**	**66,608,947**	**3,998,342**	**7,994,287**
Others	**6,009,968**	**3,692,885**	**49,551**	**1,873,292**	**305,610**	**88,630**
Total liabilities	**497,877,643**	**9,948,226**	**218,099,450**	**160,881,311**	**100,865,739**	**8,082,917**
Asset-liability gap	**38,532,099**	**3,093,605**	**(76,152,090)**	**35,057,300**	**4,746,266**	**71,787,018**

	31 December 2021					
	Total	Non-interest bearing	Less than Three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with central bank	53,241,394	658,301	52,583,093	–	–	–
Deposits with banks and other financial institutions	2,126,922	13,627	1,292,963	820,332	–	–
Placements with banks and other financial institutions	5,108,646	1,229	4,709,329	398,088	–	–
Financial assets held under resale agreements	12,288,925	6,680	12,282,245	–	–	–
Loans and advances to customers *(Note (i))*	238,608,698	722,057	47,395,444	160,137,145	27,784,004	2,570,048
Financial investments *(Note (ii))*	189,982,801	2,166,417	36,751,457	22,696,344	63,938,385	64,430,198
Long-term receivables	11,688,253	123,235	3,259,607	1,941,766	6,363,645	–
Others	9,203,971	9,203,971	–	–	–	–
Total assets	522,249,610	12,895,517	158,274,138	185,993,675	98,086,034	67,000,246
Liabilities						
Borrowings from central bank	25,494,116	117,877	4,705,475	20,670,764	–	–
Deposits from banks and other financial institutions	6,341,814	10,074	4,947,740	1,384,000	–	–
Placements from banks and other financial institutions	16,904,500	104,283	6,756,684	10,043,533	–	–
Financial assets sold under repurchase agreements	25,305,596	1,365	25,304,231	–	–	–
Deposits from customers	317,965,807	4,645,562	188,067,563	42,120,930	83,037,959	93,793
Debt securities issued	92,218,300	521,108	18,644,037	58,064,515	3,998,127	10,990,513
Others	4,691,749	4,185,854	50,612	83,860	290,449	80,974
Total liabilities	488,921,882	9,586,123	248,476,342	132,367,602	87,326,535	11,165,280
Asset-liability gap	33,327,728	3,309,394	(90,202,204)	53,626,073	10,759,499	55,834,966

Notes:

(i) For the Group's loans and advances to customers, the category "Less than three months" as at 30 June 2022 includes overdue loans and advances (net of provision for impairment losses) of RMB1.281 billion (31 December 2021: RMB805 million).

(ii) Financial investments include financial investments measured at FVTPL, financial investments measured at FVOCI, financial investments measured at amortised cost.

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income. The following table sets forth the results of the Group's interest rate sensitivity analysis at the end of the reporting period.

Changes in annualized net interest income	**30 June 2022 (Decrease)/ Increase**	31 December 2021 (Decrease)/ Increase
Interest rates increase by 100 bps	**(498,591)**	(499,826)
Interest rates decrease by 100 bps	**498,591**	499,826

This sensitivity analysis is based on a static interest rate risk profile of the Group's assets and liabilities and certain simplified assumptions. The analysis measures only the impact of changes in the interest rates within one year, showing how annualized interest income would have been affected by the repricing of the Group's assets and liabilities within the one-year period. The analysis is based on the following assumptions:

(i) All assets and liabilities that are repriced or mature within three months and after three months but within one year are repriced or mature at the beginning of the respective periods (i.e., all the assets and liabilities that are repriced or mature within three months are repriced or mature immediately, and all the assets and liabilities that are repriced or mature after three months but within one year are repriced or mature immediately after three months);

(ii) There is a parallel shift in the yield curve and in interest rates; and

(iii) There are no other changes to the portfolio and all positions will be retained and rolled over upon maturity.

The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net interest income resulting from increases or decreases in interest rates may differ from the results of this sensitivity analysis.

(b) Currency risk

The Group's currency risk mainly arises from the foreign currency portfolio within the treasury's proprietary investments, and other foreign currency exposures. The Group manages currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

The currency exposures of the Group's assets and liabilities as at the end of the reporting period are as follows:

	30 June 2022			
	RMB	**USD** *(RMB Equivalent)*	**Others** *(RMB Equivalent)*	**Total** *(RMB Equivalent)*
Assets				
Cash and deposits with central bank	**37,747,609**	**193,446**	**3,917**	**37,944,972**
Deposits with banks and other financial institutions	**1,438,413**	**449,192**	**53,923**	**1,941,528**
Placements with banks and other financial institutions	**7,023,303**	**–**	**–**	**7,023,303**
Loans and advances to customers	**256,443,230**	**2,063,083**	**26,808**	**258,533,121**
Financial investments *(Note (i))*	**197,126,247**	**8,480,702**	**21,232**	**205,628,181**
Long-term receivables	**15,238,236**	**–**	**–**	**15,238,236**
Others	**10,098,342**	**2,059**	**–**	**10,100,401**
Total assets	**525,115,380**	**11,188,482**	**105,880**	**536,409,742**
Liabilities				
Borrowings from central bank	**24,597,582**	**–**	**–**	**24,597,582**
Deposits from banks and other financial institutions	**8,485,430**	**33,586**	**–**	**8,519,016**
Placements from banks and other financial institutions	**17,454,723**	**865,646**	**21,027**	**18,341,396**
Financial assets sold under repurchase agreements	**14,107,980**	**–**	**–**	**14,107,980**
Deposits from customers	**333,430,052**	**1,939,690**	**55,045**	**335,424,787**
Debt securities issued	**90,876,914**	**–**	**–**	**90,876,914**
Others	**5,925,114**	**84,854**	**–**	**6,009,968**
Total liabilities	**494,877,795**	**2,923,776**	**76,072**	**497,877,643**
Net position	**30,237,585**	**8,264,706**	**29,808**	**38,532,099**
Off-balance sheet credit commitments	**58,476,513**	**932,882**	**257,091**	**59,666,486**

	31 December 2021			
	RMB	USD *(RMB Equivalent)*	Others *(RMB Equivalent)*	Total *(RMB Equivalent)*
Assets				
Cash and deposits with central bank	52,741,302	495,804	4,288	53,241,394
Deposits with banks and other financial institutions	1,325,898	748,980	52,044	2,126,922
Placements with banks and other financial institutions	997,875	4,110,771	–	5,108,646
Financial assets held under resale agreements	12,288,925	–	–	12,288,925
Loans and advances to customers	233,929,169	4,674,624	4,905	238,608,698
Financial investments *(Note (i))*	181,494,714	8,466,242	21,845	189,982,801
Long-term receivables	11,688,253	–	–	11,688,253
Others	9,202,432	1,539	–	9,203,971
Total assets	503,668,568	18,497,960	83,082	522,249,610
Liabilities				
Borrowings from central bank	25,494,116	–	–	25,494,116
Deposits from banks and other financial institutions	6,309,931	31,883	–	6,341,814
Placements from banks and other financial institutions	12,910,214	3,972,626	21,660	16,904,500
Financial assets sold under repurchase agreements	25,305,596	–	–	25,305,596
Deposits from customers	311,367,844	6,547,363	50,600	317,965,807
Debt securities issued	92,218,300	–	–	92,218,300
Others	4,652,134	39,615	–	4,691,749
Total liabilities	478,258,135	10,591,487	72,260	488,921,882
Net position	25,410,433	7,906,473	10,822	33,327,728
Off-balance sheet credit commitments	45,084,332	1,129,301	196,892	46,410,525

Note:

(i) Financial investments include financial investments measured at FVTPL, financial investments measured at FVOCI and financial investments measured at amortised cost.

Changes in annualized net profit	**30 June 2022 Increase/ (Decrease)**	31 December 2021 Increase/ (Decrease)
Foreign exchange rate increase by 100 bps	**9,269**	9,313
Foreign exchange rate decrease by 100 bps	**(9,269)**	(9,313)

This sensitivity analysis is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions. The analysis is based on the following assumptions:

(i) the foreign exchange sensitivity is the gain or loss recognised as a result of 100 basis point fluctuation in the foreign currency exchange rates against RMB;

(ii) the exchange rates against RMB for all foreign currencies change in the same direction simultaneously;

(iii) the foreign exchange exposures calculated include both spot foreign exchange exposures, forward foreign exchange exposures and options, and all positions will be retained and rolled over upon maturity.

The analysis does not take into account the effect of risk management measures taken by management. Due to the assumptions adopted, actual changes in the Group's net foreign exchange gain or loss resulting from increases or decreases in foreign exchange rates may differ from the results of this sensitivity analysis.

(3) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business even if a bank's solvency remains strong. Liquidity risk management is to ensure that the Group has sufficient cash flow to meet payment obligations and fund business operations on a timely basis. To achieve this, the Group should have the ability to make full payment due on demand deposits or early withdrawal of term deposits, make full repayment of placement upon maturity, or meet other payment obligations. The Bank also needs to comply with statutory requirements on liquidity ratios, and actively carry out lending and investment business. The Group monitors the future cash flow according to its liquidity management policies, and keeps its high liquidity assets at an appropriate level.

Under the guidance of the Asset and Liability Management Committee, the Financial Planning Department performs daily management of liquidity risk in accordance with the liquidity management objectives, and to ensure payment of the business.

The Group holds an appropriate amount of liquid assets (such as deposits with central bank, other short-term deposits and securities) to ensure liquidity needs and unpredictable demand for payment in the ordinary course of business. A substantial portion of the Group's assets are funded by deposits from customers. As a major source of funding, customer deposits have been growing steadily in recent years and are widely diversified in terms of type and duration.

The Group principally uses liquidity gap analysis to measure liquidity risk. Stress testing is also adopted to assess the impact of liquidity risk.

(a) Maturity analysis

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period:

	30 June 2022							
	Indefinite *(Note (ii))*	Repayable on demand *(Note (ii))*	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central bank	17,718,194	20,226,778	–	–	–	–	–	37,944,972
Deposits with banks and other financial institutions	–	968,094	370,017	100,002	503,415	–	–	1,941,528
Placements with banks and other financial institutions	–	–	1,013,984	–	6,009,319	–	–	7,023,303
Loans and advances to customers	837,238	343,745	15,610,196	11,903,831	86,276,320	76,494,899	67,066,892	258,533,121
Financial investments *(Note (i))*	72,945	26,290	28,996,307	8,256,293	26,329,661	65,389,737	76,556,948	205,628,181
Long-term receivables	24,057	51,514	1,096,297	1,020,498	5,046,478	7,831,817	167,575	15,238,236
Others	7,933,700	22,460	48,523	46,497	142,224	355,438	1,551,559	10,100,401
Total assets	26,586,134	21,638,881	47,135,324	21,327,121	124,307,417	150,071,891	145,342,974	536,409,742
Liabilities								
Borrowings from central bank	–	–	2,163,878	10,507,246	11,926,458	–	–	24,597,582
Deposits from banks and other financial institutions	–	4,051,936	35,940	–	4,431,140	–	–	8,519,016
Placements from banks and other financial institutions	–	–	1,712,622	2,182,076	14,446,698	–	–	18,341,396
Financial assets sold under repurchase agreements	–	–	14,107,980	–	–	–	–	14,107,980
Deposits from customers	–	133,783,272	19,490,282	19,488,877	62,904,681	99,738,049	19,626	335,424,787
Debt securities issued	–	–	815,228	11,235,457	66,833,600	3,998,342	7,994,287	90,876,914
Others	177,284	247,113	837,262	129,215	2,284,939	1,217,720	1,116,435	6,009,968
Total liabilities	177,284	138,082,321	39,163,192	43,542,871	162,827,516	104,954,111	9,130,348	497,877,643
Net position	26,408,850	(116,443,440)	7,972,132	(22,215,750)	(38,520,099)	45,117,780	136,212,626	38,532,099

	31 December 2021							
	Indefinite *(Note (ii))*	Repayable on demand *(Note (ii))*	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central bank	18,573,917	34,667,477	–	–	–	–	–	53,241,394
Deposits with banks and other financial institutions	–	1,294,015	–	–	832,907	–	–	2,126,922
Placements with banks and other financial institutions	–	–	4,309,743	400,410	398,493	–	–	5,108,646
Financial assets held under resale agreements	–	–	12,288,925	–	–	–	–	12,288,925
Loans and advances to customers	768,511	193,010	16,095,815	14,831,687	68,874,816	74,696,010	63,148,849	238,608,698
Financial investments *(Note (i))*	203,972	718	31,632,103	5,952,505	22,608,383	64,364,533	65,220,587	189,982,801
Long-term receivables	13,032	–	514,843	1,151,131	4,057,157	5,908,065	44,025	11,688,253
Others	7,237,589	36	16,344	5,794	32,313	379,192	1,532,703	9,203,971
Total assets	26,797,021	36,155,256	64,857,773	22,341,527	96,804,069	145,347,800	129,946,164	522,249,610
Liabilities								
Borrowings from central bank	–	–	545,601	4,161,544	20,786,971	–	–	25,494,116
Deposits from banks and other financial institutions	–	4,951,605	–	–	1,390,209	–	–	6,341,814
Placements from banks and other financial institutions	–	–	3,202,124	3,614,623	10,087,753	–	–	16,904,500
Financial assets sold under repurchase agreements	–	–	25,305,596	–	–	–	–	25,305,596
Deposits from customers	–	148,703,400	20,686,126	19,586,867	43,230,122	85,664,710	94,582	317,965,807
Debt securities issued	–	–	9,015,956	9,776,947	58,436,757	3,998,127	10,990,513	92,218,300
Others	153,052	535,866	1,021,520	105,808	497,062	1,276,633	1,101,808	4,691,749
Total liabilities	153,052	154,190,871	59,776,923	37,245,789	134,428,874	90,939,470	12,186,903	488,921,882
Net position	26,643,969	(118,035,615)	5,080,850	(14,904,262)	(37,624,805)	54,408,330	117,759,261	33,327,728

Notes:

(i) Financial investments include financial investments measured at FVTPL, financial investments measured at FVOCI and financial investments measured at amortised cost.

(ii) For cash and deposits with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with the PBOC. Equity investments are reported under indefinite period. For loans and advances to customers, financial investments and long-term receivables, the "indefinite" period amount represents the balance being credit-impaired or not credit-impaired but overdue for more than one month, and the balance not credit-impaired but overdue within one month is included in "repayable on demand".

(b) Analysis on contractual undiscounted cash flows of non-derivative financial liabilities

The following tables provide an analysis of the contractual undiscounted cash flow of non-derivative financial liabilities at the end of the reporting period:

	30 June 2022								
	Indefinite	**Repayable on demand**	**Within one month**	**Between one month and three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**	**Contractual undiscounted cash flow**	**Carrying Amount**
Borrowings from central bank	**–**	**–**	**2,166,378**	**10,608,372**	**12,039,648**	**–**	**–**	**24,814,398**	**24,597,582**
Deposits from banks and other financial institutions	**–**	**4,051,936**	**35,998**	**–**	**4,485,212**	**–**	**–**	**8,573,146**	**8,519,016**
Placements from banks and other financial institutions	**–**	**–**	**1,808,728**	**2,327,583**	**15,209,997**	**–**	**–**	**19,346,308**	**18,341,396**
Financial assets sold under repurchase agreements	**–**	**–**	**14,110,206**	**–**	**–**	**–**	**–**	**14,110,206**	**14,107,980**
Deposits from customers	**–**	**133,783,272**	**19,519,038**	**19,579,698**	**63,897,421**	**107,837,296**	**20,380**	**344,637,105**	**335,424,787**
Debt securities issued	**–**	**–**	**820,000**	**11,280,000**	**68,210,900**	**5,747,600**	**9,215,200**	**95,273,700**	**90,876,914**
Others	**177,284**	**247,113**	**825,503**	**123,198**	**2,292,754**	**1,132,248**	**1,141,207**	**5,939,307**	**5,878,243**
Total	**177,284**	**138,082,321**	**39,285,851**	**43,918,851**	**166,135,932**	**114,717,144**	**10,376,787**	**512,694,170**	**497,745,918**

	31 December 2021								
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Contractual undiscounted cash flow	Carrying Amount
Borrowings from central bank	–	–	546,150	4,232,874	20,793,145	–	–	25,572,169	25,494,116
Deposits from banks and other financial institutions	–	4,951,605	–	–	1,426,866	–	–	6,378,471	6,341,814
Placements from banks and other financial institutions	–	–	3,205,511	3,670,105	10,241,802	–	–	17,117,418	16,904,500
Financial assets sold under repurchase agreements	–	–	25,312,275	–	–	–	–	25,312,275	25,305,596
Deposits from customers	–	148,703,400	20,739,555	19,671,274	43,816,519	93,372,743	112,181	326,415,672	317,965,807
Debt securities issued	–	–	9,030,000	9,872,000	59,779,400	6,427,200	12,644,000	97,752,600	92,218,300
Others	153,052	535,866	1,021,331	104,842	497,436	1,169,582	1,125,057	4,607,166	4,547,060
Total	153,052	154,190,871	59,854,822	37,551,095	136,555,168	100,969,525	13,881,238	503,155,771	488,777,193

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might differ from actual results.

(c) Analysis on contractual undiscounted cash flows of derivatives

The following tables provide an analysis of the contractual undiscounted cash flow of derivative financial instruments at the end of the reporting period:

	30 June 2022							
	Indefinite	**Repayable on demand**	**Within one month**	**Between one month and three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**	**Contractual undiscounted cash flow**
Derivative cash flows:								
Derivative financial instruments settled on net basis	**–**	**–**	**(1,656)**	**(3,867)**	**(2,480)**	**1,867**	**–**	**(6,136)**
Derivative financial instruments settled on gross basis								
Including: Cash inflow	**–**	**–**	**15,061**	**337,267**	**233,080**	**–**	**–**	**585,408**
Cash outflow	**–**	**–**	**(15,043)**	**(337,129)**	**(232,864)**	**–**	**–**	**(585,036)**
	–	**–**	**18**	**138**	**216**	**–**	**–**	**372**

	31 December 2021							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Contractual undiscounted cash flow
Derivative cash flows:								
Derivative financial instruments settled on net basis	–	–	149	(939)	172	2,497	–	1,879
Derivative financial instruments settled on gross basis								
Including: Cash inflow	–	–	15,757	5,633	466,946	–	–	488,336
Cash outflow	–	–	(15,748)	(5,630)	(465,937)	–	–	(487,315)
	–	–	9	3	1,009	–	–	1,021

(4) Operational risk

Operational risk refers to the risk arising from inadequate or failed internal control procedures, personnel and information technology systems, or external events. The primary operational risks the Group face include internal and external frauds, worksite safety failures, business interruptions and failure in the information technology system.

The board of directors of the Bank is ultimately responsible for the operational risk management, and the Bank's senior management leads the bank-wide operational risk management on a day-to-day basis. The Group has established "three lines of defenses" to manage operational risk on an end-to-end basis. The business lines and functions are the first line of defense against operational risks, taking direct responsibilities for operational risk management. The legal and compliance department is the second line of defense against operational risks, responsible for the establishment of operational risk management policies and procedures and the coordination, support, and supervision of operational risk management. The audit department is the third line of defense against operational risk, responsible for evaluating the adequacy and effectiveness of operational risk management policies and procedures and assessing the internal control system and compliance.

(5) Capital management

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management. Among them, capital adequacy ratio management is especially important. The Group calculates capital adequacy ratios in accordance with the guidance issued by the regulatory authorities. The capital of the Group is divided into three pieces: core tier-one capital, additional tier-one capital and tier-two capital.

Capital adequacy ratio management is the core of the capital management of the Group. Capital adequacy ratio reflects the Group's capability in sound operations and risk management. The Group's capital management objectives are to meet the legal and regulatory requirements, and to prudently determine the capital adequacy ratio under realistic exposures with reference to the capital adequacy ratio levels of leading global banks and the Group's operating situations.

The Group considers its strategic development plans, business expansion plans and risk variables in conducting its scenario analysis, stress testing and other measures to forecast, plan and manage capital adequacy ratio. The required information is filed with the regulatory authority by the Group periodically.

As at 30 June 2022 and 31 December 2021, the Group calculated the capital adequacy ratios in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) issued by the former CBRC in 2012 and relevant requirements as follows:

	30 June 2022	31 December 2021
Total core tier-one capital	**30,522,918**	25,220,636
– Share capital	**5,820,355**	4,509,690
– Qualifying portion of capital reserve	**11,181,510**	8,337,869
– Surplus reserve	**2,103,883**	2,103,883
– General reserve	**5,576,461**	5,576,461
– Retained earnings	**4,594,267**	3,507,129
– Other comprehensive income	**667,487**	746,499
– Qualifying portion of non-controlling interests	**578,955**	439,105
Core tier-one capital deductions	**(304,648)**	(309,651)
Net core tier-one capital	**30,218,270**	24,910,985
Other tier-one capital	**7,931,158**	7,912,511
– Additional tier 1 capital instruments and related premium	**7,853,964**	7,853,964
– Valid portion of minority interests	**77,194**	58,547
Net tier-one capital	**38,149,428**	32,823,496
Tier two capital	**11,693,150**	14,251,730
– Qualifying portions of tier-two capital instruments issued	**8,000,000**	11,000,000
– Surplus provision for loan impairment	**3,538,762**	3,134,635
– Qualifying portion of non-controlling interests	**154,388**	117,095
Net capital base	**49,842,578**	47,075,226
Total risk weighted assets	**343,031,729**	297,412,693
Core tier-one capital adequacy ratio	**8.81%**	8.38%
Tier-one capital adequacy ratio	**11.12%**	11.04%
Capital adequacy ratio	**14.53%**	15.83%

43 FAIR VALUE

(1) Methods and assumptions for measurement of fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group has established policies and internal controls with respect to the measurement of fair value, specify the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.

The Group adopts the following methods and assumptions when evaluating fair value:

(a) Debt securities investments

The fair value of debt securities that are traded in an active market is based on their quoted market prices at the end of the reporting period.

(b) Other financial investments and other non-derivative financial assets

Fair value is estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

(c) Debt securities issued and other non-derivative financial liabilities

The fair value of debt securities issued is based on their quoted market prices at the end of the reporting period, or the present value of estimated future cash flows. The fair value of other non-derivative financial liabilities is evaluated at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

(d) Derivative financial instruments

Derivative financial instruments valued using a valuation technique with market observable inputs are mainly interest rate swaps, foreign exchange forwards and swaps, etc. The most frequently applied valuation techniques include discounted cash flow model, etc. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.

(2) Financial instruments recorded at fair value

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

The Group

	30 June 2022			
	Level 1 *Note (i)*	**Level 2** *Note (i)*	**Level 3** *Note (i) ~ (ii)*	**Total**
Financial investments measured at FVTPL				
– Debt securities	**–**	**1,131,278**	**–**	**1,131,278**
– Asset management plans	**–**	**–**	**17,789,617**	**17,789,617**
– Trust fund plans	**–**	**–**	**1,478,000**	**1,478,000**
– Investment funds	**–**	**40,775,801**	**–**	**40,775,801**
Derivative financial assets	**–**	**125,883**	**–**	**125,883**
Financial investments measured at FVOCI				
– Debt securities	**–**	**85,961,558**	**–**	**85,961,558**
– Asset management plans	**–**	**2,044,257**	**–**	**2,044,257**
– Equity investments	**–**	**–**	**23,250**	**23,250**
Loans and advances to customers measured at FVOCI	**–**	**–**	**15,326,862**	**15,326,862**
Total financial assets	**–**	**130,038,777**	**34,617,729**	**164,656,506**
Derivative financial liabilities	**–**	**122,521**	**9,204**	**131,725**
Total financial liabilities	**–**	**122,521**	**9,204**	**131,725**

	31 December 2021			
	Level 1 *Note (i)*	Level 2 *Note (i)*	Level 3 *Note (i) ~ (ii)*	Total
Financial investments measured at FVTPL				
– Debt securities	–	984,580	–	984,580
– Asset management plans	–	–	13,488,145	13,488,145
– Trust fund plans	–	–	1,501,437	1,501,437
– Investment funds	–	39,973,092	–	39,973,092
Derivative financial assets	–	146,617	–	146,617
Financial investments measured at FVOCI				
– Debt securities	–	67,991,092	–	67,991,092
– Asset management plans	–	3,870,136	–	3,870,136
– Other investments	–	–	728,917	728,917
– Equity investments	–	–	23,250	23,250
Loans and advances to customers measured at FVOCI	–	–	17,640,224	17,640,224
Total financial assets	–	112,965,517	33,381,973	146,347,490
Derivative financial liabilities	–	142,242	2,447	144,689
Total financial liabilities	–	142,242	2,447	144,689

Notes:

(i) During the reporting period, there were no significant transfers among each level.

(ii) Movements in Level 3 of the fair value hierarchy

The Group

	As at 1 January 2022	Transfer into level 3	Transfer out of level 3	Total gains or losses for the period: In profit or loss	Total gains or losses for the period: In other comprehensive income	Purchases, issues, disposals and settlements: Purchases	Purchases, issues, disposals and settlements: Issues	Purchases, issues, disposals and settlements: Disposals and settlements	As at 30 June 2022
Financial investments measured at FVTPL									
– Asset management plans	**13,488,145**	**–**	**–**	**(175,997)**	**–**	**5,186,672**	**–**	**(709,203)**	**17,789,617**
– Trust fund plans	**1,501,437**	**–**	**–**	**(1,437)**	**–**	**–**	**–**	**(22,000)**	**1,478,000**
Financial investments measured at FVOCI									
– Other investments	**728,917**	**–**	**–**	**2,694**	**(31,612)**	**–**	**–**	**(699,999)**	**–**
– Equity investments	**23,250**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**23,250**
Loans and advances to customers measured at FVOCI	**17,640,224**	**–**	**–**	**163,463**	**16,334**	**32,307,968**	**–**	**(34,801,127)**	**15,326,862**
Total financial assets	**33,381,973**	**–**	**–**	**(11,277)**	**(15,278)**	**37,494,640**	**–**	**(36,232,329)**	**34,617,729**
Derivative financial liabilities	**2,447**	**–**	**–**	**6,757**	**–**	**–**	**–**	**–**	**9,204**
Total financial liabilities	**2,447**	**–**	**–**	**6,757**	**–**	**–**	**–**	**–**	**9,204**

	As at 1 January 2021	Transfer into level 3	Transfer out of level 3	Total gains or losses for the year: In profit or loss	Total gains or losses for the year: In other comprehensive income	Purchases, issues, disposals and settlements: Purchases	Purchases, issues, disposals and settlements: Issues	Purchases, issues, disposals and settlements: Disposals and settlements	As at 31 December 2021
Financial investments measured at FVTPL									
– Asset management plans	9,998,794	–	–	37,554	–	5,362,658	–	(1,910,861)	13,488,145
– Trust fund plans	2,004,789	–	–	22,330	–	–	–	(525,682)	1,501,437
– Investment funds	50,390	–	–	(390)	–	–	–	(50,000)	–
Derivative financial assets	995	–	–	(995)	–	–	–	–	–
Financial investments measured at FVOCI									
– Other investments	730,534	–	–	40,312	71	–	–	(42,000)	728,917
– Equity investments	23,250	–	–	–	–	–	–	–	23,250
Loans and advances to customers measured at FVOCI	7,215,159	–	–	376,236	25,546	48,156,016	–	(38,132,733)	17,640,224
Total financial assets	20,023,911	–	–	475,047	25,617	53,518,674	–	(40,661,276)	33,381,973
Derivative financial liabilities	1,726	–	–	721	–	–	–	–	2,447
Total financial liabilities	1,726	–	–	721	–	–	–	–	2,447

(3) Level 2 of the fair value hierarchy

A majority of the financial instruments classified as level 2 of the Group are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

(4) Fair value of financial assets and liabilities not carried at fair value

(i) Cash and deposits with central bank, borrowings from central bank, deposits and placements with/from banks and other financial institutions, financial assets held under resale agreements and sold under repurchase agreements.

Given that these financial assets and financial liabilities mainly mature within one year or adopt floating interest rates, their carrying amounts approximate their fair value.

(ii) Loans and advances to customers measured at amortised cost, non-debt securities financial investments measured at amortised cost and long-term receivables

The estimated fair value of loans and advances to customers measured at amortised cost, non-debt securities financial investments measured at amortised cost and long-term receivables represents the amount of estimated future cash flows expected to be received, discounted at current market rates.

(iii) Debt securities financial investments measured at amortised cost

The fair value for debt securities financial investments measured at amortised cost is based on "bid" market prices or brokers'/dealers' price quotations. If relevant market information is not available, the fair value is based on quoted price of security products with similar characteristics such as credit risk, maturities and yield.

(iv) Deposits from customers

The fair value of checking and savings is the amount payable on demand at the end of the reporting period. The fair value of fixed interest-bearing deposits without quoted market prices is estimated based on discounted cash flows using interest rates for new deposits with similar remaining maturities.

(v) Debt securities issued

The fair value of debt securities issued is based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

The following tables summarise the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of debt securities financial instruments measured at amortised cost and debt securities issued:

	30 June 2022				
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Financial investments measured at amortised cost (including accrued interest)					
– Debt securities	**45,979,933**	**46,104,779**	**–**	**46,016,605**	**88,174**
Total	**45,979,933**	**46,104,779**	**–**	**46,016,605**	**88,174**
Financial liabilities					
Securities issued (including accrued interest)					
– Debt securities	**18,312,254**	**18,706,783**	**–**	**18,706,783**	**–**
– Certificates of interbank deposit	**72,564,660**	**72,697,487**	**–**	**72,697,487**	**–**
Total	**90,876,914**	**91,404,270**	**–**	**91,404,270**	**–**

	31 December 2021				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost (including accrued interest)					
– Debt securities	50,243,999	50,258,045	–	50,159,263	98,782
Total	50,243,999	50,258,045	–	50,159,263	98,782
Financial liabilities					
Securities issued (including accrued interest)					
– Debt securities	27,506,812	27,981,076	–	27,981,076	–
– Certificates of interbank deposit	64,711,488	64,778,081	–	64,778,081	–
Total	92,218,300	92,759,157	–	92,759,157	–

44 COMMITMENTS AND CONTINGENCIES

(1) Credit commitments

The Group's credit commitments mainly take the form of bank acceptances, credit card limits, letters of credit and financial guarantees, etc.

Acceptances comprise of 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 its customers. The contractual amounts of credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

	30 June 2022	31 December 2021
Bank acceptances	**29,760,953**	22,764,516
Unused credit card commitments	**17,501,888**	12,977,027
Usance letters of credit	**9,072,045**	8,642,765
Irrevocable loan commitments	**1,135,904**	172,170
Financing letters of guarantees issued	**1,060,200**	1,071,373
Non-financing letters of guarantees issued	**725,068**	553,838
Sight letters of credit	**410,428**	228,836
Total	**59,666,486**	46,410,525

Irrevocable loan commitments only include unused loan commitments granted to syndicated loans.

The Group may be exposed to credit risk in all the above credit businesses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

For details of ECL of credit commitments, please refer to Note 34(3).

(2) Credit risk-weighted amount

	30 June 2022	31 December 2021
Credit risk-weighted amount of contingent liabilities and commitments	**17,112,053**	12,256,845

The credit risk-weighted amount represents the amount calculated with reference to the guidelines issued by the former CBRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors.

(3) Capital commitments

As at the end of the reporting period, the Group's authorised capital commitments are as follows:

	30 June 2022	31 December 2021
Contracted but not paid for	**73,334**	85,154

(4) Outstanding litigations and disputes

A number of outstanding litigation matters against the Group had arisen in the normal course of its operation as at 30 June 2022 and 31 December 2021. With the professional advice from counselors, the Group's management believes such litigation will not have a significant impact on the Group.

(5) Bonds redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity dates is based on the nominal value plus any unpaid interest accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at the end of the reporting period:

	30 June 2022	31 December 2021
Bonds redemption obligations	**3,773,068**	4,224,832

(6) Pledged assets

	30 June 2022	31 December 2021
Investment securities	**31,726,966**	41,968,938
Discounted bills	**11,610,237**	10,301,931
Total	**43,337,203**	52,270,869

Some of the Group's assets are pledged as collateral under repurchase agreements and borrowings from central bank.

The Group maintains statutory deposit reserves with the PBOC as required (Note 12). These deposits are not available for the Group's daily operations.

The Group's pledged assets in relation to the purchase of bills under resale agreements can be sold or repledged. As at 30 June 2022 and 31 December 2021, the Group did not have these discounted bills under resale agreements. As at 30 June 2022 and 31 December 2021, the Group did not sell or repledge any pledged assets which it has an obligation to resale when they are due.

45 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(1) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. The Group does not consolidate these structured entities. Such structured entities include asset management plans, trust plans, asset-backed securities and investment funds. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through the issue of notes to investors.

The following tables set out an analysis of the carrying amounts of interests held by the Group as at 30 June 2022 and 31 December 2021 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	30 June 2022				
	Financial investments measured at FVTPL	**Financial investments measured at FVOCI**	**Financial investments measured at amortised cost**	**Carrying amount**	**Maximum exposure**
Asset management plans	**17,789,617**	**2,044,257**	**2,937,300**	**22,771,174**	**22,771,174**
Trust fund plans	**1,478,000**	**–**	**335,383**	**1,813,383**	**1,813,383**
Asset-backed securities	**145,277**	**2,219,662**	**922,458**	**3,287,397**	**3,287,397**
Investment funds	**40,775,801**	**–**	**–**	**40,775,801**	**40,775,801**
Total	**60,188,695**	**4,263,919**	**4,195,141**	**68,647,755**	**68,647,755**

	31 December 2021				
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost	Carrying amount	Maximum exposure
Asset management plans	13,488,145	3,870,136	4,122,278	21,480,559	21,480,559
Trust fund plans	1,501,437	–	820,382	2,321,819	2,321,819
Asset-backed securities	127,413	2,006,996	922,475	3,056,884	3,056,884
Investment funds	39,973,092	–	–	39,973,092	39,973,092
Total	55,090,087	5,877,132	5,865,135	66,832,354	66,832,354

The maximum exposures to loss in the above structured entities are the amortised cost or the fair value of the assets held by the Group at the end of the reporting period in accordance with the line items of these assets recognised in the statement of financial position.

(2) Unconsolidated structured entities sponsored by the Group in which the Group holds an interest

The types of unconsolidated structured entities sponsored by the Group mainly include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes fees charged by providing management services to these structured entities. As at 30 June 2022 and 31 December 2021, the carrying amounts of the management and other service fee receivables being recognised are not material in the statement of financial position.

As at 30 June 2022, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products, which are sponsored by the Group, was RMB170.770 billion (31 December 2021: RMB167.804 billion).

In addition, the unconsolidated structured entities sponsored by the Group also include asset-backed securities held and initiated by the Group. As at 30 June 2022, the book value of these asset-backed securities was RMB15 million (31 December 2021: RMB42 million).

(3) Structured entities sponsored and issued by the Group after 1 January but matured before the end of the reporting period in which the Group no longer holds an interest

During the six months ended 30 June 2022, the amount of fee and commission income recognised from the above mentioned structured entities by the Group was zero (six months ended 30 June 2021: RMB5 million).

During the six months ended 30 June 2022, the Group had no non-principal-guaranteed wealth management products after 1 January but matured before 30 June. During the six months ended 30 June 2021, the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January but matured before 30 June was RMB3.975 billion.

46 TRANSFERRED 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 structured entities. In some cases where these 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 continued to recognise the transferred assets.

(1) Repurchase transactions and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements and debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities sold under repurchase agreements in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may require or be required to pay additional cash collateral in certain circumstances. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

(2) Asset securitization

The Group enters into securitization transactions in the normal course of business by which it transfers credit assets to structured entities which issue asset-backed securities to investors, or carries out trust beneficial rights registration and transfer business in China Credit Assets Registry & Exchange Co., Ltd..

During 2021, the Group transferred a portfolio of customer loans with a book value of RMB1.766 billion to an unconsolidated securitization vehicle managed by an independent trust company, which issued asset-backed securities to investors. As the consideration received was equivalent to the book value of the financial assets transferred, no gain or loss was recognised.

Under the servicing arrangements with the independent trust company, the Group collects the cash flows of the transferred assets on behalf of the unconsolidated securitization vehicle. In return, the Group receives a fee that is expected to compensate the Group for servicing the related assets.

47 FIDUCIARY ACTIVITIES

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are not included in the statements of financial position as they are not the Group's assets.

As at 30 June 2022, the entrusted loans balance of the Group was RMB4.634 billion (31 December 2021: RMB3.594 billion).

48 SUBSEQUENT EVENTS

(1) Issuance of undated capital bonds

On 14 July 2022, the Bank issued "2022 Undated Capital Bonds (first tranche) of Bank of Qingdao Co., Ltd." in China's national inter-bank bond market. The issue size of the bonds is RMB4.0 billion. The proceeds from this issuance will be used to replenish the Bank's additional tier 1 capital.

On 16 August 2022, the Bank issued "2022 Undated Capital Bonds (second tranche) of Bank of Qingdao Co., Ltd." in China's national inter-bank bond market. The issue size of the bonds is RMB2.4 billion. The proceeds from this issuance will be used to replenish the Bank's additional tier 1 capital.

(2) Redemption of tier-two capital bonds

On 14 July 2022, the Bank redeemed RMB2 billion of "2017 Tier-two Capital Bonds (second tranche) of Bank of Qingdao Co., Ltd." in China's national inter-bank bond market. The Bank exercised the issuer's redemption option in accordance with the prospectus of the bonds and fully redeemed the current bonds at book value.

(3) Redemption of preference shares

On 29 June 2022, the redemption of 60,150,000 offshore preference shares was approved by the resolution of the board of directors the Bank. The Bank will exercise the right to redeem all of the Offshore Preference Shares on 19 September 2022. The Qingdao Office of the China Banking and Insurance Regulatory Commission has agreed the redemption of preference shares on 19 July 2022.

Up to the approval date of the report, except for the above, the Group has no other significant subsequent events for disclosure.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the unaudited interim financial report, and is included herein for information purposes only.

In accordance with the Listing Rules and Banking (Disclosure) Rules, the Group discloses the unaudited supplementary Financial Information as follows:

1 LIQUIDITY COVERAGE RATIO, LEVERAGE RATIO AND NET STABLE FUNDING RATIO

Liquidity coverage ratio, leverage ratio and net stable funding ratio are calculated in accordance with the relevant regulations promulgated by the former CBRC and based on the financial information prepared in accordance with the requirements of the Accounting Standards for Business Enterprises issued by the MOF.

(1) Liquidity coverage ratio

	As at 30 June 2022	As at 31 December 2021
Qualified and high-quality current assets	**86,684,805**	99,172,073
Net cash outflows in next 30 days	**63,326,550**	55,237,499
Liquidity coverage ratio (RMB and foreign currency)	**136.89%**	179.54%

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks, a minimum liquidity coverage ratio of 100% is required.

(2) Leverage ratio

	As at 30 June 2022	As at 31 December 2021
Leverage ratio	**6.45%**	5.87%

Pursuant to the Leverage Ratio Management of Commercial Banks (Amended) issued by the former CBRC and was effective since 1 April 2015, a minimum leverage ratio 4% is required.

(3) Net stable funding ratio

	As at 30 June 2022	As at 31 December 2021
Available stable funding	**307,395,440**	296,770,955
Required stable funding	**292,483,675**	289,611,485
Net stable funding ratio	**105.10%**	102.47%

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks, a minimum net stable funding ratio of commercial banks 100% is required.

2 CURRENCY CONCENTRATIONS

	30 June 2022			
	US Dollars *(RMB equivalent)*	**HK Dollars** *(RMB equivalent)*	**Others** *(RMB equivalent)*	**Total**
Spot assets	**11,188,482**	**10,108**	**95,772**	**11,294,362**
Spot liabilities	**(2,923,776)**	**(3,503)**	**(72,569)**	**(2,999,848)**
Forward purchases	**295,107**	**–**	**–**	**295,107**
Forward sales	**408,471**	**–**	**–**	**408,471**
Net long position	**8,968,284**	**6,605**	**23,203**	**8,998,092**
Structural position	**(134,228)**	**–**	**–**	**(134,228)**

	31 December 2021			
	US Dollars *(RMB equivalent)*	HK Dollars *(RMB equivalent)*	Others *(RMB equivalent)*	Total
Spot assets	18,497,960	14,725	68,357	18,581,042
Spot liabilities	(10,591,487)	(8,413)	(63,847)	(10,663,747)
Forward purchases	240,109	–	–	240,109
Forward sales	335,744	–	–	335,744
Net long position	8,482,326	6,312	4,510	8,493,148
Structural position	(127,514)	–	–	(127,514)

3 INTERNATIONAL CLAIMS

The Group regards all claims on third parties outside Mainland China and claims dominated in foreign currency on third parties in Mainland China as international claims.

International claims include loans and advances to customers, deposits with central bank, deposits and placements with banks and other financial institutions and financial investments.

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

	30 June 2022			
	Public sector entities	**Banks and other financial institutions**	**Non-bank private sector**	**Total**
– Asia Pacific	**189,796**	**5,456,197**	**5,420,344**	**11,066,337**
– of which attributed to Hong Kong	**–**	**5,064,638**	**–**	**5,064,638**
– North and South America	**–**	**167,181**	**–**	**167,181**
– Europe	**–**	**5,608**	**–**	**5,608**
	189,796	**5,628,986**	**5,420,344**	**11,239,126**

	31 December 2021			
	Public sector entities	Banks and other financial institutions	Non-bank private sector	Total
– Asia Pacific	495,354	9,593,288	7,837,804	17,926,446
– of which attributed to Hong Kong	–	4,986,197	–	4,986,197
– North and South America	–	558,692	–	558,692
– Europe	–	16,214	–	16,214
	495,354	10,168,194	7,837,804	18,501,352

4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES TO CUSTOMERS

	30 June 2022	31 December 2021
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	**626,760**	214,473
– between 6 months and 1 year (inclusive)	**623,672**	342,925
– over 1 year	**1,274,202**	1,207,970
Total	**2,524,634**	1,765,368
As a percentage of total gross loans and advances (excluding accrued interest)		
– between 3 and 6 months (inclusive)	**0.24%**	0.09%
– between 6 months and 1 year (inclusive)	**0.23%**	0.14%
– over 1 year	**0.48%**	0.49%
Total	**0.95%**	0.72%

6. RELEASE OF INTERIM RESULTS ANNOUNCEMENT AND 2022 INTERIM REPORT ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE BANK

This results announcement will be published on the HKEXnews website of the Hong Kong Stock Exchange (http://www.hkexnews.hk/) and the website of the Bank (http://www.qdccb.com/). The 2022 interim report containing all the information required by the Hong Kong Listing Rules will be dispatched to the shareholders of the Bank and published on the HKEXnews website of the Hong Kong Stock Exchange and the website of the Bank in due course.

This results announcement was prepared in both Chinese and English versions, where there is a discrepancy between the Chinese and English versions, the Chinese version shall prevail.

By order of the Board
Bank of Qingdao Co., Ltd.*
Jing Zailun
Chairman

Qingdao, Shandong Province, the PRC
26 August 2022

As at the date of this announcement, the Board comprises Mr. Jing Zailun, Mr. Wang Lin and Mr. Liu Peng as executive directors; Mr. Zhou Yunjie, Mr. Rosario Strano, Ms. Tan Lixia, Mr. Marco Mussita and Mr. Deng Youcheng as non-executive directors; Mr. Simon Cheung, Ms. Fang Qiaoling, Mr. Tingjie Zhang, Mr. Xing Lecheng and Mr. Zhang Xu as independent non-executive directors.

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