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**WEIHAI CITY COMMERCIAL BANK CO., LTD.\***

**威海市商業銀行股份有限公司\***

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

**(Stock Code: 9677)**

## **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2022**

The board of directors (the “**Board**”) of Weihai City Commercial Bank Co., Ltd.\* (the “**Bank**”) hereby announces the unaudited interim results of the Bank and its subsidiary for the six months ended June 30, 2022. This announcement, containing the full text of the 2022 interim report of the Bank, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of interim results. This results announcement will be published on the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Bank’s website ([www.whccb.com](http://www.whccb.com)). The Bank’s 2022 interim report will be despatched to the holders of H shares of the Bank and published on the websites of The Stock Exchange of Hong Kong Limited and the Bank in due course.

By Order of the Board  
**Weihai City Commercial Bank Co., Ltd.\***  
**TAN Xianguo**  
*Chairman*

Weihai, China  
August 30, 2022

*As at the date of this announcement, the Board comprises Mr. TAN Xianguo, Mr. MENG Dongxiao, Ms. TAO Zunjian, Mr. LU Jiliang and Mr. ZHANG Wenbin as executive Directors; Mr. YI Jijun, Mr. SONG Bin, Mr. YIN Lin, Mr. ZHAO Bing and Ms. ZHAO Yue as non-executive Directors; Mr. SUN Guomao, Mr. FAN Chi Chiu, Mr. LU Qing, Mr. WANG Shaohong and Ms. SUN Zuying as independent non-executive Directors.*

\* Weihai City Commercial Bank 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.

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# CHAPTER 1 IMPORTANT NOTICE

1. The Board of Directors, the Board of Supervisors, Directors, Supervisors and senior management of the Bank warrant that there are no false representations, misleading statements or material omissions contained in the 2022 interim report (the "Report"), and they jointly and severally accept responsibility for the truthfulness, accuracy and completeness of the information contained in the Report.
2. The Report and the interim results announcement of the Bank were approved unanimously at the eighth meeting of the eighth session of the Board of the Bank held on August 30, 2022, which was considered and approved by way of valid voting. 15 directors were eligible to attend the meeting, and 14 directors attended such meeting in person. Supervisors of the Bank attended the meeting.
3. The 2022 interim financial report prepared in accordance with the International Financial Reporting Standards has been reviewed by BDO Limited. The Board and the Audit Committee under the Board have reviewed and approved the Report.
4. TAN Xianguo, the Chairman, MENG Dongxiao, the President, TAO Zunjian, the Vice President and Chief Accountant, and LU Guangming, the Head of the Finance Department of the Bank, warrant the truthfulness, accuracy and completeness of the financial report in the Report.
5. According to the 2021 annual general meeting of the Bank held on May 31, 2022, the Bank distributed the dividends for 2021 in cash amounted to RMB598 million (tax inclusive), and distributed a cash dividend of RMB10 (tax inclusive) per 100 shares to the ordinary shareholders whose names appeared on the register of members on the record date for equity distribution. The final dividend was distributed to our Shareholders on July 5, 2022. The Bank did not declare an interim dividend for 2022.
6. Forward-looking statements, including future plans, contained in the Report do not constitute any actual commitments of the Bank to investors. Investors and related persons are advised to maintain sufficient risk awareness and understand the difference between plans, forecasts and commitments.
7. During the Reporting Period, the Bank was not aware of any major risks that would adversely affect the Bank's future development strategies and business objectives. The principal risks exposed to the Bank in its operation and management as well as the corresponding measures adopted by the Bank are detailed in the Report. For details, please refer to "Risk Management" and "Future Prospects" in the section headed "Management Discussion and Analysis" of the Report.
8. For the financial data and indicators set out in the Report, save as stated otherwise, the monetary unit is denominated in RMB. Certain amounts and percentage figures set out in the Report are subject to rounding adjustments. Any discrepancy between the totals and sum of the amounts in any tables is due to such rounding.
9. The Report has been prepared in both Chinese and English. In the event of any discrepancy, the Chinese version shall prevail.

## CHAPTER 2 DEFINITIONS

In the Report, unless the context otherwise requires, the following expressions shall have the following meanings:

“Bank”, “our Bank” or “Weihai City Commercial Bank”	Weihai City Commercial Bank Co., Ltd., a joint stock limited company established in the PRC in July 1997 in accordance with the relevant PRC laws and regulations, and, if the context requires, includes its predecessors, branches and sub-branches, excluding its subsidiaries
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CBIRC Shandong Office”	China Banking and Insurance Regulatory Commission Shandong Office
“CNHTC”	China National Heavy Duty Truck Group Co., Ltd. (中國重型汽車集團有限公司)
“Company Law”	The Company Law of the People’s Republic of China 《中華人民共和國公司法》
“Corporate Governance Code”	Corporate Governance Code under Appendix 14 to the Listing Rules
“Group”, “our Group”, “we” or “us”	the Bank and its subsidiaries and, where the context requires, includes its predecessors, branches and sub-branches
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards, International Accounting Standards, the related standards, amendments and explanatory announcement, as issued by the International Accounting Standards Board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“PBOC” or “Central Bank”	the People’s Bank of China
“Reporting Period”	the six months ended June 30, 2022
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shandong Hi-Speed”	Shandong Hi-Speed Company Limited (山東高速股份有限公司), a non-wholly owned subsidiary of Shandong Hi-Speed Group Company and a substantial Shareholder of the Bank
“Shandong Hi-Speed Group Company”	Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司), a controlling Shareholder of the Bank
“Shandong SASAC”	State-owned Assets Supervision and Administration Commission of Shandong Provincial People’s Government (山東省人民政府國有資產監督管理委員會)
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Tongda Financial Leasing”	Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)

# CHAPTER 3 CORPORATE INFORMATION

## BASIC INFORMATION

### Legal Chinese Name

威海市商業銀行股份有限公司  
(Abbreviation “威海市商業銀行”)

### Legal English Name

Weihai City Commercial Bank Co., Ltd.  
(Abbreviation “Weihai City Commercial Bank”)

### Legal Representative

TAN Xianguo (譚先國)

### Secretary to the Board

ZHANG Jia'en (張家恩)<sup>(1)</sup>  
Contact Number: (86) 631-5236187  
Facsimile: (86) 631-5210210  
E-mail: whccb@whccb.com

### Joint Company Secretaries

LU Jiliang (盧繼梁), TAM Pak Yu, Vivien (譚柏如)

### Registered Capital

RMB5,980,058,344

### Registered Address and Office Address

No. 9 Bao Quan Road, Weihai City,  
Shandong Province, the PRC  
Postcode: 264200  
Customer Service Hotline: (86) 40000-96636  
Complaint Hotline: (86) 631-5221290  
Website: www.whccb.com

### Principal Place of Business in Hong Kong

40th Floor, Dah Sing Financial Centre,  
248 Queen's Road East, Wan Chai, Hong Kong

### Unified Social Credit Code

913700002671339534

### Financial License Institution Number

B0176H237100001

### Place of Listing of Shares, Stock Short Name and Stock Code

The Stock Exchange of Hong Kong Limited  
Stock Short Name: WEIHAI BANK  
Stock Code: 9677

### H Share Registrar

Computershare Hong Kong Investor Services Limited

### Interim Reports Available at:

Office of the Board and principal place of  
business of the Bank

### Legal Adviser

#### Mainland China

Beijing Dentons Law Offices, LLP  
16-21F, Tower B, ZT International Center,  
No.10 Chaoyangmen South Street,  
Chaoyang District, Beijing, China (100020)

#### Hong Kong, China

Paul Hastings  
22/F, Bank of China Tower, 1 Garden Road,  
Central, Hong Kong

### Auditor

#### Mainland China Auditor

BDO China Shu Lun Pan Certified Public Accountants LLP  
9/F, 17-20/F, Tower A, China Overseas International  
Center, Building 7, No. 5 Anding Road,  
Chaoyang District, Beijing, the PRC

#### International Auditor

BDO Limited  
25th Floor, Wing On Centre, 111 Connaught Road  
Central, Sheung Wan, Hong Kong

*The Bank is not an authorised 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 authorised to carry on banking and/or deposit-taking business in Hong Kong.*

Note:

(1) Mr. ZHANG Jia'en was appointed as the Secretary to the Board of the Bank since December 2021, and his position qualification is subject to approval by CBIRC Shandong Office.

### COMPANY PROFILE

Since its establishment in 1997, the Bank has always kept in mind its original intention and mission of serving the real economy, adhered to the market positioning of “serving the local economy, serving small and micro enterprises, and serving urban and rural residents”, adhered to the service concept of “mutual support and delightful growth”, insisted on innovation in reform, and surpassed in development, thus moving out a unique development path. The Bank currently has 124 branches and sub-branches in Jinan, Tianjin, Qingdao, etc., and is the first local legal person bank in Shandong Province to achieve “full coverage of the province”. In 2016, the Bank was the first financial institution in Shandong Province to initiate the establishment of a financial leasing company, marking a substantial step in its integrated operation. On October 12, 2020, the Bank was successfully listed on the Main Board of the Hong Kong Stock Exchange. The Bank formally adopted the “Equator Principle” (“赤道原則”) in 2021 and became the first “Equator Bank” (“赤道銀行”) in Shandong Province, making breakthroughs in terms of green finance.

The strategic approaches of the Bank are to decidedly develop a featured “digitalisation”- driven “Bi-Focus Retail Banking” (“兩端型零售銀行”) business model, focusing on the core values of “enhancing differentiated strengths, retail banking business, intensive management, comprehensive coverage, capitalisation, branding and conglomeration”. In terms of corporate banking services segment, the Bank focuses on high-end customers and adheres to the direction of professional and intensive development. As for retail banking business segment, the Bank closely connects with its customer base, and continues to innovate featured products, so as to form the business characteristics of “Bi-Focus Retail Banking”. In the meantime, the Bank has also adhered to the concept of “data standardisation, online standardisation, and online intelligence”, implemented the “three-step” strategy of “bringing offline business online, enriching online business, and weaponising digital banking”, and firmly propelled the construction of “digital banking”, in order to empower its businesses in reliance of technology advancement.

Quality services and good performance have been highly recognised and well received by all sectors of society. The Bank has been awarded the “Top 10 City Commercial Banks in China” in the Golden Medal List of Chinese Financial Institutions • Golden Dragon Award (中國金融機構金牌榜•金龍獎“全國十佳城市商業銀行”) for consecutive years and ranked first in the performance evaluation of local financial enterprises organised by the Shandong Provincial Government for several times, and enjoyed a corporate credit rating of AAA. The Bank was successively awarded the “Best Special Bank in China” (“中國最佳特色銀行”), “Best Retail Bank in China” (“中國最佳零售銀行”), “Best Financial Service Institution for Small and Medium Enterprises in China” (“中國最佳中小企業金融服務機構”), “National Corporate Culture Building Advanced Unit” (“全國企業文化建設先進單位”), “Demonstration Unit for Corporate Culture Construction in China’s Financial Industry” (“中國金融行業企業文化建設示範單位”), “Socially Responsible Enterprise of Shandong” (“山東社會責任企業”), “First Batch of A-Grade Taxpaying Financial Institutions in Shandong Province” (“山東省首批A級納稅金融單位”), “Quality Award in Shandong Province” (“山東省質量獎”) and “Outstanding Enterprise in Management and Innovation in Shandong Province” (“山東省管理創新優秀企業”). The brand reputation and social influence were significantly improved.

# CHAPTER 4 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

Unit: RMB million

Item	January to June 2022	January to June 2021	Current period compared to the same period last year
<b>Operating results</b>			Change (%)
Net interest income	<b>3,208.2</b>	2,919.0	9.91
Net fee and commission income	<b>370.0</b>	346.3	6.84
Net trading gains and losses, net gains and losses arising from investment securities and other net operating gains and losses	<b>658.4</b>	372.5	76.75
<b>Operating income</b>	<b>4,236.6</b>	3,637.8	16.46
Operating expenses	<b>(870.3)</b>	(750.6)	15.95
Impairment losses on assets	<b>(2,162.6)</b>	(1,723.0)	25.51
<b>Profit before tax</b>	<b>1,203.7</b>	1,164.2	3.39
<b>Net profit</b>	<b>1,090.2</b>	961.8	13.35
Including: Net profit attributable to equity shareholders of the Bank	<b>992.2</b>	882.9	12.38
<b>Per share (RMB/share)</b>			
Earnings per share attributable to equity shareholders of the Bank	<b>0.17</b>	0.15	13.33

Item	June 30, 2022	December 31, 2021	As at the end of current period compared to the end of previous year
<b>Key indicators of assets and liabilities</b>			Change (%)
<b>Total assets</b>	<b>332,659.5</b>	304,520.8	9.24
Including: Total loans	<b>159,077.8</b>	143,292.7	11.02
Add: Interests accrued	<b>844.9</b>	668.5	26.39
Less: Impairment allowances for loans and advances to customers measured at amortised costs	<b>4,092.7</b>	3,593.9	13.88
Loans and advances to customers	<b>155,830.0</b>	140,367.3	11.02
<b>Total liabilities</b>	<b>307,623.0</b>	280,350.6	9.73
Including: Total deposits	<b>225,791.6</b>	203,833.6	10.77
Add: Interests accrued	<b>3,743.5</b>	3,008.4	24.43
Deposits from customers	<b>229,535.1</b>	206,842.0	10.97
Share capital	<b>5,980.1</b>	5,980.1	–
Total equity attributable to equity shareholders of the Bank	<b>19,425.9</b>	19,156.7	1.41
<b>Total equity</b>	<b>25,036.5</b>	24,170.2	3.58
<b>Per share (RMB/share)</b>			
Net assets per share attributable to equity shareholders of the Bank	<b>3.25</b>	3.20	1.56

## Chapter 4 Summary of Accounting Data and Financial Indicators

Item	January to June 2022	January to June 2021	Current period compared to the same period last year
<b>Profitability indicators (%)</b>			Change
Return on average total assets <sup>(1)</sup>	<b>0.69</b>	0.70	(0.01)
Weighted average return on net assets <sup>(2)</sup>	<b>10.29</b>	9.86	0.43
Net interest spread <sup>(3)</sup>	<b>2.03</b>	2.13	(0.10)
Net interest margin <sup>(4)</sup>	<b>2.14</b>	2.25	(0.11)
Net fee and commission income to operating income ratio	<b>8.73</b>	9.52	(0.79)
Cost-to-income ratio <sup>(5)</sup>	<b>19.45</b>	19.51	(0.06)

Item	June 30, 2022	December 31, 2021	As at the end of current period compared to the end of previous year
<b>Asset quality indicators (%)</b>			Change
Non-performing loan ratio <sup>(6)</sup>	<b>1.47</b>	1.47	0.00
Provision coverage ratio <sup>(7)</sup>	<b>176.67</b>	171.56	5.11
Allowance-to-borrowing ratio <sup>(8)</sup>	<b>2.60</b>	2.53	0.07
<b>Capital adequacy indicators (%)</b>			
Core tier-one capital adequacy ratio	<b>8.69</b>	9.35	(0.66)
Tier-one capital adequacy ratio	<b>10.51</b>	11.33	(0.82)
Capital adequacy ratio	<b>13.58</b>	14.59	(1.01)
Total equity to total assets ratio	<b>7.53</b>	7.94	(0.41)
<b>Other indicators (%)</b>			
Liquidity ratio	<b>58.87</b>	63.22	(4.35)
Loan-to-deposit ratio <sup>(9)</sup>	<b>70.45</b>	70.30	0.15

- (1) Calculated by dividing net profit for the period by the average balance of total assets as at the beginning and the end of the period, and adjusted on an annualised basis.
- (2) Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 – Calculation 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)), and adjusted on an annualised basis.
- (3) Net interest spread = the average yield on total interest-earning assets – the average cost of total interest-bearing liabilities, and adjusted on an annualised basis.
- (4) Net interest margin = net interest income/average balance of total interest-earning assets, and adjusted on an annualised basis.
- (5) Cost-to-income ratio = operating and management fees (exclusive of tax and surcharge)/operating income.
- (6) Calculated by dividing total non-performing loans by total loans.
- (7) Calculated by dividing total impairment allowances for loans by total non-performing loans.
- (8) Calculated by dividing total impairment allowances for loans by total loans.
- (9) Calculated by dividing total loans by total deposits. Prior to October 1, 2015, commercial banks in the PRC were required to maintain a loan-to-deposit ratio of no more than 75%. Since October 1, 2015, the 75% maximum loan-to-deposit ratio requirement has been cancelled under the revised PRC Commercial Banking Law.



# CHAPTER 5 MANAGEMENT DISCUSSION AND ANALYSIS

## I. REVIEW OF ECONOMIC, FINANCIAL AND POLICY ENVIRONMENT

In the first half of 2022, the growth of global economy slowed down, inflation was hovering at high levels, geopolitical conflicts continued, and external environment became more complex and challenging. The domestic pandemic prevention and control was generally positive but there is still a long way to go. Economic development faces the triple pressures of shrinking demand, supply shocks, and weakening expectations. In response to the extremely complex and difficult situations, China has effectively coordinated the pandemic prevention and control and economic and social development, so as to stabilise the foundation of economic and social development to the greatest extent. Based on the preliminary calculation by the National Bureau of Statistics, China recorded its **GDP** of RMB56,264.2 billion for the first half of the year, representing a year-on-year increase of 2.5% in terms of constant prices. By maintaining the continuity, stability and sustainability of its macro policies, China executed flexible and appropriate monetary policies, managed market expectations with scientific methods, and made efforts to serve the real economy, which effectively prevented and controlled financial risks. The benefits from the reform on loan prime rate (**LPR**) have been continuously released, which enhanced the conduction efficiency of monetary policy, realised steady reduction in loan interest rates. The expected stable RMB exchange rate and the increasing two-way floating flexibility have served as the stabilizer for the macro economy.

Shandong Province took steady growth as the primary task of its economic work for the year and precisely launched a series of practical and effective policies and measures. The economy stabilised promptly after short-term fluctuations and continued to recover and rebound at an accelerated pace in the first half of the year. According to the unified GDP calculation results for the region, Shandong Province recorded a GDP of RMB4,171.7 billion for the first half of the year, registering a year-on-year uptick of 3.6% in terms of constant prices, surpassing the national average.

### II. SUMMARY OF OVERALL OPERATIONS

During the Reporting Period, in the face of the complicated macroeconomic and financial situation, we have always adhered to the approach of “prioritizing stability, making progress while maintaining stability” and the working concepts of being “first class in six aspects” by continuously innovating our service mode, increasing credit supply and actively participating in economic and social development, thereby maintaining a momentum of continuous stable and high-quality development.

**Stable expansion of business scale.** The total assets amounted to RMB332,660 million, representing an increase of RMB28,139 million as compared to the end of 2021; total deposits increased by RMB21,958 million as compared to the end of 2021; and total loans grew by RMB15,785 million as compared to the end of 2021.

**Stable quality.** Non-performing loan ratio was 1.47%; the capital adequacy ratio stood at 13.58% and the allowance coverage ratio was 176.67%.

**Constantly increasing efficiency.** Net profit for the first half of the year amounted to RMB1,090 million, representing an increase of RMB128 million or 13.35% as compared to the same period last year.

**Efficient transformation.** Adhering to the digital development strategy across the Bank, we engaged the advisory company of KPMG to implement the PMO digital transformation project, and facilitated the completion of the three-year digital transformation plan. Out of 57 digital transformation projects, 48 have been initiated and 15 have been launched. We spared no effort in building “smart digital bank” with “the best customer experience and excellent income and profit generation” through digital transformation.

**Management and control continuously strengthened.** We held fast to the approach of “respecting growth and efficiency”. We deepened the reform of system and mechanism, fostered the transformation of management and control modes, strengthened the vertical management and control capabilities of the headquarters to ensure effective management and control and effective growth by benchmarking against our peers such as Bank of Ningbo.

**Optimised and adjusted structure.** Adhering to the principle approach of “transiting to retail business, inclusive business and featured business”, we optimised the business structure, accelerated the business transformation and constantly cultivated new core competitiveness under the support of customer-centred retail business, platform-based inclusive business, and the supply-chain-centred featured business.

**More precise offering of services.** We earnestly followed the requirements of “epidemic prevention, economy stability and secured development” as stipulated by the Central Committee of the Chinese Communist Party, fully implemented economic and financial policies, coordinated for epidemic prevention and control, stability and security, service support and business development, so as to serve the real economy in a more precise way.

### III. ANALYSIS OF INCOME STATEMENT

#### 3.1 Financial Highlights

During the Reporting Period, our operating income amounted to RMB4,237 million, representing an increase of RMB599 million or 16.46% as compared to the same period last year; profit before tax amounted to RMB1,204 million, representing an increase of RMB40 million or 3.39% as compared to the same period last year; net profit amounted to RMB1,090 million, representing an increase of RMB128 million or 13.35% as compared to the same period last year, mainly due to the continuing development of corporate and retail banking businesses, resulting in increases in net interest income and net fee and commission income as compared to the same period last year.

Unit: RMB million

Item	January to June 2022	January to June 2021	Change	Rate of change (%)
<b>Net interest income</b>	<b>3,208.2</b>	2,919.0	289.2	9.91
Interest income	<b>7,092.5</b>	6,346.5	746.0	11.75
Interest expenses	<b>(3,884.3)</b>	(3,427.5)	(456.8)	13.33
<b>Net fee and commission income</b>	<b>370.0</b>	346.3	23.7	6.84
Fee and commission income	<b>423.0</b>	378.3	44.7	11.82
Fee and commission expenses	<b>(53.0)</b>	(32.0)	(21.0)	65.63
<b>Net trading gains and losses, net gains and losses arising from investment securities and other net operating gains and losses</b>	<b>658.4</b>	372.5	285.9	76.75
<b>Operating income</b>	<b>4,236.6</b>	3,637.8	598.8	16.46
Operating expenses	<b>(870.3)</b>	(750.6)	(119.7)	15.95
Impairment losses on assets	<b>(2,162.6)</b>	(1,723.0)	(439.6)	25.51
<b>Profit before tax</b>	<b>1,203.7</b>	1,164.2	39.5	3.39
Income tax expense	<b>(113.5)</b>	(202.4)	88.9	(43.92)
<b>Net profit</b>	<b>1,090.2</b>	961.8	128.4	13.35
Including: Net profit attributable to equity shareholders of the Bank	<b>992.2</b>	882.9	109.3	12.38
Net profit attributable to non- controlling interests	<b>98.0</b>	78.9	19.1	24.21

### III. ANALYSIS OF INCOME STATEMENT (CONT'D)

#### 3.2 Net Interest Income

Net interest income was the largest component of our operating income, representing 80.24% and 75.73% of our operating income in the first half of 2021 and 2022, respectively. Our net interest income amounted to RMB3,208 million during the Reporting Period, representing an increase of RMB289 million or 9.91% as compared to the same period last year, mainly attributable to the larger scale and optimised structure of our business. The following table sets forth the average balances of our interest-earning assets and interest-bearing liabilities, related interest income or expense and the average yields on related assets or the average costs of related liabilities for the periods indicated.

Unit: RMB million

	January to June 2022			January to June 2021		
	Average balance	Interest income/expense	Average yield/cost (%) <sup>(1)</sup>	Average balance	Interest income/expense	Average yield/cost (%) <sup>(1)</sup>
<b>Interest-earning assets</b>						
Loans and advances to customers	151,940.1	4,087.0	5.42	131,451.1	3,621.6	5.56
Financial investments	102,693.1	2,180.0	4.28	86,043.5	1,955.8	4.58
Deposits with the Central Bank <sup>(2)</sup>	20,732.7	138.3	1.35	18,959.5	134.1	1.43
Deposits with banks and other financial institutions	3,686.8	3.3	0.18	3,059.6	1.5	0.10
Placements with banks	4,154.4	54.5	2.65	2,502.4	38.5	3.10
Finance lease receivables	18,857.2	624.3	6.68	17,694.8	577.3	6.58
Financial assets held under resale agreements	468.1	5.1	2.20	1,720.3	17.7	2.07
<b>Total interest-earning assets</b>	<b>302,532.4</b>	<b>7,092.5</b>	<b>4.73</b>	<b>261,431.2</b>	<b>6,346.5</b>	<b>4.90</b>
<b>Interest-bearing liabilities</b>						
Deposits from customers	215,513.7	2,763.7	2.59	182,295.9	2,351.2	2.60
Deposits from banks	3,925.5	61.4	3.15	3,104.6	46.0	2.99
Placements from banks and other financial institutions	18,066.9	370.6	4.14	16,303.8	335.2	4.15
Borrowings from the Central Bank	10,950.8	113.7	2.09	8,579.0	89.8	2.11
Financial assets sold under repurchase agreements	6,097.7	57.4	1.90	6,985.2	69.2	2.00
Discounted bills	318.3	4.0	2.53	783.8	11.2	2.88
Debt securities issued <sup>(3)</sup>	34,972.0	513.5	2.96	31,892.8	524.9	3.32
<b>Total interest-bearing liabilities</b>	<b>289,844.9</b>	<b>3,884.3</b>	<b>2.70</b>	<b>249,945.1</b>	<b>3,427.5</b>	<b>2.77</b>
<b>Net interest income</b>		<b>3,208.2</b>			<b>2,919.0</b>	
<b>Net interest spread</b>			<b>2.03</b>			<b>2.13</b>
<b>Net interest margin</b>			<b>2.14</b>			<b>2.25</b>

Notes:

- (1) Calculated as interest income (expense)/average balance.
- (2) Consisted primarily of statutory deposit reserves and surplus deposit reserves.
- (3) Consisted of certificates of interbank deposits, financial bonds and tier-two capital bonds issued by us.

### III. ANALYSIS OF INCOME STATEMENT (CONT'D)

#### 3.2 Net Interest Income (Cont'd)

The following table sets forth the allocation of changes in our interest income and interest expenses due to changes in volume and changes in rate for the periods indicated. Changes in volume are measured by changes in average balances, and changes in rate are measured by changes in average rates.

Unit: RMB million

	January to June 2022 vs January to June 2021 Increase/ (decrease) due to		
	Volume <sup>(1)</sup>	Rate <sup>(2)</sup>	Net increase/ (decrease) <sup>(3)</sup>
<b>Assets</b>			
Loans and advances to customers	551.1	(85.7)	465.4
Financial investments	353.4	(129.2)	224.2
Deposits with the Central Bank	11.8	(7.6)	4.2
Deposits with banks and other financial institutions	0.6	1.2	1.8
Placements with banks	21.7	(5.7)	16.0
Financial lease receivables	38.5	8.5	47.0
Financial assets held under resale agreements	(13.6)	1.0	(12.6)
<b>Changes in interest income</b>	<b>963.5</b>	<b>(217.5)</b>	<b>746.0</b>
<b>Liabilities</b>			
Deposits from customers	426.0	(13.5)	412.5
Deposits from banks	12.8	2.6	15.4
Placements from banks and other financial institutions	36.2	(0.8)	35.4
Borrowings from the Central Bank	24.6	(0.7)	23.9
Financial assets sold under repurchase agreements	(8.4)	(3.4)	(11.8)
Discounted bills	(5.8)	(1.4)	(7.2)
Debt securities issued	45.2	(56.6)	(11.4)
<b>Changes in interest expenses</b>	<b>530.6</b>	<b>(73.8)</b>	<b>456.8</b>
<b>Changes in net interest income</b>	<b>432.9</b>	<b>(143.7)</b>	<b>289.2</b>

Notes:

- (1) Represented the average balance for this Reporting Period minus the average balance for the same period last year, multiplied by the average yield/cost for this Reporting Period.
- (2) Represented the average yield/cost for this Reporting Period minus the average yield/cost for the same period last year, multiplied by the average balance for the same period last year.
- (3) Represented interest income/expense for this Reporting Period minus interest income/expense for the same period last year.

**III. ANALYSIS OF INCOME STATEMENT (CONT'D)****3.3 Interest Income**

During the Reporting Period, our interest income increased by RMB746 million or 11.75% to RMB7,093 million as compared to the same period last year, primarily due to an increase in the average balance of our interest-earning assets from RMB261,431 million in the first half of 2021 to RMB302,532 million in the first half of 2022. The increase in the average balance of interest-earning assets was primarily attributable to an increase in the average balance of loans and advances to customers and the average balance of financial investments. The following table sets forth a breakdown of our interest income for the periods indicated.

Unit: RMB million

	January to June 2022		January to June 2021	
	Amount	% of total	Amount	% of total
<b>Interest income</b>				
Loans and advances to customers	<b>4,087.0</b>	<b>57.62</b>	3,621.6	57.06
Financial investments	<b>2,180.0</b>	<b>30.74</b>	1,955.8	30.82
Deposits with banks and other financial institutions	<b>3.3</b>	<b>0.05</b>	1.5	0.02
Placements with banks	<b>54.5</b>	<b>0.77</b>	38.5	0.61
Financial assets held under resale agreements	<b>5.1</b>	<b>0.07</b>	17.7	0.28
Finance lease receivables	<b>624.3</b>	<b>8.80</b>	577.3	9.1
Deposits with the Central Bank	<b>138.3</b>	<b>1.95</b>	134.1	2.11
<b>Total interest income</b>	<b>7,092.5</b>	<b>100.00</b>	6,346.5	100.00

### III. ANALYSIS OF INCOME STATEMENT (CONT'D)

#### 3.3 Interest Income (Cont'd)

##### *Interest income from loans and advances to customers*

Our interest income from loans and advances to customers represented 57.06% and 57.62% of our interest income in the first half of 2021 and 2022, respectively. During the Reporting Period, our interest income from loans and advances to customers amounted to RMB4,087 million, representing an increase of RMB465 million or 12.85% as compared with the same period last year, primarily due to our increased placements of loans to support the real economy, and the average balance of loans and advances to customers increased by 15.59% from RMB131,451 million in the first half of 2021 to RMB151,940 million in the first half of 2022; meanwhile, the average yield on loans and advances to customers declined from 5.56% in the first half of 2021 to 5.42% in the first half of 2022 under the impact of decline in LPR.

##### *Interest income from financial investments*

During the Reporting Period, our interest income from financial investments amounted to RMB2,180 million, representing an increase of RMB224 million or 11.46% as compared with the same period last year, primarily due to our increased efforts in bond investments and steady expansion in the scale of business, the average balance of the financial investment business increased by 19.35% from RMB86,044 million in the first half of 2021 to RMB102,693 million in the first half of 2022, partially offset by a decrease in the average yield on financial investments from 4.58% in the first half of 2021 to 4.28% in the first half of 2022.

##### *Interest income from placements with banks*

During the Reporting Period, our interest income from placements with banks amounted to RMB55 million, representing an increase of RMB16 million or 41.56% as compared with the same period last year, mainly due to the increased cooperation with financial leasing companies under the banking system. The average balance of placements with banks increased by 66.02% from RMB2,502 million in the first half of 2021 to RMB4,154 million in the first half of 2022, partially offset by a decrease in the average yield of placements with banks from 3.10% in the first half of 2021 to 2.65% in the first half of 2022.

##### *Interest income from finance lease receivables*

During the Reporting Period, our interest income from finance lease receivables was RMB624 million, representing an increase of RMB47 million or 8.14% as compared with the same period last year, primarily due to the continuing expansion of our financial leasing business in the first half of the year, which resulted in an increase of 6.57% in the average balance of our financial leasing business from RMB17,695 million in the first half of 2021 to RMB18,857 million in the first half of 2022.

### III. ANALYSIS OF INCOME STATEMENT (CONT'D)

#### 3.4 Interest Expenses

During the Reporting Period, our interest expenses amounted to RMB3,884 million, representing an increase of RMB457 million or 13.33% as compared with the same period last year, primarily due to an increase of 15.96% in the average balance of interest-bearing liabilities from RMB249,945 million in the first half of 2021 to RMB289,845 million in the first half of 2022, partially offset by a decrease in the average cost on interest-bearing liabilities from 2.77% in the first half of 2021 to 2.70% in the first half of 2022. The following table sets forth a breakdown of our interest expenses for the periods indicated.

Unit: RMB million

	January to June 2022		January to June 2021	
	Amount	% of total	Amount	% of total
<b>Interest expenses</b>				
Deposits from customers	<b>2,763.7</b>	<b>71.15</b>	2,351.2	68.60
Deposits from banks	<b>61.4</b>	<b>1.58</b>	46.0	1.34
Placements from banks and other financial institutions	<b>370.6</b>	<b>9.54</b>	335.2	9.78
Borrowings from the Central Bank	<b>113.7</b>	<b>2.93</b>	89.8	2.62
Financial assets sold under repurchase agreements	<b>57.4</b>	<b>1.48</b>	69.2	2.02
Discounted bills	<b>4.0</b>	<b>0.10</b>	11.2	0.33
Debt securities issued	<b>513.5</b>	<b>13.22</b>	524.9	15.31
<b>Total interest expenses</b>	<b>3,884.3</b>	<b>100.00</b>	3,427.5	100.00



### III. ANALYSIS OF INCOME STATEMENT (CONT'D)

#### 3.4 Interest Expenses (Cont'd)

##### *Interest expenses on deposits from customers*

Deposits from customers were our primary source of funding. Interest expenses on deposits from customers represented 68.60% and 71.15% of our interest expenses in the first half of 2021 and 2022, respectively. Our interest expenses on deposits from customers increased by RMB413 million or 17.54% to RMB2,764 million in the first half of 2022 as compared with the same period last year, primarily due to our enhanced efforts to develop the deposit business, contributing to the increase in average balance of deposits from customers by 18.22% to RMB215,514 million in the first half of 2022 from RMB182,296 million in the first half of 2021.

##### *Interest expenses on debt securities issued*

Interest expenses on debt securities issued accounted for 15.31% and 13.22% of our interest expenses in the first half of 2021 and 2022, respectively. Our interest expenses on debt securities issued decreased by RMB11 million or 2.17% to RMB514 million in the first half of 2022 as compared with the same period last year, primarily due to the decrease in the average interest rates of debt securities payable from 3.32% in the first half of 2021 to 2.96% in the first half of 2022 under the impact of lower market interest rates.

##### *Interest expenses on placements from banks and other financial institutions*

Interest expenses on placements from banks and other financial institutions accounted for 9.78% and 9.54% of our interest expenses in the first half of 2021 and 2022, respectively. Interest expenses on placements from banks and other financial institutions amounted to RMB371 million in the first half of 2022, representing an increase of RMB35 million or 10.56% as compared with the same period last year, primarily due to more placements from banks and other financial institutions as a result of the larger scale of our finance leasing business.

##### *Interest expenses on Borrowings from the Central Bank*

Interest expenses on Borrowings from the Central Bank represented 2.62% and 2.93% of our interest expenses in the first half of 2021 and 2022, respectively. Interest expenses on Borrowings from the Central Bank amounted to RMB114 million in the first half of 2022, representing an increase of RMB24 million or 26.61% as compared with the same period last year, primarily due to our increased utilisation of relending and rediscount funds from the Central Bank, which resulted in a 27.65% increase in the average daily amount of Borrowings from the Central Bank from RMB8,579 million in the first half of 2021 to RMB10,951 million in the first half of 2022.

### III. ANALYSIS OF INCOME STATEMENT (CONT'D)

#### 3.5 Net Fee and Commission Income

During the Reporting Period, our net fee and commission income amounted to RMB370 million, representing an increase of RMB24 million or 6.84% as compared with the same period last year, primarily due to the rapid development of agency wealth management, bank card and letters of credit businesses, as a result of which our fee income increased by RMB45 million or 11.82% as compared with the same period last year. Fee expenses increased by RMB21 million or 65.63% as compared with the same period last year, primarily due to the increase in bank card business fees as compared to the same period last year as a result of the expansion of our business scale. The following table sets forth the principal components of our net fee and commission income for the periods indicated.

Unit: RMB million

	January to June 2022	January to June 2021
<b>Fee and commission income</b>		
Agency service fees	159.8	129.0
Settlement and clearing fees	48.9	40.5
Consultancy service fees	120.8	111.2
Bank card service fees	31.2	16.7
Acceptance and guarantee service fees	39.0	32.1
Finance leases service fees	19.1	38.6
Others <sup>(1)</sup>	4.2	10.2
<b>Sub-total</b>	<b>423.0</b>	378.3
<b>Fee and commission expenses</b>		
Settlement and clearing fees	(25.0)	(20.4)
Bank card service fees	(24.3)	(8.3)
Others <sup>(2)</sup>	(3.7)	(3.3)
<b>Sub-total</b>	<b>(53.0)</b>	(32.0)
<b>Net fee and commission income</b>	<b>370.0</b>	346.3

Notes:

(1) Consisted primarily of income from payment and collection clearance accounts and safekeeping business.

(2) Consisted primarily of safekeeping fees and other expenses.

### III. ANALYSIS OF INCOME STATEMENT (CONT'D)

#### 3.6 Net Trading Gains and Losses, Net Gains and Losses Arising from Investment Securities and Other Net Operating Gains and Losses

During the Reporting Period, our net trading gains and losses, net gains and losses arising from investment securities and other net operating gains and losses amounted to RMB658 million, representing an increase of RMB286 million or 76.75% as compared with the same period last year, of which net trading gains and losses increased by RMB83 million, primarily due to an increase in the foreign exchange gains and losses; net investment gains and losses increased by RMB207 million as compared with the same period last year, mainly because we grasped the opportunity arising from volatility of the downward movement of yields in the bond market to optimise the structure of bonds allocation and improve profitability. The following table sets forth the details of our net trading gains and losses, net gains and losses arising from investment securities and other net operating gains and losses for the periods indicated:

Unit: RMB million

	January to June 2022	January to June 2021
Net trading gains and losses	55.8	(26.7)
Net gains and losses arising from investment securities	595.8	388.5
Other net operating gains and losses	6.8	10.7
<b>Total</b>	<b>658.4</b>	<b>372.5</b>

#### 3.7 Operating Expenses

During the Reporting Period, our operating expenses amounted to RMB870 million, representing an increase of RMB120 million or 15.95% as compared with the same period last year, primarily due to the increase in staff costs and other general and administrative expenses. The following table sets forth the principal components of our total operating expenses for the periods indicated.

Unit: RMB million

	January to June 2022	January to June 2021
Staff costs	473.0	392.3
Depreciation and amortisation	108.6	103.2
Taxes and surcharges	46.1	40.8
Rental and property management expenses	7.4	7.8
Interest expenses on lease liabilities	8.1	9.4
Other general and administrative expenses	227.1	197.1
<b>Total operating expenses</b>	<b>870.3</b>	<b>750.6</b>
<b>Cost-to-income ratio</b>	<b>19.45%</b>	<b>19.51%</b>

Our cost-to-income ratio (excluding taxes and surcharges) was 19.51% and 19.45% in the first half of 2021 and 2022, respectively. The decrease in cost-to-income ratio was primarily due to our enhanced cost control and higher operating income.

### III. ANALYSIS OF INCOME STATEMENT (CONT'D)

#### 3.8 Impairment Losses on Assets

During the Reporting Period, our impairment losses on assets amounted to RMB2,163 million, representing an increase of RMB440 million or 25.51% as compared with the same period last year, primarily due to an increase of RMB395 million or 317.08% in our impairment losses on financial investments as compared with the same period last year, which was mainly because of the increase of financial investment impairment provision due to the operating difficulties of individual counterparties during the Reporting Period. The table below sets forth the principal components of our impairment losses on assets for the periods indicated.

Unit: RMB million

	January to June 2022	January to June 2021
Financial assets held under resale agreements	–	0.0
Loans and advances to customers	1,505.6	1,460.5
Financial investments	520.1	124.7
Financial lease receivables	98.5	105.0
Credit commitments	(8.5)	5.0
Others	46.9	27.8
<b>Total</b>	<b>2,162.6</b>	<b>1,723.0</b>

#### 3.9 Income Tax Expense

During the Reporting Period, our income tax expense was RMB114 million, representing a decrease of RMB89 million or 43.92% as compared with the same period last year, primarily due to the increase in non-taxable income in the first half of 2022. The following table sets forth the reconciliation between the income tax calculated at the statutory income tax rate applicable to our profit before tax and our actual income tax for the periods indicated.

Unit: RMB million

	January to June 2022	January to June 2021
Profit before tax	1,203.8	1,164.2
Income tax calculated at statutory tax rate	300.9	291.0
Non-deductible expenses	2.1	0.1
Non-taxable income <sup>(1)</sup>	(189.5)	(88.7)
<b>Income tax expense</b>	<b>113.5</b>	<b>202.4</b>

Note:

- (1) Non-taxable income mainly represents interest income from PRC government bonds, which is exempt from income tax in accordance with PRC tax regulations.

#### IV. ANALYSIS OF STATEMENT OF FINANCIAL POSITION

##### 4.1 Assets

As of the end of the Reporting Period, our total assets amounted to RMB332,660 million, representing an increase of RMB28,139 million or 9.24% as compared to the end of 2021, primarily due to an increase of RMB15,463 million or 11.02% in loans and advances to customers as compared to the end of 2021, and an increase of RMB9,153 million or 8.12% in financial investments as compared to the end of 2021. The following table sets forth the composition of our total assets as of the dates indicated.

Unit: RMB million

	June 30, 2022		December 31, 2021	
	Amount	% of total	Amount	% of total
Loans and advances to customers	155,830.0	46.84	140,367.3	46.09
Financial investments	121,811.6	36.62	112,659.0	37.00
Cash and deposits with the Central Bank	25,889.1	7.78	24,356.6	8.00
Financial assets held under resale agreements	130.1	0.04	200.2	0.07
Deposits with banks and other financial institutions	1,838.1	0.55	4,312.8	1.42
Placements with banks	1,113.0	0.33	2,052.0	0.67
Property and equipment	1,029.9	0.31	1,019.3	0.33
Right-of-use assets	346.5	0.10	394.7	0.13
Deferred tax assets	2,020.2	0.61	1,746.4	0.57
Other assets <sup>(1)</sup>	22,651.0	6.82	17,412.5	5.72
<b>Total assets</b>	<b>332,659.5</b>	<b>100.00</b>	<b>304,520.8</b>	<b>100.00</b>

Note:

- (1) Other assets consist primarily of interest receivable, prepayments for acquisition of property and equipment, finance lease receivables and other receivables.

#### IV. ANALYSIS OF STATEMENT OF FINANCIAL POSITION (CONT'D)

##### 4.1 Assets (Cont'd)

###### 4.1.1 Loans and advances to customers

As of the end of the Reporting Period, our total loans and advances to customers amounted to RMB159,078 million, representing an increase of RMB15,785 million or 11.02% as compared to the end of 2021. In particular, the balance of corporate loans amounted to RMB106,996 million, representing an increase of RMB12,630 million or 13.38% as compared to the end of 2021; the balance of personal loans amounted to RMB42,461 million, representing an increase of RMB2,330 million or 5.81% as compared to the end of 2021; discounted bills amounted to RMB9,621 million, representing an increase of RMB825 million or 9.38% as compared to the end of 2021.

##### Loans by business type

Unit: RMB million

	June 30, 2022		December 31, 2021	
	Amount	% of total	Amount	% of total
Corporate loans	106,995.5	67.26	94,366.1	65.85
Personal loans	42,461.2	26.69	40,130.7	28.01
Discounted bills	9,621.1	6.05	8,795.9	6.14
<b>Total loans and advances to customers</b>	<b>159,077.8</b>	<b>100.00</b>	143,292.7	100.00
Add: Interest accrued	844.9	–	668.5	–
Less: Provision for loans and advances to customers measured at amortised cost	4,092.7	–	3,593.9	–
<b>Net loans and advances to customers</b>	<b>155,830.0</b>	–	140,367.3	–

#### IV. ANALYSIS OF STATEMENT OF FINANCIAL POSITION (CONT'D)

##### 4.1 Assets (Cont'd)

##### 4.1.1 Loans and advances to customers (Cont'd)

##### Corporate loans by maturity

Unit: RMB million

	June 30, 2022		December 31, 2021	
	Amount	% of total	Amount	% of total
Short-term loans <sup>(1)</sup> and advances	35,688.3	33.36	30,600.7	32.43
Medium-and long-term loans	71,307.2	66.64	63,765.4	67.57
<b>Total corporate loans</b>	<b>106,995.5</b>	<b>100.00</b>	94,366.1	100.00

Note:

- (1) Short-term loans are loans and advances with a maturity of one year or less; medium- and long-term loans are loans that mature in more than one year.

As of the end of the Reporting Period, the balance of our short-term loans and advances was RMB35,688 million, accounting for 33.36% of our loans and representing an increase of RMB5,087 million or 16.63% as compared to the end of 2021, mainly because we actively responded to the government's policies and measures to strengthen financial services and support the real economy and enhanced support for inclusive customers during the Reporting Period.

As of the end of the Reporting Period, the balance of our medium- and long-term loans amounted to RMB71,307 million, accounting for 66.64% of our loans and representing an increase of RMB7,542 million or 11.83% as compared to the end of 2021. This was mainly because we actively responded to national policies and requirements and moderately advanced infrastructure investment by increasing our infrastructure loans concerning people's livelihood, with the aim of fully supporting the development of real economy in local areas.

#### IV. ANALYSIS OF STATEMENT OF FINANCIAL POSITION (CONT'D)

##### 4.1 Assets (Cont'd)

##### 4.1.1 Loans and advances to customers (Cont'd)

##### Corporate loans by product type

Unit: RMB million

	June 30, 2022		December 31, 2021	
	Amount	% of total	Amount	% of total
Working capital loans	71,593.6	66.91	61,758.9	65.45
Fixed asset loans	31,406.2	29.35	29,705.6	31.48
Other loans <sup>(1)</sup>	3,995.7	3.74	2,901.6	3.07
<b>Total corporate loans</b>	<b>106,995.5</b>	<b>100.00</b>	94,366.1	100.00

Note:

(1) Other loans consisted primarily of trade financing and advances.

As of the end of the Reporting Period, the balance of our working capital loans amounted to RMB71,594 million, representing an increase of RMB9,835 million or 15.92% as compared to the end of 2021; the balance of our fixed asset loans amounted to RMB31,406 million, representing an increase of RMB1,700 million or 5.72% as compared to the end of 2021. The increase in our working capital loans and fixed asset loans as compared to the end of 2021 was mainly due to our faithful implementation of the national macro policies and regulatory requirements, by providing security through establishment of the system of “dare to lend, willing to lend, able to lend and serve to lend”, innovating product models, enriching service offerings, continuously optimising financial service supply, and constantly increasing support for the real economy, thereby achieving the continued growth of credit supply.

As of the end of the Reporting Period, the balance of our other loans amounted to RMB3,996 million, representing an increase of RMB1,094 million or 37.71% as compared to the end of 2021, mainly due to a significant increase in on-balance sheet financing activities denominated in foreign currencies as we actively supported the development of foreign trade enterprises.



## IV. ANALYSIS OF STATEMENT OF FINANCIAL POSITION (CONT'D)

## 4.1 Assets (Cont'd)

## 4.1.1 Loans and advances to customers (Cont'd)

## Corporate loans by industry

Unit: RMB million

	June 30, 2022		December 31, 2021	
	Amount	% of total	Amount	% of total
<b>Industry:</b>				
Leasing and business services	26,539.9	24.80	20,457.9	21.68
Water conservancy, environment and public facilities management	19,745.0	18.45	18,810.8	19.93
Manufacturing	17,843.9	16.68	17,104.3	18.12
Construction	13,985.8	13.07	10,462.1	11.09
Real estate	7,060.1	6.60	7,362.5	7.80
Wholesale and retail	6,748.4	6.31	6,746.0	7.15
Electricity, heat, gas and water production and supply	2,926.9	2.73	2,290.4	2.43
Transportation, warehousing and postal services	2,908.7	2.72	2,489.9	2.64
Agriculture, forestry, animal husbandry and fishery	2,458.0	2.30	2,481.0	2.63
Hygiene and social welfare	976.1	0.91	889.4	0.94
Culture, sports and entertainment	198.6	0.19	199.2	0.21
Others <sup>(1)</sup>	5,604.1	5.24	5,072.6	5.38
<b>Total corporate loans</b>	<b>106,995.5</b>	<b>100.00</b>	<b>94,366.1</b>	<b>100.00</b>

Note:

- (1) Others consist primarily of information transmission, software and information technology services, education, resident services, maintenance and other services and accommodation and catering.

As of the end of the Reporting Period, the top five industries to which we distributed loans were leasing and business services, water conservancy, environment and public facilities management, manufacturing, construction and real estate; loans to customers in these five industries totaled RMB26,540 million, RMB19,745 million, RMB17,844 million, RMB13,986 million and RMB7,060 million, accounting for 24.80%, 18.45%, 16.68%, 13.07% and 6.60% of our total corporate loans, respectively.

#### IV. ANALYSIS OF STATEMENT OF FINANCIAL POSITION (CONT'D)

##### 4.1 Assets (Cont'd)

##### 4.1.1 Loans and advances to customers (Cont'd)

##### Personal loans by product type

Unit: RMB million

	June 30, 2022		December 31, 2021	
	Amount	% of total	Amount	% of total
Residential mortgage loans	17,017.3	40.08	16,319.9	40.67
Personal consumption loans	5,039.9	11.87	3,680.1	9.17
Personal business loans	19,110.4	45.01	18,803.4	46.85
Credit cards	1,293.6	3.04	1,327.3	3.31
<b>Total personal loans</b>	<b>42,461.2</b>	<b>100.00</b>	40,130.7	100.00

As of the end of the Reporting Period, the balance of our residential mortgage loans amounted to RMB17,017 million, representing an increase of RMB697 million or 4.27% as compared to the end of 2021, mainly attributable to our efforts to grow the personal residential mortgage loans by improving the approval efficiency of personal residential mortgage loans through process optimization and automatic review and approval. These loans were generally secured by residential properties with relatively low risks.

As of the end of the Reporting Period, the balance of our personal consumption loans amounted to RMB5,040 million, representing an increase of RMB1,360 million or 36.95% as compared to the end of 2021, mainly because firstly, we launched new cooperative institutions, which led to expansion in business scale, and secondly, we fostered product innovation, improved financial convenience, and improved financial services for new citizens.

As of the end of the Reporting Period, the balance of our personal business loans amounted to RMB19,110 million, representing an increase of RMB307 million or 1.63% as compared with the end of 2021, mainly because we expanded our services to the real and small and micro economy by rationally adjusting our loan structure.

As of the end of the Reporting Period, the balance of our credit cards amounted to RMB1,294 million, representing a decrease of RMB34 million or 2.54% as compared to the end of 2021, mainly because of the decrease in credit card overdraft balance due to the objective impact of the epidemic in various regions in the first half of the year to a certain extent.

#### IV. ANALYSIS OF STATEMENT OF FINANCIAL POSITION (CONT'D)

##### 4.1 Assets (Cont'd)

##### 4.1.1 Loans and advances to customers (Cont'd)

###### Discounted bills

As of the end of the Reporting Period, the total amount of discounted bills was RMB9,621 million, accounting for 6.05% of our total loans and advances to customers, representing an increase of RMB825 million or 9.38% as compared with the end of 2021, mainly due to the moderate increase of our bills size as we enhanced our efforts in distributing discounted bills to provide targeted support to small and micro enterprises.

The table below sets forth the distribution of our discounted bills by the type of discounted bills as of the dates indicated:

Unit: RMB million

	June 30, 2022		December 31, 2021	
	Amount	% of total	Amount	% of total
Bank acceptance bills	6,231.1	64.76	7,824.7	88.96
Commercial acceptance bills	3,390.0	35.24	971.2	11.04
<b>Total discounted bills</b>	<b>9,621.1</b>	<b>100.00</b>	8,795.9	100.00

###### Distribution of loans and advances to customers by collateral

Unit: RMB million

	June 30, 2022		December 31, 2021	
	Amount	% of total	Amount	% of total
Pledged loans	9,210.0	5.79	8,877.7	6.19
Collateralised loans	63,208.6	39.73	56,926.1	39.73
Guaranteed loans	61,647.2	38.75	55,156.0	38.49
Unsecured loans	15,390.9	9.68	13,537.0	9.45
Discounted bills	9,621.1	6.05	8,795.9	6.14
<b>Gross loans and advances to customers</b>	<b>159,077.8</b>	<b>100.00</b>	143,292.7	100.00

## IV. ANALYSIS OF STATEMENT OF FINANCIAL POSITION (CONT'D)

## 4.1 Assets (Cont'd)

## 4.1.1 Loans and advances to customers (Cont'd)

**Distribution of loans and advances to customers by geographical region**

Unit: RMB million

	June 30, 2022		December 31, 2021	
	Amount	% of total	Amount	% of total
<b>Region:</b>				
Weihai City	<b>48,596.9</b>	<b>30.55</b>	43,508.7	30.36
Outside Weihai City	<b>110,480.9</b>	<b>69.45</b>	99,784.0	69.64
<b>Gross loans and advances to customers</b>	<b>159,077.8</b>	<b>100.00</b>	143,292.7	100.00

## 4.1.2 Financial investments

As of the end of the Reporting Period, the carrying value of our financial investments was RMB121,812 million, representing an increase of RMB9,153 million or 8.12% as compared with the end of 2021. The following table sets forth the composition of our financial investment portfolio as of the dates indicated.

**Classification of financial investments by business model and cash flow characteristics**

Unit: RMB million

	June 30, 2022		December 31, 2021	
	Amount	% of total	Amount	% of total
Financial investments measured at amortised cost	<b>83,120.7</b>	<b>68.24</b>	77,122.2	68.46
Financial investments measured at fair value through other comprehensive income	<b>27,672.2</b>	<b>22.72</b>	23,369.5	20.74
Financial investments measured at fair value through profit or loss	<b>11,018.7</b>	<b>9.04</b>	12,167.2	10.80
<b>Total financial investments</b>	<b>121,811.6</b>	<b>100.00</b>	112,658.9	100.00

**IV. ANALYSIS OF STATEMENT OF FINANCIAL POSITION (CONT'D)****4.1 Assets (Cont'd)****4.1.2 Financial investments (Cont'd)****Financial investments measured at amortised cost**

As of the end of the Reporting Period, the carrying value of our financial investments measured at amortised cost amounted to RMB83,121 million, representing an increase of RMB5,999 million or 7.78% as compared with that as of the end of 2021. In the first half of 2022, the increase in such assets was mainly due to our active risk management and adjustment of investment structure by moderately increasing the investment in low-risk government bonds according to the situation of bond markets; and the adjustment of investment structure by increasing the investment in non-financial corporate bonds under the orientation of supporting the real economy. The following table sets forth the components of our financial investments measured at amortised cost as of the dates indicated.

Unit: RMB million

	June 30, 2022	December 31, 2021
Debt securities issued by the following institutions in Mainland China		
Central government	7,105.7	5,152.2
Policy banks	13,661.3	15,025.2
Banks and other financial institutions	1,020.0	1,020.0
Corporates	25,311.4	20,537.5
Government-backed institutions	1,840.4	1,889.8
Local governments	23,880.8	21,062.9
Interests accrued	1,276.1	1,268.9
<b>Sub-total</b>	<b>74,095.7</b>	65,956.5
Investment management products	10,006.8	11,387.8
Asset-backed securities	706.3	944.1
Less: Provision for impairment losses	(1,688.1)	(1,166.2)
<b>Total</b>	<b>83,120.7</b>	77,122.2

#### IV. ANALYSIS OF STATEMENT OF FINANCIAL POSITION (CONT'D)

##### 4.1 Assets (Cont'd)

##### 4.1.2 Financial investments (Cont'd)

##### Financial investments measured at fair value through other comprehensive income

As of the end of the Reporting Period, the carrying value of our financial investments measured at fair value through other comprehensive income amounted to RMB27,672 million, representing an increase of RMB4,302 million or 18.41% as compared with that of the end of 2021. Such increase was mainly due to the increase in treasury bonds and policy financial bonds for the purposes of both liquidity and efficiency. The following table sets forth the components of our financial investments measured at fair value through other comprehensive income as of the dates indicated.

Unit: RMB million

Item	June 30, 2022	December 31, 2021
Debt securities issued by the following institutions in Mainland China		
Governments	2,893.1	371.8
Policy banks	15,917.6	11,992.2
Banks and other financial institutions	723.6	221.1
Corporates	5,573.2	5,908.7
Government-backed institutions	262.2	263.8
Local governments	1,215.3	2,064.2
Interests accrued	426.4	457.1
<b>Sub-total</b>	<b>27,011.4</b>	21,278.9
Interbank deposits	195.5	1,561.5
Asset-backed securities	82.8	85.5
Equity investments	382.5	443.6
<b>Total</b>	<b>27,672.2</b>	23,369.5

#### IV. ANALYSIS OF STATEMENT OF FINANCIAL POSITION (CONT'D)

##### 4.1 Assets (Cont'd)

##### 4.1.2 Financial investments (Cont'd)

##### Financial investments measured at fair value through profit or loss

As of the end of the Reporting Period, the carrying value of our financial investments measured at fair value through profit or loss amounted to RMB11,019 million, representing a decrease of RMB1,148 million or 9.44% as compared with that of the end of 2021. Such decrease was mainly due to the fact that the Bank did not resume the trading trust scheme and capital management scheme business when due and that the investment was increased in public funds with stronger liquidity and tax-free advantage. The following table sets forth the components of our financial investments measured at fair value through profit or loss as of the dates indicated.

Unit: RMB million

Item	June 30, 2022	December 31, 2021
Debt securities issued by the following institutions in Mainland China		
– Policy banks	50.1	923.9
– Banks and other financial institutions	1,130.9	615.4
– Corporates	992.1	1,178.5
<b>Sub-total</b>	<b>2,173.1</b>	2,717.8
Asset-backed securities	401.4	413.1
Investment funds	4,181.5	3,996.3
Investment management products	4,196.8	5,040.0
Equity investments	65.9	–
<b>Total</b>	<b>11,018.7</b>	12,167.2

## IV. ANALYSIS OF STATEMENT OF FINANCIAL POSITION (CONT'D)

## 4.2 Liabilities

As of the end of the Reporting Period, our total liabilities amounted to RMB307,623 million, representing an increase of RMB27,272 million or 9.73% as compared to the end of 2021, mainly due to the increases in deposits from customers and financial assets sold under repurchase agreements. The following table sets forth the composition of our total liabilities as of the dates indicated.

Unit: RMB million

	June 30, 2022		December 31, 2021	
	Amount	% of total	Amount	% of total
Deposits from customers	229,535.1	74.62	206,842.0	73.78
Financial assets sold under repurchase agreements	10,102.0	3.28	7,004.0	2.50
Deposits from banks	4,165.5	1.35	4,031.7	1.44
Placements from banks and other financial institutions	19,335.2	6.29	15,066.2	5.37
Debt securities issued	29,490.3	9.59	32,698.3	11.66
Borrowings from the Central Bank	10,918.0	3.55	11,281.7	4.02
Income tax payable	304.5	0.10	429.3	0.15
Deferred tax liabilities	20.3	0.01	48.0	0.02
Lease liabilities	340.7	0.11	374.2	0.13
Other liabilities <sup>(1)</sup>	3,411.4	1.10	2,575.2	0.93
<b>Total liabilities</b>	<b>307,623.0</b>	<b>100.00</b>	<b>280,350.6</b>	<b>100.00</b>

Note:

- (1) Other liabilities consisted primarily of interest payable, payment and collection clearance accounts, accrued staff costs and dividend payable.



#### IV. ANALYSIS OF STATEMENT OF FINANCIAL POSITION (CONT'D)

##### 4.2 Liabilities (Cont'd)

###### 4.2.1 Deposits from customers

Deposits from customers are our primary source of funding, accounting for 73.78% and 74.62% of our total liabilities as of the end of 2021 and the end of the Reporting Period, respectively. As of the end of the Reporting Period, our deposits from customers amounted to RMB229,535 million, representing an increase of RMB22,693 million or 10.97% as compared to the end of 2021, mainly due to the steady increases in our corporate deposits and personal deposits as we amplified our marketing campaign for deposits. The following table sets forth the composition of our deposits from customers as of the dates indicated.

Unit: RMB million

	June 30, 2022		December 31, 2021	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand deposits	53,660.6	23.77	55,204.3	27.08
Time deposits	71,732.9	31.77	62,543.8	30.68
<b>Sub-total</b>	<b>125,393.5</b>	<b>55.54</b>	117,748.1	57.76
Personal deposits				
Demand deposits	12,090.5	5.35	9,573.5	4.70
Time deposits	88,234.6	39.08	76,450.0	37.51
<b>Sub-total</b>	<b>100,325.1</b>	<b>44.43</b>	86,023.5	42.21
Inward and outward remittances	73.0	0.03	62.0	0.03
<b>Total</b>	<b>225,791.6</b>	<b>100.00</b>	203,833.6	100.00
Interests accrued	3,743.5		3,008.4	
<b>Deposits from customers</b>	<b>229,535.1</b>		206,842.0	

###### 4.2.2 Financial assets sold under repurchase agreements

As of the end of the Reporting Period, the balance of our financial assets sold under repurchase agreements was RMB10,102 million, representing an increase of RMB3,098 million or 44.23% as compared to the end of 2021, primarily due to the adjustment of the structure of our liability business and increased utilisation of financial assets sold under repurchase agreements.

#### IV. ANALYSIS OF STATEMENT OF FINANCIAL POSITION (CONT'D)

##### 4.2 Liabilities (Cont'd)

###### 4.2.3 Placements from banks and other financial institutions

As of the end of the Reporting Period, the balance of our placements from banks and other financial institutions amounted to RMB19,335 million, representing an increase of RMB4,269 million or 28.33% as compared to the end of 2021, mainly due to the continued increase in the scale of our finance lease business and the corresponding increase in the amount of placements from banks and other financial institutions.

###### 4.2.4 Debt securities issued

Debt securities issued consist primarily of certificates of interbank deposit and tier-two capital bonds issued by us. As of the end of the Reporting Period, the balance of our debt securities issued amounted to RMB29,490 million, representing a decrease of RMB3,208 million or 9.81% as compared to the end of 2021, mainly due to the adjustment of our liability business structure and the appropriate control of the issue scale of interbank deposits.

##### 4.3. Shareholders' Equity

As of the end of the Reporting Period, our total shareholders' equity amounted to RMB25,037 million, representing an increase of RMB866 million or 3.58% as compared to the end of 2021; our total equity attributable to shareholders amounted to RMB19,426 million, representing an increase of RMB269 million or 1.41% as compared to the end of 2021, mainly due to the increase in our general reserve. The following table sets forth the composition of our shareholders' equity as of the dates indicated.

Unit: RMB million

	June 30, 2022		December 31, 2021	
	Amount	% of total	Amount	% of total
Share capital	5,980.1	23.89	5,980.1	24.74
Capital reserve	4,925.4	19.67	4,947.6	20.47
Surplus reserve	1,379.2	5.51	1,379.2	5.71
General reserve	3,227.9	12.89	2,648.1	10.96
Fair value reserve	(82.4)	(0.33)	25.0	0.10
Impairment reserve	37.7	0.15	25.3	0.10
Retained earnings	3,958.0	15.81	4,151.4	17.18
Total equity attributable to equity shareholders of the Bank	19,425.9	77.59	19,156.7	79.26
Perpetual bonds	4,099.2	16.37	4,099.2	16.96
Non-controlling interests	1,511.4	6.04	914.3	3.78
<b>Total equity</b>	<b>25,036.5</b>	<b>100.00</b>	24,170.2	100.00

## V. OFF-BALANCE SHEET ITEMS

Our off-balance sheet items particularly include credit commitment and capital commitment, etc. Credit commitment is the most important component, and as of the end of the Reporting Period, the balance of credit commitment amounted to RMB55,408 million. For details, please refer to Note 42 to the financial statements in the Report.

For details of pledges as collateral for liabilities, please refer to Note 24(a) to the financial statements in the Report.

## VI. ANALYSIS OF LOAN QUALITY

During the Reporting Period, we strengthened the management and control of the quality of credit assets. While the credit assets grew steadily, the quality of credit assets remained stable. As of the end of the Reporting Period, our total loans (excluding interests accrued) amounted to RMB159,078 million, representing an increase of RMB15,785 million or 11.02% as compared with the end of 2021; total overdue loans amounted to RMB3,692 million, representing an increase of RMB747 million or 25.35% from the end of 2021; total non-performing loans amounted to RMB2,341 million, representing an increase of RMB232 million or 10.98% as compared with the end of 2021; and the non-performing loan ratio was 1.47%, which stood at the same level as compared with the end of 2021.

### 6.1 Distribution of Loans by Five-category Classification

Unit: RMB million

	June 30, 2022		December 31, 2021	
	Amount	% of total	Amount	% of total
Normal loans	152,904.2	96.12	137,184.4	95.74
Special-mentioned loans	3,832.9	2.41	3,999.2	2.79
<b>Sub-total of normal loans</b>	<b>156,737.1</b>	<b>98.53</b>	141,183.6	98.53
Substandard loans	1,527.4	0.96	1,557.7	1.09
Doubtful loans	813.3	0.51	551.4	0.38
Loss loans	–	–	–	–
<b>Sub-total of non-performing loans</b>	<b>2,340.7</b>	<b>1.47</b>	2,109.1	1.47

Under the five-category loan regulatory system, our non-performing loans include substandard, doubtful and loss loans. As of the end of the Reporting Period, our non-performing loan ratio stood at the same level as compared with the end of 2021. In particular, the proportion of substandard loans decreased by 0.13 percentage point from the end of 2021 to 0.96%, the proportion of doubtful loans increased by 0.13 percentage point from the end of 2021 to 0.51%, and loss loans remained the same as compared with the end of 2021.

**VI. ANALYSIS OF LOAN QUALITY (CONT'D)****6.2 Distribution of Non-performing Corporate Loans by Industry**

As of the end of the Reporting Period, among the Bank's non-performing loans, non-performing corporate loans and non-performing personal loans amounted to RMB1,588 million and RMB753 million, respectively. Below sets out the distribution of non-performing corporate loans by industry:

Unit: RMB million

	June 30, 2022			December 31, 2021		
	Amount of non- performing loans	% of total <sup>(1)</sup>	Non- performing loan ratio (%) <sup>(1)</sup>	Amount of non- performing loans	% of total <sup>(1)</sup>	Non- performing loan ratio (%) <sup>(1)</sup>
Manufacturing	356.1	22.42	2.00	606.5	33.86	3.55
Wholesale and retail	437.3	27.54	6.48	354.5	19.79	5.25
Construction	325.8	20.52	2.33	340.3	19.00	3.25
Leasing and business services	184.0	11.58	0.69	185.7	10.37	0.91
Transportation, warehousing and postal services	83.2	5.24	2.86	126.8	7.08	5.09
Water conservancy, environment and public facilities management	3.0	0.19	0.02	71.0	3.96	0.38
Agriculture, forestry, animal husbandry and fishery	81.1	5.11	3.30	44.6	2.49	1.80
Electricity, heat, gas and water production and supply	59.6	3.76	2.04	10.0	0.55	0.43
Other <sup>(1)</sup>	57.8	3.64	0.75	51.8	2.90	0.64
<b>Total</b>	<b>1,587.9</b>	<b>100.00</b>	<b>1.48</b>	<b>1,791.2</b>	<b>100.00</b>	<b>1.90</b>

Note:

- (1) Consist primarily of accommodation and catering; real estate; culture, sports and entertainment; information transmission, software and information technology services, etc.

## VI. ANALYSIS OF LOAN QUALITY (CONT'D)

## 6.3 Distribution of Non-performing Loans by Product Type

Unit: RMB million

	June 30, 2022			December 31, 2021		
	Amount	% of total	Non-performing loan ratio (%)	Amount	% of total	Non-performing loan ratio (%)
Working capital loans	1,113.7	47.58	1.56	1,295.9	61.44	2.10
Fixed asset loans	244.9	10.46	0.78	264.9	12.56	0.89
Other corporate loans <sup>(1)</sup>	229.3	9.80	5.74	230.4	10.92	7.94
Residential mortgage loans	74.1	3.17	0.44	44.4	2.11	0.27
Personal consumption loans	23.0	0.98	0.46	13.7	0.65	0.37
Personal business loans	587.0	25.08	3.07	223.1	10.58	1.19
Credit cards	68.7	2.93	5.31	36.7	1.74	2.76
<b>Total</b>	<b>2,340.7</b>	<b>100.00</b>	<b>1.47</b>	<b>2,109.1</b>	<b>100.00</b>	<b>1.47</b>

Note:

(1) Other corporate loans mainly include trade financing, advances, etc

## 6.4 Distribution of Non-performing Loans by Geographical Region

Unit: RMB million

	June 30, 2022			December 31, 2021		
	Amount	% of total	Non-performing loan ratio (%)	Amount	% of total	Non-performing loan ratio (%)
Weihai City	271.9	11.62	0.56	180.1	8.54	0.41
Outside Weihai City	2,068.8	88.38	1.87	1,929.0	91.46	1.93
<b>Total non-performing loans</b>	<b>2,340.7</b>	<b>100.00</b>	<b>1.47</b>	<b>2,109.1</b>	<b>100.00</b>	<b>1.47</b>

## VI. ANALYSIS OF LOAN QUALITY (CONT'D)

### 6.5 Concentration of Borrowers

Pursuant to the Administrative Measures for the Large Risk Exposure of Commercial Banks and the Core Indicators for Risk Supervision of Commercial Banks (Provisional), loans to a single borrower by a commercial bank shall not exceed 10% of its net capital. As of the end of the Reporting Period, the amount of loans to our largest single customer accounted for 6.36% of our net capital, which was in compliance with regulatory requirements.

#### *Loans to the top ten single borrowers*

Unit: RMB million

	Industry	Loan amount as of the end of the Reporting Period	% of total loans	% of net capital	Five-category classification
Borrower A	Leasing and business services	1,999.9	1.26	6.36	Normal
Borrower B	Leasing and business services	1,961.0	1.23	6.24	Normal
Borrower C	Construction	1,796.2	1.13	5.71	Normal
Borrower D	Manufacturing	1,780.0	1.12	5.66	Normal
Borrower E	Water conservancy, environment and public facilities management	1,780.0	1.12	5.66	Normal
Borrower F	Water conservancy, environment and public facilities management	1,744.6	1.10	5.55	Normal
Borrower G	Real estate	1,700.0	1.07	5.41	Normal
Borrower H	Manufacturing	1,354.6	0.85	4.31	Normal
Borrower I	Water conservancy, environment and public facilities management	1,346.0	0.84	4.28	Normal
Borrower J	Leasing and business services	1,284.0	0.81	4.08	Normal
<b>Total</b>		<b>16,746.3</b>	<b>10.53</b>	<b>53.26</b>	

## VII. SEGMENT REPORTING

The following segment operating results are presented by business segment. Our principal businesses include corporate banking, retail banking, financial market business and others. The following table sets forth our key operating results for each of our business segments for the periods indicated.

Unit: RMB million

	January to June 2022		January to June 2021	
	Operating income of the segment	% of total	Operating income of the segment	% of total
Corporate banking	2,519.9	59.48	2,164.9	59.51
Retail banking	984.6	23.24	819.6	22.53
Financial market business	727.0	17.16	650.9	17.89
Others	5.1	0.12	2.4	0.07
<b>Total</b>	<b>4,236.6</b>	<b>100.00</b>	<b>3,637.8</b>	<b>100.00</b>

Unit: RMB million

	January to June 2022		January to June 2021	
	Segment profit before tax	% of total	Segment profit before tax	% of total
Corporate banking	576.9	47.93	525.4	45.13
Retail banking	343.6	28.54	297.0	25.51
Financial market business	286.8	23.83	349.7	30.04
Others	(3.6)	(0.30)	(7.9)	(0.68)
<b>Total</b>	<b>1,203.7</b>	<b>100.00</b>	<b>1,164.2</b>	<b>100.00</b>

### VIII. BUSINESS DEVELOPMENT

Our principal business lines include corporate banking (including financial leasing services provided through our subsidiary, Tongda Financial Leasing), retail banking and financial market business.

#### 8.1 Corporate Banking

The Bank's corporate banking business fully relied on the advantages of its shareholders, business scale and network, strengthened the collaboration and linkage marketing mechanism, improved the comprehensive service capabilities, actively promoted digital transformation, deepened model innovation, vigorously developed supply chain finance, focused on "strengthening the headquarters" and "strengthening the head office", continued to improve supply capacities, and continuously drove the steady growth of the business scale and efficiency of the Bank through establishing a headquarters-to-headquarters platform, managing clients based on lists, marketing to cover the entire chain and promoting technology empowerment. During the Reporting Period, the operating income from our corporate banking business amounted to RMB2,520 million, representing an increase of 16.40% as compared with the same period of last year and accounting for 59.48% of our total operating income.

##### (1) Corporate customers

The Bank has established a vast and stable corporate customer base in Shandong Province and Tianjin Municipality. The corporate banking customers of the Bank primarily comprise the governmental agencies, state-owned enterprises, business units, and industrial and commercial enterprises in Shandong Province and Tianjin Municipality. As of the end of the Reporting Period, there were 61,022 corporate customers, representing an increase of 2,355 customers or 4.01% as compared with that as of the end of last year. The marketing focus of the Bank's corporate customers was firstly, to expand the scale and speed advantages of the Bank, and form a group of high quality customers in the livelihood, green finance, technology and trade finance categories with platform building and selected customers as the starting point; secondly, the Bank carried out chain marketing, relied on core customers, integrated core customer resources, made full use of supply chain products, explored upstream and downstream industrial chains, marketed high-quality supply chain financial customers, gained in-depth linkage and explored the potential of customer resources.

##### (2) Corporate deposits

During the Reporting Period, the Bank deepened its cooperation with enterprises and governments, strengthened the marketing of net liability deposits and institutional deposits; improved the quality and efficiency of services, and took "digital transformation" as an opportunity to enhance customer stickiness and increase fund settlement through online, comprehensive and skilled service upgrades; strengthened linkage and collaboration, continuously increased customer capital accumulation through business, line and customer linkage, and helped steadily increase the scale of corporate deposits.

As of the end of the Reporting Period, the balance of corporate deposits amounted to RMB125,394 million, representing an increase of RMB7,645 million or 6.49% as compared with the end of 2021, accounting for 55.54% of the balance of all deposits. In particular, corporate demand deposits amounted to RMB53,661 million, accounting for 42.79% of corporate deposits; and corporate time deposits amounted to RMB71,733 million, accounting for 57.21% of corporate deposits.



### VIII. BUSINESS DEVELOPMENT (CONT'D)

#### 8.1 Corporate Banking (Cont'd)

##### (3) Corporate loans

As of the end of the Reporting Period, the balance of corporate loans was RMB106,996 million, representing an increase of RMB12,630 million or 13.38% as compared with the end of 2021, of which the balance of working capital loans was RMB71,594 million, accounting for 66.91% of total corporate loans; the balance of fixed asset loans was RMB31,406 million, accounting for 29.35% of total corporate loans; and the balance of other loans was RMB3,996 million, accounting for 3.74% of total corporate loans.

##### **Loans to large and medium enterprises**

During the Reporting Period, the Bank actively implemented its policy requirements. Firstly, the Bank earnestly supported the financial anti-epidemic work, actively assisted the coordinated resumption of work and production of the industrial chain, and supported the recovery of the real economy; secondly, the Bank implemented the national policy orientation and regulatory requirements, actively supported the development of the real economy, attached great importance to shifting credit resources to green finance, technological innovation enterprises, inclusive finance, private enterprises, rural revitalization, marine economy, infrastructure construction, advanced manufacturing, strategic emerging industries and the industrial upgrading, technological transformation, energy conservation and environmental protection projects of traditional enterprises, continued to optimize the credit business environment and improved credit services.

As of the end of the Reporting Period, the balance of loans to large enterprises was RMB23,088 million, and the balance of loans to medium enterprises was RMB34,906 million.

##### **Loans to small and micro enterprises**

The Bank has set up 1 specialised institution for small and micro enterprises – the small enterprise financial service centre, which directly operates a business centre and a small and micro enterprise financial service centre. The Bank's primary sub-branches focused on retail and inclusive business. With community and small and micro banks as carriers, the Bank positioned itself in the community to serve small and micro enterprises in the inclusive business. As of the end of the Reporting Period, the Bank had 3 community sub-branches and 2 small and micro sub-branches.

The development of inclusive business adheres to the principle of “three means plus one reliance”, i.e. “product + platform + online” and “relying on professional teams”, and continuously optimises the financing service model and product innovation for small and micro enterprises. The Bank has made full use of Central Bank inclusive small and micro loans supporting tools, and has achieved significant results in marketing expansion focusing on specialized and sophisticated enterprises that produce new and unique products, technology-based enterprises and upstream and downstream enterprises along the supply chain. The loan structure has been gradually optimised. As of the end of the Reporting Period, the balance of the Bank's inclusive small and micro loans (including loans to small and micro enterprises with credit lines for single account less than RMB10 million (inclusive), loans to individual industrial and commercial households, and loans to owners of small and micro enterprises, exclusive of discount) amounted to RMB22,522 million, representing an increase of RMB1,764 million or 8.50% as compared with the beginning of the year. The average loan interest rate for inclusive small and micro enterprises was 5.57%, and the number of customers of inclusive small and micro-enterprise loans was 73,000, representing an increase of 8,900 as compared with the beginning of the year. The Bank effectively supported the capital demands from inclusive small and micro enterprises.

### VIII. BUSINESS DEVELOPMENT (CONT'D)

#### 8.1 Corporate Banking (Cont'd)

##### (4) Trade finance business

The Bank provides a wide range of financial products and services to corporate customers involving cross-border transactions and domestic trade. Our international settlement services primarily include remittance, collection, letters of credit, letters of guarantee and cross-border RMB settlement. As of the end of the Reporting Period, the Bank had 23 branches and sub-branches providing international settlement services and has established agency relationship with a total of 214 banks, covering 30 countries (regions) including Mainland China, Hong Kong, Germany and the United States. The Bank has continued to strengthen its marketing efforts based on its trading and financial customer list to enhance its business scale. During the Reporting Period, the trading and financial services transaction volume amounted to US\$6,323 million.

#### 8.2 Retail Business

During the Reporting Period, under the general environment of “digital” transformation, the Bank clarified the strategic positioning of “focusing on retail”, and achieved high-quality and rapid development of its retail business by strengthening technology investment and improving online product functions and service. During the Reporting Period, the operating income from retail banking business amounted to RMB985 million, representing an increase of 20.13% as compared with the same period of last year and accounting for 23.24% of total operating income.

##### (1) Retail customers

The Bank adhered to the featured development path of “Bi-Focus retail banking” based on the principle of “customer-oriented and technology-driven” with a focus on customer experience. It used digitalization-driven and platform and online-based modes in customer management, and built a digital ecology through in-depth cooperation with technology finance companies, third-party consulting companies and lifestyle services companies, so as to enhance customer experience. In addition, the Bank fully implemented the digital management of its retail customer base, improved the differentiated marketing and supporting services for core customer bases, which formed targeted operational strategies to effectively enhance the digital management capability of customer bases. Meanwhile, it also actively built a smart marketing platform to improve the system support capability of the entire marketing process, which helped to enhance the quality and efficiency of customer maintenance.

The Bank has a wide range of retail banking customers in Shandong Province and Tianjin. As of the end of the Reporting Period, the assets retained by retail customers in the Bank amounted to RMB138,474 million, representing an increase of 7.39% as compared with the end of 2021. As the wealth management of the Bank gradually improves, the number of mid- to high-end customers continues to grow. As of the end of the Reporting Period, the financial assets retained in the Bank by customers with personal financial assets of over RMB200,000 amounted to RMB113,538 million, accounting for 82.36% of the Bank’s personal financial assets.

### VIII. BUSINESS DEVELOPMENT (CONT'D)

#### 8.2 Retail Business (Cont'd)

##### (1) Retail customers (Cont'd)

During the Reporting Period, the Bank regarded customer demands as a starting point, continually increased its efforts in financial services and enriched its retail products system, and constantly expanded into diversified and multi-level wealth management. The Bank also worked to further meet the diverse financial needs of its customers through measures such as introducing consignment of wealth management products, optimising online channels for mobile banking, enriching the benefits to high-end customers, promoting debit card and credit card customer experience, and developing installment products for credit cards.

##### (2) Personal deposit business

During the Reporting Period, the Bank's total personal deposits increased significantly. As of the end of the Reporting Period, the balance of the Bank's personal deposits reached RMB100,325 million, representing an increase of RMB14,302 million or 16.63% as compared with the end of 2021.

##### (3) Personal loan business

We provide residential mortgage loans, personal business loans and personal consumption loans to retail banking customers.

#### **Personal consumption loans**

The Bank vigorously promoted a series of personal consumption loans under the brand name of "Happy Consumption Loan" and featured revolving online personal loan product "Quick e-Loan" to meet personal and family consumption needs. During the Reporting Period, under the premise of effective risk management and control, the Bank actively explored the online process of its personal consumption loan business to stably increase the scale of consumption loans. As of the end of the Reporting Period, the balance of personal consumption loans of the Bank amounted to RMB5,040 million, representing an increase of RMB1,360 million or 36.95% as compared with the end of 2021.

#### **Residential mortgage loans**

During the Reporting Period, the Bank adhered to the positioning of "houses are for living in, not for speculation" and implemented differentiated housing credit policies to support residents' reasonable housing needs and steadily develop individual residential mortgage loans. The Bank also introduced a retail rating model to assist in approval and decision-making, strengthened the risk prevention and control of mortgage business, and focused on marketing high-quality developers, high-quality properties and high-quality customers to promote the steady growth of residential mortgage business. As at the end of the Reporting Period, the balance of our residential mortgage loans amounted to RMB17,017 million.

### VIII. BUSINESS DEVELOPMENT (CONT'D)

#### 8.2 Retail Business (Cont'd)

##### (3) *Personal loan business (Cont'd)*

###### **Personal business loans**

The Bank insisted on digital inclusion and technology empowerment, and continued to accelerate product innovation by using the Bank's inclusive financial service platform as a carrier to create a series of online products for inclusive customer base and launch online products such as "Merchant Loan (商戶貸)". At the same time, the Bank's online product "Property e-Loan (房e貸)" was reinvented and upgraded to achieve a new breakthrough in business by leveraging the internet marketing model and making full use of the advantages of online application, online approval, and convenient borrowing and repayment services. As of the end of the Reporting Period, the balance of the Bank's Property e-Loan product exceeded RMB6,000 million, representing an increase of 34.86%.

##### (4) *Personal wealth management business*

As of the end of the Reporting Period, the scale of the Bank's personal wealth management business reached RMB36,711 million, representing a decline of RMB5,892 million or 13.83% as compared with the end of 2021, mainly due to the control of the overall business scale in accordance with regulatory requirements.

##### (5) *Bank card business*

Debit card business: During the Reporting Period, the Bank further enriched the rights and interests of cardholders and improved the user experience. The number of debit cards issued achieved steady growth. As of the end of the Reporting Period, the Bank issued a total of 4,418,800 debit cards (including 1,516,500 Weihai Citizen Cards), representing an increase of 198,700 cards, or 4.71%, as compared with the end of 2021; during the Reporting Period, the total transaction volume of consumption through the Bank's debit cards was RMB3,813 million.

Credit card business: During the Reporting Period, under the premise of strict risk management, the Bank vigorously expanded the market, and the credit card business formed a good trend of stable development, deep exploration of potential and strong management, and realised the improvement of business scale. During the Reporting Period, the Bank issued 9,192 new credit cards, with a total of 148,093 credit cards issued.

### VIII. BUSINESS DEVELOPMENT (CONT'D)

#### 8.3 Financial Market Business

The Bank's financial market business leveraged its advantages of extensive outlet network and long-term penetration in local markets, and made intensive efforts in the treasury business, explored potential and innovated the interbank financial business, optimized the asset-liability structure, established a sound portfolio of investment products, and achieved continuous improvement in investment return.

##### (1) *Proprietary investment*

During the Reporting Period, the Bank continued to optimize investment structure, reduced the proportion of investment and special purpose vehicle investment, improved asset liquidity and supported the development of the real economy. As of the end of the Reporting Period, the Bank had financial investments with a carrying amount of RMB121,812 million, representing an increase of RMB9,153 million or 8.12% as compared to the end of last year. During the Reporting Period, the increase in such assets was mainly due to the following reasons: firstly, the increase in holding of national bonds, local government bonds and policy financial bonds for both liquidity and efficiency; secondly, the adjustment in investment structure by increasing the investment in non-financial corporate bonds to support the real economy; thirdly, the reduction in indirect investments other than public funds as the trust plan and asset management plan business had not been resumed when due.

##### (2) *Interbank business*

The Bank actively utilized different types of interbank liabilities and reasonably matched their maturity structure, which effectively reduced the cost of interbank liabilities and also met the Bank's needs for liquidity management. During the Reporting Period, the Bank's bond settlement volume in the national interbank market reached RMB1.00 trillion.

##### (3) *Investment banking business*

In recent years, the Bank has continuously expanded through obtaining various financial business licenses, and promoted the development of various businesses and product innovation. Leveraging on its extensive business licenses and qualifications, the Bank continued to enhance its competitive edge in financial markets, established its service brand in capital markets, and provided customers with comprehensive financial solutions.

### VIII. BUSINESS DEVELOPMENT (CONT'D)

#### 8.3 Financial Market Business (Cont'd)

##### (4) *Wealth management*

Since 2011, the Bank's wealth management business has developed into a well-established, stable and distinctive brand with a stable customer base. Leveraging its extensive business network coverage, the Bank actively explores customers' demands, based on which, it designs flexible and tailor-made wealth management products and offers clients convenient asset management services on an ongoing basis. The Bank has implemented a diversified, cross-market investment strategy with a stable investment return and controllable risks.

During the Reporting Period, proceeds of RMB74,174 million were raised from the wealth management business (including 6 newly established closed-end wealth management products with subscribed amount of RMB5,999 million and open-end wealth management products with subscribed amount of RMB68,175 million) with 32 products expired. Proceeds from closed-end products subject to redemption upon maturity and open-end products subject to redemption of principal amounted to RMB80,899 million in aggregate. The balance as of the end of the Reporting Period was RMB37,015 million, representing a decrease of 13.79% as compared with the end of 2021. It was mainly due to the control of the overall business scale in accordance with regulatory requirements.

#### 8.4 Internet Finance Business

The Bank always attaches great importance to the important role of technology in driving business development. With "digitalization" as the key driver, it is able to cultivate core competitiveness enabled by strengthened technology. The Bank has set up the Internet Finance Department for online finance business, to continue building a digitalized online smart bank that delivers outstanding performance.

##### (1) *Self-service banking*

The Bank's self-service banking facilities include ATMs, self-service deposit and withdrawal machines, smart teller machines, Smart Terminals (智能终端), Smart Self-Service Receipt Machines (智能回單機) and automatic inquiry machines. These facilities provide customers with convenient banking services while allowing the Bank to reduce operating costs. Services provided through these facilities include balance inquiry, cash deposit and withdrawal, fund transfer, self-service card activation and self-service receipt printing. As of the end of the Reporting Period, the Bank had 463 self-service banking facilities.

In addition, the Bank actively upgrades and uses innovative applied technology on its self-service banking facilities in order to provide better services and experiences to customers. For instance, the Bank had launched large-print version function on smart devices to facilitate elderly customers to handle their business through our smart devices. Smart devices offer similar functions as traditional bank counters and use a one-stop business processing model with a more concise operation process, significantly reducing the business processing time for customers. As of the end of the Reporting Period, the Bank had 198 smart devices.

### VIII. BUSINESS DEVELOPMENT (CONT'D)

#### 8.4 Internet Finance Business (Cont'd)

##### (2) *Electronic banking channels*

The Bank's electronic channel business includes online banking, mobile banking, video banking and WeChat banking, which are complementary and extended to its branches and provide customers with comprehensive financial services.

##### **Online banking**

The Bank's online banking platform, accessible via its website [www.whccb.com](http://www.whccb.com), offers a broad range of financial products and services to both corporate banking and retail banking customers. For corporate banking customers, it provides various services, primarily including account inquiry and management, payment and settlement, payroll services, money transfer and remittance. For retail banking customers, it offers account inquiry and management, money transfer and remittances, wealth management products, bill payment and personal loans.

As of the end of the Reporting Period, the Bank had a total of approximately 571,500 online banking customers, including approximately 53,300 corporate banking customers and approximately 518,200 retail banking customers. During the Reporting Period, an aggregate transaction volume of RMB499,009 million was processed through the Bank's online banking platform.

##### **Mobile banking**

The Bank began offering mobile banking services through its client terminal in 2014. A variety of services are offered through its mobile banking application, including account inquiry and management, money transfer, wealth management products and bill payment. In April 2022, we launched a new version of smart banking application to promote business scenarios and intelligence through financial technology, continuing to create multiple values for users and providing personalised, specialised, intelligent and open mobile financial services. To better secure the transactions of our customers, we provide the customers with short message services (SMS) notification service, whereby we send them SMS notifications relating to bank account transactions, account safety verification, and risk alerts. As of the end of the Reporting Period, the Bank had approximately 2,280,300 mobile banking users. During the Reporting Period, an aggregate transaction volume of RMB139,802 million was processed through the Bank's mobile banking platform.

In addition, the Bank opened its official WeChat account in 2014, which serves as an important hub for our communications with the customers. By following this account, the Bank's customers can enjoy a variety of services, including checking bank account information, conversion of time and demand deposits, wealth management products, payment of public utility bills, application for personal loans, application for credit cards, management of credit cards, outlet inquiry and appointment for opening accounts. As of the end of the Reporting Period, the Bank's official WeChat account had approximately 351,900 subscribers.

### VIII. BUSINESS DEVELOPMENT (CONT'D)

#### 8.4 Internet Finance Business (Cont'd)

##### (2) *Electronic banking channels (Cont'd)*

###### **Video banking**

During the Reporting Period, the Bank continuously enhanced its customer service so as to improve customer experience. Through providing remote online service channel by video banking, the Bank achieved a breakthrough in geographical restrictions of outlets to facilitate customers to handle their business through remote video on their mobile phones. A supportive management system was also set up to ensure efficient operation of the video banking business in relation to both personnel and system. In respect of the video business, themed training activities were also organized for its staff to enhance their service. With interdepartmental efforts, video business training was organized within the Bank, to allow outlet staff to be more familiar and skillful with the video business and staff were encouraged to actively recommend video banking to customers, thus expediting the movement of business from offline to online.

###### **Online loans**

In order to improve the convenience of services, the Bank launched the online “Quick e-Loan (快e貸)” product by using technology means. The product focuses on the establishment of full life-cycle and full-scenario online financial system, comprehensive digital risk control system and comprehensive business operation management system with complete autonomy and control, covering three major fields, namely government affairs and peoples’ livelihood, consumer retail and supply chain. It realised scenario-based layout through accurate marketing, online and offline connectivity, and innovative breakthroughs in scenario-based ecological finance. The achievement of “one second for scanning code, one minute for customer input and one minute for system approval” has significantly promoted business process standardisation and enhanced customers’ financial service experience. As of the end of the Reporting Period, the balance of “Quick e-Loan” was RMB3,035 million.

#### 8.5 Digital Development

During the Reporting Period, the Bank firmly promoted digital transformation, actively embraced financial technology by centring on the development vision of “dual leadership and dual first-class smart digital bank (雙領先·雙一流的智慧數字銀行)” and adhering to the development strategy of digitization-driven “Bi-Focus Retail Banking (兩端型零售銀行)”, so as to strengthen technology infrastructure construction and continuously establish a sound system and mechanism. Following the concept of “offline business online, online business enrichment, and digital banking strategy (數據標準化·標準線上化·線上智慧化)”, we aimed to develop systematic and scenario-based data service applications to deepen data governance and operation, release the value of data assets, empower business innovation and development, boldly explore innovation models, and continuously strengthen technology governance.

In terms of the establishment of technology team and the reform and transformation of technology organisation structure, the Bank actively recruited technology professionals during the Reporting Period, which has effectively strengthened technology team building, and constantly fostered talents cultivation and continuously enhanced technology capabilities through diversified trainings and practices. Meantime, in response to the industry trend and its own development needs, the Bank has successfully completed the reform on technology organisation structure, continuously optimised and improved the technology operation mode, and effectively supported the construction of the Bank’s digital transformation project. By strengthening the two drivers of team building and optimizing the organizational structure, the Bank’s technology capability has been significantly improved, and the effectiveness of technology leading, technology driving and technology empowerment has been more significant.



### VIII. BUSINESS DEVELOPMENT (CONT'D)

#### 8.5 Digital Development (Cont'd)

In terms of digital transformation, the Bank established the Data Governance Committee, which is responsible for coordinating and facilitating data governance work. The Bank worked toward its strategic vision of digital financial technology revolving around SAIL with two safeguard measures, the organisational structure transformation and talent echelon construction, in place. It continued to realise the implementation of three strategies of specialisation, streamlining and agility, and has been promoting four major changes of bank-wide data governance and data service, mid-office platform service-oriented application architecture, customer-centric industry-technology integration model, and integrated intelligent operation-maintenance and security management system. The core competitiveness of fintech has been effectively enhanced.

In terms of key project development, the Bank continued to build an integrated financial technology structure, and firmly promoted the construction of basic and supportive mid-office platform projects such as data mid-office platform to build a four-dimensional financial technology base of business, technology, data and infrastructure, so as to provide strong support and guarantee for business development and lay a solid foundation for the digital transformation of the Bank. During the Reporting Period, projects such as the management cockpit, the unified control platform for external data and the management platform for related party transactions were successfully launched. Among which, the management cockpit realised data analysis visualisation and provided strong technological services for the Bank's operation, management and decision-making; the unified control platform for external data realised centralised management and multi-dimensional comprehensive analysis of multiple external data, effectively enhanced the Bank's ability to use data and provided solid data support for business development and risk prevention and control. At the same time, with the project-based system, we focused on the full life cycle of project construction, paid close attention to the closed-loop management mechanism, and efficiently promoted the development of key digital transformation projects.

#### 8.6 Analysis of Subsidiaries

We established Shandong Tongda Financial Leasing Co., Ltd. in June 2016, and became the first commercial bank in Shandong Province to initiate the establishment of a financial leasing company. The strong synergy between the businesses of Tongda Financial Leasing and the Bank has notably improved its ability to provide comprehensive financial services to customers. It has become one of the important forces of our "Broad Corporate Banking (大公司)" business segment. During the Reporting Period, Tongda Financial Leasing strived to support the development of the real economy, strengthen internal control and compliance management, and served customers in 21 provinces and 93 cities across China, with its business covering public facilities management, urban public utilities, transportation and logistics, energy conservation and environmental protection, culture, tourism and education, medical and health care, and business services.

As of the end of the Reporting Period, the registered capital of Tongda Financial Leasing was RMB1,650 million and it was registered in Jinan, Shandong. We held 54.55% equity interest in Tongda Financial Leasing, which is principally engaged in the provision of financial leasing solutions to customers, including direct lease and sale-and-leaseback. During the Reporting Period, the operating income of Tongda Financial Leasing was RMB428 million, representing a year-on-year increase of 5.88%; net profit amounted to RMB215 million, representing an increase of RMB22 million as compared to the same period of last year, accounting for 19.76% of our consolidated net profit.

### IX. CAPITAL MANAGEMENT

#### 9.1 Capital Adequacy Ratio

We calculate our capital adequacy ratios in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) issued by the CBIRC and other relevant regulatory requirements. The scope of the calculation of capital adequacy ratios includes all of our branches and financial institutions in which we invest. Credit risk-weighted assets are measured using the weight method. The measurement of on-balance sheet risk-weighted assets is determined after taking into account the carrying amount of the assets, the weight and the qualified risk mitigation instruments. After the off-balance sheet exposure is converted into equivalent on-balance sheet assets according to the credit conversion factors, it is measured according to the treatment of on-balance sheet assets. Market risk-weighted assets are measured using the standard method, and operational risk-weighted assets are measured using the basic indicator method. During the Reporting Period, we complied with the capital requirements stipulated by the regulatory authorities and there was no change in the measurement of capital.

We have established a comprehensive internal capital adequacy assessment procedure, covering system and process, governance structure, identification and assessment of major risks, stress test of capital adequacy ratio, capital planning, capital adequacy ratio management plan, monitoring and reporting. We conduct internal capital adequacy assessment at least once a year. During the Reporting Period, we continued to optimize the internal capital adequacy assessment framework, system process and design plan, and the assessment framework system was in line with the core regulatory requirements to ensure that major risks were fully identified, measured, monitored and reported. The capital level was in line with the risk appetite and risk management level faced by us. The capital planning was in line with the operating conditions, risk trends and long-term development strategies, and was adjusted and updated in a timely manner when there were material changes in the operating conditions, risk conditions and external environment. During the Reporting Period, there was no change in the corresponding relationship between regulatory capital items and balance sheet items.

The following table sets forth, as of the dates indicated, information relating to our capital adequacy ratios calculated in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) and PRC Accounting Standards for Business Enterprises.

**IX. CAPITAL MANAGEMENT (CONT'D)****9.1 Capital Adequacy Ratio (Cont'd)**

As of the end of the Reporting Period, our capital adequacy ratio was 13.58%, representing a decrease of 1.01 percentage point as compared to the end of 2021; our tier-one capital adequacy ratio was 10.51%, representing a decrease of 0.82 percentage point as compared to the end of 2021; and our core tier-one capital adequacy ratio was 8.69%, representing a decrease of 0.66 percentage point as compared to the end of 2021. The slight decrease in capital adequacy ratio was mainly due to the increase in risk assets along with business development, which resulted in our capital adequacy ratio indicators.

Unit: RMB million

Basis of the Group	June 30, 2022	December 31, 2021
<b>Core tier-one capital</b>		
Share capital	5,980.1	5,980.1
Qualifying portion of capital reserve	4,925.4	4,947.6
Surplus reserve	1,379.2	1,379.2
General reserve	3,227.9	2,648.1
Other comprehensive income	(44.7)	50.3
Retained earnings	3,958.0	4,151.4
Qualifying portions of non-controlling interests	749.1	553.0
<b>Total core tier-one capital</b>	<b>20,175.0</b>	19,709.7
<b>Core tier-one capital deductions</b>	<b>(48.2)</b>	(47.9)
<b>Net core tier-one capital</b>	<b>20,126.8</b>	19,661.8
<b>Other tier-one capital</b>	<b>4,199.1</b>	4,173.2
<b>Net tier-one capital</b>	<b>24,325.9</b>	23,835.0
<b>Tier-two capital</b>	<b>7,113.3</b>	6,852.4
<b>Total capital, net</b>	<b>31,439.2</b>	30,687.4
<b>Total risk-weighted assets</b>	<b>231,484.3</b>	210,293.6
Including: Total credit risk-weighted assets	219,338.2	198,327.6
Total market risk-weighted assets	922.2	742.1
Total operational risk-weighted assets	11,223.9	11,223.9
<b>Core tier-one capital adequacy ratio</b>	<b>8.69%</b>	9.35%
<b>Tier-one capital adequacy ratio</b>	<b>10.51%</b>	11.33%
<b>Capital adequacy ratio</b>	<b>13.58%</b>	14.59%

**IX. CAPITAL MANAGEMENT (CONT'D)****9.1 Capital Adequacy Ratio (Cont'd)**

As of the end of the Reporting Period, the Bank's capital adequacy ratio was 13.38%, representing a decrease of 1.21 percentage point as compared to the end of 2021, and its core tier-one capital adequacy ratio was 8.24%, representing a decrease of 0.90 percentage point as compared to the end of 2021.

Unit: RMB million

Basis of the Bank	June 30, 2022	December 31, 2021
<b>Core tier-one capital</b>		
Share capital	5,980.1	5,980.1
Qualifying portion of capital reserve	4,955.2	4,955.2
Surplus reserve	1,379.2	1,379.2
General reserve	3,059.8	2,487.4
Other comprehensive income	(44.7)	50.3
Retained earnings	3,330.2	3,633.7
Qualifying portions of non-controlling interests	N/A	N/A
<b>Total core tier-one capital</b>	<b>18,659.8</b>	18,485.9
<b>Core tier-one capital deductions</b>	<b>(1,220.9)</b>	(697.4)
<b>Net core tier-one capital</b>	<b>17,438.9</b>	17,788.5
<b>Other tier-one capital</b>	<b>4,099.2</b>	4,099.2
<b>Net tier-one capital</b>	<b>21,538.1</b>	21,887.7
<b>Tier-two capital</b>	<b>6,794.7</b>	6,509.3
<b>Total capital, net</b>	<b>28,332.8</b>	28,397.0
<b>Total risk-weighted assets</b>	<b>211,703.4</b>	194,664.2
Including: Total credit risk-weighted assets	200,739.6	183,880.5
Total market risk-weighted assets	922.2	742.1
Total operational risk-weighted assets	10,041.6	10,041.6
<b>Core tier-one capital adequacy ratio</b>	<b>8.24%</b>	9.14%
<b>Tier-one capital adequacy ratio</b>	<b>10.17%</b>	11.24%
<b>Capital adequacy ratio</b>	<b>13.38%</b>	14.59%

## IX. CAPITAL MANAGEMENT (CONT'D)

### 9.2 Leverage Ratio Analysis

Pursuant to the Administrative Measures on the Leverage Ratio of Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》) issued by the former China Banking Regulatory Commission and effective on April 1, 2015, a minimum leverage ratio of 4% is required for commercial banks. As of the end of the Reporting Period, our leverage ratio was 6.41%, which was higher than the regulatory requirements of the CBIRC and down by 0.42 percentage point as compared to the end of 2021. The above leverage ratio is calculated in accordance with the formula promulgated by the CBIRC.

The following table sets forth the relevant leverage ratios as of the dates indicated.

	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021
Leverage ratio	<b>6.41%</b>	6.51%	6.83%	6.52%
Net tier-one capital	<b>24,325.9</b>	24,314.3	23,835.0	22,378.8
Balance of on – and off-balance sheet assets after adjustment	<b>379,610.2</b>	373,398.0	349,070.8	343,028.0

## X. RISK MANAGEMENT

### 10.1 Organizational Structure and Management Functions of Risk Management System

The Bank's risk management follows the principles of comprehensive risk management, vertical management, linkage and checks and balances, professionalized management, and correlation between authority, responsibilities and rights. It establishes a centralized and vertical risk management system in respect of all risk types including credit risk, market risk, operational risk, liquidity risk, bank account interest rate risk, information technology risk, strategic risk, reputational risk, concentration risk, compliance risk and money laundering and terrorist financing risk through the implementation of comprehensive risk management, in order to regulate the interactions among the front, middle and back offices and promote the sustainable and healthy development of the Bank's business.

The Board of Directors of the Bank undertakes the ultimate responsibility for comprehensive risk management, the senior management undertakes the responsibility for the implementation of comprehensive risk management, and the Board of Supervisors undertakes the responsibility for the supervision of comprehensive risk management. The Board of Directors, the Board of Supervisors, the senior management and their respective special committees, the main risk management departments of the headquarters and the risk management departments of the branches, constitute the basic organizational structure of the Bank's risk management.

During the Reporting Period, there was no change in the organizational structure and management functions of the Bank's risk management system, objectives and processes of various risk management, which was consistent with the disclosure in the 2021 annual report.

### X. RISK MANAGEMENT (CONT'D)

#### 10.2 Credit Risk

Credit risk is the risk of potential loss by the Bank arising from the failure of a debtor or counterparty to perform its contractual agreement.

During the Reporting Period, the Bank established a scientific and applicable credit risk management system with clear categorization and comprehensive coverage, to consolidate the foundation for sound development. The Bank also established a series of policies on credit authorization, industries, regions, customers, and products, etc., which were in line with the credit risk policy and management system in terms of the Bank's development strategies and risk preferences. In addition, the Bank developed credit risk management systems and measures on areas including credit approval, limit management, internal rating, credit authorization, credit management, collateral management, post-lending management, and disposal and written-off, so as to ensure that all risk management activities are traceable. The Bank continued to streamline and improve the specific management measures and operation specifications of each business, product, customer operation from each department and business line, so as to ensure the credit management policies and systems are thoroughly implemented. Those specific risk management and control measures include: firstly, the Bank continued to improve its differentiated credit access policy, established a long-term management mechanism for orderly entry and exit, and strengthened the rigid constraints of the system; secondly, the Bank strengthened its efforts in early risk warning and monitoring, and promptly adopted response measures for the risk signals identified during the management process to effectively implement the management requirements of "early detection, early warning and early treatment"; thirdly, the Bank continued to promote the construction of post-lending management system by leveraging the opportunity of digital transformation, made full use of risk management tools to improve the level of refinement in risk management and control, built a dual defense line of "human control" and "machine control", and improved the quality and efficiency of risk management and control.

#### 10.3 Market Risk

Market risk is the risk of loss to our on- and off-balance sheet businesses arising from movements in market prices. The major types of market risks the Bank are exposed to include interest rate risk and exchange rate risk.

During the Reporting Period, the Bank mainly adopted the following measures to strengthen market risk management: firstly, it continuously improved the market risk management policy, system and workflow, and continuously enhanced the construction of market risk management system. Secondly, it continuously identified, measured, monitored and controlled market risks, fully considered factors such as regulatory dynamics, macro-environment and business development status, set up limit on risks, and continuously monitored the implementation of the limits as well as market risk public opinion. As of the end of the Reporting Period, the Bank's relevant indicators did not exceed the market risk limits for 2022 as determined by the Board, so that the market risk assumed by the Bank was controlled within a tolerable and reasonable range.

### X. RISK MANAGEMENT (CONT'D)

#### 10.4 Operational Risk

Operational risk is the risk of loss arising from inadequate or defective internal procedures, personnel and information technology systems, as well as external events.

During the Reporting Period, the Bank fully implemented the regulatory requirements on operational risk prevention and strictly implemented the regulations on rotation of important posts. The Bank actively carried out activities including the “Year of Developing Internal Control and Compliance Management”, the “Year of Consolidating Industry Standardisation”, and quarterly compliance inspections, during which the Bank adhered to the problem-oriented principle, strictly worked on rectification and accountability, and strengthened the knowledge test on swindle prevention. The Bank conducted a closed-book knowledge test on swindle prevention and compliance each month as a substitute for training to strengthen employees’ awareness of swindle prevention and compliance, further improving the management and control of operational risks in key links and areas. During the Reporting Period, the Bank had no material operational risk loss event.

#### 10.5 Liquidity Risk Management

Liquidity risk is the risk of failure to obtain sufficient funds in a timely manner or at a reasonable cost to fulfill payment obligations when due.

During the Reporting Period, in accordance with the management and control requirements that “liquidity risk follows market movements closely”, the Bank paid close attention to market liquidity changes, made early deployment and timely adjustments to liquidity management measures based on changes in its assets and liabilities business and liquidity gap, and reasonably adjusted the maturity structure of assets and liabilities to ensure that liquidity risk is safe and controllable. The Bank strengthened liquidity risk management in the following aspects: Firstly, the Bank strengthened the analysis of market conditions. The Bank paid close attention to the impacts of macro monetary policies and external market changes on liquidity risk, adjusted the scale of assets and liabilities and maturity structure in a dynamic and timely manner with the changes in the Bank’s business taken into account, and responded to changes in liquidity risk situation actively and effectively. Secondly, strengthening liability management. The Bank strengthened the marketing of deposits and promoted the steady growth of the deposit business; increased the use of re-loans and rediscount funds from the Central Bank, expanded debt financing channels, reasonably controlled the scale of interbank liabilities, and improved the stability and diversity of funding sources. Thirdly, strengthening daily monitoring of liquidity. In accordance with the requirements of “monthly planning, ten-day monitoring, weekly scheduling and daily reporting”, combined with the trend of capital market and the business needs of the bank, the Bank allocated its capital position in a timely manner, maintained a reasonable size of reserves, and through the liquidity risk management system, dynamically monitored the daytime liquidity status to ensure the safety of daytime fund payment. Fourthly, strictly implementing liquidity limit management. The Bank set liquidity limit indicators according to regulatory requirements and the actual business of the Bank, conducted dynamic monitoring, and adjusted business structure in a timely manner according to the situation under monitoring, so as to promote the continuous optimisation of various liquidity indicators. Fifthly, strengthening emergency management of liquidity risks. The Bank added special stress tests on top of regular quarterly stress tests in response to changes in the external market environment. The stress scenarios and stress test parameters were prudently adjusted to improve the effectiveness of stress tests; the stress test plans and emergency plans were adjusted in a timely manner based on the test results to effectively prevent and control liquidity risks. During the Reporting Period, various liquidity indicators of the Bank met regulatory requirements and the requirements of the Board of Directors for liquidity risk management control.

## X. RISK MANAGEMENT (CONT'D)

### 10.6 Bank Account Interest Rate Risk Management

Bank account interest rate risk is the risk of loss on the overall income and economic value of a bank account arising from adverse movements in elements such as interest rate and maturity structure.

During the Reporting Period, the Bank mainly adopted the following measures to enhance bank account interest rate risk management in compliance with regulatory requirements: Firstly, the Bank strengthened limit management continuously. On the basis of integrated analysis of business structure and interest rate risk, the Bank set the limit indicators for bank account interest rate risk in 2022 and monitored the implementation of limits regularly. Secondly, the Bank regularly measured and analysed the bank account interest rate risk by means of interest rate sensitivity analysis, stress test and others, put forward management recommendations and business adjustment strategies according to analysis and test results, which are used as guidelines for its business development. In the process of sensitivity analysis, it is assumed that there is a parallel shift in the overall market interest rate, while the risk management activities that may be taken to reduce interest rate risks are not considered.

As of the end of the Reporting Period, the Bank's interest rate sensitivity analysis is as follows:

Unit: RMB million

	June 30, 2022		June 30, 2021	
	Net profit	Equity	Net profit	Equity
Increased by 100 basis points	119.5	240.1	238.8	208.1
Decreased by 100 basis points	(119.5)	(240.1)	(238.8)	(208.1)

### 10.7 Information Technology Risk

Information technology risks include operational risk, legal risk, reputational risk and other types of risks caused by natural factors, human errors, technical loopholes and management failure arising from the Bank's use of information technology.

During the Reporting Period, the Bank continued to strengthen information technology risk management. Firstly, the Bank strengthened the maintenance, update and monitoring of its information system, continuously optimized the operation and maintenance process, improved the operation and maintenance guarantee system, and established a sound problem response and handling mechanism, ensuring the safe and stable operation of the bank-wide system. Secondly, the Bank conducted in-depth investigation of information technology risks, continuously strengthened the construction of its emergency system and resource investment, and scientifically organized emergency drills for various business lines, continuously improving the ability to respond to emergencies and disasters. Thirdly, the Bank carried out in-depth assessment and improvement of business continuity management and information technology outsourcing risk management, and further improved the risk resistance capacity of the Bank's important information systems, ensuring the safe and stable operation of the Bank's various businesses.



### X. RISK MANAGEMENT (CONT'D)

#### 10.8 Strategic Risk

Strategic risk is the risk arising from inappropriate business strategies or changes in the external operating environment.

During the Reporting Period, the Bank summarised and evaluated the implementation of 2021 strategies, and drew up an assessment report on development strategies, which was reviewed and approved by the Board. The Bank constantly followed the changes in the external operating environment, dynamically monitored the execution of development strategies, carefully identified and evaluated potential strategic risks, regularly reported the management of strategic risks, and timely adjusted and optimized strategies and measures to ensure the effective implementation of the Bank's development strategies.

#### 10.9 Reputational Risk

Reputational risk refers to the risk of negative comments on the Bank from stakeholders, the public and the media due to the actions of operation, management and employees or external events, which may damage the brand value of the Bank, adversely affect the normal operation of the Bank, and even affect market stability and social stability.

During the Reporting Period, the Bank attached great importance to its reputation and kept enhancing its management process on reputational risk. It formulated measures on reputational risk management, defined the responsibilities of Directors, Supervisors and senior management, and specified the responsibilities and authorities of the headquarters, branches and sub-branches. The Bank also established an organisational framework for reputational risk management that covers headquarters, branch and sub-branch levels, and established a team comprising leaders from the headquarters and related branches and persons in-charge of various departments to deal with reputational risk incidents. A "24/7" reputational risk monitoring mechanism was established to monitor, identify, report, control and assess its reputational risk, so that the headquarters can promptly take appropriate actions upon the occurrence of material and urgent incidents, minimising any loss and negative impact which the Bank may suffer due to such incidents. In addition, the Bank proactively utilised press communications and publication channels to promote its positive image and corporate values. Meanwhile, the Bank also proactively collected, organised and analysed information in relation to its reputation through newspapers, television, online media and other channels. During the Reporting Period, the Bank had no significant reputational risk incidents, and the reputational risk was within controllable range.

#### 10.10 Concentration Risk

Concentration risk refers to the risk exposure that arises directly or indirectly from the same or similar risk exceeding a certain percentage of net capital. The Bank has established a concentration risk management system and process based on the scale and complexity of its business to effectively identify, measure, monitor and report concentration risks.

During the Reporting Period, the Bank conducted stress tests on concentration risks to effectively identify and address potential risks; managed and controlled limits for concentration risks and ensured that concentration limits were followed effectively by formulating annual risk appetite, adjusting entry and exit criteria and implementing list-based management. During the Reporting Period, the indicators related to concentration risk management and large risk exposure management of the Bank all complied with regulatory requirements.

### X. RISK MANAGEMENT (CONT'D)

#### 10.11 Compliance Risk

Compliance risk refers to the risk of being subject to legal sanctions, regulatory penalties, significant financial losses and reputational losses as a result of failure to comply with laws, rules and standards.

During the Reporting Period, firstly, the Bank sorted out and revised relevant rules and regulations and operating procedures in accordance with new regulatory rules and business development to ensure the compliance of operation management and business development; secondly, the Bank organized activities such as the "Year of Developing Internal Control and Compliance Management", the "Year of Consolidating Industry Standardisation", quarterly compliance inspection, case lectures and carried out "series month" activities such as the "Month of Revision", the "Month of Learning", the "Month of Examination", the "Month of Implementation" and the "Month of Inspection" to strengthen the compliance foundation and continuously improve employees' compliance awareness.

#### 10.12 Money Laundering and Terrorist Financing Risk

Money laundering risk refers to the risk that the Bank is exposed to the use of illegal and criminal activities such as money laundering and terrorist financing in the process of business operation and management.

During the Reporting Period, the Bank mainly adopted the following measures to manage its money laundering risk: The Bank has established a sound anti-money laundering organizational system, earnestly implemented anti-money laundering regulatory policies and work requirements, continuously improved its anti-money laundering internal control measures and optimized the anti-money laundering monitoring system. The Bank actively fulfilled the obligations of customer identification and preservation of customer identity information and transaction records, strengthened the assessment of money laundering risks of business and products, effectively incorporated anti-money laundering compliance requirements into business processes and systems, improved the technical support ability of the anti-money laundering monitoring system, continuously improved the accuracy of identification of suspicious customers and the quality and efficiency of suspicious monitoring and analysis, submitted reports on large and suspicious transactions as required, and strengthened anti-money laundering publicity, inspection and training to effectively prevent various money laundering risks. During the Reporting Period, no institutions and employees of the Bank were identified to be involved in or suspected of money laundering and terrorist financing activities.

#### 10.13 Legal Risk

Legal risks include but are not limited to the following risks: the contracts signed possibly being legally revoked or confirmed invalid due to violation of laws or administrative regulations; legal liability for compensation arising from being sued or applied for arbitration due to breach of contract, infringement or other reasons; administrative liabilities or criminal liabilities arising from business activities in violation of laws or administrative regulations.

### X. RISK MANAGEMENT (CONT'D)

#### 10.13 Legal Risk (Cont'd)

The Bank has established a legal risk management process that is compatible with the Bank's business scale and management and control requirements, covering major management processes such as legal review management of contractual documents, legal dispute handling, external law firm management, legal counsel management and legal consulting service management, laying a process foundation for effective identification, evaluation, analysis and response to legal risks. The Bank has formulated relevant management measures for legal risks, strictly carried out the management of legal work in accordance with rules and regulations, improved the legal risk management framework system, improved the quality of legal work, continuously strengthened the identification, analysis, evaluation and response to legal risks, strengthened the supervision and management of law institutions, achieved online review of legal documents, followed the principle of legal efficiency, unified standardization, division of work and cooperation, and hierarchical responsibility, integrated the management and prevention of legal risks with other risk management activities, improved the legal risk prevention and control mechanism, and promoted legal operation.

### XI. IMPACT ASSESSMENT TOWARDS COVID-19

At present, the global epidemic is still developing, with constantly evolving novel coronavirus and uncertainties of the epidemic of the Omicron variant, resulting in an ongoing severe epidemic prevention and control situation. Since the beginning of this year, China has adhered to the general strategy of "preventing imported cases and resurgence of domestic cases (外防輸入、內防反彈)" and general policy of "dynamic zero-COVID (動態清零)", and adopted strict prevention and control measures. As a result, it achieved notable results in coordinating epidemic prevention and control with economic and social development, with the order of production and life largely stable. Although the epidemic has caused a certain impact on the economic operation of some regions, such impact is short-term and external in nature, and will not change the general trend of coordinated regional economic development.

In view of our branch network, strong technical capability to deliver convenient online financial products and services, sound customer portfolio and stable asset quality, we operated normally in the first half of 2022. There was no material adverse impact on our business operations, liquidity position, and maturity profile of our asset quality loan portfolio, and that our impairment losses experienced no significant increase due to the COVID-19 pandemic.

During the Reporting Period, the Bank strictly followed the COVID-19 pandemic prevention and control requirements imposed by all government levels. It launched the green review and approval gateway to prioritise the financing needs of key enterprises and institutions covered by the pandemic prevention and control. The Bank also provided active support to enterprises and individuals under temporary difficulties due to the pandemic, making its best efforts to provide financial services during the pandemic.

### XII. FUTURE PROSPECTS

#### 12.1 Analysis of the Operating Situation in the Second Half of the Year

Looking ahead to the second half of the year, China's economy will maintain its long-term positive fundamentals, and is characterised by strong resilience, great potential and sufficient room for development. With a series of effective policies and measures to stabilise growth, the national economy is expected to gradually recover and maintain steady growth. China will further strengthen cross-cycle and counter-cyclical adjustments, increase the implementation of prudent monetary policy, and give full play to the dual functions of monetary policy tools in terms of volume and structure. China will operate a smooth monetary policy transmission mechanism, retain reasonable and sufficient liquidity and enhance the stability of total credit growth. By increasing the support for inclusive SME loans, financial institutions are encouraged to increase their support for small and micro enterprises, technological innovation and green development. China will deepen the supply-side structural reform of finance, promote small and medium-sized banks to focus on their main responsibilities and businesses, provide stronger support to the real economy and stabilise the macroeconomic landscape.

In the second half of the year, Shandong Province will extend its economic momentum of being stable and progressive and focus more intensely on stable growth. The province will attach great importance on "preventing the pandemic outbreak, stabilising the economy, and securing development", pragmatically promote the "three Top Ten" action plan, focus on major tasks such as stabilising industrial operations, promoting consumer recovery, refining real estate regulation and strengthening infrastructure construction to stabilise market expectations, enhance business confidence and create a favourable business environment.

#### 12.2 Major Work Measures for the Second Half of the Year

In the second half of the year, the Bank will continue to adhere to its work concepts of being "first class in six aspects", namely first-class cultural experience, first-class transformation experience, first-class training experience, first-class compliance experience, first-class service experience and first-class value experience, focusing on the following six aspects of work.

**"Focus on overall situation" in terms of Party building leadership.** We will try our best to prevent and control the epidemic, maintain stability and security, improve customer services, and deal with other major and difficult issues related to the overall situation through Party building.

**"Focus on transformation" in terms of ideology.** We will enable liberation throughout the development, and further change the concept, deepen the reform and promote the development through liberation.

**"Focus on advantages" in terms of business growth.** We will give full play to our edges such as team advantages, shareholder advantages and comprehensive advantages, to enhance product innovation, optimise credit structure, and promote business growth.

### XII. FUTURE PROSPECTS (CONT'D)

#### 12.2 Major Work Measures for the Second Half of the Year (Cont'd)

**“Focus on spirits” in terms of challenge and breakthrough.** We will fully carry forward the “Six Major Spirits (六大精神)” of learning, dedication, innovation, fighting, seeking truth, and speed, and concentrate on breakthroughs.

**“Focus on results” in terms of model transformation.** We will firmly promote the transformation of “three major models”, namely the digital model, the management and control model and the business model, in order to realise quality development through transformation.

**“Focus on training” in terms of talents cultivation.** We will leverage the training centre to make good use of online and offline trainings, and increase the efforts in cultivating “three types of talents”, including digital-based talents, management and control-based talents, and platform (marketing)-based talents, to provide talent support for the reform and transformation.

# CHAPTER 6 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

## I. CHANGES IN SHARE CAPITAL

As at the end of the Reporting Period, the total issued shares of the Bank were 5,980,058,344 shares, including 4,971,197,344 domestic shares and 1,008,861,000 H shares, and the registered capital was RMB5,980,058,344 in total.

	December 31, 2021		Changes during the Reporting Period Number of shares (Shares)	June 30, 2022	
	Number of shares (Shares)	Percentage of total shares (%)		Number of shares (Shares)	Percentage of total shares (%)
Domestic state shares	919,671,509	15.38	–	<b>919,671,509</b>	<b>15.38</b>
Domestic state-owned legal person shares	3,162,241,152	52.88	–	<b>3,162,241,152</b>	<b>52.88</b>
Domestic social legal person shares	810,319,383	13.55	–	<b>810,319,383</b>	<b>13.55</b>
Domestic natural person shares	78,965,300	1.32	–	<b>78,965,300</b>	<b>1.32</b>
H Shares	1,008,861,000	16.87	–	<b>1,008,861,000</b>	<b>16.87</b>
<b>Total number of Shares</b>	<b>5,980,058,344</b>	<b>100.00</b>	–	<b>5,980,058,344</b>	<b>100.00</b>

## II. INFORMATION ON SHAREHOLDERS

### 2.1 Total Number of Holders of Domestic Shares

As at the end of the Reporting Period, the total number of holders of domestic shares of the Bank was 1,038.

## Chapter 6 Changes in Share Capital and Information on Shareholders

### II. INFORMATION ON SHAREHOLDERS (CONT'D)

#### 2.2 Particulars of the Top Ten Shareholders of Domestic Shares

No.	Name of shareholders	Shareholder nature	Total number of shares held as at the end of the Reporting Period (shares)	Percentage of total shares as at the end of the Reporting Period (%)	Pledging or freezing status of shares	Number
1	Shandong Hi-Speed Group Company	State-owned legal person shares	2,216,423,498	37.06	Normal	-
2	Weihai Municipal Finance Bureau	State-owned shares	919,671,509	15.38	Normal	-
3	Shandong Hi-Speed	State-owned legal person shares	693,957,987	11.60	Normal	-
4	CNHTC	State-owned legal person shares	243,084,607	4.06	Normal	-
5	Weihai Tian'an Real Estate Development Co., Ltd.	Social legal person shares	164,163,991	2.75	Normal	-
6	Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd.	Social legal person shares	83,157,762	1.39	Normal	-
7	Shandong Homey Aquatic Development Co., Ltd.	Social legal person shares	71,463,546	1.20	Normal	-
8	Shandong Tianxicheng Enterprise Management Co., Ltd.	Social legal person shares	69,253,090	1.16	Normal	-
9	Weihai Xinghai Trading Co., Ltd.	Social legal person shares	60,054,251	1.00	Normal	-
10	Hongan Group Co., Ltd.	Social legal person shares	59,828,711	1.00	Normal	-

## II. INFORMATION ON SHAREHOLDERS (CONT'D)

### 2.3 Interests and Short Positions in Hong Kong in Accordance with the SFO

As at the end of the Reporting Period, pursuant to the register entered by the Bank under Section 336 of the SFO, and to the best knowledge of the Bank, the following persons (other than the Bank's Directors, Supervisors and chief executive) had or were deemed or taken to have interests and/or short positions in the Shares or underlying Shares of the Bank which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of shares of the Bank carrying rights to vote in all circumstances at general meetings of any other member of the Bank:

Name of shareholders	Class of shares	Nature of interest	Number of shares directly or indirectly held (shares)	Long position/ short position	Approximate % of interest in the Bank (%)	Approximate % of the relevant class of shares of the Bank (%)
Shandong Hi-Speed Group Company <sup>(1)</sup>	Domestic shares	Beneficial owner and interest in controlled corporation	2,910,381,485	Long position	48.67	58.54
Weihai Municipal Finance Bureau	Domestic shares	Beneficial owner	919,671,509	Long position	15.38	18.50
Shandong Hi-Speed <sup>(1)</sup>	Domestic shares	Beneficial owner	693,957,987	Long position	11.60	13.96
China Hongqiao Group Limited	H shares	Beneficial owner	276,045,000	Long position	4.62	27.36
Global Miles International Holdings Limited <sup>(2)</sup>	H shares	Beneficial owner	139,940,000	Long position	2.34	13.87
LIU Zhiming <sup>(2)</sup>	H shares	Interest in controlled corporation	139,940,000	Long position	2.34	13.87
Shenzhen Shengqiu Investment Co., Ltd.	H shares	Beneficial owner	137,305,000	Long position	2.30	13.61
Jinan Licheng Holdings Group Co., Ltd.	H shares	Beneficial owner	111,852,000	Long position	1.87	11.09
Shandong Lulong Construction Co., Ltd. <sup>(3)</sup>	H shares	Beneficial owner	71,003,000	Long position	1.19	7.04
YANG Shulan <sup>(3)</sup>	H shares	Interest in controlled corporation	71,003,000	Long position	1.19	7.04
Xindu Group Limited <sup>(3)</sup>	H shares	Interest in controlled corporation	71,003,000	Long position	1.19	7.04
GMK Holdings Group Co., Ltd <sup>(4)</sup>	H shares	Beneficial owner	68,712,000	Long position	1.15	6.81
LIU Xuejing <sup>(4)</sup>	H shares	Interest in controlled corporation	68,712,000	Long position	1.15	6.81
ZHANG Xiuying <sup>(4)</sup>	H shares	Interest of spouse	68,712,000	Long position	1.15	6.81
Shandong Zhaojin Group Financial Company Limited <sup>(5)</sup>	H shares	Beneficial owner	68,712,000	Long position	1.15	6.81
Shandong Zhaojin Group Company Limited <sup>(5)</sup>	H shares	Interest in controlled corporation	68,712,000	Long position	1.15	6.81
Zhaojin Mining Industry Company Limited <sup>(5)</sup>	H shares	Interest in controlled corporation	68,712,000	Long position	1.15	6.81



## Chapter 6 Changes in Share Capital and Information on Shareholders

### II. INFORMATION ON SHAREHOLDERS (CONT'D)

#### 2.3 Interests and Short Positions in Hong Kong in Accordance with the SFO (Cont'd)

Name of shareholders	Class of shares	Nature of interest	Number of shares directly or indirectly held (shares)	Long position/ short position	Approximate % of interest in the Bank (%)	Approximate % of the relevant class of shares of the Bank (%)
JIN JIANG INVESTMENT LIMITED	H shares	Beneficial owner	68,577,000	Long position	1.15	6.80
Tianjin Guangcheng Investment Group Co., Ltd. <sup>(6)</sup>	H shares	Interest in controlled corporation	67,040,000	Long position	1.12	6.65
Tianjin Jizhou Xincheng Agricultural Development Co., Ltd. <sup>(6)</sup>	H shares	Beneficial owner	67,040,000	Long position	1.12	6.65
Tianjin Jizhou Xincheng Construction Investment Co., Ltd. <sup>(6)</sup>	H shares	Interest in controlled corporation	67,040,000	Long position	1.12	6.65

*Notes:*

- (1) Shandong Hi-Speed Group Company is the controlling shareholder of the Bank and is directly held by Shandong SASAC, Shandong Guohui Investment Co., Ltd., a wholly-owned subsidiary of Shandong SASAC, and Shandong Provincial Council for Social Security Fund as to 70%, 20% and 10%, respectively.  
  
Shandong Hi-Speed is owned by Shandong Hi-Speed Group Company as to approximately 70.91%. Therefore, Shandong Hi-Speed Group Company is deemed to be interested in all the shares held by Shandong Hi-Speed for the purpose of the SFO.
- (2) Mr. LIU Zhiming wholly owns Global Miles International Holdings Limited. Accordingly, Mr. LIU Zhiming is deemed to be interested in the 139,940,000 H shares held by Global Miles International Holdings Limited for the purpose of the SFO.
- (3) Xindu Group Limited indirectly holds 71,003,000 H shares through its subsidiary, Shandong Lulong Construction Co., Ltd. Ms. YANG Shulan holds approximately 56% of the interests in Xindu Group Limited. Accordingly, Xindu Group Limited and Ms. YANG Shulan are deemed to be interested in 71,003,000 H shares for the purpose of the SFO.
- (4) Mr. LIU Xuejing holds approximately 51% of the interests in GMK Holdings Group Co., Ltd. Ms. ZHANG Xiuying is the spouse of Mr. LIU Xuejing. Accordingly, Mr. LIU Xuejing and Ms. ZHANG Xiuying are deemed to be interested in the 68,712,000 H shares held by GMK Holdings Group Co., Ltd for the purpose of the SFO.
- (5) Zhaojin Mining Industry Company Limited owns 51% of the interests in Shandong Zhaojin Group Financial Company Limited. Shandong Zhaojin Group Company Limited directly owns 40% of the interests in Shandong Zhaojin Group Financial Company Limited, and indirectly holds 60% of the interests in Shandong Zhaojin Group Financial Company Limited through Zhaojin Mining Industry Company Limited and Shandong Zhaojin Group Zhaoyuan Gold Smelting Company Limited. Accordingly, Zhaojin Mining Industry Company Limited and Shandong Zhaojin Group Company Limited are deemed to be interested in the 68,712,000 H shares held by Shandong Zhaojin Group Financial Company Limited for the purpose of the SFO.
- (6) Tianjin Guangcheng Investment Group Co., Ltd. wholly owns Tianjin Jizhou Xincheng Agricultural Development Co., Ltd. through its wholly-owned subsidiary, Tianjin Jizhou Xincheng Construction Investment Co., Ltd. Accordingly, Tianjin Guangcheng Investment Group Co., Ltd. and Tianjin Jizhou Xincheng Construction Investment Co., Ltd. are deemed to be interested in the 67,040,000 H shares held by Tianjin Jizhou Xincheng Agricultural Development Co., Ltd. for the purpose of the SFO.

Saved as disclosed above, the Bank is not aware of any other parties (other than the Directors, Supervisors and chief executives of the Bank) who had any interests or short positions in the shares of the Bank which were required to be recorded in the register maintained by the Bank pursuant to section 336 of the SFO as at the end of the Reporting Period.

### III. MAJOR SHAREHOLDERS OF DOMESTIC SHARES DURING THE REPORTING PERIOD

According to the Interim Measures for Management of Commercial Bank Equity (《商業銀行股權管理暫行辦法》) promulgated by the CBIRC, major shareholders of a commercial bank refer to shareholders who hold or control 5% or more of the shares or voting rights of the commercial bank, or who hold less than 5% of the total capital or total shares but have a significant influence on the operation and management of the commercial bank. The above “significant influence” includes, but is not limited to, dispatching directors, supervisors or senior management to the commercial bank, influencing the financial and operational management decisions of the commercial bank through agreements or other means, and other circumstances identified by the CBRC or its local offices.

#### 3.1 Shareholders Holding 5% or More of the Shares

Name of shareholders	Controlling shareholders	De facto controller	Persons acting in concert	Ultimate beneficiary
Shandong Hi-Speed Group Company	Shandong SASAC	Shandong SASAC	Shandong Hi-Speed	Shandong Hi-Speed Group Company
Weihai Municipal Finance Bureau	N/A	N/A	Nil	Weihai Municipal Finance Bureau
Shandong Hi-Speed	Shandong Hi-Speed Group Company	Shandong SASAC	Shandong Hi-Speed Group Company	Shandong Hi-Speed

#### 3.2 Other Major Shareholders

Under the requirements of the Interim Measures for Management of Commercial Bank Equity (《商業銀行股權管理暫行辦法》), the other major shareholders of the Bank are as follows:

Shandong Heavy Industry Group Co., Ltd. is the controlling shareholder of CNHTC, with Shandong SASAC as de facto controller and no persons acting in concert. The ultimate beneficiary is CNHTC.

For Weihai Tian’an Real Estate Development Co., Ltd., Weihai Tian’an Construction Group Co., Ltd. is the controlling shareholder, GAI Bo (蓋波) is the de facto controller, with no persons acting in concert. The ultimate beneficiary is Weihai Tian’an Real Estate Development Co., Ltd..

For Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd., ZHOU Xinliang is the controlling shareholder and de facto controller, with no persons acting in concert. The ultimate beneficiary is Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd..

For Shandong Homey Aquatic Development Co., Ltd., Homey Group Co., Ltd. is the controlling shareholder, TANG Chuanqin is the de facto controller, with no persons acting in concert. The ultimate beneficiary is Shandong Homey Aquatic Development Co., Ltd..

#### **IV. NOMINATION OF DIRECTORS AND SUPERVISORS BY SHAREHOLDERS**

1. Shandong Hi-Speed Group Company nominated Mr. TAN Xianguo, Mr. SONG Bin and Mr. YIN Lin as Directors of the Bank;
2. Weihai Municipal Finance Bureau nominated Mr. ZHAO Bing as a Director of the Bank;
3. Shandong Hi-Speed nominated Mr. YI Jijun as a Director of the Bank;
4. CNHTC nominated Ms. ZHAO Yue as a Director of the Bank;
5. Weihai Tian'an Real Estate Development Co., Ltd. nominated Ms. ZHAO Lijie as a Supervisor of the Bank;
6. Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd. nominated Mr. ZHOU Hao as a Supervisor of the Bank;
7. Shandong Homey Aquatic Development Co., Ltd. nominated Mr. FENG Yongdong as a Supervisor of the Bank.

#### **V. PURCHASE, SALE AND REDEMPTION OF THE BANK'S LISTED SECURITIES**

During the Reporting Period, neither the Bank nor any of its subsidiaries had purchased, sold or redeemed any of the Bank's listed securities.

# CHAPTER 7 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## I. CURRENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### 1.1 Directors

The Board consists of 15 Directors, including 5 executive Directors, 5 non-executive Directors and 5 independent non-executive Directors. Our Directors are elected for a term of three years and are subject to re-election, provided that the cumulative term of an independent non-executive Director shall not exceed six years in accordance with PRC laws and regulations. The following table sets forth certain information regarding our Directors.

Name	Age	Position	Date of appointment <sup>(1)</sup>
Mr. TAN Xianguo	55	Executive Director and Chairman	September 2004
Mr. MENG Dongxiao	50	Executive Director and President	April 2016
Ms. TAO Zunjian	52	Executive Director, Vice President and Chief Accountant	January 2019
Mr. LU Jiliang	32	Executive Director and Vice President	August 2021
Mr. ZHANG Wenbin	39	Executive Director and Vice President	August 2021
Mr. SONG Bin	49	Non-executive Director	August 2021
Mr. YIN Lin	47	Non-executive Director	August 2021
Mr. ZHAO Bing	55	Non-executive Director	August 2021
Mr. YI Jijun	57	Non-executive Director	June 2015
Ms. ZHAO Yue	41	Non-executive Director	August 2021 <sup>(2)</sup>
Mr. SUN Guomao	61	Independent Non-executive Director	September 2017
Mr. FAN Chi Chi	37	Independent Non-executive Director	June 2020
Mr. LU Qing	56	Independent Non-executive Director	July 2016 <sup>(3)</sup>
Mr. WANG Shaohong	59	Independent Non-executive Director	August 2021
Ms. SUN Zuying	59	Independent Non-executive Director	August 2021

Notes:

- (1) The date of appointment as a Director stated herein refers to the date on which the relevant Director obtained the qualification approval from CBIRC Shandong Office.
- (2) As resolved at the employees' representative meeting of the Bank held on April 28, 2022, Ms. LI Jie was appointed as non-executive Director, and her position qualification is subject to approval by CBIRC Shandong Office. According to the Articles of Association, an existing Director shall continue to perform his/her duties as a Director until the newly appointed Director has received the qualification approval. Therefore, Ms. ZHAO Yue remains a non-executive Director of the Bank.
- (3) As resolved by the 2021 Annual General Meeting of the Bank, Mr. WANG Yong was appointed as independent non-executive Director, and his position qualification is subject to approval by CBIRC Shandong Office. According to the Articles of Association and the resolutions of the shareholders' general meeting, an existing Director shall continue to perform his/her duties as a Director until the newly appointed Director has received the qualification approval. Therefore, Mr. LU Qing remains an independent non-executive Director of the Bank.

## I. CURRENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONT'D)

### 1.2 Supervisors

The board of Supervisors consists of 9 Supervisors, including 3 employees' representative Supervisors, 3 Shareholders' representative Supervisors and 3 external Supervisors. Our Supervisors are elected for a term of three years and are subject to re-election, and the cumulative term of an external Supervisor shall not exceed six years. The following table sets forth certain information regarding our Supervisors.

Name	Age	Position	Date of appointment <sup>(1)</sup>
Mr. ZHANG Renzhao	51	Chairman of the Board of Supervisors and Employees' Representative Supervisor	June 2021
Ms. ZHAO Lijie	48	Shareholders' representative Supervisor	May 2011
Mr. ZHOU Hao	42	Shareholders' representative Supervisor	May 2011
Mr. FENG Yongdong	57	Shareholders' representative Supervisor	April 2015
Mr. WANG Xifeng	53	Employees' Representative Supervisor	June 2021
Mr. ZHANG Chuanzheng	55	Employees' Representative Supervisor	June 2021
Mr. PENG Feng	44	External Supervisor	May 2022
Mr. YANG Yunhong	51	External Supervisor	June 2021
Ms. ZHU Yingwei	48	External Supervisor	June 2021

*Note:* The date of appointment of Supervisors shall commence from the date of approval at the general meeting and the employees' representative meeting, and the term of office of re-elected Supervisors shall commence from the date of first election at the general meeting.

### 1.3 Senior Management

Name	Age	Position	Date of appointment <sup>(1)</sup>
Mr. MENG Dongxiao	50	President	February 2018
Ms. TAO Zunjian	52	Vice President	August 2021
		Chief Accountant	November 2018
Mr. ZHANG Xiaodong	53	Chief Risk Officer	June 2021 <sup>(2)</sup>
Mr. LU Jiliang	32	Vice President	February 2021
Mr. ZHANG Wenbin	39	Vice President	August 2021
Mr. ZHANG Jia'en	47	Secretary to the Board	December 2021 <sup>(3)</sup>

*Notes:*

- (1) The date of appointment stated herein refers to the date on which he/she was appointed to the current position in the senior management and obtained the qualification approval from CBIRC Shandong Office.
- (2) As resolved at the Board of the Bank, Mr. ZHANG Xiaodong was appointed as the Bank's Chief Risk Officer and ceased to be the Vice President of the Bank. His senior management qualification had been approved by CBIRC Shandong Office when he served as the Vice President. The date of appointment stated herein refers to the date on which the Board appointed Mr. ZHANG Xiaodong as the Chief Risk Officer.
- (3) The date of appointment of Mr. ZHANG Jia'en refers to the date on which he was appointed by the Board of the Bank, and his position qualification is subject to approval by CBIRC Shandong Office.

### II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

During the Reporting Period, the Directors, Supervisors and senior management of the Bank had the following changes.

#### 2.1 Changes in Directors

On April 28, 2022, Ms. ZHAO Yue, the non-executive Director of the Bank, applied for resignation from the Board of Directors and relevant special committees of the Bank. On the same day, the Bank held the third meeting of the fifth session of the employees' (member) representative meeting, at which Ms. LI Jie was elected as the non-executive Director in the capacity of employees' representative of the Bank. On May 31, 2022, as resolved at the Bank's 2021 Annual General Meeting, Mr. WANG Yong was appointed as the independent non-executive Director. The qualifications of Ms. LI Jie and Mr. WANG Yong as Directors are subject to approval by CBIRC Shandong Office, and Ms. ZHAO Yue and Mr. LU Qing will continue to perform their duties as Directors before such approval. For changes and biographical details, please refer to the circular dated April 28, 2022 and the announcements dated March 30, 2022, April 29, 2022 and May 31, 2022, respectively, of the Bank.

#### 2.2 Changes in Supervisors

Mr. WANG Yong, the external Supervisor of the Bank, has tendered his resignation as an external Supervisor and a member of the nomination committee of the Board of Supervisors due to work arrangement on March 30, 2022. On May 31, 2022, as resolved at the 2021 Annual General Meeting of the Bank, Mr. Peng Feng was appointed as the external Supervisor. For changes and biographical details, please refer to the circular dated April 28, 2022 and the announcements dated March 30, 2022 and May 31, 2022, respectively, of the Bank.

#### 2.3 Changes in Senior Management

There was no change in senior management during the Reporting Period.

#### 2.4 Changes in Information on Directors, Supervisors and Senior Management during the Reporting Period

1. Mr. YIN Lin served as the general manager of Shandong Tonghui Capital Management Co., Ltd. and ceased to be the director at the capital settlement centre of Shandong Hi-Speed Group Company. Mr. YIN Lin also served as the director of Beijing Tonghui Taihe Investment Management Co., Ltd..
2. Mr. ZHAO Bing ceased to be the director of Weihai Municipal Gas Group Co., Ltd..

Save as disclosed above, during the Reporting Period, no other information in relation to the Directors, Supervisors or senior management was required to be disclosed in accordance with Rule 13.51B(1) of the Listing Rules.

### III. CHANGES IN JOINT COMPANY SECRETARIES

There was no change in joint company secretaries during the Reporting Period.

**IV. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK OR ITS ASSOCIATED CORPORATIONS**

So far as the Directors, Supervisors and chief executives of the Bank are aware, as of the end of the Reporting Period, the interests and short positions of the Directors, Supervisors and chief executives in the shares, underlying shares or debentures of the Bank or its associated corporations (within the meaning of Part XV of SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Bank and the Hong Kong Stock Exchange were as follows:

Name of Director/ Supervisor/ chief executive	Class of shares	Capacity	Number of Domestic shares directly or indirectly held	Percentage of total issued shares <sup>(2)</sup> (%)	Percentage of total class shares <sup>(2)</sup> (%)	Long position/ short position
Mr. TAN Xianguo	Domestic shares	Beneficial owner	491,426	0.0082	0.0099	Long position
Ms. TAO Zunjian	Domestic shares	Beneficial owner	143,804	0.0024	0.0029	Long position
Mr. ZHANG Wenbin	Domestic shares	Beneficial owner	70,266	0.0012	0.0014	Long position
Ms. SUN Zuying	Domestic shares	Beneficial owner	21,756	0.0004	0.0004	Long position
Mr. ZHANG Renzhao <sup>(1)</sup>	Domestic shares	Beneficial owner	495,656	0.0083	0.0100	Long position
		Interest of spouse	113,752	0.0019	0.0023	Long position
Mr. WANG Xifeng	Domestic shares	Beneficial owner	295,011	0.0049	0.0059	Long position
Mr. ZHANG Chuanzheng	Domestic shares	Beneficial owner	424,847	0.0071	0.0085	Long position

### **IV. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK OR ITS ASSOCIATED CORPORATIONS (CONT'D)**

Notes:

- (1) By virtue of the SFO, Mr. ZHANG Renzhao is deemed to be interested in the 113,752 domestic shares held by his spouse, Ms. QU Wenwei (曲文微).
- (2) The percentages above are calculated based on the total number of issued shares of 5,980,058,344 shares and the total number of domestic shares of 4,971,197,344 shares of the Bank as of the end of the Reporting Period.

Save as disclosed above, as of the end of the Reporting Period, none of the Directors, Supervisors or chief executive of the Bank had any interests or short positions in the shares, underlying shares or debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code.

### **V. SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES**

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors, Supervisors and relevant employees of the Bank. Having made enquiry with all Directors and Supervisors, the Bank confirmed that they had complied with the Model Code during the Reporting Period. The Bank is not aware of any violations of the above code by the employees concerned.



## VI. STAFF AND HUMAN RESOURCE MANAGEMENT

### 6.1 Number of employees

As at the end of the Reporting Period, the total number of our regular employees reached 3,149, of which 23.9% were employees aged 30 or below, and 94.3% were employees with bachelor's degree or above. An excellent team of professionals helps to cultivate a corporate culture of active innovation and strengthen the ability to respond to market changes and seize market opportunities.

### 6.2 Remuneration policy

In accordance with the PRC laws and regulations, we contribute to our employees' social insurance and other benefits program including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, housing provident fund and corporate annuity. We have a labor union established in accordance with PRC laws and regulations, which represents the interests of our employees and works closely with our management on labor-related issues.

In order to give full play to the initiative, enthusiasm and creativity of all employees, the Bank has established a remuneration system of "determining one's income based on his/her position, ability and performance and referring to the market" in accordance with regulatory requirements, laws and regulations and the governance requirements of the Bank. The Bank's remuneration mainly includes basic salary, performance-based salary and medium and long-term incentives. Among them, performance-based remuneration and medium and long-term incentives are variable remuneration, which are distributed based on factors such as current and long-term performance contribution and risk condition, and different lock-up periods are set for medium and long-term incentives based on the length of service of employees in the Bank. In accordance with the relevant regulatory requirements, the Bank deferred the payment of performance-based remuneration for senior management and personnel with significant risk impact, and established a compensation pay-back system for performance-based remuneration.

### 6.3 Training scheme

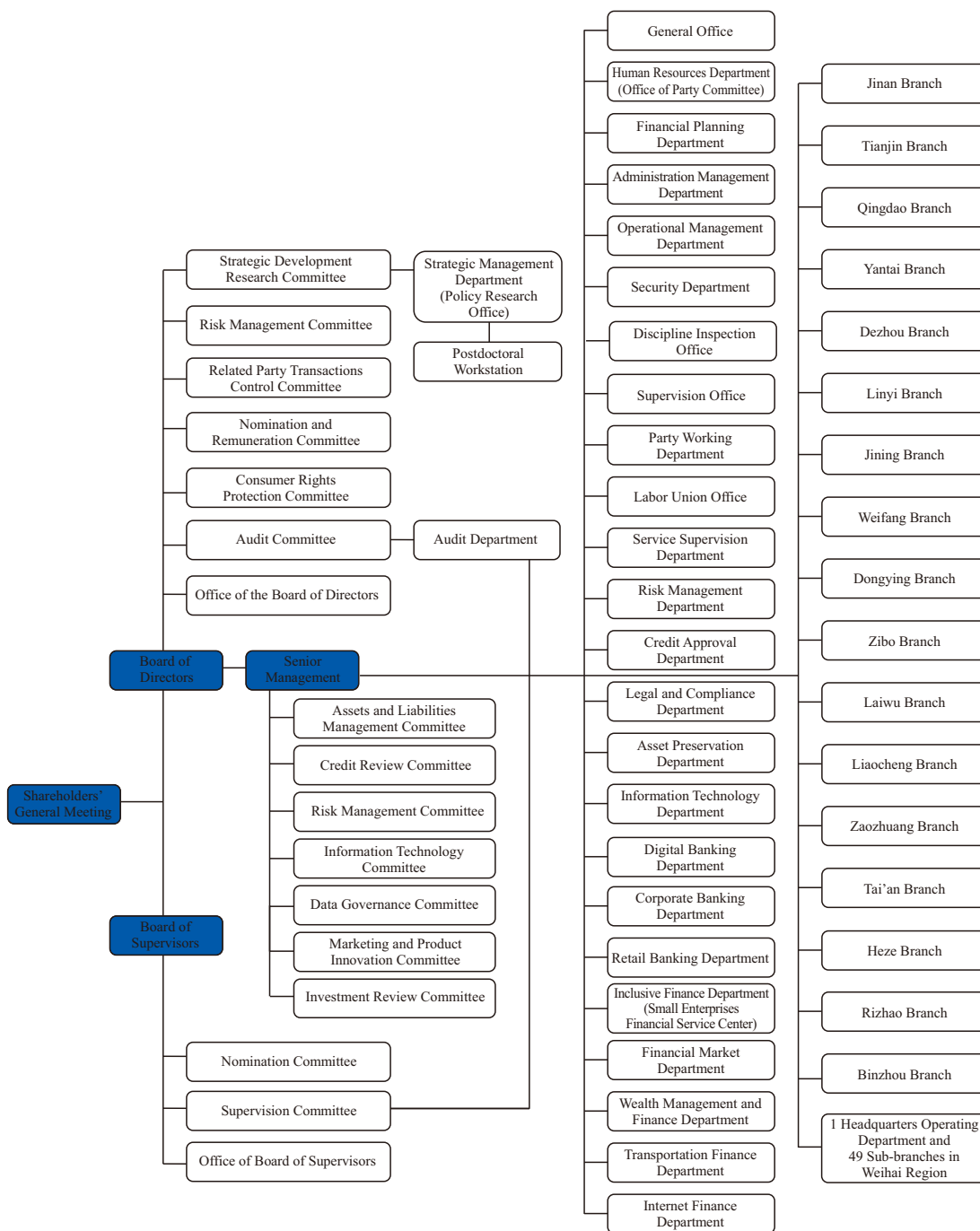
The Bank attaches great importance to talent cultivation, and takes talent selection and employment as the foundation of the Bank's development, and has established a professional team with good execution ability. In 2022, the Bank has established the digital training platform "Zhiniao" system to improve training sessions, set up the learning map and conduct livestream on platform, which provided convenience for learning by the staff of the Bank. Meanwhile, the Bank integrated the training college's development mindset of "foster learning and training through competition", and held events including online training to promote the guiding principle of the Sixth Plenary Session of the 19th Central Committee of the Communist Party of China, reading competition of "Read Wisely, Enlightening the Future" for whole staff, speech contest of "Pursuit of Wisdom, Inheriting Craftsmanship", mini-lesson contest of "Gathering Brilliant Ideas with Every Tiny Thought" and internal trainer contest of "Demonstrating the Principles Abided by Teachers and Creating Top-class Learning Experience". By organising trainings and competitions of various majors, categories and levels, the Bank has enhanced the competitiveness of the team as a whole, and provided talents for the Bank's rapid development.

### 6.4 Share incentive plans

During the Reporting Period, the Bank did not implement any share incentive plans.

# CHAPTER 8 CORPORATE GOVERNANCE

## ORGANIZATIONAL STRUCTURE CHART



### I. GENERAL INFORMATION ON CORPORATE GOVERNANCE

During the Reporting Period, the Bank continued to improve the transparency and accountability of its corporate governance and ensured a high standard of corporate governance practices to protect the interests of Shareholders and enhance corporate value and commitment.

The Bank has established a relatively comprehensive corporate governance structure in accordance with the requirements of the Listing Rules. The compositions of the Board and the special committees under the Board are in compliance with the requirements of the Listing Rules. The Bank has clearly defined the responsibilities of the Shareholders' general meeting, the Board, the Board of Supervisors and the senior management. The Shareholders' general meeting is the highest authority of the Bank. The Board is accountable to the Shareholders' general meeting. The Board has established six special committees, which operate under the leadership of the Board and provide advice on the decisions of the Board. The Board of Supervisors supervises the performance of duties by the Board and senior management as well as the Bank's financial activities, risk management and internal control. Under the leadership of the Board, the senior management is responsible for implementing the resolutions of the Board and for the daily operation and management of the Bank, and reports to the Board and the Board of Supervisors on a regular basis. The president of the Bank is appointed by the Board and is responsible for the overall business operation and management of the Bank.

The Bank has adopted the Corporate Governance Code and met the requirements of the administrative measures and corporate governance for domestic commercial banks, and has established a sound corporate governance system. During the Reporting Period, the Bank has complied with all applicable code provisions set out in Part 2 of Appendix 14 to the Listing Rules.

The Bank is committed to maintaining a high standard of corporate governance. The Bank will continue to review and enhance its corporate governance to ensure compliance with the Corporate Governance Code and meet the expectations of the shareholders and potential investors of the Bank.

### II. SHAREHOLDERS' GENERAL MEETING

The main duties of the general meeting include deciding on the Bank's business strategies and material investment plans, electing and replacing non-employee representative Directors and Supervisors, deciding on their remuneration, considering and approving annual financial budget proposals, financial final accounts, profit distribution proposals and loss recovery proposals, making resolutions on the merger, demerger, dissolution and liquidation of the Bank or change of form of the Company, and amending the Articles of Association, etc. During the Reporting Period, the Bank held one annual general meeting, details of which are set out below:

On May 31, 2022, the Bank held the 2021 annual general meeting in Weihai City, with a total of 17 Shareholders and representatives of the Shareholders, representing 4,675,590,519 voting shares in aggregate and 78.19% of total share capital, attended and voted at the meeting. 18 resolutions were considered and approved, including the 2021 Final Accounts Report, the 2022 Draft Financial Budget, the 2021 Profit Distribution Plan, appointment of Directors/Supervisors, and proposed amendments to the Articles of Association, etc.

The notice, convening and voting procedures of the above Shareholders' general meeting are all in compliance with the relevant requirements of the Company Law and the Articles of Association.

### III. MEETINGS OF THE BOARD AND ITS SPECIAL COMMITTEES

The main duties of the Board include convening general meetings, reporting to the general meetings and executing the resolutions of the general meetings, deciding on the Bank's development strategies, business plans and investment plans, formulating annual financial budget proposals, financial final accounts, profit distribution proposals and loss recovery proposals, formulating proposals for the merger, demerger, dissolution and change of form of the Company, formulating amendments to the Articles of Association and formulating the fundamental management system of the Bank. During the Reporting Period, the Board held 2 meetings, at which 51 resolutions were considered and approved. The special committees under the Board held 12 meetings in total, including 3 meetings convened by the Audit Committee, 2 meetings convened by the Strategic Development Research Committee, 1 meeting convened by the Nomination and Remuneration Committee, 2 meetings convened by the Risk Management Committee, 2 meeting convened by the Consumer Rights Protection Committee, and 2 meetings convened by the Related Party Transactions Control Committee.

### IV. MEETINGS OF THE BOARD OF SUPERVISORS AND ITS SPECIAL COMMITTEES

The main responsibilities of the Board of Supervisors include overseeing the performance of the Board and senior management, the financial operations, internal control and risk management of the Bank. The Board of Supervisors conducts special investigations and attends important meetings in specific areas to understand the Bank's operations and management and to provide supervisory advice. During the Reporting Period, the Board of Supervisors held 2 meetings, at which 22 resolutions were considered and approved. The special committees under the Board of Supervisors held 3 meetings, including 1 meeting convened by the Nomination Committee under the Board of Supervisors, and 2 meetings convened by the Supervision Committee under the Board of Supervisors.

### V. PERFORMANCE OF DUTIES OF INDEPENDENT DIRECTORS

During the Reporting Period, the independent non-executive Directors discharged their statutory duties by attending meetings of the Board and the special committees in good faith and offering objective and independent advices to protect the interests of the Bank and its shareholders as a whole.

### VI. PERFORMANCE OF DUTIES OF EXTERNAL SUPERVISORS

During the Reporting Period, the external Supervisors performed their supervisory duties independently, actively attended the meetings of the Board of Supervisors and relevant committees, participated in the Board meetings and shareholders' general meetings, and expressed objective and impartial independent opinions on matters discussed at the shareholders' general meeting, the meetings of the Board and the Board of Supervisors of the Bank.

### VII. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, according to the Company Law, the Corporate Governance Standards for Banking or Insurance Institutions (《銀行保險機構公司治理準則》) and other laws and regulations and regulatory provisions, and taking into account the actual situation of the Bank, some provisions of the Articles of Association were amended and supplemented. The amendments were considered and approved by the 2021 Annual General Meeting of the Bank convened on May 31, 2022, subject to the approval of CBIRC Shandong Office. For details of the amendments, please refer to the circular dated April 28, 2022 and the announcements dated March 30, 2022 and May 31, 2022, respectively, of the Bank.

### VIII. IMPLEMENTATION OF DIVIDEND DISTRIBUTIONS

In accordance with the 2021 annual general meeting of the Bank convened on May 31, 2022, the Bank distributed 2021 dividends in cash amounted to RMB598 million (tax inclusive), distributing a cash dividend of RMB10 (tax inclusive) per 100 shares to the ordinary Shareholders whose names appear on the register of members of the Bank on the record date for equity distribution. The final dividend was distributed to the Shareholders on July 5, 2022.

The Bank does not declare the 2022 interim dividend.

### **IX. EXTERNAL AUDITOR**

Pursuant to the 2021 annual general meeting of the Bank convened on May 31, 2022, BDO China Shu Lun Pan Certified Public Accountants LLP and BDO Limited were approved to be re-appointed as our domestic and international auditors for 2022, respectively, with the term of office until the next annual general meeting of the Bank.

### **X. RISK MANAGEMENT AND INTERNAL CONTROL**

#### **10.1 Risk Management**

The Bank has established a sound risk management organizational structure comprising the Board of Directors, the Board of Supervisors, senior management and various risk management committees and departments to ensure the effective operation with a strong check-and-balance.

The Bank has established comprehensive risk management policies, procedures and risk limit management systems. We have established a sound risk management policy covering credit risk, market risk, operational risk, liquidity risk, strategic risk, information technology risk and reputational risk, etc, and have established a capital constraint mechanism focusing on capital adequacy ratio management, a complete internal capital adequacy assessment mechanism and a risk management mechanism that covers the entire work stream, including risk identification, measurement, assessment, monitoring, mitigation and control. During the Reporting Period, the Bank continued to improve the system of comprehensive risk management. Taking into account the dual needs of business development and risk control, the Bank formulated the annual risk appetite strategy and specified various risk limits and administrative measures. The Bank carried out risk identification and assessment, stress testing, etc., identified and assessed risks that have a substantial impact on the Bank's operations, made forward-looking assessment on the Bank's profitability, capital level and liquidity under stress scenarios, and assisted in formulating improvement measures. We continuously invest in improving our technology capability in risk management work and have developed risk management systems to address internal control, compliance and operational risks, liquidity risks, interest rate risk of bank accounts, the credit rating systems for retail business and non-retail business, and the management system for collateral and pledges. We gradually explore and improve the application of risk quantification tools in such fields as business access, risk alert and differentiated risk management strategies, which have effectively improved our overall risk management capability.

### X. RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

#### 10.2 Internal Control

The Bank has established an internal control organizational structure comprising the Board of Directors, the Board of Supervisors, senior management, the Legal and Compliance Department, the Audit Department, business departments and branches with rational division of functions, clearly defined responsibilities and clear reporting relationships, forging a distinctive risk management and compliance culture. In accordance with the five management requirements emphasizing on “Rules and Regulations, Supervision, Inspection, Assessment and Rectification”, the Bank continued to strengthen the internal control compliance management. Our internal control adapts to management mode, business scale, product complexity and risk profile.

In terms of internal control and compliance, during the Reporting Period, firstly, a total of 10 new systems were added, and 125 systems/times were revised and improved. The comprehensiveness and enforceability of the systems were continuously enhanced; secondly, the Bank organised and carried out a series of internal control and management improvement activities, such as Year of Developing Internal Control and Compliance Management, Year of Consolidating Industry Standardisation, quarterly compliance inspection, lecture of cases and “Month of System Series”. It enhanced the knowledge tests on case prevention, and continued to create an internal control compliance atmosphere of “behavior led by culture and priorities on strict internal control, acting by the system and strict institutional constraints, penetration of the system into the process and all-the-way compliance in a strict manner”.

In terms of internal audit, the Bank has established an independent and vertical internal audit system that mainly comprises of the Board of Directors, the Audit Committee and the Audit Department at our headquarters. The Board of Directors undertakes ultimate responsibility to ensure the independence and effectiveness of internal audit. The Audit Committee guides, evaluates and assesses the internal audit work while our Audit Department carries out internal auditing at the headquarters and branch level. The Bank’s Audit Department shall strictly follow the principles of independence and objectivity throughout our internal audit work. During the Reporting Period, the Bank’s Audit Department carried the annual audit plans strictly, enhanced big data audit, and conducted both on-site inspections and off-site monitoring during routine audits on the Bank’s operational and management activities, and conducted special audits on our exposures to various risks such as credit risk, market risk, operational risk and information technology risk. For the issues or deficiencies identified during audits, the Audit Department made timely rectification.

### **X. RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)**

#### **10.2 Internal Control (cont'd)**

In terms of information disclosure and inside information management, the Bank has formulated the Information Disclosure Management System of Weihai City Commercial Bank Co., Ltd. and Administrative Measures for Inside Information of Weihai City Commercial Bank in accordance with the laws, regulations and regulatory documents of mainland China and Hong Kong. The Bank shall make timely disclosure in accordance with the relevant laws and regulations and the rules governing the listing of securities of the stock exchanges where the stocks of the Bank are listed when there are “inside information” under Part XIVA of the SFO and other matters required to be disclosed in a timely manner by the relevant laws and regulations and the rules governing the listing of securities of the stock exchanges where the stocks of the Bank are listed, unless exempted under the relevant laws and regulations and the rules governing the listing of securities of the stock exchanges where the stocks of the Bank are listed.

During the Reporting Period, no material defects of internal control and risk management of the Bank have been identified. The Bank is of the opinion that the internal control of the Bank is adequate and effective. For details of the Bank’s risk management and internal control, please refer to “Management Discussion and Analysis – Risk Management” of the Report.

# CHAPTER 9 IMPORTANT EVENTS

## ISSUE OF BONDS

During the Reporting Period, the Bank issued interbank deposits with an aggregate principal amount of RMB21.62 billion, with no financial bonds issued. Details of the bonds that were not issued during the Reporting Period are set out in note 29 to the financial statements in the Report.

## MATERIAL LITIGATION OR ARBITRATION

As of the end of the Reporting Period, the Bank was the plaintiff in 7 outstanding litigations with a principal balance of over RMB30 million, involving an amount of RMB866 million. The Bank was not the defendant in any outstanding litigations or arbitrations with an amount subject to the disputes of over RMB10 million. The above outstanding litigations and arbitrations are all loan disputes arising from banking business of the Bank, and as of the end of the Reporting Period, the Bank did not expect that such litigations and arbitrations (individually or jointly) would have a material adverse effect on the Bank's business, financial position and results of operations. Save as disclosed above, as of the date of the Report, the Bank had no other material litigation, arbitration and major case.

## PENALTIES AND RECTIFICATION

As far as the Bank is aware, during the Reporting Period, the Bank and its Directors, Supervisors and senior management were not subject to any investigation, administrative penalty and public criticism by the China Securities Regulatory Commission, investigation by competent authorities, enforcement of mandatory measures by judicial authorities or disciplinary departments, or subject to transfer to judicial authorities or criminal liabilities, material administrative penalties by other administrative authorities such as environmental protection, safety supervision and taxation authorities, and public condemnation by the Hong Kong Stock Exchange.

## FULFILLMENT OF UNDERTAKINGS

The specific details of the undertakings fulfilled by the Bank, its Shareholders, related parties and other parties are set out in "Chapter 11 Important Events – Fulfillment of Undertakings" in 2021 Annual Report of the Bank, and there were no other undertakings that were fulfilled during the Reporting Period and not yet fulfilled as at the end of the Reporting Period.

## MATERIAL CONTRACTS, MATERIAL GUARANTEES AND SIGNIFICANT INVESTMENTS

### Material Contracts

During the Reporting Period, the Bank did not have any material contracts subject to disclosure.

### Material Guarantees

As of the end of the Reporting Period, the balance of letters of guarantee and letters of credit of the Bank amounted to RMB595 million and RMB7,909 million, respectively. The guarantee business is carried out in the ordinary course of business of the Bank, and the above businesses are financial guarantee business within the scope of business approved by the CBIRC during the Reporting Period.

### Significant Investments

During the Reporting Period, the Bank had no significant investment. There was no specific plan for significant investments or acquisition of material capital assets or other businesses.



## Chapter 9 Important Events

### Disposal of Assets and Mergers

During the Reporting Period, there had been no material acquisitions and disposal of assets nor mergers within the Bank.

### Significant Events of Subsidiaries

During the Reporting Period, Tongda Financial Leasing increased its capital contribution. Its registered capital amounted to RMB1.65 billion. The Bank held 54.55% of the equity interests in Tongda Financial Leasing. For details, please refer to Note 19 to the financial statements in the Report.

### RELATED PARTY TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, the transactions between the Bank and its connected persons constitute connected transactions of the Bank. The Bank provides commercial banking services and products in the ordinary and usual course of its business to members of the public in the PRC, which include our connected persons (such as Directors, Supervisors, president, controlling Shareholders, substantial Shareholders and/or their respective associates). These transactions are entered into on normal commercial terms (or commercial terms that are better to us) in the ordinary and usual course of our business, and thus are fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

We also enter into certain non-bank transactions with our connected persons and/or their respective associates on normal commercial terms (or commercial terms that are better to us) from time to time in the ordinary and usual course of our business. These transactions are expected to constitute de minimis transactions under Chapter 14A of the Listing Rules. The transactions contemplated under such arrangements constitute continuing connected transactions of the Bank, and thus are fully exempt from all disclosure, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Bank carried out related party transactions in strict compliance with the relevant requirements of the regulatory authorities and the Administrative Measures for Related (Connected) Party Transactions and the Rules of Procedure for the Related Party Transactions Control Committee under the Board of Directors formulated by the Bank.

In accordance with the requirements of the CBIRC, the Bank has established a comprehensive, dynamic and complete list of related parties, and reviewed and approved related party transactions in accordance with commercial principles and on terms no more favorable than those of similar transactions with non-related parties. The terms of such transactions are fair and reasonable and in the interests of all Shareholders and the Bank as a whole, and have no negative impact on the Bank's operating results and financial position. Related party transactions were conducted in accordance with relevant laws and regulations, and credit conditions and review procedures of the Bank, and the amount of all the loans was recovered normally without non-performing loans.

During the Reporting Period, there were 3 resolutions on material related party transactions involving Shandong Hi-Speed Group, Tongda Financial Leasing and Weihai Industrial Investment Group Co., Ltd. submitted to the Board for consideration and approval in accordance with the requirements of the CBIRC. As of the end of the Reporting Period, the Bank's balance of the credit exposure to material related party transactions was RMB4.58 billion, and the balance of the exposure to normal related party transactions was RMB2.107 billion.

### **CONSUMER RIGHTS PROTECTION**

The Bank attached great importance to the protection of the rights and interests of financial consumers, continuously strengthened its management in operational activities and businesses, strengthened the review of pre-sales consumer protection, strictly undertook the main obligation of protecting the rights and interests of financial consumers. During the Reporting Period, the Bank mainly carried out the following activities: 1. The Consumer Rights Protection Committee regularly convened meetings to consider relevant topics and disclose the 2021 Environmental, Social and Governance Report; 2. The Bank carried out a series of publicity activities such as “3·15 Consumer Rights Day” and “Campaign to Spread Financial Knowledge”, which effectively enhanced the awareness of financial protection of consumers; 3. The complaint channels and complaint handling flow chart are announced in outlets and electronic channels, and the Bank carried out the reception day activity for the president on consumer complaint on the 16th of every month at all levels; 4. Regular trainings on consumer rights protection were conducted to keep abreast of the new trend, new dynamics and new requirements of rights protection of the financial consumers.

### **SUFFICIENCY OF PUBLIC FLOAT**

As of the date of the Report, based on the public information available to the Bank and to the knowledge of the Directors, the Bank had maintained sufficient public float in compliance with the minimum requirement under the Listing Rules.

### **EVENTS AFTER THE REPORTING PERIOD**

For details of the events after the Reporting Period, please refer to Note 43 to the financial statements in the Report. Save as mentioned above, the Bank had no other significant events after the Reporting Period.

# REVIEW REPORT ON INTERIM FINANCIAL INFORMATION



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## TO THE BOARD OF DIRECTORS OF WEIHAI CITY COMMERCIAL BANK CO., LTD.

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

### INTRODUCTION

We have reviewed the interim financial information set out on pages 84 to 174, which comprises the condensed consolidated statement of financial position of Weihai City Commercial Bank Co., Ltd. (the “**Bank**”) and its subsidiary (together the “**Group**”) as at June 30, 2022, and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flow for the six months period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”), issued by the International Accounting Standard Board. The directors are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on the interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong 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.

# Review Report on Interim Financial Information

## CONCLUSION

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

### **BDO Limited**

*Certified Public Accountants*

### **Lam Tsz Ka**

Practising Certificate no. P06838

Hong Kong, August 30, 2022

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended June 30,	
		2022	2021
Interest income		7,092,530	6,346,542
Interest expense		(3,884,278)	(3,427,554)
<b>Net interest income</b>	4	<b>3,208,252</b>	2,918,988
Fee and commission income		423,047	378,293
Fee and commission expense		(52,991)	(31,971)
<b>Net fee and commission income</b>	5	<b>370,056</b>	346,322
Net trading gains/(losses)	6	55,781	(26,688)
Net gains arising from investment securities	7	595,799	388,461
Other operating income	8	6,791	10,765
<b>Operating income</b>		<b>4,236,679</b>	3,637,848
Operating expenses	9	(870,278)	(750,645)
Impairment losses on assets	10	(2,162,635)	(1,723,047)
<b>Profit before tax</b>		<b>1,203,766</b>	1,164,156
Income tax expense	11	(113,587)	(202,334)
<b>Net profit for the period</b>		<b>1,090,179</b>	961,822
<b>Net profit for the period attributable to:</b>			
Equity shareholders of the Bank		992,242	882,858
Non-controlling interests		97,937	78,964
		<b>1,090,179</b>	961,822

# Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended June 30,	
		2022	2021
<b>Other comprehensive income for the period:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Financial assets measured at fair value through other comprehensive income:			
– net movement in the fair value reserve, net of tax	32(d)	<b>(92,468)</b>	74,649
– net movement in the impairment reserve, net of tax	32(e)	<b>12,344</b>	4,654
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Financial assets measured at fair value through other comprehensive income:			
– net movement in the fair value reserve, net of tax	32(d)	<b>(22,789)</b>	(53,642)
<b>Other comprehensive income for the period, net of tax</b>		<b>(102,913)</b>	25,661
<b>Total comprehensive income for the period</b>		<b>987,266</b>	987,483
<b>Total comprehensive income for the period attributable to:</b>			
Equity shareholders of the Bank		<b>889,329</b>	908,519
Non-controlling interests		<b>97,937</b>	78,964
		<b>987,266</b>	987,483
Basic and diluted earnings per share (in RMB)	12	<b>0.17</b>	0.15

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Notes</i>	<b>As at June 30, 2022</b>	As at December 31, 2021
<b>Assets</b>			
Cash and deposits with the Central Bank	13	<b>25,889,112</b>	24,356,627
Deposits with banks and other financial institutions	14	<b>1,838,072</b>	4,312,845
Placements with banks	15	<b>1,113,025</b>	2,052,037
Financial assets held under resale agreements	16	<b>130,100</b>	200,158
Loans and advances to customers	17	<b>155,830,031</b>	140,367,279
Financial investments:	18		
Financial investments measured at fair value through profit or loss		<b>11,018,647</b>	12,167,202
Financial investments measured at fair value through other comprehensive income		<b>27,672,231</b>	23,369,515
Financial investments measured at amortised cost		<b>83,120,711</b>	77,122,234
Property and equipment	20	<b>1,029,853</b>	1,019,315
Right-of-use assets	21	<b>346,471</b>	394,674
Deferred tax assets	22	<b>2,020,200</b>	1,746,391
Other assets	23	<b>22,651,058</b>	17,412,539
<b>Total assets</b>		<b>332,659,511</b>	304,520,816
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Borrowings from the Central Bank		<b>10,917,964</b>	11,281,745
Deposits from banks	25	<b>4,165,550</b>	4,031,721
Placements from banks and other financial Institutions	26	<b>19,335,238</b>	15,066,239
Financial assets sold under repurchase agreements	27	<b>10,101,955</b>	7,004,003
Deposits from customers	28	<b>229,535,141</b>	206,841,962
Income tax payable		<b>304,463</b>	429,323
Debt securities issued	29	<b>29,490,340</b>	32,698,317
Lease liabilities		<b>340,746</b>	374,230
Deferred tax liabilities	22	<b>20,254</b>	48,032
Other liabilities	30	<b>3,411,392</b>	2,575,036
<b>Total liabilities</b>		<b>307,623,043</b>	280,350,608

# Unaudited Condensed Consolidated Statement of Financial Position

As at June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Notes</i>	<b>As at June 30, 2022</b>	As at December 31, 2021
<b>Equity</b>			
Share capital	31	<b>5,980,058</b>	5,980,058
Capital reserve	32(a)	<b>4,925,460</b>	4,947,553
Surplus reserve	32(b)	<b>1,379,190</b>	1,379,190
General reserve	32(c)	<b>3,227,913</b>	2,648,092
Fair value reserve	32(d)	<b>(82,403)</b>	25,041
Impairment reserve	32(e)	<b>37,700</b>	25,356
Retained earnings	33	<b>3,957,974</b>	4,151,373
Total equity attributable to equity shareholders of the Bank		<b>19,425,892</b>	19,156,663
Perpetual bonds	32(f)	<b>4,099,201</b>	4,099,201
Non-controlling interests		<b>1,511,375</b>	914,344
<b>Total equity</b>		<b>25,036,468</b>	24,170,208
<b>Total liabilities and equity</b>		<b>332,659,511</b>	304,520,816

Approved and authorised for issue by the board of directors on August 30, 2022 and signed on its behalf by

**Tan Xianguo**  
*Chairman*

**Meng Dongxiao**  
*President*



# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

Notes	Attributable to equity shareholders of the Bank								Perpetual bonds	Non-controlling interests	Total
	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment Reserve	Retained earnings	Subtotal			
<b>Balance at January 1, 2022</b>	5,980,058	4,947,553	1,379,190	2,648,092	25,041	25,356	4,151,373	19,156,663	4,099,201	914,344	24,170,208
Changes in equity for the period:											
Net profit for the period	-	-	-	-	-	-	992,242	992,242	-	97,937	1,090,179
Other comprehensive income	-	-	-	-	(115,257)	12,344	-	(102,913)	-	-	(102,913)
<b>Total comprehensive income</b>	-	-	-	-	(115,257)	12,344	992,242	889,329	-	97,937	987,266
Deemed disposal of interests in subsidiary without loss of control 19	-	(22,093)	-	-	-	-	-	(22,093)	-	499,094	477,001
Disposal of financial investments measured at fair value through other comprehensive income	-	-	-	-	7,813	-	(7,813)	-	-	-	-
Appropriation of profit											
- Appropriation to general reserve 32(c)	-	-	-	579,821	-	-	(579,821)	-	-	-	-
- Appropriation to shareholders 33	-	-	-	-	-	-	(598,007)	(598,007)	-	-	(598,007)
<b>Balance at June 30, 2022</b>	5,980,058	4,925,460	1,379,190	3,227,913	(82,403)	37,700	3,957,974	19,425,892	4,099,201	1,511,375	25,036,468

Notes	Attributable to equity shareholders of the Bank								Perpetual bonds	Non-controlling interests	Total
	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment Reserve	Retained earnings	Subtotal			
<b>Balance at January 1, 2021</b>	5,980,058	4,947,553	1,225,715	2,293,035	(225,644)	11,422	3,673,849	17,905,988	2,999,675	768,080	21,673,743
Changes in equity for the period:											
Net profit for the period	-	-	-	-	-	-	882,858	882,858	-	78,964	961,822
Other comprehensive income	-	-	-	-	21,007	4,654	-	25,661	-	-	25,661
<b>Total comprehensive income</b>	-	-	-	-	21,007	4,654	882,858	908,519	-	78,964	987,483
Appropriation of profit											
- Appropriation to general reserve 32(c)	-	-	-	355,057	-	-	(355,057)	-	-	-	-
- Appropriation to shareholders 33	-	-	-	-	-	-	(598,003)	(598,003)	-	-	(598,003)
<b>Balance at June 30, 2021</b>	5,980,058	4,947,553	1,225,715	2,648,092	(204,637)	16,076	3,603,647	18,216,504	2,999,675	847,044	22,063,223

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended June 30,	
		2022	2021
<b>Cash flows from operating activities</b>			
Profit before income tax		<b>1,203,766</b>	1,164,156
<i>Adjustments for:</i>			
Impairment losses on assets	10	<b>2,162,635</b>	1,723,047
Depreciation and amortisation	9	<b>108,595</b>	103,153
Unrealised foreign exchange losses	6	<b>1,657</b>	18,742
Net losses on disposal of property and equipment	8	–	32
Net trading losses	6	<b>133,691</b>	7,946
Net gains on disposal of investment securities	7	<b>(595,799)</b>	(388,461)
Interest expenses on debt securities issued	4	<b>513,549</b>	524,876
Interest expenses on lease liabilities	9	<b>8,118</b>	9,432
Interest income from financial investments	4	<b>(2,180,026)</b>	(1,955,858)
		<b>1,356,186</b>	1,207,065
<i>Changes in operating assets</i>			
Net increase in deposits with the Central Bank		<b>(1,567,249)</b>	(909,701)
Net increase in loans and advances to customers		<b>(16,742,281)</b>	(19,346,523)
Net increase in finance lease receivables		<b>(4,108,820)</b>	(1,613,493)
Net increase in other operating assets		<b>(1,188,904)</b>	(102,770)
		<b>(23,607,254)</b>	(21,972,487)
<i>Changes in operating liabilities</i>			
Net (decrease)/increase in borrowings from the Central Bank		<b>(363,177)</b>	2,240,887
Net increase/(decrease) in deposits from banks		<b>132,716</b>	(96,776)
Net increase in placements from banks and other financial institutions		<b>4,237,804</b>	1,184,021
Net increase in financial assets sold under repurchase agreements		<b>3,099,542</b>	4,220,914
Net increase in deposits from customers		<b>21,958,072</b>	13,698,985
Income tax paid		<b>(505,730)</b>	(458,281)
Net increase in other operating liabilities		<b>2,516,777</b>	320,167
		<b>31,076,004</b>	21,109,917
<b>Net cash flows generated from operating activities</b>		<b>8,824,936</b>	344,495

# Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended June 30,	
	2022	2021
<b>Cash flows from investing activities</b>		
Proceeds from disposal and redemption of financial investments	<b>86,666,531</b>	62,972,653
Return on investments	<b>2,775,825</b>	2,344,319
Payments on acquisition of financial investments	<b>(97,658,382)</b>	(70,194,832)
Payments on acquisition of property and equipment, intangible assets and other assets	<b>(71,504)</b>	(26,920)
Proceeds from disposal of property and equipment and other assets	-	21
<b>Net cash flows used in investing activities</b>	<b>(8,287,530)</b>	(4,904,759)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of debt securities	<b>21,749,952</b>	24,191,226
Repayment of debt securities issued	<b>(25,070,000)</b>	(24,790,000)
Interest paid on debt securities issued	<b>(401,478)</b>	(497,304)
Capital element of lease liabilities paid	<b>(48,685)</b>	(53,676)
Interest element of lease liabilities paid	<b>(8,118)</b>	(9,432)
Dividends paid	<b>(102,480)</b>	(103,361)
<b>Net cash flows used in financing activities</b>	<b>(3,880,809)</b>	(1,262,547)
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>(1,656)</b>	(3,383)
<b>Net decrease in cash and cash equivalents</b>	<b>(3,345,059)</b>	(5,826,194)
<b>Cash and cash equivalents as at January 1</b>	<b>20,527,169</b>	27,895,102
<b>Cash and cash equivalents as at June 30</b>	<b>17,182,110</b>	22,068,908
Interest received	<b>7,793,000</b>	6,989,976
Interest paid (excluding interest expense on debt securities issued)	<b>(2,459,484)</b>	(2,607,675)

# NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 1. GENERAL INFORMATION

Weihai City Commercial Bank Co., Ltd. (the “**Bank**”) (formerly Weihai City Cooperation Bank Co., Ltd.) commenced business as a city commercial bank on July 21, 1997, according to the approval by the People’s Bank of China (“**PBOC**”). According to the approval by the PBOC Shandong Branch, Weihai City Cooperation Bank Co., Ltd. was renamed as Weihai City Commercial Bank Co., Ltd. on April 17, 1998.

The Bank obtained its finance permit No. B0176H237100001 from the China Banking Regulatory Commission (the “**CBRC**”, currently the China Banking and Insurance Regulatory Commission, the “**CBIRC**”) (Shandong Branch). The Bank obtained its business license No. 913700002671339534 from the Market Supervision Administration of Weihai City. By June 30, 2022, the paid-in capital of the Bank was RMB5,980,058,344, with its registered office located at No. 9 Baoquan Road Weihai, Shandong Province. The Bank is regulated by the CBIRC authorized by the State Council.

On October 12, 2020, the Bank’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (Stock code: 9677).

The principal activities of the Bank and its subsidiary (together the “**Group**”) include corporate banking, retail banking, financial market business and finance lease services approved by the CBIRC.

## 2. BASIS OF PREPARATION

These interim condensed consolidated financial statements have 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**”). These interim condensed consolidated financial statements were authorised for issue on August 30, 2022.

These interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2021 annual consolidated financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial report. Details of any changes in accounting policies are set out in Note 3.

The preparation of these interim condensed consolidated financial statements in compliance with IAS 34 requires use of certain judgements, estimates and assumptions made by management that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense on a year to date basis. Actual results may differ from these estimates. There have been no material revisions to the nature and amount of changes in estimates of amounts reported in prior periods.

These interim condensed consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated. These interim condensed consolidated financial statements and notes thereon do not include all the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (the “**IFRS**”) and should be read in conjunction with the 2021 annual consolidated financial statements.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2. BASIS OF PREPARATION (CONT'D)

These interim condensed consolidated financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, Review of Financial Information Performed by the Independent Auditor of the Entity, issued by the Hong Kong Institute of Certified Public Accountants. BDO Limited's independent review report to the Board of Directors is included on page 82 to 83.

The financial information relating to the financial year ended December 31, 2021 that is included in these interim condensed consolidated financial statements as comparative information does not constitute the Bank's statutory annual consolidated financial statements for that financial year but is derived from those consolidated financial statements.

## 3. NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP

Except as described below, the accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the 2021 annual consolidated financial statements.

The new and amended standards will also be reflected in the Group's consolidated financial statements as at and for the year ending December 31, 2022.

### Amendment to IFRS 16 – Covid-19-Related Rent Concessions beyond June 30, 2021

It extends the availability of the practical expedient in paragraph 46A of IFRS 16 so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met.

The amendment had no impact on the interim condensed consolidated financial statements of the Group as no relevant rent concession incurred during Reporting Period.

### Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 3. NEW AND AMENDED STANDARDS ADOPTED BY THE GROUP (CONT'D)

### Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

### Amendments to IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract

This resulted in a change in accounting policy for performing an onerous contracts assessment. Previously, the Group included only incremental costs to fulfil a contract when determining whether that contract was onerous. The revised policy is to include both incremental costs and an allocation of other direct costs.

The Group has analysed all contracts existing at January 1, 2022 and determined that none of them would be identified as onerous applying the revised accounting policy – i.e. there is no impact on the opening equity balances as at January 1, 2022 as a result of the change.

### IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as it is not a first-time adopter.

### IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no material impact on the interim condensed consolidated financial statements of the Group as there were no modifications of the Group's financial instruments during the period.

The Group has not adopted any new standard or interpretation that is not yet effective for the current accounting period and expected the adoption have no material impact on the interim condensed consolidated financial statement of the Group.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 4. NET INTEREST INCOME

	Six months ended June 30,	
	2022	2021
<b>Interest income arising from</b>		
Deposits with the Central Bank	<b>138,298</b>	134,119
Deposits with banks and other financial institutions	<b>3,299</b>	1,498
Placements with banks	<b>54,473</b>	38,488
Loans and advances to customers		
– Corporate loans and advances	<b>2,797,874</b>	2,442,448
– Personal loans and advances	<b>1,132,555</b>	1,041,580
– Discounted bills	<b>156,596</b>	137,543
Financial assets held under resale agreements	<b>5,077</b>	17,711
Financial investments	<b>2,180,026</b>	1,955,858
Finance leases	<b>624,332</b>	577,297
Sub-total	<b>7,092,530</b>	6,346,542
<b>Interest expense arising from</b>		
Borrowings from the Central Bank	<b>(113,656)</b>	(89,838)
Deposits from banks	<b>(61,417)</b>	(45,990)
Placements from banks and other financial institutions	<b>(370,555)</b>	(335,180)
Deposits from customers	<b>(2,763,742)</b>	(2,351,167)
Financial assets sold under repurchase agreements	<b>(57,385)</b>	(69,250)
Debt securities issued	<b>(513,549)</b>	(524,876)
Discounted bills	<b>(3,974)</b>	(11,253)
Sub-total	<b>(3,884,278)</b>	(3,427,554)
<b>Net interest income</b>	<b>3,208,252</b>	2,918,988

Total interest income arising from financial assets that are not measured at fair value through profit or loss (“FVTPL”) for the six months ended June 30, 2022 amounted to RMB7,093 million (six months ended June 30, 2021: RMB6,347 million).

Total interest expense arising from financial liabilities that are not at FVTPL for the six months ended June 30, 2022 amounted to RMB3,884 million (six months ended June 30, 2021: RMB3,428 million).

Interest income arising from impaired loan for the six months ended June 30, 2022 amounted to RMB31 million (six months ended June 30, 2021: RMB25 million).

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 5. NET FEE AND COMMISSION INCOME

### (a) Income and expense streams:

	Six months ended June 30,	
	2022	2021
<b>Fee and commission income</b>		
Acceptance and guarantee services fees	39,029	32,069
Agency services fees	159,754	129,009
Bank card services fees	31,177	16,660
Consultancy services fees	120,816	111,224
Finance leases services fees	19,070	38,562
Settlement and clearing fees	49,011	40,553
Others	4,190	10,216
<b>Sub-total</b>	<b>423,047</b>	<b>378,293</b>
<b>Fee and commission expense</b>		
Bank card services fees	(24,303)	(8,306)
Settlement and clearing fees	(25,030)	(20,428)
Others	(3,658)	(3,237)
<b>Sub-total</b>	<b>(52,991)</b>	<b>(31,971)</b>
<b>Net fee and commission income</b>	<b>370,056</b>	<b>346,322</b>
<b>Fee and commission income</b>		
Fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading or designated at FVTPL	8,933	9,596
Fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	4,375	5,848
<b>Fee and commission expense</b>		
Fee expense, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading or designated at FVTPL	4,919	3,816



# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 5. NET FEE AND COMMISSION INCOME (CONT'D)

(b) Disaggregation of income:

	Six months ended June 30,			
	2022		2021	
	At a point in time	Over time	At a point in time	Over time
Acceptance and guarantee services fees	–	39,029	–	32,069
Agency services fees	–	159,754	–	129,009
Bank card services fees	31,177	–	16,660	–
Consultancy services fees	–	120,816	–	111,224
Finance leases services fees	–	19,070	–	38,562
Settlement and clearing fees	49,011	–	40,553	–
Others	4,190	–	10,216	–
<b>Total</b>	<b>84,378</b>	<b>338,669</b>	67,429	310,864

## 6. NET TRADING GAINS/(LOSSES)

	Six months ended June 30,	
	2022	2021
Net gains from debt securities	10,459	5,525
Net losses from funds	(114,844)	(6,055)
Net losses from investment management products	(22,883)	(11,561)
Net gains from derivative	12,163	4,145
Net losses from equity investments	(18,586)	–
Exchange gains/(losses)	189,472	(18,742)
<b>Total</b>	<b>55,781</b>	(26,688)

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 7. NET GAINS ARISING FROM INVESTMENT SECURITIES

	Six months ended June 30,	
	2022	2021
Net gains of financial investments measured at fair value through profit or loss	<b>393,028</b>	335,095
Net gains of financial investments measured at fair value through other comprehensive income	<b>125,608</b>	21,113
Net gains of financial investments measured at amortised costs	<b>60,374</b>	31,282
Dividend income	<b>9,685</b>	–
Net gains of investment on derivatives	<b>7,104</b>	971
<b>Total</b>	<b>595,799</b>	388,461

## 8. OTHER OPERATING INCOME

Other operating income streams:

	Six months ended June 30,	
	2022	2021
Penalty income	<b>411</b>	187
Rental income	<b>657</b>	346
Government grants	<b>5,333</b>	10,226
Net losses on disposal of property, plant and equipment	–	(32)
Others	<b>390</b>	38
<b>Total</b>	<b>6,791</b>	10,765

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 9. OPERATING EXPENSES

	Note	Six months ended June 30,	
		2022	2021
Staff costs			
– Salaries, bonuses and allowances		<b>374,914</b>	304,765
– Social insurance		<b>48,287</b>	42,690
– Housing allowances		<b>22,094</b>	20,404
– Staff welfares		<b>2,208</b>	2,442
– Employee education expenses and labour union expenses		<b>13,180</b>	10,659
– Supplementary retirement benefits	(a)	<b>12,296</b>	11,342
Sub-total		<b>472,979</b>	392,302
Rental and property management expenses		<b>7,399</b>	7,754
Depreciation and amortisation		<b>53,309</b>	46,720
Depreciation charge for the right-of-use assets		<b>55,285</b>	56,433
Interest expense on lease liabilities		<b>8,118</b>	9,432
Taxes and surcharges		<b>46,101</b>	40,783
Office expenses		<b>154,912</b>	149,678
Other general and administrative expenses		<b>72,175</b>	47,543
Total		<b>870,278</b>	750,645

Note:

- (a) The defined contribution retirement plans of the Group include the social pension schemes, annuity plan, housing allowances and other social insurances. No forfeited contributions have been applied by the Bank to reduce its existing level of contributions for the for the six months periods ended June 30, 2022 and 2021, respectively.

## 10. IMPAIRMENT LOSSES ON ASSETS

	Six months ended June 30,	
	2022	2021
Financial assets held under resale agreements	–	20
Loans and advances to customers	<b>1,505,607</b>	1,460,546
Financial investments	<b>520,129</b>	124,688
Finance lease receivables	<b>98,464</b>	104,956
Credit commitments	<b>(8,485)</b>	5,002
Deposits with banks and other financial institutions	–	401
Placements with banks	<b>(1,293)</b>	1,119
Others	<b>48,213</b>	26,315
Total	<b>2,162,635</b>	1,723,047

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 11. INCOME TAX EXPENSE

### (a) Income tax expense:

	Six months ended June 30,	
	2022	2021
Current tax	383,475	183,474
Deferred tax	(269,888)	18,860
Total	113,587	202,334

### (b) Reconciliations between income tax expense and accounting profit are as follows:

	Note	Six months ended June 30,	
		2022	2021
Profit before tax		1,203,766	1,164,156
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		300,942	291,039
Non-deductible expenses		2,133	20
Non-taxable income	(i)	(189,488)	(88,725)
Income tax expense		113,587	202,334

(i) The non-taxable income mainly represents the interest income arising from the People's Republic of China ("PRC") government bonds and dividends from domestic enterprises.

## 12. BASIC AND DILUTED EARNINGS PER SHARE

	Note	Six months ended June 30,	
		2022	2021
Net profit attributable to equity shareholders of the Bank		992,242	882,858
Weighted average number of ordinary shares (in thousands)	(a)	5,980,058	5,980,058
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)		0.17	0.15

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the Reporting Period.

### (a) Weighted average number of ordinary shares (in thousands)

	Six months ended June 30,	
	2022	2021
Weighted average number of ordinary shares at beginning and end of the period	5,980,058	5,980,058

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 13. CASH AND DEPOSITS WITH THE CENTRAL BANK

	Note	June 30, 2022	December 31, 2021
Cash on hand		208,589	215,682
Deposits with the Central Bank			
– Statutory deposit reserves	(a)	17,237,685	15,670,303
– Surplus deposit reserves	(b)	8,442,772	8,470,443
– Fiscal deposits		66	199
Sub-total		25,680,523	24,140,945
Total		25,889,112	24,356,627

- (a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of each of the Reporting Period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	June 30, 2022	December 31, 2021
Reserve ratio for RMB deposits	7.8%	8.0%
Reserve ratio for foreign currency deposits	8.0%	9.0%

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

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

## 14. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	June 30, 2022	December 31, 2021
Deposits in mainland China		
– Banks	1,474,462	1,390,534
– Other financial institutions	71,957	88,249
Sub-total	1,546,419	1,478,783
Deposits outside mainland China		
– Banks	291,584	2,834,014
– Other financial institutions	4	–
Sub-total	291,588	2,834,014
Interests accrued	65	48
Total	1,838,072	4,312,845

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 15. PLACEMENTS WITH BANKS

Analysed by type and location of counterparty

	June 30, 2022	December 31, 2021
Placements in mainland China – Banks	<b>1,112,765</b>	2,052,975
Sub-total	<b>1,112,765</b>	2,052,975
Interests accrued	<b>1,220</b>	1,315
Less: Provision for impairment losses	<b>(960)</b>	(2,253)
Total	<b>1,113,025</b>	2,052,037

## 16. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	June 30, 2022	December 31, 2021
In mainland China – Banks	<b>129,980</b>	200,000
Sub-total	<b>129,980</b>	200,000
Interests accrued	<b>120</b>	158
Total	<b>130,100</b>	200,158

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 16. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (CONT'D)

### (b) Analysed by type of collateral held

	June 30, 2022	December 31, 2021
Securities		
– Government	–	47,619
– Policy banks	<b>129,980</b>	152,381
Sub-total	<b>129,980</b>	200,000
Interests accrued	<b>120</b>	158
Total	<b>130,100</b>	200,158

As at June 30, 2022 and December 31, 2021, certain financial assets held under resale agreements were pledged for repurchase agreements Note 24(a).

## 17. LOANS AND ADVANCES TO CUSTOMERS

### (a) Analysed by nature

	June 30, 2022	December 31, 2021
<b>Loans and advances to customers measured at amortised cost:</b>		
Corporate loans and advances	<b>106,995,542</b>	94,366,070
Personal loans		
– Residential mortgage loans	<b>17,017,295</b>	16,319,912
– Personal consumption loans	<b>5,039,856</b>	3,680,141
– Personal business loans	<b>19,110,408</b>	18,803,360
– Credit cards	<b>1,293,638</b>	1,327,301
Sub-total	<b>42,461,197</b>	40,130,714
Interests accrued	<b>844,931</b>	668,503
Less: Provision for loans and advances to customers measured at amortised cost	<b>(4,092,695)</b>	(3,593,924)
Sub-total	<b>146,208,975</b>	131,571,363
<b>Loans and advances to customers measured at fair value through other comprehensive income:</b>		
Discounted bills	<b>9,621,056</b>	8,795,916
Net loans and advances to customers	<b>155,830,031</b>	140,367,279

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 17. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

(b) Loans and advances to customers (exclusive interests accrued) analysed by industry sector

	June 30, 2022		Loans and advances secured by collaterals
	Amount	Percentage	
Leasing and business services	26,539,932	16.68%	10,686,201
Water conservancy, environment and public facilities management	19,744,961	12.41%	8,935,090
Manufacturing	17,843,955	11.22%	5,839,299
Construction	13,985,821	8.79%	4,467,417
Real estate	7,060,066	4.44%	7,032,958
Wholesale and retail	6,748,430	4.24%	3,677,726
Electricity, heat, gas and water production and supply	2,926,883	1.84%	760,895
Transportation, warehousing and postal services	2,908,702	1.83%	998,508
Agriculture, forestry, animal husbandry and fishery	2,457,957	1.55%	1,713,706
Education	1,863,665	1.17%	741,700
Hygiene and social welfare	976,150	0.61%	391,950
Culture, sports and entertainment	198,599	0.12%	69,600
Information transmission, software and information technology services	127,332	0.08%	79,332
Others	3,613,089	2.28%	762,950
Sub-total of corporate loans and advances	106,995,542	67.26%	46,157,332
Personal loans	42,461,197	26.69%	26,261,281
Discounted bills	9,621,056	6.05%	9,621,056
Gross loans and advances to customers	159,077,795	100.00%	82,039,669



# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 17. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

### (b) Loans and advances to customers (exclusive interests accrued) analysed by industry sector (Cont'd)

	December 31, 2021		Loans and advances secured by collaterals
	Amount	Percentage	
Leasing and business services	20,457,917	14.28%	7,739,848
Water conservancy, environment and public facilities management	18,810,830	13.13%	7,110,138
Manufacturing	17,104,306	11.94%	5,634,699
Construction	10,462,071	7.30%	3,425,178
Real estate	7,362,496	5.14%	7,335,360
Wholesale and retail	6,745,969	4.71%	3,546,130
Transportation, warehousing and postal services	2,489,924	1.74%	1,030,100
Agriculture, forestry, animal husbandry and fishery	2,481,017	1.73%	1,634,077
Electricity, heat, gas and water production and supply	2,290,344	1.60%	362,700
Education	1,875,265	1.31%	737,800
Hygiene and social welfare	889,420	0.62%	374,600
Information transmission, software and information technology services	211,384	0.15%	171,384
Culture, sports and entertainment	199,219	0.14%	84,600
Others	2,985,908	2.08%	872,058
Sub-total of corporate loans and advances	94,366,070	65.87%	40,058,672
Personal loans	40,130,714	28.01%	25,745,135
Discounted bills	8,795,916	6.12%	8,795,916
Gross loans and advances to customers	143,292,700	100.00%	74,599,723

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 17. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

### (c) Analysed by type of collateral

	June 30, 2022	December 31, 2021
Unsecured loans	<b>15,390,890</b>	13,536,951
Guaranteed loans	<b>61,647,236</b>	55,156,026
Collateralised loans	<b>63,208,577</b>	56,926,142
Pledged loans	<b>9,210,036</b>	8,877,665
Discounted bills	<b>9,621,056</b>	8,795,916
Sub-total	<b>159,077,795</b>	143,292,700
Interests accrued	<b>844,931</b>	668,503
Gross loans and advances to customers	<b>159,922,726</b>	143,961,203
Less: Provision for loans and advances to customers measured at amortised cost	<b>(4,092,695)</b>	(3,593,924)
Net loans and advances to customers	<b>155,830,031</b>	140,367,279

### (d) Overdue loans (exclusive interests accrued) analysed by overdue period

	June 30, 2022				Total
	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	
Unsecured loans	70,298	63,692	64,249	1,059	199,298
Guaranteed loans	525,160	468,324	375,992	14,476	1,383,952
Collateralised loans	981,138	717,722	290,451	2,909	1,992,220
Pledged loans	108,500	1,500	6,860	-	116,860
Total	<b>1,685,096</b>	<b>1,251,238</b>	<b>737,552</b>	<b>18,444</b>	<b>3,692,330</b>
As a percentage of gross loans and advances to customers	<b>1.05%</b>	<b>0.78%</b>	<b>0.46%</b>	<b>0.01%</b>	<b>2.31%</b>

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 17. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

### (d) Overdue loans (exclusive interests accrued) analysed by overdue period (Cont'd)

	December 31, 2021				Total
	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	
Unsecured loans	63,903	67,561	21,462	616	153,542
Guaranteed loans	807,785	379,745	508,257	21,614	1,717,401
Collateralised loans	603,233	254,159	202,284	6,264	1,065,940
Pledged loans	–	6,490	2,200	–	8,690
<b>Total</b>	<b>1,474,921</b>	<b>707,955</b>	<b>734,203</b>	<b>28,494</b>	<b>2,945,573</b>
As a percentage of gross loans and advances to customers	1.03%	0.49%	0.51%	0.02%	2.05%

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.

### (e) Analysis of loans and advances and provision for impairment losses

	June 30, 2022			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses <i>(Note (i))</i>	
Total loans and advances to customers measured at amortised cost	141,000,176	6,949,282	2,352,212	150,301,670
Less: Provision for impairment losses	(1,607,263)	(1,381,156)	(1,104,276)	(4,092,695)
Carrying amount of loans and advances to customers measured at amortised cost	139,392,913	5,568,126	1,247,936	146,208,975
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	9,621,056	–	–	9,621,056
<b>Total carrying amount of loans and advances to customers</b>	<b>149,013,969</b>	<b>5,568,126</b>	<b>1,247,936</b>	<b>155,830,031</b>

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 17. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

### (e) Analysis of loans and advances and provision for impairment losses (Cont'd)

	December 31, 2021			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses (Note (i))	
Total loans and advances to customers measured at amortised cost	127,320,122	5,714,296	2,130,869	135,165,287
Less: Provision for impairment losses	(1,479,329)	(1,060,203)	(1,054,392)	(3,593,924)
Carrying amount of loans and advances to customers measured at amortised cost	125,840,793	4,654,093	1,076,477	131,571,363
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	8,795,916	–	–	8,795,916
Total carrying amount of loans and advances to customers	134,636,709	4,654,093	1,076,477	140,367,279

Notes:

- i. The loans and advances are "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the loans and advances have occurred. Evidence that loans and advances are credit-impaired includes the following observable data: significant financial difficulty of the borrower or issuer; a breach of contract by the borrower, such as a default or delinquency in interest or principal payments; for economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that otherwise would not be considered; it is probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or debts overdue more than 90 days.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 17. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

### (f) Movements of provision for impairment losses

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

	Six months ended June 30, 2022			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses	
As at January 1	1,479,330	1,060,203	1,054,392	3,593,925
Transferred:				
– to expected credit losses over the next 12 months	15,042	(13,700)	(1,342)	–
– to lifetime expected credit losses: not credit-impaired loans	(16,079)	16,941	(862)	–
– to lifetime expected credit losses: credit-impaired loans	(3,278)	(141,297)	144,575	–
Charge for the period	132,248	459,009	896,086	1,487,343
Recoveries	–	–	159	159
Write-offs and others	–	–	(988,732)	(988,732)
As at June 30	1,607,263	1,381,156	1,104,276	4,092,695

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 17. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

### (f) Movements of provision for impairment losses (Cont'd)

(i) *Movements of provision for impairment losses of loans and advances to customers measured at amortised cost: (Cont'd)*

	Year ended December 31, 2021			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses	
As at January 1	1,253,271	960,840	852,965	3,067,076
Transferred:				
– to expected credit losses over the next 12 months	42,380	(42,331)	(49)	–
– to lifetime expected credit losses: not credit-impaired loans	(60,026)	60,224	(198)	–
– to lifetime expected credit losses: credit-impaired loans	(9,632)	(358,342)	367,974	–
Charge for the year	253,336	439,812	1,997,200	2,690,348
Recoveries	–	–	17,990	17,990
Write-offs and others	–	–	(2,181,490)	(2,181,490)
As at December 31	1,479,329	1,060,203	1,054,392	3,593,924

As at June 30, 2022, the Group adjusted the customer rating of loans and advance to customers. The loan principal transferred from stage 1 to stage 2 and stage 3 was RMB1,890.2 million (December 31, 2021: RMB3,190.3 million), and corresponding impairment provision increased by RMB447.7 million (December 31, 2021: RMB551.1 million). The loan principal transferred from stage 2 to stage 3 was RMB805.1 million (December 31, 2021: RMB776.7 million), impairment provision increasing by RMB214.5 million (December 31, 2021: RMB281.3 million). The loan principal transferred from stage 2 to stage 1 was RMB51.4 million (December 31, 2021: RMB258.4 million), impairment provision decreasing by RMB13.4 million (December 31, 2021: RMB39.8 million). The loan principal transferred from stage 3 to stage 1 and stage 2 was not significant.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 17. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

### (f) Movements of provision for impairment losses (Cont'd)

(ii) *Movements of provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income:*

	Six months ended June 30, 2022			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses	
As at January 1	24,455	-	-	24,455
Charge for the period	18,264	-	-	18,264
As at June 30	42,719	-	-	42,719

	Year ended December 31, 2021			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit losses	Credit-impaired loans and advances that are assessed for lifetime expected credit losses	
As at January 1	8,341	-	-	8,341
Charge for the year	16,114	-	-	16,114
As at December 31	24,455	-	-	24,455

Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of loans and advances to customers presented in the consolidated statements of financial position, and impairment loss or gain is recognised in the profit or loss.

### (g) Disposal of loans and advances to customers

During the six months ended June 30, 2022, the Group did not transferred loans and advances to independent third parties. During the year ended December 31, 2021, the Group transferred (i) loans and advances with principal amount of RMB230.0 million; and (ii) relevant interests of RMB8.5 million, to independent third parties, and the transfer price was RMB31.0 million.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 18. FINANCIAL INVESTMENTS

	<i>Note</i>	<b>June 30, 2022</b>	December 31, 2021
Financial investments measured at fair value through profit or loss	<i>(a)</i>	<b>11,018,647</b>	12,167,202
Financial investments measured at fair value through other comprehensive income	<i>(b)</i>	<b>27,672,231</b>	23,369,515
Financial investments measured at amortised cost	<i>(c)</i>	<b>83,120,711</b>	77,122,234
		<b>121,811,589</b>	112,658,951

### (a) Financial investments measured at fair value through profit or loss

	<b>June 30, 2022</b>	December 31, 2021
Debt securities issued by the following institutions in mainland China		
– Policy banks	<b>50,056</b>	923,890
– Banks and other financial institutions	<b>1,130,917</b>	615,354
– Corporate	<b>992,151</b>	1,178,507
Sub-total	<b>2,173,124</b>	2,717,751
– Unlisted	<b>2,173,124</b>	2,717,751
Asset-backed securities		
– Unlisted	<b>401,414</b>	413,111
Investment funds		
– Unlisted	<b>4,181,486</b>	3,996,331
Investment management products		
– Unlisted	<b>4,196,745</b>	5,040,009
Equity Investments		
– Listed	<b>65,878</b>	–
Total	<b>11,018,647</b>	12,167,202

Note: As at the end of each of the Reporting Period, there were no investments subject to material restrictions in the realisation.



# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 18. FINANCIAL INVESTMENTS (CONT'D)

### (b) Financial investments measured at fair value through other comprehensive income

	June 30, 2022	December 31, 2021
Debt securities issued by the following institutions in mainland China		
– Government	<b>4,108,378</b>	2,435,995
– Policy banks	<b>15,917,575</b>	11,992,224
– Banks and other financial institutions	<b>723,566</b>	221,118
– Corporate	<b>5,835,489</b>	6,172,516
Sub-total	<b>26,585,008</b>	20,821,853
Interests accrued	<b>426,440</b>	457,091
– Unlisted	<b>27,011,448</b>	21,278,944
Interbank deposits		
– Unlisted	<b>195,504</b>	1,561,448
Asset-backed securities	<b>80,333</b>	80,289
Interest accrued	<b>2,419</b>	5,222
– Unlisted	<b>82,752</b>	85,511
Equity investments		
– Unlisted	<b>382,527</b>	443,612
	<b>27,672,231</b>	23,369,515

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 18. FINANCIAL INVESTMENTS (CONT'D)

### (b) Financial investments measured at fair value through other comprehensive income (Cont'd)

Notes:

- (i) As at the end of each of the Reporting Period, there were no investments subject to material restrictions in the realisation.
- (ii) The Group designates part of non-trading equity investments as financial investments measured at fair value through other comprehensive income.
- (iii) For the six months ended June 30, 2022, the cash dividends received from equity investments measured at fair value through other comprehensive income amounted to RMB9 million (December 31, 2021: nil) and was included in profit or loss.
- (iv) Movements of provision for impairment losses of financial investments measured at fair value through other comprehensive income are as follows:

	Six months ended June 30, 2022			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at January 1	9,353	–	–	9,353
Charge for the period	(1,805)	–	–	(1,805)
Balance at June 30	7,548	–	–	7,548

	Year ended December 31, 2021			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at January 1	6,888	–	–	6,888
Charge for the year	2,465	–	–	2,465
Balance at December 31	9,353	–	–	9,353

Provision for impairment losses on financial investments measured at fair value through other comprehensive income is recognised in other comprehensive income without decreasing the carrying amount of financial investments presented in the consolidated statements of financial position, and impairment loss or gain is recognised in the profit or loss.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 18. FINANCIAL INVESTMENTS (CONT'D)

### (c) Financial investments measured at amortised cost

	June 30, 2022	December 31, 2021
Debt securities issued by the following institutions in mainland China (i)		
– Government	<b>30,986,474</b>	26,215,100
– Policy banks	<b>13,661,298</b>	15,025,148
– Banks and other financial institutions	<b>1,020,000</b>	1,020,000
– Corporate	<b>27,151,801</b>	22,427,286
Interests accrued	<b>1,276,154</b>	1,268,932
Sub-total	<b>74,095,727</b>	65,956,466
Investment management products	<b>9,933,908</b>	11,250,335
Interests accrued	<b>72,901</b>	137,541
– Unlisted	<b>10,006,809</b>	11,387,876
Asset-backed securities	<b>694,997</b>	923,603
Interests accrue	<b>11,341</b>	20,518
– Unlisted	<b>706,338</b>	944,121
Less: Provision for impairment losses (ii)	<b>(1,688,163)</b>	(1,166,229)
Total	<b>83,120,711</b>	77,122,234

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 18. FINANCIAL INVESTMENTS (CONT'D)

### (c) Financial investments measured at amortised cost (Cont'd)

Notes:

- (i) As at the end of each of the Reporting Period, certain debt securities were pledged for repurchase agreements (Note 24(a)).
- (ii) Movements of provision for impairment losses of financial investments measured at amortised cost are as follows:

	Six months ended June 30, 2022			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at January 1	152,689	61,256	952,284	1,166,229
Transfers:				
– to lifetime expected credit losses not credit impaired	(3,777)	3,777	–	–
– to lifetime expected credit losses credit impaired	(7,276)	–	7,276	–
(Reversal)/charge for the period	(10,510)	(52,576)	585,020	521,934
Balance at June 30	131,126	12,457	1,544,580	1,688,163

	Year ended December 31, 2021			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
Balance at January 1	149,090	32,870	449,848	631,808
Transfers:				
– to expected credit losses over the next 12 months	4,940	–	(4,940)	–
– to lifetime expected credit losses not credit impaired	(12,299)	12,299	–	–
– to lifetime expected credit losses credit-impaired	(2,737)	(59,758)	62,495	–
Charge for the year	13,695	75,845	444,881	534,421
Balance at December 31	152,689	61,256	952,284	1,166,229

## 19. INVESTMENT IN A SUBSIDIARY

	June 30, 2022	December 31, 2021
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	1,047,500	650,000

Shandong Tongda Financial Leasing Co., Ltd. (“Tongda”) was incorporated on June 6, 2016 at Shandong Province, the PRC with registered capital of RMB1,000 million. As at six months ended June 30, 2022, the registered capital of Tongda is RMB1,650 million. The principal activities of Tongda are the provision of financial leasing services. As at June 30, 2022 and December 31, 2021, the Bank holds 54.6% of equity interest (December 31, 2021: 59.1%).

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 19. INVESTMENT IN A SUBSIDIARY (CONT'D)

On January 5, 2022, the Bank and two independent third parties, Weihai Huancui District State-owned Capital Operation Co., Ltd.\* (威海市環翠區國有資本運營有限公司) and Heze Caijin Investment Group Co., Ltd.\* (菏澤財金投資集團有限公司) made a capital injection of RMB874.5 million in Tongda. The Group recorded an increase in non-controlling interests of RMB499.1 million and a decrease in capital reserve of approximately RMB22.1 million.

## 20. PROPERTY AND EQUIPMENT

	Premises	Leasehold improvements	Office equipment	Motor vehicles	Total
<b>Cost</b>					
As at January 1, 2021	671,965	249,734	407,484	18,424	1,347,607
Additions	288,967	15,546	72,699	1,095	378,307
Transfer from investment properties	36,801	–	–	–	36,801
Disposals	–	–	(11,543)	(244)	(11,787)
As at December 31, 2021 and January 1, 2022	997,733	265,280	468,640	19,275	1,750,928
Additions	3,847	12,522	36,486	308	53,163
Transfer from investment properties	(248)	–	–	–	(248)
As at June 30, 2022	1,001,332	277,802	505,126	19,583	1,803,843
<b>Accumulated depreciation</b>					
As at January 1, 2021	142,991	158,629	323,012	15,138	639,770
Charge for the year	21,896	23,558	29,931	919	76,304
Transfer from investment properties	21,056	–	–	–	21,056
Disposal	–	–	(10,965)	(232)	(11,197)
As at December 31, 2021 and January 1, 2022	185,943	182,187	341,978	15,825	725,933
Charge for the period	12,312	10,658	19,021	386	42,377
As at June 30, 2022	198,255	192,845	360,999	16,211	768,310
<b>Impairment loss</b>					
As at December 31, 2021 and June 30, 2022	5,680	–	–	–	5,680
<b>Net book value</b>					
As at June 30, 2022	797,397	84,957	144,127	3,372	1,029,853
As at December 31, 2021	806,110	83,093	126,662	3,450	1,019,315

\* For identification only.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 20. PROPERTY AND EQUIPMENT (CONT'D)

The net book values of premises as at the end of each of the Reporting Period are analysed by the remaining terms of the leases as follows:

	At June 30, 2022	At December 31, 2021
Held in mainland China		
– Medium-term leases (10-50 years)	<b>772,133</b>	774,731
– Long-term leases (over 50 years)	<b>25,264</b>	31,379
	<b>797,397</b>	806,110

## 21. RIGHT-OF-USE ASSETS

	Motor vehicles	Properties	Total
<b>Net book value</b>			
As at January 1, 2021	94	453,883	453,977
Additions	347	54,026	54,373
Depreciation charge for the year	(156)	(113,520)	(113,676)
As at December 31, 2021 and January 1, 2022	285	394,389	394,674
Additions	–	7,082	7,082
Depreciation charge for the period	(252)	(55,033)	(55,285)
As at June 30, 2022	33	346,438	346,471

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 22. DEFERRED TAX

### a) Analysed by nature

	June 30, 2022		December 31, 2021	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
– Allowance for impairment losses	7,180,279	1,795,070	6,246,047	1,561,512
– Fair value changes of financial assets	414,432	103,608	248,611	62,153
– Accrued staff costs	486,086	121,522	472,907	118,227
– Others	–	–	17,996	4,499
Subtotal	8,080,797	2,020,200	6,985,561	1,746,391
Deferred income tax liabilities				
– Fair value changes of financial assets	(81,015)	(20,254)	(192,128)	(48,032)
Subtotal	(81,015)	(20,254)	(192,128)	(48,032)
Net balances	7,999,782	1,999,946	6,793,433	1,698,359

### b) Movements of deferred tax

	Allowance for impairment losses <i>Note (i)</i>	Accrued staff costs	Changes in fair value <i>Note (ii)</i>	Others	Net balance of deferred tax assets
As at January 1, 2021	1,182,913	89,472	96,890	3,103	1,372,378
Recognised in profit or loss	378,599	28,755	792	1,396	409,542
Recognised in other comprehensive income	–	–	(83,561)	–	(83,561)
As at December 31, 2021 and January 1, 2022	1,561,512	118,227	14,121	4,499	1,698,359
Recognised in profit or loss	233,558	3,295	33,419	(4,499)	265,773
Recognised in other comprehensive income	–	–	35,814	–	35,814
As at June 30, 2022	1,795,070	121,522	83,354	–	1,999,946

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 22. DEFERRED TAX (CONT'D)

### b) Movements of deferred tax (Cont'd)

Notes:

- (i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of each Reporting Period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of the Reporting Periods, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.

## 23. OTHER ASSETS

	Note	June 30, 2022	December 31, 2021
Interest receivable	(a)	758,182	631,593
Prepaid expenses		122,666	79,961
Intangible assets	(b)	48,265	47,846
Long-term deferred expenses		2,919	3,397
Repossessed assets	(c)	19,683	19,683
Land use rights	(d)	10,546	10,681
Investment properties	(e)	13,798	13,924
Finance lease receivables	(f)	20,964,414	16,863,863
Settlement and clearing account		644,319	106,334
Others		916,010	348,278
Subtotal		23,500,802	18,125,560
Less: Provision for impairment losses		(849,744)	(713,021)
Total		22,651,058	17,412,539

### (a) Interest receivable

	June 30, 2022	December 31, 2021
Interest receivable arising from:		
Financial investments	703,296	555,061
Loans and advances to customers	53,552	63,608
Others	1,334	12,924
Sub-total	758,182	631,593
Less: Provision for impairment losses	(161,857)	(115,501)
Total	596,325	516,092

As at the end of each of the Reporting Period, interest receivable only include interests that have been due for the relevant financial instruments but not yet received at the reporting date. Interests on financial instruments based on the effective interest method have been reflected in the balance of corresponding financial instruments.



# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 23. OTHER ASSETS (CONT'D)

### (b) Intangible assets

	<b>Computer software and system development</b>
<b>Cost</b>	
As at January 1, 2021	159,636
Additions	26,110
<hr/>	
As at December 31, 2021 and January 1, 2022	185,746
Additions	10,114
<hr/>	
As at June 30, 2022	195,860
<hr/>	
<b>Accumulated amortisation</b>	
As at January 1, 2021	119,610
Charge for the year	18,290
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As at December 31, 2021 and January 1, 2022	137,900
Charge for the period	9,695
<hr/>	
As at June 30, 2022	147,595
<hr/>	
<b>Net book value</b>	
As at June 30, 2022	48,265
<hr/>	
As at December 31, 2021	47,846
<hr/>	

### (c) Repossessed assets

	<b>June 30, 2022</b>	December 31, 2021
Land use right and buildings	<b>19,683</b>	19,683
Less: impairment allowances	<b>(11,448)</b>	(11,448)
<hr/>		
Net balances	<b>8,235</b>	8,235
<hr/>		

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 23. OTHER ASSETS (CONT'D)

### (d) Land use rights

	June 30, 2022	December 31, 2021
Located in mainland China: 10-50 years	10,546	10,681

### (e) Investment properties

	Investment properties
<b>Cost</b>	
As at January 1, 2021	59,557
Transfer to property and equipment	(36,801)
As at December 31, 2021 and January 1, 2022	22,756
Transfer from property and equipment	248
As at June 30, 2022	23,004
<b>Accumulated depreciation and impairment</b>	
As at January 1, 2021	28,967
Charge for the year	921
Transfer to property and equipment	(21,056)
As at December 31, 2021 and January 1, 2022	8,832
Charge for the period	374
As at June 30, 2022	9,206
<b>Net book value</b>	
As at June 30, 2022	13,798
As at December 31, 2021	13,924

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 23. OTHER ASSETS (CONT'D)

### (f) Finance lease receivables

At the end of each of the Reporting Period, the total future minimum lease receivables under finance leases and their present values were as follows:

	June 30, 2022	December 31, 2021
Total minimum finance lease receivables		
Within 1 year (inclusive)	<b>10,221,605</b>	9,577,263
1 year to 5 years	<b>12,891,312</b>	8,992,995
Over 5 years	<b>447,140</b>	150,434
Gross amount of finance lease receivables	<b>23,560,057</b>	18,720,692
Less: Unearned finance income	<b>(2,610,569)</b>	(1,918,431)
Less: Unrealised VAT	<b>(284,586)</b>	(246,178)
Net amount of finance lease receivables	<b>20,664,902</b>	16,556,083
Interests accrued	<b>299,512</b>	307,780
Less: Provision for impairment loss	<b>(673,339)</b>	(584,221)
Carrying amount of finance lease receivables	<b>20,291,075</b>	16,279,642
Present value of minimum lease receivables		
Within 1 year (inclusive)	<b>8,774,765</b>	8,403,272
1 year to 5 years	<b>11,209,039</b>	7,750,629
Over 5 years	<b>307,271</b>	125,741
Total	<b>20,291,075</b>	16,279,642

The Group applies general approach on measure expected credit loss (“ECL”) on finance lease receivables based on the ECL measurement. The Group’s credit policy and exposure to credit risk on finance lease receivables are disclosed in note 39(a).

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 23. OTHER ASSETS (CONT'D)

### (f) Finance lease receivables (Cont'd)

Analysis of finance lease receivables and provision for impairment losses

	June 30, 2022			Total
	Finance lease receivables that are assessed for expected credit losses over the next 12 months	Finance lease receivables that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired finance lease receivables that are assessed for lifetime expected credit loss	
Total finance lease receivables measured at amortised cost	19,575,414	817,027	571,973	20,964,414
Less: Provision for impairment losses	(332,220)	(109,699)	(231,420)	(673,339)
Total carrying amount of finance lease receivables	19,243,194	707,328	340,553	20,291,075

	December 31, 2021			Total
	Finance lease receivables that are assessed for expected credit losses over the next 12 months	Finance lease receivables that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired finance lease receivables that are assessed for lifetime expected credit loss	
Total finance lease receivables measured at amortised cost	15,495,456	917,927	450,480	16,863,863
Less: Provision for impairment losses	(301,807)	(124,265)	(158,149)	(584,221)
Total carrying amount of finance lease receivables	15,193,649	793,662	292,331	16,279,642

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 23. OTHER ASSETS (CONT'D)

### (f) Finance lease receivables (Cont'd)

Movements of provision for impairment losses of finance lease receivables are as follows:

	Six months ended June 30, 2022			Total
	Finance lease receivables that are assessed for expected credit losses over the next 12 months	Finance lease receivables that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired finance lease receivables that are assessed for lifetime expected credit loss	
As at January 1	301,807	124,265	158,149	584,221
Transferred:				
– to lifetime expected credit losses: not credit-impaired	(3,094)	50,227	(47,133)	–
– to lifetime expected credit losses: credit-impaired	(7,038)	(8,536)	15,574	–
Charge/(reversal) for the year	40,545	(56,257)	114,176	98,464
Written off and Others	–	–	(9,346)	(9,346)
As at June 30	332,220	109,699	231,420	673,339

	Year ended December 31, 2021			Total
	Finance lease receivables that are assessed for expected credit losses over the next 12 months	Finance lease receivables that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired finance lease receivables that are assessed for lifetime expected credit loss	
As at January 1	340,030	82,385	56,976	479,391
Transferred:				
– to lifetime expected credit losses: not credit-impaired	(10,627)	10,627	–	–
– to lifetime expected credit losses: credit-impaired	–	(18,189)	18,189	–
(Reversal)/charge for the year	(27,596)	49,442	219,237	241,083
Written off and others	–	–	(136,253)	(136,253)
As at December 31	301,807	124,265	158,149	584,221

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 24. PLEDGED ASSETS

### (a) Assets pledged as collateral

	June 30, 2022	December 31, 2021
For borrowings from the Central Bank		
– Financial investments measured at amortised costs	<b>10,634,143</b>	9,263,120
– Discounted bills	<b>2,586,015</b>	–
For repurchase agreements:		
– Financial investments measured at amortised costs	<b>6,842,768</b>	7,542,418
– Financial investments measured at other comprehensive income	<b>3,467,624</b>	–
– Discounted bills	–	199,648
Total	<b>23,560,550</b>	17,005,186

Financial assets pledged by the Group as collateral for liabilities are mainly debt securities for repurchase agreements and borrowings from the Central Bank.

### (b) Pledged assets received

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. See Note 16 for the Group's balance of the financial assets held under resale agreement. The fair value of such collateral accepted by the Group was RMB131 million as at June 30, 2022 (December 31, 2021: RMB224 million). These transactions were conducted under standard terms in the normal course of business.

## 25. DEPOSITS FROM BANKS

### Analysed by type of and location of counterparty

	June 30, 2022	December 31, 2021
Deposits in mainland China		
– Banks	<b>4,158,811</b>	4,026,095
Sub-total	<b>4,158,811</b>	4,026,095
Interests accrued	<b>6,739</b>	5,626
Total	<b>4,165,550</b>	4,031,721

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 26. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	June 30, 2022	December 31, 2021
Placements in mainland China		
– Banks	<b>18,938,250</b>	14,700,446
– Other financial institutions	<b>200,000</b>	200,000
Sub-total	<b>19,138,250</b>	14,900,446
Interests accrued	<b>196,988</b>	165,793
Total	<b>19,335,238</b>	15,066,239

## 27. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	June 30, 2022	December 31, 2021
In mainland China		
– Banks	<b>10,100,000</b>	7,000,458
Sub-total	<b>10,100,000</b>	7,000,458
Interests accrued	<b>1,955</b>	3,545
Total	<b>10,101,955</b>	7,004,003

(b) Analysed by type of collateral held

	June 30, 2022	December 31, 2021
Debt securities	<b>10,100,000</b>	6,800,700
Bank acceptances	–	199,758
Sub-total	<b>10,100,000</b>	7,000,458
Interests accrued	<b>1,955</b>	3,545
Total	<b>10,101,955</b>	7,004,003

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 28. DEPOSITS FROM CUSTOMERS

	June 30, 2022	December 31, 2021
Demand deposits		
– Corporate customers	<b>53,660,739</b>	55,204,320
– Individual customers	<b>12,090,468</b>	9,573,450
Sub-total	<b>65,751,207</b>	64,777,770
Time deposits		
– Corporate customers	<b>71,732,873</b>	62,543,820
– Individual customers	<b>88,234,564</b>	76,449,958
Sub-total	<b>159,967,437</b>	138,993,778
Inward and outward remittances	<b>72,976</b>	62,000
Interests accrued	<b>3,743,521</b>	3,008,414
Total	<b>229,535,141</b>	206,841,962

## 29. DEBT SECURITIES ISSUED

	Note	June 30, 2022	December 31, 2021
Interbank deposits issued	(a)	<b>24,295,451</b>	27,615,708
Tier-two capital debts issued	(b)	<b>4,997,793</b>	4,997,584
Sub-total		<b>29,293,244</b>	32,613,292
Interests accrued		<b>197,096</b>	85,025
Total		<b>29,490,340</b>	32,698,317

Notes:

a) Interbank deposit issued

- i. In 2021, the Bank issued a number of certificates of interbank deposit with total nominal amount RMB52,660 million and duration between 1 to 12 months. The coupon interest rates ranged from 2.00% to 3.27% per annum.
- ii. During the six months ended June 30, 2022, the Bank issued a number of certificates of interbank deposit with total nominal amount RMB21,620 million and duration between 1 to 12 months. The coupon interest rates ranged from 1.88% to 2.72% per annum.
- iii. As at June 30, 2022, the fair value of interbank deposits issued was RMB24,318 million (December 31, 2021: RMB27,629 million).



# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 29. DEBT SECURITIES ISSUED (CONT'D)

Notes: (Cont'd)

- b) Tier-two capital debts issued
- i. The Bank issued 10-year fixed interest rate tier-two capital debts with face value of RMB2,000 million on July 11, 2017. The coupon interest rate per annum is 5.00%.
  - ii. The Bank issued 10-year fixed interest rate tier-two capital debts with face value of RMB3,000 million on September 10, 2020. The coupon interest rate per annum is 4.20%.
  - iii. As at June 30, 2022, the fair value of the tier-two capital debts issued was RMB5,018 million (December 31, 2021: RMB4,983 million).

## 30. OTHER LIABILITIES

	Notes	June 30, 2022	December 31, 2021
Interest payable		31,911	5,288
Agency business liabilities		207,123	227,273
Accrued staff costs	(a)	591,145	580,662
Dividend payable		499,417	3,890
Settlement and clearing accounts		759,784	189,156
Output VAT payable		86,127	73,986
Contract liabilities	(b)	148,065	92,184
Provisions	(c)	86,246	94,731
Deposits received		198,055	230,128
Advance from third parties	(d)	–	477,000
Others		803,519	600,738
<b>Total</b>		<b>3,411,392</b>	<b>2,575,036</b>

### a) Accrued staff costs

	June 30, 2022	December 31, 2021
Salary, bonuses and allowances payable	527,452	523,153
Pension insurance and annuity payable	209	1,626
Other social insurance payable	148	–
Others	63,336	55,883
<b>Total</b>	<b>591,145</b>	<b>580,662</b>

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 30. OTHER LIABILITIES (CONT'D)

### b) Contract liabilities

As at June 30, 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB148 million (December 31, 2021: RMB92 million). Such amount represents income expected to be recognised in the future from finance lease services. The Group will recognise the expected income in future as the services are provided. The expected timing of recognising revenue are ranged from one to five years.

### c) Provisions

	June 30, 2022	December 31, 2021
Provision for credit commitments	<b>86,246</b>	94,731

Movements of provisions for credit commitments are as follows:

	Six months ended June 30, 2022			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit- impaired	Lifetime expected credit losses credit- impaired	
As at January 1	<b>94,731</b>	–	–	<b>94,731</b>
Reversal for the period	<b>(8,485)</b>	–	–	<b>(8,485)</b>
As at June 30	<b>86,246</b>	–	–	<b>86,246</b>

	Year ended December 31, 2021			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit- impaired	Lifetime expected credit losses credit- impaired	
As at January 1	77,074	–	–	77,074
Charge for the year	17,657	–	–	17,657
As at December 31	94,731	–	–	94,731

### d) Advance from third parties

As at December 31, 2021, the balance is represented the cash contribution received in advance from investors in respect of Tongda under the capital injection agreement. The capital injection had been completed during the six months ended June 30, 2022.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 31. SHARE CAPITAL

### Authorised and issued share capital

	June 30, 2022	December 31, 2021
Number of shares authorised, issued and fully paid at par value of RMB1 each	5,980,058	5,980,058

## 32. RESERVES

### a) Capital reserve

	June 30, 2022	December 31, 2021
Share premium	4,933,399	4,933,399
Other capital reserve	(7,939)	14,154
Total	4,925,460	4,947,553

### b) Surplus reserve

The surplus reserve at the end of each of the Reporting Period represented statutory surplus reserve and discretionary surplus reserve.

Pursuant to the Company Law of the PRC and the Article of Association of the Bank, the Bank is required to appropriate 10% of its net profit as on an annual basis determined under the People's Republic of China Generally Accepted Accounting Principles (PRC GAAP) after making good prior year's accumulated loss, to statutory surplus reserve until the balance reaches 50% of its registered capital.

The Bank may also appropriate discretionary surplus reserve in accordance with the resolution of the shareholders. For the six months ended June 30, 2022, no resolution of discretionary surplus reserve was made by the shareholders.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 32. RESERVES (CONT'D)

### c) General reserve

Pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis.

### d) Fair value reserve

	Six months ended June 30, 2022	Year ended December 31, 2021
As at January 1	25,041	(225,644)
Changes in fair value recognised in other comprehensive income	(151,071)	334,860
Disposal of financial investment measured at fair value through other comprehensive income	7,813	(614)
Deferred tax effect	35,814	(83,561)
As at June 30/December 31	<b>(82,403)</b>	25,041

### e) Impairment reserve

	Six months ended June 30, 2022	Year ended December 31, 2021
As at January 1	25,356	11,422
Impairment losses recognised in other comprehensive income	16,459	18,579
Deferred tax effect	(4,115)	(4,645)
As at June 30/December 31	<b>37,700</b>	25,356

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 32. RESERVES (CONT'D)

### f) Other equity instrument

On November 28, 2019, the Group issued a perpetual debt of RMB3,000.0 million with no fixed maturity date, resulting in credit to perpetual bonds of RMB2,999.7 million, after deducting the direct issuance cost of RMB0.3 million. In addition, the payment of interest can be indefinitely deferred at the Group's option and is not cumulative.

On November 29, 2021, the Group issued a perpetual bond of RMB1,100.0 million with no fixed maturity date, resulting in credits to perpetual bonds of RMB1,099.5 million, after deducting the direct issuance cost of RMB0.5 million. In addition, the payment of interest can be indefinitely deferred at the Group's option and is not cumulative.

Therefore, the perpetual bond is classified as an equity instrument due to it does not include any contractual obligation:

- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

During the year ended December 31, 2021, the Group did not cancel the payment of distribution and the corresponding interest of RMB162.0 million was paid to perpetual bond holders accordingly.

## 33. RETAINED EARNINGS

In accordance with the resolution at the Bank's Board of Directors Meeting on March 31, 2021, the proposed profit distribution plan for the year ended December 31, 2020 is as follows:

- Appropriation of statutory surplus reserve based on 10% of the net profit;
- Pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (No.20 2012 of the Ministry Finance), appropriation of general reserve amounted to approximately RMB330.8 million; and
- Declaration of cash dividend in an aggregation amount of approximately RMB598 million to all existing shareholders.

In accordance with the resolution at the Bank's Board of Directors Meeting on March 30, 2022, the proposed profit distribution plan for the year ended December 31, 2021 is as follows:

- Appropriation of statutory surplus reserve based on 10% of the net profit;
- Pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (No.20 2012 of the Ministry Finance), appropriation of general reserve amounted to approximately RMB572.5 million; and
- Declaration of cash dividend in an aggregation amount of approximately RMB598.0 million to all existing shareholders.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 34. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

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

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities mainly include wealth management products issued by financial institutions and investment management products managed by securities firms and under trust schemes. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the consolidated statement of financial position in which relevant assets are recognised as at June 30, 2022 and December 31, 2021:

	June 30, 2022		December 31, 2021	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Financial investments measured at fair value through profit or loss	<b>8,378,231</b>	<b>8,378,231</b>	9,036,340	9,036,340
Financial investments measured at amortised cost	<b>8,196,863</b>	<b>8,196,863</b>	10,356,692	10,356,692
Total	<b>16,540,591</b>	<b>16,540,591</b>	19,393,032	19,393,032

As at June 30, 2022 and December 31, 2021, the carrying amounts of the unconsolidated structured entities are equal to the maximum exposures.

### (b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in:

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. The Group does not control these structured entities and therefore, these structured entities are not consolidated. These structured entities are financed through the issue of units to investors. The Group earns commission fee by providing management services to the investors of these structured entities. As at June 30, 2022 and December 31, 2021, the management fee receivables being recognised are not material in the consolidated statement of financial position.

For the six months ended June 30, 2022, the amount of fee and commission income received from the abovementioned structured entities by the Group are RMB141 million (six months ended June 30, 2021: RMB112 million).

As at June 30, 2022, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products sponsored by the Group is RMB37,051 million (December 31, 2021: RMB42,937 million).

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 34. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONT'D)

### (c) Unconsolidated structure entities sponsored by the Group during the period which the Group does not have an interest in as at June 30, 2022:

For the six months ended June 30, 2022, there was no non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, but matured before June 30 (six months ended June 30, 2021: RMB5,118 million).

## 35. CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management and capital financing management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the former CBRC. The capital of the Group is divided into core tier-one capital, other tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

The Group calculates its capital adequacy ratios in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the former CBRC.

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 35. CAPITAL MANAGEMENT (CONT'D)

The Group's capital adequacy ratios at June 30, 2022 and December 31, 2021 calculated in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the former CBRC are as follows:

	June 30, 2022	December 31, 2021
Total core tier-one capital		
– Share capital	<b>5,980,058</b>	5,980,058
– Qualifying portion of capital reserve	<b>4,925,460</b>	4,947,553
– Surplus reserve	<b>1,379,190</b>	1,379,190
– General reserve	<b>3,227,913</b>	2,648,092
– Other comprehensive income	<b>(44,702)</b>	50,397
– Retained earnings	<b>3,957,974</b>	4,151,373
– Qualifying portions of non-controlling interests	<b>749,157</b>	553,000
Core tier-one capital	<b>20,175,050</b>	19,709,663
Core tier-one capital deductions	<b>(48,266)</b>	(47,846)
Net core tier-one capital	<b>20,126,784</b>	19,661,817
Other tier-one capital	<b>4,199,088</b>	4,173,227
Net tier-one capital	<b>24,325,872</b>	23,835,044
Tier-two capital		
– Instruments issued and share premium	<b>5,000,000</b>	5,000,000
– Surplus provision for loan impairment	<b>1,913,519</b>	1,704,896
– Qualifying portions of non-controlling interests	<b>199,775</b>	147,467
Net tier-two capital	<b>7,113,294</b>	6,852,363
Net capital base	<b>31,439,166</b>	30,687,407
Total risk weighted assets	<b>231,484,354</b>	210,293,598
Core tier-one capital adequacy ratio	<b>8.69%</b>	9.35%
Tier-one capital adequacy ratio	<b>10.51%</b>	11.33%
Capital adequacy ratio	<b>13.58%</b>	14.59%



# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

### a) Net decrease in cash and cash equivalents

	Six months ended June 30,	
	2022	2021
Cash and cash equivalents as at June 30	<b>17,182,110</b>	22,068,908
Less: Cash and cash equivalents as at January 1	<b>(20,527,169)</b>	(27,895,102)
Net decrease in cash and cash equivalents	<b>(3,345,059)</b>	(5,826,194)

### b) Cash and cash equivalents

	June 30, 2022	June 30, 2021
Cash on hand	<b>208,589</b>	213,130
Deposits with Central Bank other than restricted deposits	<b>8,442,772</b>	4,260,175
Deposits with banks and other financial institutions	<b>1,838,007</b>	3,248,736
Placements with banks	<b>1,112,765</b>	419,907
Debt investments with maturity three months or less	<b>5,579,977</b>	13,926,960
Total	<b>17,182,110</b>	22,068,908

## 37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### (a) Related parties of the Group

#### i. Major shareholders

Major shareholders include shareholders of the Bank with direct or indirect 5% or above shareholding, or with the right to appoint a director, member of the Board of Supervisors in the Bank.

Shareholding in the Bank:

	June 30, 2022	December 31, 2021
Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司)	<b>37.06%</b>	37.06%
Weihai City Finance Bureau (威海市財政局)	<b>15.38%</b>	15.38%
Shandong Hi-Speed Company Limited (山東高速股份有限公司)	<b>11.60%</b>	11.60%
China Heavy Truck Group Co., Limited (中國重型汽車集團有限公司)	<b>4.06%</b>	4.06%
Weihai Tianan Real Estate Development Co., Ltd. (威海天安房地產開發有限公司)	<b>2.75%</b>	2.75%
Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd (山東環球漁具股份有限公司)	<b>1.39%</b>	1.39%
Shandong Homey Aquatic Development Co., Ltd. (山東好當家海洋發展股份有限公司)	<b>1.20%</b>	1.20%

The official names of these related parties are in Chinese. The English translation is for reference only.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

### (a) Related parties of the Group (Cont'd)

#### ii. *Subsidiary of the Bank*

The detailed information of the Bank's subsidiary is set out in Note 19.

#### iii. *Other related parties*

Other related parties can be individuals or enterprises, which 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) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 37(a) or their controlling shareholders.

### (b) Transactions with related parties other than key management personnel

#### i. *Transactions between the Bank and major shareholders:*

	Six months ended June 30,	
	2022	2021
Transactions during the period		
Interest income	3,565	3,564
Interest expense	33,584	32,403
Fee and commission income	949	954
Rental expenses	–	1,460

	June 30,	December 31,
	2022	2021
Balances at end of the period/year		
Deposits from customers	3,963,742	3,440,834
Financial investments	201,807	205,789

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

### (b) Transactions with related parties other than key management personnel (Cont'd)

#### ii. Transactions between the Bank and subsidiary:

	Six months ended June 30,	
	2022	2021
Transactions during the period		
Interest income	<b>44,084</b>	40,822
Interest expense	<b>6,821</b>	1,641
Rental income	<b>1,100</b>	1,100

	June 30, 2022	December 31, 2021
Balances at end of the period/year		
Loans and advances to customers	<b>2,199,340</b>	2,410,082
Deposits from customers	<b>582,809</b>	264,964

#### iii. Transactions between the Bank and other related parties:

	Six months ended June 30,	
	2022	2021
Transactions during the period		
Interest income	<b>83,545</b>	64,256
Interest expense	<b>38,144</b>	21,375
Fee and commission income	<b>356</b>	460
Rental expenses	<b>1,117</b>	1,117

	June 30, 2022	December 31, 2021
Balances at end of the period/year		
Loans and advances to customers	<b>2,873,177</b>	2,453,221
Deposits from customers	<b>9,858,372</b>	3,800,220
Financial investments	<b>402,473</b>	479,328
Bank acceptances	<b>585,168</b>	332,038
Letters of guarantees	<b>67,623</b>	107,943
Letters of credit	<b>1,295,000</b>	264,719

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

### (c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, including members of the board of directors, the supervisory board and senior management.

#### i. Transactions between the Bank and key management personnel

	Six months ended June 30,	
	2022	2021
Transactions during the period		
Interest income	18	24
Interest expense	431	355
	June 30,	December 31,
	2022	2021
Balances at end of the period/year		
Loans and advances to customers	852	860
Deposits from customers	16,496	11,336

#### ii. Key management personnel compensation

The aggregate compensation to key management personnel is listed as follows:

	Six months ended June 30,	
	2022	2021
Key management personnel compensation	7,111	7,185

### (d) Loans and advances to directors, supervisors and officers

	June 30,	December 31,
	2022	2021
Aggregate amount of relevant loans outstanding at the end of the period/year	851	859
Maximum aggregate amount of relevant loans outstanding during the period/year	859	4,363

There were no amount due but unpaid, nor any impairment provision made against the principal or interest on these loans at June 30, 2022 and December 31, 2021.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 38. SEGMENT REPORTING

The Group manages its business by business lines. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

### Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing, deposit taking activities, agency services, wealth management services, consulting and advisory services, remittance and settlement services, guarantee services and finance leasing services.

### Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans, deposit taking activities, personal wealth management services and remittance services.

### Financial market business

This segment covers the Group's financial market business operations. The Financial market business enters into inter-bank money market transactions, repurchases transactions, and investments. It also trades in debt securities. The Financial market business segment also covers management of the Group's overall liquidity position, including the issuance of debts.

### Others

These represent assets, liabilities, income and expenses, which are not directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

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

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

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## 38. SEGMENT REPORTING (CONT'D)

	Six months ended June 30, 2022				Total
	Corporate banking	Retail banking	Financial market business	Others	
Operating income					
External net interest income/(expense)	1,733,464	(352,752)	1,827,540	–	3,208,252
Internal net interest income/(expense)	457,784	1,271,412	(1,729,196)	–	–
Net interest income	2,191,248	918,660	98,344	–	3,208,252
Net fee and commission					
Income/(expense)	206,914	65,969	98,891	(1,718)	370,056
Net trading gains/(losses)	121,786	–	(66,005)	–	55,781
Net gains arising from investment securities	–	–	595,799	–	595,799
Other operating income	–	–	–	6,791	6,791
Operating income	2,519,948	984,629	727,029	5,073	4,236,679
Operating expenses	(512,615)	(244,010)	(106,796)	(6,857)	(870,278)
Impairment losses on assets	(1,430,386)	(396,935)	(333,457)	(1,857)	(2,162,635)
Profit/(loss) before tax	576,947	343,684	286,776	(3,641)	1,203,766
Segment assets	140,224,548	53,393,574	135,646,171	1,375,018	330,639,311
Deferred tax assets	–	–	–	2,020,200	2,020,200
Total assets	140,224,548	53,393,574	135,646,171	3,395,218	332,659,511
Segment liabilities	158,807,538	102,839,541	42,671,057	3,304,907	307,623,043
Total liabilities	158,807,538	102,839,541	42,671,057	3,304,907	307,623,043
Other segment information					
– Depreciation and amortisation	64,543	30,773	12,905	374	108,595
– Capital expenditure	37,739	17,993	7,546	–	63,278

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 38. SEGMENT REPORTING (CONT'D)

	Six months ended June 30, 2021				Total
	Corporate banking	Retail banking	Financial market business	Others	
Operating income					
External net interest income/(expense)	1,677,572	(243,863)	1,485,279	–	2,918,988
Internal net interest income/(expense)	311,149	1,002,108	(1,313,257)	–	–
Net interest income	1,988,721	758,245	172,022	–	2,918,988
Net fee and commission income	197,416	61,373	86,851	682	346,322
Net trading (losses)/gains	(30,267)	–	3,579	–	(26,688)
Net gains arising from investment securities	–	–	388,461	–	388,461
Other operating income	9,000	–	–	1,765	10,765
Operating income	2,164,870	819,618	650,913	2,447	3,637,848
Operating expenses	(392,884)	(252,552)	(98,436)	(6,773)	(750,645)
Impairment losses on assets	(1,246,646)	(270,043)	(202,741)	(3,617)	(1,723,047)
Profit/(loss) before tax	525,340	297,023	349,736	(7,943)	1,164,156
Other segment information					
– Depreciation and amortisation	51,080	38,525	13,110	438	103,153
– Capital expenditure	156,017	117,669	40,043	–	313,729
	Year ended December 31, 2021 (Audited)				Total
	Corporate banking	Retail banking	Financial market business	Others	
Segment assets	122,972,464	50,301,107	128,739,997	760,857	302,774,425
Deferred tax assets	–	–	–	1,746,391	1,746,391
Total assets	122,972,464	50,301,107	128,739,997	2,507,248	304,502,816
Segment liabilities	142,163,203	87,929,093	47,883,059	2,375,253	280,350,608
Total liabilities	142,163,203	87,929,093	47,883,059	2,375,253	280,350,608

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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## 39. RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

### Risk management system

The Group's risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control procedures for monitoring risks level. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors is responsible for establishing and maintaining a robust and effective risk management system and determining general risk preference and risk tolerance of the Group. Based on the general strategy of the Group, the Risk Management Committee under the Board reviews the Group's risk management system and basic principles, risk management strategies and internal control system framework; supervises and evaluates the establishment, organization, processes and effectiveness of risk management departments; supervises and evaluates risk control by the management in aspects such as credit risk, market risk and operational risk; and conducts identification, monitoring, control and regular assessment of the Group's risk management and risk tolerance. Senior management led by the president will be responsible for the control of credit risk, market risk, operational risk and approval of related policies and procedures; Chief Risk Officer will be led by the president of the Bank. In addition, the Group set up departments such as the Department of Risk Management, Department of Credit Approval, Financial Planning Department, Department of Law and Compliance and Audit Department based on the requirements of general risk management to perform respective functions in risk management, strengthen risk-covering portfolio management capabilities and conduct inspection on compliance with risk management policy of internal control system on regular or irregular basis.

#### (a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios and guarantees granted.

#### Credit business

To identify, assess, monitor and manage credit risks, the Group has designed effective system frameworks, credit policies and processes for credit risk management and implemented systematic control procedures. The responsible department for credit risk management mainly include the Risk Management Department and Credit Approval Department. The Risk Management Department is responsible for implementing the Group's overall risk management system, risk monitoring and control and formulating risk management policies. The Credit Approval Department is independent from customer relationship and product management departments, to ensure the independence of credit approval. Front office departments including Corporate Business Department and Personal Finance Department carry out credit businesses according to the Group's risk management policies and procedures.



# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39. RISK MANAGEMENT (CONT'D)

### Risk management system (Cont'd)

#### (a) Credit risk (Cont'd)

##### Credit business (Cont'd)

The Group continuously improves the internal control mechanism and strengthens the management of all processes of the credit business. Based on effective checks and balances, the Group has established comprehensive assessment and accountability mechanisms, assigning the responsibilities of credit management to the relevant departments and individuals.

For corporate and institutional businesses, the Group has established industry-, region-, product – and client-specific limits for credit approval. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks.

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and their recommendations to the loan-approval departments or personnel for approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process according to standardised loan recovery procedures.

##### Stages of risks in financial instrument

###### *Stage 1*

Financial assets have not experienced a significant increase in credit risk since origination and impairment is recognised on the basis of 12 months expected credit losses.

###### *Stage 2*

Financial assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.

###### *Stage 3*

Financial assets that are in default and considered credit-impaired.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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(Expressed in thousands of Renminbi, unless otherwise stated)

## 39. RISK MANAGEMENT (CONT'D)

### Risk management system (Cont'd)

#### (a) Credit risk (Cont'd)

Significant increase in credit risk

When one or more quantitative, qualitative standards or upper limits are triggered, the Group assumes that credit risk on financial assets has increased significantly.

If the borrower is listed in the watch list and one or more of the following criteria are met:

- The credit spread increases significantly;
- Significant changes with an adverse effect that have taken place in the borrower's business, financial and economic status;
- Application of a grace period or debt-restructuring;
- Significant changes with an adverse effect in the borrower's business conditions;
- Less value of the collaterals (for the collateral loans and pledged loans only);
- Early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of loans; or
- Principal or interest of the instrument is more than 30 days past due.

The Group uses watch lists to monitor credit risk of financial assets related to loans and treasury operations, and conducts regular assessments at the counterparty level. The standards used in determining whether credit risk increases significantly are regularly monitored and reviewed by the management for the appropriateness.

The Group has not used the low credit risk exemption for any financial assets in each of the end of Reporting Period.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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(Expressed in thousands of Renminbi, unless otherwise stated)

## 39. RISK MANAGEMENT (CONT'D)

### Risk management system (Cont'd)

#### (a) Credit risk (Cont'd)

Definition of "default" and "credit-impaired assets"

At each reporting date, the Group assesses whether a financial asset is 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 events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;
- the disappearance of an active market for the financial assets because of financial difficulties of the issuer; or
- principal or interest of the instrument is more than 90 days past due.

The above criteria apply to all financial assets of the Group and they are consistent with the definition of "default" adopted by the internal management of credit risk.

Measurement of expected credit losses ("ECLS")

The Group adopts ECL model to measure provision for loss of financial assets based on the stages categorised above.

The ECL is the result of the discounted product of probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD"). 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 according to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39. RISK MANAGEMENT (CONT'D)

### Risk management system (Cont'd)

#### (a) Credit risk (Cont'd)

##### Measurement of ECLs (Cont'd)

The Group determines the ECL by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future years. The Group multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). By adopting this approach, the Group can calculate the ECL for the future months. The results of calculation for each month are then discounted to the reporting date and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime PD is deduced from using the maturity model or 12-month probability of default. The maturity model describes the pattern of defaults of the asset portfolio over its lifetime. The model is developed based on historical observational data and applicable to all assets in the same portfolio with the same credit rating. The above method is supported by empirical analysis.

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different according to different types of products.

- In respect of the financial assets with instalment repayments and bullet repayment, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on prediction of overlimit repayment and prepayments/refinancing made by the borrower.
- As to the off-balance sheet credit commitments, the parameter of EAD is calculated using the current exposure method, and obtained from multiplying the nominal amount of the off-balance sheet items on the reporting date by the credit conversion factor ("CCF").
- The Group determines the 12-month and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.
- As to financial assets classified as security, the Group determines the LGD according to the types of collaterals and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.
- As to credit-based financial assets, the Group usually determines LGD in the product level due to the limited differences in recoverable amounts from different borrowers.

Forward-looking economic information should be considered when determining the 12-month and lifetime PD, EAD and LGD.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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## 39. RISK MANAGEMENT (CONT'D)

### Risk management system (Cont'd)

#### (a) Credit risk (Cont'd)

##### Measurement of ECLs (Cont'd)

The Group quarterly monitors and reviews assumptions related to the calculation of ECLs, including the changes in PD and the value of collaterals under the different time limits.

As at June 30, 2022 and December 31, 2021, there has been no significant changes in the estimate techniques and key assumptions of the Group.

Forward-looking information included in the ECL model is as follows:

- Both the assessment of significant increase in credit risk and the measurement of ECLs involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and ECLs of all asset portfolios, including gross domestic product ("GDP"), consumer price index ("CPI"), and producer price index ("PPI"), etc. The Group identified the relations between these economic indicators and the PD historically by conducting regression analysis, and identified the expected PD by predicting the future economic indicators.
- When judging whether there is significant increase in credit risk, the Group multiplies the lifetime PD at the benchmark and under other scenarios by the weight of the scenarios, and considers the qualitative and maximum indicators. The Group measures relevant provision for loss by the weighted 12-month ECL (for stage 1) or the weighted lifetime ECL (for stage 2 and stage 3). The above weighted credit losses are calculated from multiplying the ECL under the different scenarios by the weight of the corresponding scenarios.
- 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 ECLs were not adjusted accordingly. The Group reviews and monitors the appropriateness of the above assumptions on a quarterly basis.

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## 39. RISK MANAGEMENT (CONT'D)

### Risk management system (Cont'd)

#### (a) Credit risk (Cont'd)

##### Measurement of ECLs (Cont'd)

##### i. Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as at the end of each of the Reporting Period.

##### ii. Financial assets analysed by credit quality are summarised as follows:

	June 30, 2022				
	Loans and Advances to customers	Deposits/ placements with banks and other financial institutions	Financial assets held under resale agreement	Financial investments (Note i)	Others (Note ii)
Balance of financial assets that are assessed for ECLs over the next 12 months					
– Overdue but not credit-impaired	546,811	–	–	–	28,872
– Neither overdue nor credit-impaired	149,377,082	2,950,772	129,980	105,653,502	19,894,545
Sub-total	149,923,893	2,950,772	129,980	105,653,502	19,923,417
Balance of financial assets that are not credit-impaired and assessed for lifetime ECLs					
– Overdue but not credit-impaired	1,814,615	–	–	–	80,559
– Neither overdue nor credit-impaired	4,998,881	–	–	320,726	743,731
Sub-total	6,813,496	–	–	320,726	824,290
Balance of credit-impaired financial assets that are assessed for lifetime ECLs					
– Overdue and credit-impaired	2,237,639	–	–	4,717,622	1,046,420
– Credit-impaired but not overdue	102,767	–	–	–	184,388
Sub-total	2,340,406	–	–	4,717,622	1,230,808
Interests accrued	844,931	1,285	120	1,789,255	299,512
Less: Provision for impairment losses	(4,092,695)	(960)	–	(1,688,163)	(837,047)
Net value	155,830,031	2,951,097	130,100	110,792,942	21,440,980

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39. RISK MANAGEMENT (CONT'D)

### Risk management system (Cont'd)

#### (a) Credit risk (Cont'd)

##### Measurement of ECLs (Cont'd)

##### ii. Financial assets analysed by credit quality are summarised as follows: (Cont'd)

	December 31, 2021				
	Loans and Advances to customers	Deposits/placements with banks and other financial institutions	Financial assets held under resale agreement	Financial investments (Note i)	Others (Note ii)
Balance of financial assets that are assessed for ECLs over the next 12 months					
– Overdue but not credit-impaired	477,553	–	–	–	13,150
– Neither overdue nor credit-impaired	135,102,130	6,365,772	200,000	95,101,899	15,559,818
<b>Sub-total</b>	<b>135,579,683</b>	<b>6,365,772</b>	<b>200,000</b>	<b>95,101,899</b>	<b>15,572,968</b>
Balance of financial assets that are not credit-impaired and assessed for lifetime ECLs					
– Overdue but not credit-impaired	3,979,877	–	–	500,000	–
– Neither overdue nor credit-impaired	1,623,528	–	–	69,153	987,527
<b>Sub-total</b>	<b>5,603,405</b>	<b>–</b>	<b>–</b>	<b>569,153</b>	<b>987,527</b>
Balance of credit-impaired financial assets that are assessed for lifetime ECLs					
– Overdue and credit-impaired	1,806,265	–	–	3,597,622	903,010
– Credit-impaired but not overdue	303,347	–	–	500,000	–
<b>Sub-total</b>	<b>2,109,612</b>	<b>–</b>	<b>–</b>	<b>4,097,622</b>	<b>903,010</b>
Interests accrued	668,503	1,363	158	1,889,304	309,620
Less: Provision for impairment losses	(3,593,924)	(2,253)	–	(1,166,229)	(702,083)
<b>Net value</b>	<b>140,367,279</b>	<b>6,364,882</b>	<b>200,158</b>	<b>100,491,749</b>	<b>17,071,042</b>

#### Notes:

- i. Financial investments include financial investments measured at fair value through other comprehensive income and financial investments measured at amortised cost.
- ii. Others comprise interest receivable, finance lease receivables and other receivables in other assets.
- iii. As at June 30, 2022, the fair value of collaterals held against loans and advances that are not credit-impaired and assessed for lifetime expected credit losses amounted to RMB3,623 million (December 31, 2021: RMB2,390 million). The fair value of collaterals held against loans and advances that are credit-impaired and assessed for lifetime expected credit losses amounted to RMB2,884 million (December 31, 2021: RMB1,814 million). The collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals were estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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## 39. RISK MANAGEMENT (CONT'D)

### Risk management system (Cont'd)

#### (a) Credit risk (Cont'd)

Measurement of ECLs (Cont'd)

#### ii. Financial assets analysed by credit quality are summarised as follows: (Cont'd)

Financial assets (exclusive interests accrued) analysed by credit quality

	June 30, 2022								
	Balance				Provision for impairment losses				ECL Rate
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
Financial assets measured at amortised cost									
Cash and deposits with the Central Bank	25,889,112	-	-	25,889,112	-	-	-	-	N/A
Deposits with banks and other financial institutions	1,838,007	-	-	1,838,007	-	-	-	-	N/A
Placements with banks	1,112,765	-	-	1,112,765	(960)	-	-	(960)	0.09%
Financial assets held under resale agreements	129,980	-	-	129,980	-	-	-	-	N/A
Loans and advances to customers	140,302,837	6,813,496	2,340,406	149,456,739	(1,607,263)	(1,381,156)	(1,104,276)	(4,092,695)	2.74%
Financial investments	78,410,130	320,726	4,717,622	83,448,478	(126,930)	(12,425)	(1,544,579)	(1,683,934)	2.02%
Other assets	19,923,417	824,290	1,230,808	21,978,515	(334,389)	(109,699)	(392,959)	(837,047)	3.81%
<b>Total</b>	<b>267,606,248</b>	<b>7,958,512</b>	<b>8,288,836</b>	<b>283,853,596</b>	<b>(2,069,542)</b>	<b>(1,503,280)</b>	<b>(3,041,814)</b>	<b>(6,614,636)</b>	<b>2.33%</b>
Financial assets measured at fair value through other comprehensive income									
Loans and advances to customers	9,621,056	-	-	9,621,056	(42,719)	-	-	(42,719)	0.44%
Financial investments	27,243,372	-	-	27,243,372	(7,548)	-	-	(7,548)	0.03%
<b>Total</b>	<b>36,864,428</b>	<b>-</b>	<b>-</b>	<b>36,864,428</b>	<b>(50,267)</b>	<b>-</b>	<b>-</b>	<b>(50,267)</b>	<b>0.14%</b>
Credit commitments	55,407,876	-	-	55,407,876	(86,246)	-	-	(86,246)	0.16%



# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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## 39. RISK MANAGEMENT (CONT'D)

### Risk management system (Cont'd)

#### (a) Credit risk (Cont'd)

Measurement of ECLs (Cont'd)

ii. Financial assets analysed by credit quality are summarised as follows: (Cont'd)

Financial assets (exclusive interests accrued) analysed by credit quality (Cont'd)

	December 31, 2021								
	Balance			Total	Provision for impairment losses			Total	ECL Rate Total
Stage 1	Stage 2	Stage 3	Stage 1		Stage 2	Stage 3			
Financial assets measured at amortised cost									
Cash and deposits with the Central Bank	24,356,627	-	-	24,356,627	-	-	-	-	N/A
Deposits with banks and other financial institutions	4,312,797	-	-	4,312,797	-	-	-	-	N/A
Placements with banks	2,052,975	-	-	2,052,975	(2,253)	-	-	(2,253)	0.11%
Financial assets held under resale agreements	200,000	-	-	200,000	-	-	-	-	N/A
Loans and advances to customers	126,783,767	5,603,405	2,109,612	134,496,784	(1,479,329)	(1,060,203)	(1,054,392)	(3,593,924)	2.67%
Financial investments	72,194,697	569,153	4,097,622	76,861,472	(148,882)	(61,212)	(944,112)	(1,154,206)	1.50%
Other assets	15,572,968	987,527	903,010	17,463,505	(304,168)	(127,326)	(270,589)	(702,083)	4.02%
<b>Total</b>	<b>245,473,831</b>	<b>7,160,085</b>	<b>7,110,244</b>	<b>259,744,160</b>	<b>(1,934,632)</b>	<b>(1,248,741)</b>	<b>(2,269,093)</b>	<b>(5,452,466)</b>	<b>2.10%</b>
Financial assets measured at fair value through other comprehensive income									
Loans and advances to customers	8,795,916	-	-	8,795,916	(24,455)	-	-	(24,455)	0.28%
Financial investments	22,907,202	-	-	22,907,202	(9,353)	-	-	(9,353)	0.04%
<b>Total</b>	<b>31,703,118</b>	<b>-</b>	<b>-</b>	<b>31,703,118</b>	<b>(33,808)</b>	<b>-</b>	<b>-</b>	<b>(33,808)</b>	<b>0.11%</b>
Credit commitments	49,945,642	-	-	49,945,642	(94,731)	-	-	(94,731)	0.19%

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39. RISK MANAGEMENT (CONT'D)

### Risk management system (Cont'd)

#### (a) Credit risk (Cont'd)

##### Measurement of ECLs (Cont'd)

##### ii. Financial assets analysed by credit quality are summarised as follows: (Cont'd)

The overall ECL rate for financial assets and credit commitments analysed by credit quality

	June 30, 2022			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	0.77%	18.89%	36.70%	2.33%
Financial assets measured at fair value through other comprehensive income	0.14%	N/A	N/A	0.14%
Credit commitments	0.16%	N/A	N/A	0.16%

	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	0.79%	17.44%	31.91%	2.10%
Financial assets measured at fair value through other comprehensive income	0.11%	N/A	N/A	0.11%
Credit commitments	0.19%	N/A	N/A	0.19%

##### iii. Rescheduled loans and advances to customers

The Group has no rescheduled loans and advances to customers at June 30, 2022 and December 31, 2021.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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## 39. RISK MANAGEMENT (CONT'D)

### Risk management system (Cont'd)

#### (a) Credit risk (Cont'd)

Measurement of ECLs (Cont'd)

##### iv. Credit rating

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments (exclusive interests accrued) analysed by the rating agency designations as at the end of the Reporting Periods are as follows:

	June 30, 2022	December 31, 2021
Neither overdue nor impaired		
Ratings		
– AAA	28,031,173	25,010,195
– AA- to AA+	25,807,140	22,221,415
– below AA-	2,172,467	2,780,124
Sub-total	56,010,780	50,011,734
Unrated	45,100,034	37,818,407
Total	101,110,814	87,830,141

#### (b) 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, foreign exchange rates, commodity prices, stock prices and other prices.

The Group has especially built up a market risk management structure and team. The Department of Risk Management takes the major responsibility for the exposure of market risk and preparation of relevant market risk management policies to submit to the Committee of Risk Management. According to established standards and current management capabilities, the Group measures market risk with the major adoption of sensitivity analysis. Before the new products or new business are launched, their market risks will be identified according to regulations.

The major source of market risk of the Group is the asset and liability businesses involved in market operation and the risks in interest rate and exchange rate of products.

##### Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of financial markets business position.

##### Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of bank assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39. RISK MANAGEMENT (CONT'D)

### Risk management system (Cont'd)

#### (b) Market risk (Cont'd)

##### Trading interest rate risk

Trading interest rate risk mainly arises from the treasury business' investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios' fair value given a 100 basis points (1%) movement in the interest rates.

(i) The following tables indicate the assets and liabilities as at the end of each of the Reporting Period by the expected next repricing dates or by maturity dates, depending on which is earlier:

	At June 30, 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
<b>Assets</b>						
Cash and deposits with the Central Bank	25,889,112	208,589	25,680,523	-	-	-
Deposits with banks and other financial institutions	1,838,072	65	1,837,971	36	-	-
Placements with banks	1,113,025	1,220	414,526	697,279	-	-
Financial assets held under resale agreements	130,100	120	129,980	-	-	-
Loans and advances to customers (Note (i))	155,830,031	844,931	19,180,112	47,834,632	51,479,090	36,491,266
Financial investments (Note (ii))	121,811,589	2,271,697	11,049,294	9,238,156	47,419,433	51,833,009
Other assets	26,047,582	5,598,788	2,458,443	6,144,262	11,479,701	366,388
<b>Total assets</b>	<b>332,659,511</b>	<b>8,925,410</b>	<b>60,750,849</b>	<b>63,914,365</b>	<b>110,378,224</b>	<b>88,690,663</b>
<b>Liabilities</b>						
Borrowings from the Central Bank	10,917,964	4,440	4,516,619	6,396,905	-	-
Deposits from banks	4,165,550	6,739	3,754,811	404,000	-	-
Placements from banks and other financial institutions	19,335,238	196,988	4,894,804	13,875,956	367,490	-
Financial assets sold under repurchase agreements	10,101,955	1,955	10,100,000	-	-	-
Deposits from customers	229,535,141	3,743,522	87,354,568	49,961,267	88,423,913	51,871
Debt securities issued	29,490,340	-	15,304,912	11,185,709	-	2,999,719
Other liabilities	4,076,855	3,654,929	120,746	59,280	179,069	62,831
<b>Total liabilities</b>	<b>307,623,043</b>	<b>7,608,573</b>	<b>126,046,460</b>	<b>81,883,117</b>	<b>88,970,472</b>	<b>3,114,421</b>
<b>Asset-liability gap</b>	<b>25,036,468</b>	<b>1,316,837</b>	<b>(65,295,611)</b>	<b>(17,968,752)</b>	<b>21,407,752</b>	<b>85,576,242</b>

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

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## 39. RISK MANAGEMENT (CONT'D)

### Risk management system (Cont'd)

#### (b) Market risk (Cont'd)

Trading interest rate risk (Cont'd)

(i) The following tables indicate the assets and liabilities as at the end of each of the Reporting Period by the expected next repricing dates or by maturity dates, depending on which is earlier: (Cont'd)

	December 31, 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
<b>Assets</b>						
Cash and deposits with the Central Bank	24,356,627	215,682	24,140,945	-	-	-
Deposits with banks and other financial institutions	4,312,845	48	4,312,763	34	-	-
Placements with banks	2,052,037	1,315	1,638,555	412,167	-	-
Financial assets held under resale agreements	200,158	158	200,000	-	-	-
Loans and advances to customers (Note (i))	140,367,279	668,504	17,488,986	35,982,854	49,421,551	36,805,384
Financial investments (Note (ii))	112,658,951	2,514,696	10,986,226	8,253,202	54,141,969	36,762,858
Others assets	20,572,919	4,212,685	1,311,327	7,007,906	7,966,958	74,043
<b>Total assets</b>	<b>304,520,816</b>	<b>7,613,088</b>	<b>60,078,802</b>	<b>51,656,163</b>	<b>111,530,478</b>	<b>73,642,285</b>
<b>Liabilities</b>						
Borrowings from the Central Bank	11,281,745	5,044	3,488,488	7,788,213	-	-
Deposits from banks	4,031,721	-	1,781,692	2,250,029	-	-
Placements from banks and other financial institutions	15,066,239	165,793	4,068,470	10,831,976	-	-
Financial assets sold under repurchase agreements	7,004,003	3,545	7,000,458	-	-	-
Deposits from customers	206,841,962	3,008,413	86,485,117	41,454,840	73,035,623	2,857,969
Debt securities issued	32,698,317	85,026	8,657,063	18,958,644	-	4,997,584
Others liabilities	3,426,621	3,052,390	40,837	62,924	198,651	71,819
<b>Total liabilities</b>	<b>280,350,608</b>	<b>6,320,211</b>	<b>111,522,125</b>	<b>81,346,626</b>	<b>73,234,274</b>	<b>7,927,372</b>
<b>Asset-liability gap</b>	<b>24,170,208</b>	<b>1,292,877</b>	<b>(51,443,323)</b>	<b>(29,690,463)</b>	<b>38,296,204</b>	<b>65,714,913</b>

Notes:

- i. As at June 30, 2022, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB3,114.5 million (December 31, 2021: RMB2,044.5 million).
- ii. Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income and financial investments measured at amortised cost.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

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## 39. RISK MANAGEMENT (CONT'D)

### Risk management system (Cont'd)

#### (b) Market risk (Cont'd)

##### Trading interest rate risk (Cont'd)

##### (ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. The following table sets forth the results of the Group's interest rate sensitivity analysis on net profit and equity with an assumption that all other variables held constant.

	June 30, 2022	December 31, 2021
Change in net profit		
Up 100 bps parallel shift in yield curves	119,514	74,109
Down 100 bps parallel shift in yield curves	(119,514)	(74,109)

	June 30, 2022	December 31, 2021
Change in equity		
Up 100 bps parallel shift in yield curves	240,093	49,604
Down 100 bps parallel shift in yield curves	(240,093)	(49,604)

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

- Interest rate movements at the end of each of the Reporting Period apply to non-derivative financial instruments of the Group;
- At the end of each of the Reporting Period, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;

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## 39. RISK MANAGEMENT (CONT'D)

### Risk management system (Cont'd)

#### (b) Market risk (Cont'd)

Trading interest rate risk (Cont'd)

#### (ii) Interest rate sensitivity analysis (Cont'd)

- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

Foreign currency risk

The majority of the business of the Group is related to Renminbi, as well as a small amount of business related to US dollar and other foreign currencies.

The changes in exchange rates will affect the financial position and cash flow of the Group. Due to the small amount of foreign currency business of the Group, the effect of foreign currency risk on the Group would be immaterial. The major principle of the Group's control on foreign currency risk is to achieve matching of assets and liabilities in each currency and to conduct daily monitoring on currency exposure.

The Group adopts sensitivity analysis to measure the possible effects of changes in exchange rates on net gains and losses and interests of the Group. As the foreign currency assets and liabilities account for an immaterial part of the total assets and total liabilities of the Group, the effect of changes in exchange rates on net gains and losses and interests of the Group would be immaterial.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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## 39. RISK MANAGEMENT (CONT'D)

### Risk management system (Cont'd)

#### (b) Market risk (Cont'd)

Foreign currency risk (Cont'd)

The currency exposures as at the end of each of the Reporting Period are as follows:

	June 30, 2022			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<b>Assets</b>				
Cash and deposits with the central Bank	25,505,153	383,959	–	25,889,112
Deposits with banks and other financial institutions	983,569	379,476	475,027	1,838,072
Placements with banks	–	463,572	649,453	1,113,025
Financial assets held under resale Agreements	130,100	–	–	130,100
Loans and advances to customers	155,168,780	661,251	–	155,830,031
Financial investments (Note)	119,902,399	1,909,190	–	121,811,589
Others	25,242,116	805,466	–	26,047,582
<b>Total assets</b>	<b>326,932,117</b>	<b>4,602,914</b>	<b>1,124,480</b>	<b>332,659,511</b>
<b>Liabilities</b>				
Borrowings from the Central Bank	10,917,964	–	–	10,917,964
Deposits from banks	4,165,550	–	–	4,165,550
Placements from banks and other financial institutions	18,325,153	1,010,085	–	19,335,238
Financial assets sold under repurchase agreements	10,101,955	–	–	10,101,955
Deposits from customers	226,055,187	3,474,660	5,294	229,535,141
Debt securities issued	29,490,340	–	–	29,490,340
Others	2,790,770	192,996	1,093,089	4,076,855
<b>Total liabilities</b>	<b>301,846,919</b>	<b>4,677,741</b>	<b>1,098,383</b>	<b>307,623,043</b>
<b>Net position</b>	<b>25,085,198</b>	<b>(74,827)</b>	<b>26,097</b>	<b>25,036,468</b>
<b>Off-balance sheet credit commitments</b>	<b>54,779,774</b>	<b>625,120</b>	<b>2,982</b>	<b>55,407,876</b>



# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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## 39. RISK MANAGEMENT (CONT'D)

### Risk management system (Cont'd)

#### (b) Market risk (Cont'd)

##### Foreign currency risk (Cont'd)

	RMB	At December 31, 2021		Total (RMB Equivalent)
		USD (RMB Equivalent)	Others (RMB Equivalent)	
<b>Assets</b>				
Cash and deposits with the Central Bank	24,101,803	254,824	–	24,356,627
Deposits with banks and other financial institutions	645,209	1,037,272	2,630,364	4,312,845
Placements with banks	–	2,052,037	–	2,052,037
Financial assets held under resale agreements	200,158	–	–	200,158
Loans and advances to customers	139,579,279	788,000	–	140,367,279
Financial Investments (Note)	111,616,623	1,042,328	–	112,658,951
Others	20,572,919	–	–	20,572,919
<b>Total assets</b>	<b>296,715,991</b>	<b>5,174,461</b>	<b>2,630,364</b>	<b>304,520,816</b>
<b>Liabilities</b>				
Borrowings from the Central Bank	11,281,745	–	–	11,281,745
Deposits from banks	4,031,721	–	–	4,031,721
Placements from banks and other financial institutions	14,425,626	640,613	–	15,066,239
Financial assets sold under repurchase agreements	7,004,003	–	–	7,004,003
Deposits from customers	202,394,973	4,442,058	4,931	206,841,962
Debt securities issued	32,698,317	–	–	32,698,317
Others	3,290,510	136,076	35	3,426,621
<b>Total liabilities</b>	<b>275,126,895</b>	<b>5,218,747</b>	<b>4,966</b>	<b>280,350,608</b>
<b>Net position</b>	<b>21,589,096</b>	<b>(44,286)</b>	<b>2,625,398</b>	<b>24,170,208</b>
<b>Off-balance sheet credit commitments</b>	<b>49,017,493</b>	<b>925,231</b>	<b>2,918</b>	<b>49,945,642</b>

Note:

Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income and financial investments measured at amortised cost.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39. RISK MANAGEMENT (CONT'D)

### Risk management system (Cont'd)

#### (c) *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 sustain its asset business or meet repayment obligations.

The Group plays an active part in managing liquidity risks and improves related management system in terms of organisation, institution, system, management and mechanism. The organisational structure of the Group's liquidity risk management consists of the Board of Directors, senior management and its Risk Management Committee and Asset and Liability Management Committee, Risk Management Department, Financial Planning Department, Corporate Banking Department, Retail Banking Department, Department of Credit Approval, Department of Financial Market, Information Technology and Audit Department, responsible for formulating liquidity risk management strategy and establishing internal control mechanism to support the implementation and supervision of liquidity risk management strategy.

The measurement of liquidity risk of the Group adopts liquidity indicator and cash flow gap calculation. By stress testing, the Group sets up mild, moderate and severe scenarios to examine the capacity to withstand liquidity or liquidity crises and improve liquidity contingency measures. In terms of response to liquidity risks, the Group: strengthens management and monitoring of liquidity limits; establishes related liquidity emergency leading groups, early-warning indicators for internal and external liquidity risks and indicators that could trigger contingency plans and monitors these indicators; builds up quality liquidity assets reserve and financing capability management; erects liquidity risk reporting mechanism, in which the Financial Planning Department reports to the Asset and Liability Management Committee, senior management and the Board of Directors on issues related to the status, stress testing and contingency plans of liquidity risks on a regular basis.

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## 39. RISK MANAGEMENT (CONT'D)

### Risk management system (Cont'd)

#### (c) Liquidity risk (Cont'd)

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 each Reporting Period:

	June 30, 2022							Total
	Indefinite <i>Note (i)</i>	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	
<b>Assets</b>								
Cash and deposits with the Central Bank	17,237,751	8,651,361	-	-	-	-	-	25,889,112
Deposit with banks and other financial institutions	-	1,838,007	-	65	-	-	-	1,838,072
Placements with banks	-	-	61,547	354,199	697,279	-	-	1,113,025
Financial assets held under resale agreements	-	-	130,100	-	-	-	-	130,100
Loans and advances to customers	2,567,701	606,316	7,181,102	9,669,924	47,834,632	51,479,090	36,491,266	155,830,031
Financial investments	4,026,614	-	5,868,246	1,569,977	9,454,163	48,437,827	52,454,762	121,811,589
Others	3,333,503	2,585,685	1,028,249	1,428,596	6,072,607	11,289,597	309,345	26,047,582
<b>Total assets</b>	<b>27,165,569</b>	<b>13,681,369</b>	<b>14,269,244</b>	<b>13,022,761</b>	<b>64,058,681</b>	<b>111,206,514</b>	<b>89,255,373</b>	<b>332,659,511</b>
<b>Liabilities</b>								
Borrowings from the Central Bank	-	-	2,057,998	2,458,623	6,401,343	-	-	10,917,964
Deposits from banks	-	1,055,915	1,701,137	1,000,847	407,651	-	-	4,165,550
Placements from banks and other financial institutions	-	-	2,854,478	2,123,755	13,988,230	368,775	-	19,335,238
Financial assets sold under repurchase agreements	-	7,700,000	2,401,955	-	-	-	-	10,101,955
Deposit from customers	-	66,899,496	9,473,798	12,415,708	50,794,606	89,898,797	52,736	229,535,141
Debt securities issued	-	-	7,304,088	8,000,824	11,185,709	-	2,999,719	29,490,340
Others	-	3,456,874	117,387	29,248	63,180	327,126	83,040	4,076,855
<b>Total liabilities</b>	<b>-</b>	<b>79,112,285</b>	<b>25,910,841</b>	<b>26,029,005</b>	<b>82,840,719</b>	<b>90,594,698</b>	<b>3,135,495</b>	<b>307,623,043</b>
<b>Net position</b>	<b>27,165,569</b>	<b>(65,430,916)</b>	<b>(11,641,597)</b>	<b>(13,006,244)</b>	<b>(18,782,038)</b>	<b>20,611,816</b>	<b>86,119,878</b>	<b>25,036,468</b>

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## 39. RISK MANAGEMENT (CONT'D)

### Risk management system (Cont'd)

#### (c) Liquidity risk (Cont'd)

	Indefinite Note (i)	Repayable on demand	Within one month	December 31, 2021				Total
				Between one month and three months	Between Three months and one year	Between one year and five years	More than five years	
<b>Assets</b>								
Cash and deposits with the Central Bank	15,670,502	8,686,125	-	-	-	-	-	24,356,627
Deposit with banks and other financial institutions	-	4,312,797	-	48	-	-	-	4,312,845
Placements with banks	-	-	1,066,057	573,813	412,167	-	-	2,052,037
Financial assets held under resale agreements	-	-	200,158	-	-	-	-	200,158
Loans and advances to customers	1,868,057	1,129,480	8,341,865	7,068,789	35,842,910	49,411,462	36,704,716	140,367,279
Financial investments	4,552,288	-	5,688,041	2,538,456	9,171,611	53,945,697	36,762,858	112,658,951
Others	2,133,505	2,079,179	195,013	1,116,315	7,007,906	7,966,958	74,043	20,572,919
<b>Total assets</b>	<b>24,224,352</b>	<b>16,207,581</b>	<b>15,491,134</b>	<b>11,297,421</b>	<b>52,434,594</b>	<b>111,324,117</b>	<b>73,541,617</b>	<b>304,520,816</b>
<b>Liabilities</b>								
Borrowings from the Central Bank	-	-	1,290,369	2,203,163	7,788,213	-	-	11,281,745
Deposits from banks	-	280,604	1,501,088	-	2,250,029	-	-	4,031,721
Placements from banks and other financial institutions	-	-	1,549,864	2,578,665	10,937,710	-	-	15,066,239
Financial assets sold under repurchase agreements	-	-	7,004,003	-	-	-	-	7,004,003
Deposit from customers	-	64,813,836	7,957,059	13,734,780	41,646,195	75,716,736	2,973,356	206,841,962
Debt securities issued	-	85,025	3,384,974	5,272,090	18,958,644	-	4,997,584	32,698,317
Others	-	2,822,263	49,779	5,991	172,774	283,625	92,189	3,426,621
<b>Total liabilities</b>	<b>-</b>	<b>68,001,728</b>	<b>22,737,136</b>	<b>23,794,689</b>	<b>81,753,565</b>	<b>76,000,361</b>	<b>8,063,129</b>	<b>280,350,608</b>
<b>Net position</b>	<b>24,224,352</b>	<b>(51,794,147)</b>	<b>(7,246,002)</b>	<b>(12,497,268)</b>	<b>(29,318,971)</b>	<b>35,323,756</b>	<b>65,478,488</b>	<b>24,170,208</b>

Note:

- (i) Indefinite amount of cash and deposits with the Central Bank represents the statutory deposit reserves and fiscal deposits with the Central Bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of financial investments represents impaired financial investments or those overdue more than one month. Equity investments are listed in the category of indefinite.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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(Expressed in thousands of Renminbi, unless otherwise stated)

## 39. RISK MANAGEMENT (CONT'D)

### Risk management system (Cont'd)

#### (c) Liquidity risk (Cont'd)

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities of the Group at the end of each of the Reporting Period:

	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	June 30, 2022				
				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
Non-derivative financial liabilities								
Borrowings from the Central Bank	10,917,964	11,095,424	10,000	2,077,277	2,605,752	6,402,395	-	-
Deposits from banks	4,165,550	4,446,339	1,055,438	1,739,888	1,019,039	631,974	-	-
Placements from banks and other financial institutions	19,335,238	18,906,521	-	2,516,949	2,238,479	13,765,582	385,511	-
Financial assets sold under repurchase agreements	10,101,955	10,102,389	7,701,501	2,400,888	-	-	-	-
Deposits from customers	229,535,141	240,576,869	66,899,496	9,246,577	13,789,690	51,829,914	98,811,192	-
Debt securities issued	29,490,340	31,211,310	-	7,438,495	8,138,392	11,626,423	504,000	3,504,000
Other financial liabilities	2,584,280	3,075,425	2,494,669	37,531	31,721	72,420	351,638	87,446
<b>Total non-derivative financial liabilities</b>	<b>306,130,468</b>	<b>319,414,277</b>	<b>78,161,104</b>	<b>25,457,605</b>	<b>27,823,073</b>	<b>84,328,708</b>	<b>100,052,341</b>	<b>3,591,446</b>

	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	December 31, 2021				
				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
Non-derivative financial liabilities								
Borrowings from the Central Bank	11,281,745	11,385,283	-	1,291,578	2,204,781	7,888,924	-	-
Deposits from banks	4,031,721	4,131,154	279,143	1,533,660	113,787	2,204,564	-	-
Placements from banks and other financial institutions	15,066,239	15,474,939	-	1,535,516	2,284,434	11,654,989	-	-
Financial assets sold under repurchase agreements	7,004,003	7,005,659	-	7,005,659	-	-	-	-
Deposits from customers	206,841,962	216,573,126	65,102,910	8,231,785	14,389,316	44,811,529	82,836,411	1,201,175
Debt securities issued	32,698,317	35,241,474	-	3,459,099	5,358,593	19,915,782	904,000	5,604,000
Other financial liabilities	2,251,913	2,391,588	1,620,660	51,116	8,651	136,762	425,010	149,389
<b>Total non-derivative financial liabilities</b>	<b>279,175,900</b>	<b>292,203,223</b>	<b>67,002,713</b>	<b>23,108,413</b>	<b>24,359,562</b>	<b>86,612,550</b>	<b>84,165,421</b>	<b>6,954,564</b>

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

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39. RISK MANAGEMENT (CONT'D)

### Risk management system (Cont'd)

#### (d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group has specified issues of operational risks, including its manifestation, management mode, reporting procedure, reporting cycle and statistics of loss and improved comprehensive risk management system, with major initiatives as follows:

- Establishment of operational risk management system in a crisscrossing manner. On the one hand, the Group establishes an operational risk management framework that is compatible with its nature, scale, complexity and risk characteristics, including the operational risk management mechanism that involves its board of directors, board of supervisors, senior management, head office and branches. On the other hand, a three-tier risk prevention system for the front office, middle office and back office has been established for every major risk faced by the Group.
- Formation of business philosophy of compliance and robustness. The Group fosters favourable control environment, including constant advances and promotion in operational risk culture by the board of directors and senior management.
- Preference to low operational risk under the framework of 'robust' risk preference. By conducting controls on operational risk including identification, measurement, resolution, monitoring and reporting, the Group establishes mechanisms for risk avoidance, loss prediction, prevention, control, reduction, financing to control operational risk within the carrying capacity of the Group and maximise its profits.
- Prevention of operational risks based on the means of inspection and supervision. All departments and branches of the head office actively perform their duties of supervision and management, conduct routine and special inspections on operational risks in major businesses, establish ledger of all problems identified for rectification and check-off. Based on the inspection by departments, the internal audit department fully uses the off-site audit system, business risk early-warning system and remote monitoring system to detect violations and pay constant attention to risk-prone problems to prevent operational risks. In the meantime, inspections and investigations are exercised on key businesses, key institutions and key personnel to prevent operational risks.
- Combination of punishment and incentives to encourage compliance and standard operations. Integral management will be implemented on personnel violating operational standards for strict ascertainment of responsibility; employees are encouraged to spontaneously disclose and actively report operational risks; internal management, compliance operation, inspection and supervision and swindle prevention and control of the head office and branches shall be quantitatively assessed for penalty points; innovative implementation of compliance and internal control management of institutions shall be assessed for bonus points.
- Substantive achievements in carrying out system training and improving staff operation skills have been effective in preventing operational risks for the Group.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

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## 40. FAIR VALUE

### a) Methods and assumptions for measurement of fair value

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

#### (i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the Reporting Period. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

#### (ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the Reporting Period.

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

Fair values of debt securities issued are based on their quoted market prices at the end of the Reporting Period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued 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.

### b) Fair value measurement

#### (i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the Central Bank, deposits with banks and other financial institutions, placement with banks, financial assets held under resale agreements, loans and advances to customers, and investments.

Deposits with the Central Bank, deposits with banks and other financial institutions, placements with banks and financial assets held under resale agreements are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

Financial investments measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss are stated at fair value. Financial investments measured at amortised cost are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 40. FAIR VALUE (CONT'D)

### b) Fair value measurement (Cont'd)

#### (ii) Financial liabilities

The Group's financial liabilities mainly include borrowings from the Central Bank, deposits from banks, placements from banks and other financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

The book value and fair value of debt securities issued is presented in Note 29. The carrying amounts of other financial liabilities approximate their fair value.

### c) Fair value hierarchy

The following table presents the fair value of financial instruments measured at the end of the Reporting Period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and exchange rate. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.



# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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## 40. FAIR VALUE (CONT'D)

### c) Fair value hierarchy (Cont'd)

	June 30, 2022			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements Assets				
Financial investments measured at fair value through profit or loss				
– debt securities	–	2,173,124	–	2,173,124
– investment funds	–	4,181,486	–	4,181,486
– equity investments	65,878	–	–	65,878
– asset-backed securities	–	401,414	–	401,414
– investment management products	–	–	4,196,745	4,196,745
Financial investments measured at fair value through other comprehensive income				
– debt securities	–	27,011,448	–	27,011,448
– equity investments	113,722	–	268,805	382,527
– assets-backed securities	–	82,752	–	82,752
– interbank deposits	–	195,504	–	195,504
Loans and advances to customers measured at fair value through other comprehensive income				
– discounted bills	–	9,621,056	–	9,621,056
<b>Total</b>	<b>179,600</b>	<b>43,666,784</b>	<b>4,465,550</b>	<b>48,311,934</b>

	December 31, 2021			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements Assets				
Financial investments measured at fair value through profit or loss				
– debt securities	–	2,717,751	–	2,717,751
– investment funds	–	3,996,331	–	3,996,331
– assets-backed securities	–	413,111	–	413,111
– investment management products	–	–	5,040,009	5,040,009
Financial investments measured at fair value through other comprehensive income				
– debt securities	–	21,278,944	–	21,278,944
– equity investments	168,430	–	275,182	443,612
– assets-backed securities	–	85,511	–	85,511
– interbank deposits	–	1,561,448	–	1,561,448
Loans and advances to customers measured at fair value through other comprehensive income				
– discounted bills	–	8,795,916	–	8,795,916
<b>Total</b>	<b>168,430</b>	<b>38,849,012</b>	<b>5,315,191</b>	<b>44,332,633</b>

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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## 40. FAIR VALUE (CONT'D)

### c) Fair value hierarchy (Cont'd)

The movement during the each of the Reporting Period in the balance of Level 3 fair value measurements is as follows:

	January 1, 2022	Transfer into Level 3	Transfer out of Level 3	Total gains or losses		Purchases, issues, sales and settlements				June 30, 2022	Unrealised gains or losses for the period included in profit or loss for assets and liabilities held at the end of the period	
				Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales	Settlements			
Assets												
Financial investments measured at fair value through profit or loss												
- investment management products	5,040,009	-	-	100,818	-	34,677	-	(802,055)	(176,704)	4,196,745	(21,537)	
Financial investments measured at fair value through other comprehensive income												
- equity investments	275,182	-	-	-	(6,377)	-	-	-	-	268,805	-	
<b>Total</b>	<b>5,315,191</b>	<b>-</b>	<b>-</b>	<b>100,818</b>	<b>(6,377)</b>	<b>34,677</b>	<b>-</b>	<b>(802,055)</b>	<b>(176,704)</b>	<b>4,465,550</b>	<b>(21,537)</b>	

	January 1, 2021	Transfer into Level 3	Transfer out of Level 3	Total gains or losses		Purchases, issues, sales and settlements				December 31, 2021	Unrealised gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year	
				Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales	Settlements			
Assets												
Financial investments measured at fair value through profit or loss												
- investment management products	10,112,509	-	-	350,294	-	-	-	(395,126)	(5,027,668)	5,040,009	10,303	
Financial investments measured at fair value through other comprehensive income												
- equity investments	258,493	-	-	-	16,689	-	-	-	-	275,182	-	
<b>Total</b>	<b>10,371,002</b>	<b>-</b>	<b>-</b>	<b>350,294</b>	<b>16,689</b>	<b>-</b>	<b>-</b>	<b>(395,126)</b>	<b>(5,027,668)</b>	<b>5,315,191</b>	<b>10,303</b>	

During each of the period ended June 30, 2022 and year ended December 31, 2021, there were no significant transfers among instruments in Level 1, Level 2 and Level 3 of the Group.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

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## 40. FAIR VALUE (CONT'D)

### c) Fair value hierarchy (Cont'd)

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised are within Level 3.

Quantitative information of Level 3 fair value measurement is as below:

	Fair value as at June 30, 2022	Valuation techniques	Unobservable input
<b>Financial investments measured at fair value through profit or loss</b> – investment management products	<b>4,196,745</b>	Discounted cash flow	Risk-adjusted discount rate, cash flow
<b>Financial investments measured at fair value through other comprehensive income</b> – equity investments	<b>268,805</b>	Discounted cash flow	Risk-adjusted discount rate, cash flow

	Fair value as at December 31, 2021	Valuation techniques	Unobservable input
<b>Financial investments measured at fair value through profit or loss</b> – investment management products	5,040,009	Discounted cash flow	Risk-adjusted discount rate, cash flow
<b>Financial investments measured at fair value through other comprehensive income</b> – equity investments	275,182	Discounted cash flow	Risk-adjusted discount rate, cash flow

During the six months ended June 30, 2022 and year ended December 31, 2021, there were no significant change in the valuation techniques.

As at June 30, 2022 and December 31, 2021, unobservable inputs such as risk-adjusted discount rate and cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly equity investments and investment management products. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

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## 40. FAIR VALUE (CONT'D)

### c) Fair value hierarchy (Cont'd)

The sensitivity analysis of the fair value on changes in unobservable inputs for Level 3 financial instruments measured at fair value on an ongoing basis is set out as below.

The fair value of financial instruments is, in certain circumstances, measured using valuation models which incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair value due to parallel movement of plus or minus 1 percent of change in fair value to reasonably possible alternative assumptions.

	June 30, 2022			
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
<b>Financial assets measured at fair value through profit or loss</b>				
– investment management products	31,476	(31,476)	–	–
<b>Financial investments measured at fair value through other comprehensive income</b>				
– equity investments	–	–	2,016	(2,016)

	December 31, 2021			
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
<b>Financial assets measured at fair value through profit or loss</b>				
– investment management products	37,800	(37,800)	–	–
<b>Financial investments measured at fair value through other comprehensive income</b>				
– equity investments	–	–	2,064	(2,064)

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

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## 41. TRANSACTIONS ON BEHALF OF CUSTOMERS

### (a) Entrusted lending business

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group only acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the consolidated statements of financial position. Surplus funding is accounted for as deposits from customers.

	June 30, 2022	December 31, 2021
Entrusted loans	9,485,537	9,758,117
Entrusted funds	9,485,537	9,758,117

### (b) Wealth management services

The Group's wealth management services to customers mainly represent sales of wealth management products to corporate and personal banking customers. The funds obtained from wealth management services are invested in investment products, including bonds and funds. The Group initiated the launch of wealth management products. The investment risk associated with these products is borne by the customers who invest in these products. The Group does not consolidate these wealth management products. The Group earns commission which represents the charges on customers in relation to sales and management services. The wealth management products and funds obtained are not assets and liabilities of the Group and are not recognised in the consolidated statement of financial position. At the end of each of the Reporting Period, funds received from customers under unconsolidated non-principal-guaranteed wealth management services were as follows:

	June 30, 2022	December 31, 2021
Funds received from customers under wealth management services	36,678,390	42,639,990

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 42. COMMITMENTS AND CONTINGENT LIABILITIES

### (a) Credit commitments

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

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

	June 30, 2022	December 31, 2021
Acceptances	44,856,247	42,958,887
Letters of credit	7,909,404	4,500,625
Letters of guarantees	595,219	609,186
Credit card commitments	2,047,006	1,876,944
Total	55,407,876	49,945,642

The Group may be exposed to credit risk in all the above credit businesses. Group Management periodically assesses credit risk and makes provision for any probable losses. 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.

### (b) Credit risk-weighted amount for credit commitments

	June 30, 2022	December 31, 2021
Credit risk-weighted amounts	6,687,780	7,346,074

The credit risk-weighted amount for credit commitments represents the amount calculated with reference to the guidelines issued by the former CBRC.

# Notes to the Unaudited Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

## 42. COMMITMENTS AND CONTINGENT LIABILITIES (CONT'D)

### (c) Capital commitments

As at the end of each of the Reporting Period, the Group's authorised capital commitments are as follows:

	June 30, 2022	December 31, 2021
Property and equipment		
– Contracted but not paid for	442,228	72,338
Intangible assets		
– Contracted but not paid for	34,203	45,490
Total	476,431	117,828

### (d) Outstanding litigations and disputes

As at June 30, 2022 and December 31, 2021, the Group had not identified any outstanding litigations and disputes which the Group as defendant with an estimated gross amounts larger than RMB10 million. The Group has assessed the impact of the above outstanding litigation and disputes that may lead to an outflow of economic benefits. According to the opinion of the Group's internal lawyers, it is unlikely for the Group to receive unfavorable ruling in these case. Therefore, the Group has not recognised the litigation provision at the reporting date. Directors of the Bank are of the view that these litigations will not have any material adverse effect on the Group's business, financial condition, results of operations or prospects.

## 43. EVENT AFTER THE REPORTING PERIOD

### Redemption of tier-two capital debt securities

Pursuant to the terms and conditions in the prospectus for the issuance of the tier-two capital debts, the Bank has redeemed the RMB2,000 million the tier-two capital debts issued by the Bank on July 11, 2017 in whole on July 12, 2022. Further details of the redemption are set out in the announcement of the Group dated July 12, 2022.

### Issuance of tier-two capital debt securities

As approved by the China Banking and Insurance Regulatory Commission Shandong Office and the People's Bank of China, the Bank has recently successfully issued the "2022 tier-two capital debt securities of Weihai City Commercial Bank Co., Ltd." (the "debts") in the national inter-bank bond market. The Bank issued 10-year fixed interest rate tier-two capital debts with face value of RMB2,700 million with a coupon interest rate of 3.80% on August 2, 2022. Further details of the completion of issuance are set out in the announcement of the Group dated August 2, 2022.

# CHAPTER 12 UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

The Bank discloses the unaudited supplementary financial information in accordance with the Listing Rules and the Banking (Disclosure) Rules as follows:

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

- Liquidity coverage ratio

Liquidity coverage ratio (RMB'000)	June 30, 2022	December 31, 2021
Qualified and quality liquidity assets	<b>74,323,576</b>	68,875,163
Amount of net cash outflows in the next 30 days	<b>40,007,648</b>	28,661,682
Liquidity coverage ratio	<b>185.77%</b>	240.30%

According to the Administrative Measures on the Liquidity Risk Management of Commercial Banks 《商業銀行流動性風險管理辦法》, the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018.

- Leverage ratio

	June 30, 2022	December 31, 2021
Leverage ratio	<b>6.41%</b>	6.83%

Pursuant to the Administrative Measures on the Leverage Ratio Management of Commercial Banks 《商業銀行槓桿率管理辦法》 issued by the former China Banking Regulatory Commission and became effective since April 1, 2015, a minimum leverage ratio of 4% is required for commercial banks.

The following table sets forth the relevant accounting items corresponding to the regulatory leverage ratio items and the differences between the regulatory items and accounting items.

Unit: RMB'000

No.	Item	June 30, 2022	December 31, 2021
1	Consolidated total assets	<b>332,424,881</b>	304,499,922
2	Consolidated adjustments	–	–
3	Adjustments for client assets	–	–
4	Adjustments for derivatives	<b>87,789</b>	78,779
5	Adjustments for securities finance transactions	–	–
6	Adjustments for off-balance sheet items	<b>47,145,835</b>	44,539,929
7	Other adjustments	<b>(48,265)</b>	(47,846)
8	Balance of on – and off-balance sheet assets after adjustments	<b>379,610,240</b>	349,070,784



## Chapter 12 Unaudited Supplementary Financial Information

### 1. LIQUIDITY COVERAGE RATIO, LEVERAGE RATIO AND NET STABLE FUNDING RATIO (CONT'D)

- Leverage ratio (Cont'd)**

The following table sets forth information on the Bank's leverage ratio, net tier-one capital, on- and off-balance sheet assets after adjustments and relevant breakdown.

Unit: RMB'000

No.	Item	June 30, 2022	December 31, 2021
1	On-balance sheet assets (excluding derivatives and securities finance transactions)	<b>332,424,881</b>	304,499,922
2	Less: Tier-one capital deductions	<b>(48,265)</b>	(47,846)
3	Balance of on-balance sheet assets after adjustments (excluding derivatives and securities finance transactions)	<b>332,376,616</b>	304,452,076
4	Replacement cost of various derivatives (net of qualified security deposits)	–	–
5	Potential risk exposure of various derivatives	<b>87,789</b>	78,779
6	Total collateral and pledges charged to the balance sheet	–	–
7	Less: Assets receivable arising from provision of qualified security deposits	–	–
8	Less: Balance of assets of derivatives arising from transactions with central counterparties when providing clearing services to customers	–	–
9	Notional principal amount of sold credit derivatives	–	–
10	Less: Balance of deductible assets of sold credit derivatives	–	–
11	Balance of assets of derivatives	<b>87,789–</b>	78,779
12	Balance of accounting assets for securities finance transactions	–	–
13	Less: Balance of deductible assets of securities finance transactions	–	–
14	Counterparty credit risk exposure of securities finance transactions	–	–
15	Balance of assets of securities finance transactions arising from agency securities finance transactions	–	–
16	Balance of assets of securities finance transactions	–	–
17	Balance of off-balance sheet items	<b>47,145,835</b>	44,539,929
18	Less: Balance of off-balance sheet items deducted by credit conversion	–	–
19	Balance of off-balance sheet items after adjustments	<b>47,145,835</b>	44,539,929
20	Net tier-one capital	<b>24,325,872</b>	23,835,044
21	Balance of on- and off-balance sheet assets after adjustments	<b>379,610,240</b>	349,070,784
	<b>Leverage ratio</b>	<b>6.41%</b>	6.83%

**1. LIQUIDITY COVERAGE RATIO, LEVERAGE RATIO AND NET STABLE FUNDING RATIO (CONT'D)**

- Net stable funding ratio

Net stable funding ratio (RMB'000)	June 30, 2022	December 31, 2021
Available stable funding	<b>209,305,925</b>	191,494,773
Required stable funding	<b>163,400,900</b>	152,159,929
Net stable funding ratio	<b>128.09%</b>	125.85%

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks (《商業銀行流動性風險管理辦法》), a minimum net stable funding ratio of 100% is required for commercial banks.

The above liquidity coverage ratio, leverage ratio and net stable funding ratio are calculated in accordance with the formulae announced by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.

**2. CURRENCY CONCENTRATIONS**

Unit: RMB'000

	June 30, 2022			
	USD	HKD	Others	Total
Spot assets	<b>3,814,353</b>	<b>15,831</b>	<b>1,108,411</b>	<b>4,938,595</b>
Spot liabilities	<b>(3,823,932)</b>	<b>0</b>	<b>(1,098,254)</b>	<b>(4,922,185)</b>
Net position	<b>(9,579)</b>	<b>15,831</b>	<b>10,157</b>	<b>16,410</b>

	December 31, 2021			
	USD	HKD	Others	Total
Spot assets	5,174,461	2,625,325	5,039	7,804,825
Spot liabilities	(5,218,747)	–	(4,966)	(5,223,713)
Net position	(44,286)	2,625,325	73	2,581,112

### 3. INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all third parties claims outside Mainland China as international claims. International claims include loans and advances to customers, balances with Central Bank and amounts due from banks and other financial institutions.

A country or geographical area shall be immediately reported if it constitutes 10% or more of the aggregate amount of an international claim, after taking into account all of its risk transfers. A risk transfer shall only be made if the guarantor of a claim is located in a country different from that of a counterparty, or if a claim is made against an overseas branch of a bank whose head-office is located in another country.

Unit: RMB'000

	June 30, 2022		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	24,297	–	24,297
Europe	10,519	–	10,519
Others	483	–	483
<b>Total</b>	<b>35,299</b>	<b>–</b>	<b>35,299</b>

	December 31, 2021		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	24,962	–	24,962
Europe	12,655	–	12,655
Others	2,996	–	2,996
<b>Total</b>	<b>40,613</b>	<b>–</b>	<b>40,613</b>

#### 4. RISK EXPOSURE ANALYSIS

##### (1) Credit risk exposure and assessment

In accordance with the relevant provisions of the Guidelines of Risk-based Classification of Loans 《貸款風險分類指引》 issued by the CBIRC and the Administrative Measures for the Capital of Commercial Banks (Provisional) 《商業銀行資本管理辦法(試行)》, the Bank has formulated comprehensive asset risk classification and administrative measures for all types of assets that are exposed to credit risk, and implemented five-category classification management for all types of credit assets based on their risk levels, namely, normal, special-mentioned, substandard, doubtful and loss. Special-mentioned assets represent that borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors. Nonperforming assets comprise the last three categories, which represent that borrowers cannot repay principal and interest in full and certain losses may ensue even when collaterals or guarantees are invoked. As at the end of the Reporting Period, the balance of principal of assets for which principal or interest is not repaid in accordance with the contractually stipulated terms was defined as overdue assets.

As of the end of the Reporting Period, our total credit risk exposure was RMB376.35 billion. Among which, the on-balance sheet credit risk exposure was RMB329.289 billion, while the off-balance sheet credit risk exposure was RMB47.06 billion. During the Reporting Period, the maturity profile of our business remained stable, and our credit risk exposure was mainly distributed in Shandong and Tianjin, with industries concentrated in the leasing industry, the business services industry, the water conservancy, environment and public facilities management industry and the manufacturing industry.

When we measure the credit risk-weighted assets, the risk weights of each asset are in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) 《商業銀行資本管理辦法(試行)》. Credit risk exposures by level of risk weights are detailed in the following table:

Unit: RMB million

	Risk exposure	Unmitigated risk exposure
0% combined	109,723.76	69,396.08
20% combined	30,565.48	30,510.72
25% combined	6,997.09	5,692.71
50% combined	16,754.96	16,754.96
75% combined	26,774.14	26,457.48
100% combined	183,478.90	175,273.79
250% combined	1,725.70	1,725.70
400% combined	277.99	267.69
1,250% combined	51.83	51.83
<b>Total</b>	<b>376,349.84</b>	<b>326,130.95</b>

#### 4. RISK EXPOSURE ANALYSIS (CONT'D)

##### (1) Credit risk exposure and assessment (Cont'd)

The details of the credit risk exposures by entity during the Reporting Period are as follows:

Unit: RMB million

	Risk exposure	Unmitigated risk exposure
Cash assets	25,889.05	25,889.05
Claims to the Central Government and the Central Bank	10,073.63	10,073.63
Claims to public sector entities	27,454.05	27,454.05
Claims to PRC financial institutions	44,480.07	43,051.15
Claims to financial institutions registered in other countries/ regions	291.38	291.38
Claims to general businesses	172,168.91	164,093.79
Claims to qualified small and micro enterprises	2,054.41	1,860.74
Claims to individuals	41,474.69	41,351.70
Residual value of leased assets	0.00	0.00
Equity investments	316.24	305.94
Others	4,312.03	4,312.03
On-balance sheet items of asset securitization	774.77	774.77
Off-balance sheet credit risk exposure	47,060.61	6,672.73
<b>Total</b>	<b>376,349.84</b>	<b>326,130.95</b>

We continue to standardise the management of credit risk mitigation tools, and have formulated the systems and procedures covering guarantee management, collateral classification, valuation method and process, investigation and evaluation, stress test, establishment and duration management of collateral and pledges, and collateral return and disposal. We have also regularly evaluated the value of collateral and pledges and guarantee capabilities. All of the above have facilitated the effective function of risk mitigation. Our credit risk mitigation tools include collateral, pledges and guarantees. The pledge includes financial pledge, accounts receivable and other pledge (warehouse receipts, intellectual property rights, inventories, machinery and equipment, etc.). The collaterals mainly include land, real estate and other real estates. Real estate mortgage, land mortgage and financial product pledge represent a relatively high proportion of mitigation tools. The types of guarantors include sovereign institutions, financial institutions, credit guarantee institutions, general corporate legal entities and natural persons, etc., in which credit guarantee institutions, general corporate legal persons and natural persons account for a relatively high proportion, and have better overall guarantee qualifications. As at the end of the Reporting Period, the qualified mitigation tools calculated by us in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) 《商業銀行資本管理辦法(試行)》 amounted to RMB50.219 billion, all of which are pledges.

#### 4. RISK EXPOSURE ANALYSIS (CONT'D)

##### (2) Market risk exposure and assessment

Our market risk capital under the standardised approach is the sum of the capital requirements for interest rate risk and exchange rate risk. Interest rate risk capital is the sum of capital requirement for general market risk and capital requirement for specific risk.

The capital requirement for market risk under the standardised approach is the sum of the capital requirements for interest rate risk, exchange rate risk, commodity risk, equity risk and option risk. Capital requirement for interest rate risk and capital requirement for equity risk are the sum of capital requirement for general market risk and capital requirement for specific risk.

*Standardised approach of market risk basically measures the capital requirement for each type of risks*

Unit: RMB million

Type of risk	Capital requirement
Interest rate risk	70.63
General risk	41.77
Specific risk	28.86
Equity risk	–
General risk	–
Specific risk	–
Exchange rate risk	–
Commodity risk	–
Option risk	–
Specific risk to risk exposure of asset securitization in transaction accounts	–
<b>Total</b>	<b>70.63</b>

##### (3) Operational risk exposure and assessment

We use the basic indicator approach to measure our operational risk capital. In accordance with the basic indicator rules of the Administrative Measures for the Capital of Commercial Banks (Provisional) 《商業銀行資本管理辦法(試行)》, operational risk capital covers our overall business scale and corresponding operational risk exposure.

## Chapter 12 Unaudited Supplementary Financial Information

### 5. MATERIAL RELATED PARTY TRANSACTIONS

As at the end of the Reporting Period, the Bank's credit balance of material related party transactions (excluding net deposits, security deposits, etc.) was RMB4,579,676,000, details of which are as follows:

Unit: RMB thousand

Name of related party	Type of business	Major type of guarantee	Credit balance of major related party transactions (net of net security deposits)	Percentage of net capital as at the end of the Reporting Period
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	Interbank borrowing	Credit	300,000	1.06%
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	Interbank borrowing	Credit	300,000	1.06%
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	Interbank borrowing	Credit	300,000	1.06%
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	Interbank borrowing	Credit	300,000	1.06%
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	Interbank borrowing	Credit	300,000	1.06%
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	Interbank borrowing	Credit	250,000	0.88%
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	Interbank borrowing	Credit	200,000	0.71%
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	Interbank borrowing	Credit	200,000	0.71%
Dongying United Petrochemical Company Limited* (東營聯合石化有限責任公司)	Letters of credit	Guarantees	420,000	1.48%
Dongying United Petrochemical Company Limited* (東營聯合石化有限責任公司)	Letters of credit	Guarantees	176,000	0.62%
Dongying United Petrochemical Company Limited* (東營聯合石化有限責任公司)	Letters of credit	Guarantees	172,000	0.61%
Dongying United Petrochemical Company Limited* (東營聯合石化有限責任公司)	Letters of credit	Guarantees	80,000	0.28%
Dongying United Petrochemical Company Limited* (東營聯合石化有限責任公司)	Letters of credit	Guarantees	76,000	0.27%
Dongying United Petrochemical Company Limited* (東營聯合石化有限責任公司)	Letters of credit	Guarantees	76,000	0.27%
Shangao International Commercial Factoring (Shenzhen) Co., Ltd.* Jinan Branch (山高國際商業保理(深圳)有限公司濟南分公司)	Loan	Guarantees	192,000	0.68%
Shangao International Commercial Factoring (Shenzhen) Co., Ltd.* Jinan Branch (山高國際商業保理(深圳)有限公司濟南分公司)	Loan	Guarantees	130,000	0.46%

## 5. MATERIAL RELATED PARTY TRANSACTIONS (CONT'D)

Name of related party	Type of business	Major type of guarantee	Credit balance of major related party transactions (net of net security deposits)	Percentage of net capital as at the end of the Reporting Period
Shangao International Commercial Factoring (Shenzhen) Co., Ltd.* Jinan Branch (山高國際商業保理(深圳)有限公司濟南分公司)	Loan	Guarantees	130,000	0.46%
Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司)	Debt investments	Credit	200,000	0.71%
Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司)	Held-for-trading financial assets	Credit	800	0.00%
Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司)	Held-for-trading financial assets	Credit	400	0.00%
Shandong High-Speed Forest Industry Supply Chain Co., Ltd.* (山東高速林產供應鏈有限公司)	Loan	Collateral	199,000	0.70%
Shandong Tonghui Jiatai Financial Leasing Co., Ltd.* (山東通匯嘉泰融資租賃有限公司)	Loan	Guarantees	196,000	0.69%
Shandong Hi-Speed Weihai Development Company Limited* (山東高速威海發展有限公司)	Loan	Collateral	19,800	0.07%
Shandong Hi-Speed Weihai Development Company Limited* (山東高速威海發展有限公司)	Loan	Collateral	19,000	0.07%
Shandong Hi-Speed Weihai Development Company Limited* (山東高速威海發展有限公司)	Loan	Collateral	18,500	0.07%
Shandong Hi-Speed Weihai Development Company Limited* (山東高速威海發展有限公司)	Loan	Collateral	18,500	0.07%
Shandong Hi-Speed Weihai Development Company Limited* (山東高速威海發展有限公司)	Loan	Collateral	10,500	0.04%
Shandong Hi-Speed Weihai Development Company Limited* (山東高速威海發展有限公司)	Loan	Collateral	9,600	0.03%
Shandong Hi-Speed Weihai Development Company Limited* (山東高速威海發展有限公司)	Loan	Collateral	7,300	0.03%
Shandong Hi-Speed Weihai Development Company Limited* (山東高速威海發展有限公司)	Loan	Collateral	4,000	0.01%
Shandong Hi-Speed Weihai Development Company Limited* (山東高速威海發展有限公司)	Bank acceptance bills	Collateral	1,500	0.01%
Shandong Hi-Speed Lunan Logistics Development Co., Ltd.* (山東高速魯南物流發展有限公司)	Loan	Guarantees	83,990	0.30%
Shandong Hi-Speed Construction Materials Co., Ltd.* (山東高速建材集團有限公司)	Letters of guarantee	Guarantees	11,023	0.04%
Shandong Hi-Speed Construction Materials Co., Ltd.* (山東高速建材集團有限公司)	Letters of guarantee	Guarantees	8,484	0.03%
Shandong Hi-Speed Construction Materials Co., Ltd.* (山東高速建材集團有限公司)	Letters of guarantee	Guarantees	7,835	0.03%
Shandong Hi-Speed Construction Materials Co., Ltd.* (山東高速建材集團有限公司)	Letters of guarantee	Guarantees	6,448	0.02%
Shandong Hi-Speed Construction Materials Co., Ltd.* (山東高速建材集團有限公司)	Letters of guarantee	Guarantees	3,392	0.01%



## 5. MATERIAL RELATED PARTY TRANSACTIONS (CONT'D)

Name of related party	Type of business	Major type of guarantee	Credit balance of major related party transactions (net of net security deposits)	Percentage of net capital as at the end of the Reporting Period
Shandong Hi-Speed Construction Materials Co., Ltd.* (山東高速建材集團有限公司)	Letters of guarantee	Guarantees	2,000	0.01%
Shandong Hi-Speed Construction Materials Co., Ltd.* (山東高速建材集團有限公司)	Letters of guarantee	Guarantees	2,000	0.01%
Shandong Hi-Speed Construction Materials Co., Ltd.* (山東高速建材集團有限公司)	Letters of guarantee	Guarantees	2,000	0.01%
Shandong Hi-Speed Construction Materials Co., Ltd.* (山東高速建材集團有限公司)	Letters of guarantee	Guarantees	1,002	0.00%
Shandong Hi-Speed Construction Materials Co., Ltd.* (山東高速建材集團有限公司)	Letters of guarantee	Guarantees	951	0.00%
Shandong Hi-Speed Construction Materials Co., Ltd.* (山東高速建材集團有限公司)	Letters of guarantee	Guarantees	867	0.00%
Shandong Hi-Speed Construction Materials Co., Ltd.* (山東高速建材集團有限公司)	Letters of guarantee	Guarantees	826	0.00%
Shandong Hi-Speed Construction Materials Co., Ltd.* (山東高速建材集團有限公司)	Letters of guarantee	Guarantees	788	0.00%
Shandong Hi-Speed Construction Materials Co., Ltd.* (山東高速建材集團有限公司)	Letters of guarantee	Guarantees	500	0.00%
Shandong Hi-Speed Construction Materials Co., Ltd.* (山東高速建材集團有限公司)	Letters of guarantee	Guarantees	390	0.00%
Shandong Hi-Speed Construction Materials Co., Ltd.* (山東高速建材集團有限公司)	Letters of guarantee	Guarantees	337	0.00%
Shandong Hi-Speed Construction Materials Co., Ltd.* (山東高速建材集團有限公司)	Letters of guarantee	Guarantees	319	0.00%
Shandong Hi-Speed Construction Materials Co., Ltd.* (山東高速建材集團有限公司)	Letters of guarantee	Guarantees	267	0.00%
Shandong Hi-Speed Construction Materials Co., Ltd.* (山東高速建材集團有限公司)	Letters of guarantee	Guarantees	254	0.00%
Shandong Hi-Speed Construction Materials Co., Ltd.* (山東高速建材集團有限公司)	Letters of guarantee	Guarantees	249	0.00%
Shandong Hi-Speed Construction Materials Co., Ltd.* (山東高速建材集團有限公司)	Letters of guarantee	Guarantees	240	0.00%
Shandong Rural Revitalization Big Data Co., Ltd.* (山東鄉村振興大數據有限公司)	Loan	Guarantees	40,000	0.14%
Qilu Wisdom (Shandong) Digital Technology Co., Ltd.* (齊魯智慧(山東)數字科技有限公司)	Loan	Guarantees	30,000	0.11%
Shandong High-Speed Engineering Project Management Co., Ltd.* (山東高速工程項目管理有限公司)	Letters of guarantee	Guarantees	6,292	0.02%
Shandong High-Speed Engineering Project Management Co., Ltd.* (山東高速工程項目管理有限公司)	Letters of guarantee	Guarantees	3,650	0.01%

## Chapter 12 Unaudited Supplementary Financial Information

### 5. MATERIAL RELATED PARTY TRANSACTIONS (CONT'D)

Name of related party	Type of business	Major type of guarantee	Credit balance of major related party transactions (net of net security deposits)	Percentage of net capital as at the end of the Reporting Period
Shandong High-Speed Engineering Project Management Co., Ltd.* (山東高速工程項目管理有限公司)	Letters of guarantee	Guarantees	3,520	0.01%
Shandong High-Speed Engineering Project Management Co., Ltd.* (山東高速工程項目管理有限公司)	Letters of guarantee	Guarantees	3,513	0.01%
Shandong High-Speed Engineering Project Management Co., Ltd.* (山東高速工程項目管理有限公司)	Letters of guarantee	Guarantees	2,765	0.01%
Shandong High-Speed Engineering Project Management Co., Ltd.* (山東高速工程項目管理有限公司)	Letters of guarantee	Guarantees	2,426	0.01%
Shandong High-Speed Engineering Project Management Co., Ltd.* (山東高速工程項目管理有限公司)	Letters of guarantee	Guarantees	1,660	0.01%
Shandong High-Speed Engineering Project Management Co., Ltd.* (山東高速工程項目管理有限公司)	Letters of guarantee	Guarantees	1,553	0.01%
Shandong High-Speed Engineering Project Management Co., Ltd.* (山東高速工程項目管理有限公司)	Letters of guarantee	Guarantees	1,007	0.00%
Shandong High-Speed Engineering Project Management Co., Ltd.* (山東高速工程項目管理有限公司)	Letters of guarantee	Guarantees	711	0.00%
Qilu Wisdom (Shandong) Supply Chain Co., Ltd.* (齊魯智慧(山東)供應鏈有限公司)	Loan	Guarantees	17,000	0.06%
Shandong Jinzhizun Decoration Engineering Co, Ltd. (山東金至尊裝飾工程有限公司)	Loan	Guarantees	10,000	0.04%
Shandong Hi-Speed Global Finance Leasing Co., Ltd.* (山東高速環球融資租賃有限公司)	Debt investments	Credit	7,925	0.03%
Shandong Hi-Speed Engineering Testing Co., Ltd. (山東高速工程檢測有限公司)	Letters of guarantee	Guarantees	1,656	0.01%
Shandong Hi-Speed Engineering Testing Co., Ltd. (山東高速工程檢測有限公司)	Letters of guarantee	Guarantees	1,144	0.00%
Shandong Hi-Speed Engineering Testing Co., Ltd. (山東高速工程檢測有限公司)	Letters of guarantee	Guarantees	1,063	0.00%
Shandong Hi-Speed Engineering Testing Co., Ltd. (山東高速工程檢測有限公司)	Letters of guarantee	Guarantees	733	0.00%
Shandong Hi-Speed Engineering Testing Co., Ltd. (山東高速工程檢測有限公司)	Letters of guarantee	Guarantees	372	0.00%
Shandong Hi-Speed Engineering Testing Co., Ltd. (山東高速工程檢測有限公司)	Letters of guarantee	Guarantees	340	0.00%

## 5. MATERIAL RELATED PARTY TRANSACTIONS (CONT'D)

Name of related party	Type of business	Major type of guarantee	Credit balance of major related party transactions (net of net security deposits)	Percentage of net capital as at the end of the Reporting Period
Shandong Hi-Speed Engineering Testing Co., Ltd. (山東高速工程檢測有限公司)	Letters of guarantee	Guarantees	339	0.00%
Shandong Hi-Speed Engineering Testing Co., Ltd. (山東高速工程檢測有限公司)	Letters of guarantee	Guarantees	304	0.00%
Shandong Hi-Speed Engineering Testing Co., Ltd. (山東高速工程檢測有限公司)	Letters of guarantee	Guarantees	193	0.00%
Shandong Hi-Speed Engineering Testing Co., Ltd. (山東高速工程檢測有限公司)	Letters of guarantee	Guarantees	109	0.00%
Shandong Hi-Speed Engineering Testing Co., Ltd. (山東高速工程檢測有限公司)	Letters of guarantee	Guarantees	96	0.00%
Shandong Hi-Speed Engineering Testing Co., Ltd. (山東高速工程檢測有限公司)	Letters of guarantee	Guarantees	82	0.00%
Shandong Hi-Speed Engineering Testing Co., Ltd. (山東高速工程檢測有限公司)	Letters of guarantee	Guarantees	63	0.00%
Shandong Hi-Speed Engineering Testing Co., Ltd. (山東高速工程檢測有限公司)	Letters of guarantee	Guarantees	62	0.00%
Shandong Hi-Speed Engineering Testing Co., Ltd. (山東高速工程檢測有限公司)	Letters of guarantee	Guarantees	19	0.00%
Shandong Hi-Speed Engineering Testing Co., Ltd. (山東高速工程檢測有限公司)	Letters of guarantee	Guarantees	19	0.00%
Shandong Hi-Speed Tonghe Investment Co., Ltd. (山東高速通和投資有限公司)	Discounting	Credit	1	0.00%
<b>Total</b>			<b>4,579,676</b>	<b>16.16%</b>

# LIST OF INSTITUTIONS

District	Name of organisation	Business address	Remarks
Weihai, Shandong	Headquarters	9 Bao Quan Road, Huancui District, Weihai City	51 licensed branches and sub-branches in Weihai District
Jinan, Shandong	Jinan Branch	127 Yingxiongshan Road, Shizhong District, Jinan City, Shandong Province	12 licensed branches and sub-branches in Jinan District
	Laiwu Branch	60 Luzhong East Main Street, Laiwu District, Jinan City, Shandong Province	2 licensed branches and sub-branches in Laiwu District
Qingdao, Shandong	Qingdao Branch	487 Changjiang Middle Road, Huangdao District, Qingdao City, Shandong Province	9 licensed branches and sub-branches in Qingdao District
Yantai, Shandong	Yantai Branch	218-1 Changjiang Road, Yantai Development Zone, Shandong Province	6 licensed branches and sub-branches in Yantai District
Dezhou, Shandong	Dezhou Branch	1337 Tianqu Middle Road, Decheng District, Dezhou City, Shandong Province	5 licensed branches and sub-branches in Dezhou District
Jining, Shandong	Jining Branch	9-1 Pipashan North Road, Jining High-tech Zone, Shandong Province	7 licensed branches and sub-branches in Jining District
Linyi, Shandong	Linyi Branch	0004 Yimeng Road, Lanshan District, Linyi City, Shandong Province	6 licensed branches and sub-branches in Linyi District
Weifang, Shandong	Weifang Branch	1589 Xinhua Road, Kuiwen District, Weifang City, Shandong Province	2 licensed branches and sub-branches in Weifang District

## List of Institutions

District	Name of organisation	Business address	Remarks
Dongying, Shandong	Dongying Branch	500 Xi'er Road, Dongying District, Dongying City, Shandong Province	2 licensed branches and sub-branches in Dongying District
Zibo, Shandong	Zibo Branch	227 Xincun West Road, Zhangdian District, Zibo City, Shandong Province	2 licensed branches and sub-branches in Zibo District
Liaocheng, Shandong	Liaocheng Branch	117 Dongchang West Road, Dongchangfu District, Liaocheng City, Shandong Province	1 licensed branch and sub-branch in Liaocheng District
Zaozhuang, Shandong	Zaozhuang Branch	117 Guangming West Road and 55 Deren North Road, Zaozhuang High-tech Zone, Shandong Province	2 licensed branches and sub-branches in Zaozhuang District
Heze, Shandong	Heze Branch	289 Yongchang Road, Heze Economic and Technological Development Zone, Shandong Province	1 licensed branch and sub-branch in Heze District
Tai'an, Shandong	Tai'an Branch	472 Dongyue Main Street, Taishan District, Tai'an City, Shandong Province	1 licensed branch and sub-branch in Tai'an District
Rizhao, Shandong	Rizhao Branch	59 Qinhuangdao Road, Donggang District, Rizhao City, Shandong Province	1 licensed branch and sub-branch in Rizhao District
Binzhou, Shandong	Binzhou Branch	338 Huanghe 6th Road, Binzhou Economic and Technological Development Zone, Shandong Province	2 licensed branches and sub-branches in Binzhou District
Tianjin City	Tianjin Branch	150 Fuan Main Street, Heping District, Tianjin City	10 licensed branches and sub-branches in Tianjin District