

BQD  
青島銀行

## 2022 Interim Report

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

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

(H Shares Stock Code: 3866)

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## SECTION I IMPORTANT NOTICE

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- 1 The Board of Directors, Board of Supervisors, Directors, Supervisors and senior management of the Bank assure that the information in this interim report contains no false records, misleading statements or material omissions, and severally and jointly take full responsibility for the authenticity, accuracy and completeness of the information in this interim report.
- 2 The proposal on the 2022 half-yearly report of Bank of Qingdao Co., Ltd., its summary and results announcement was considered and approved at the 19th meeting of the eighth session of the Board of Directors of the Bank held on 26 August 2022. There were 13 Directors eligible for attending the meeting, and 13 Directors actually attended the meeting (Among them, one director was entrusted to attend the meeting. Due to other work arrangements, Ms. TAN Lixia entrusted Mr. ZHOU Yunjie to attend the meeting and vote on her behalf).
- 3 The Bank's chairman Mr. JING Zailun, president Mr. WANG Lin, vice president Ms. CHEN Shuang in charge of finance function and chief financial officer Mr. MENG Dageng assure the authenticity, accuracy and completeness of the financial reports in this interim report.
- 4 The financial report of the Company during the first half of 2022 prepared in accordance with the PRC Accounting Standards for Business Enterprises and the International Financial Reporting Standards have been reviewed by KPMG Huazhen LLP and KPMG in accordance with the PRC and International Standards on Review Engagements respectively.
- 5 No cash dividend distribution of ordinary shares, no distribution of bonus shares and no increase in share capital with provident fund were planned by the Bank in the interim period of 2022.
- 6 Unless otherwise specified, the currency of the amounts mentioned in this interim report is RMB.
- 7 This report contains certain forward-looking statements about the financial conditions, operating results and business development of the Company. The report uses the words "will", "may", "strive", "plan", "hope", "endeavor", "expect", "aim" and similar wording to express forward-looking statements. These statements are made based on current plans, estimates and projections, and although the Company believes that the expectations reflected in these forward-looking statements are reasonable, the Company cannot assure that these expectations will be attained or confirmed to be correct and therefore they do not constitute substantive undertakings of the Company. Investors and relevant individuals should cultivate the adequate risk awareness in this regard, understand the differences between plans, forecasts and commitments, and not unduly rely on such statements, and should be aware of investment risks. Please note that these forward-looking statements are related to future events or future financial, business or other performance of the Company, and are subject to certain uncertainties which may cause the actual results to differ substantially.
- 8 The Company invites investors to read the full text of this interim report carefully. The Company has described in detail the major risks and countermeasures in this report. For details, please refer to the content related to risk management set out in "Section III Management Discussion and Analysis".

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## DEFINITIONS

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Term	Definition
Company	Bank of Qingdao Co., Ltd. and its subsidiaries and branches
Bank	Bank of Qingdao Co., Ltd. and its branches
A Share(s)	shares issued in China, listed on the Shenzhen Stock Exchange and subscribed for and traded in RMB
H Share(s)	shares issued outside China, listed on The Stock Exchange of Hong Kong Limited and subscribed for and traded in foreign currencies
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
SZSE	the Shenzhen Stock Exchange
CBIRC Qingdao Office	the Qingdao Office of the China Banking and Insurance Regulatory Commission
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Company Law	Company Law of the People's Republic of China
Articles of Association	Articles of Association of the Bank of Qingdao Co., Ltd.
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Reporting Period	from 1 January 2022 to 30 June 2022 (both days inclusive)
RMB	the lawful currency of the PRC
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
Director(s)	director(s) of the Bank
Supervisor(s)	supervisor(s) of the Bank

Board of Directors or Board	the board of Directors of the Bank
Board of Supervisors	the board of Supervisors of the Bank
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Green Credit	the Bank commenced energy saving and environmental protection project and service loans as well as loans that comply with Catalog of Projects Backed by Green Bonds (2015 version) issued by the Green Finance Professional Committee of the China Society for Finance and Banking (中國金融學會綠色金融專業委員會). “Energy saving and environmental protection project and service loans” refers to the Notice on Submitting Statistical Table on Green Credit issued by the China Banking Regulatory Commission (Yin Jian Ban Fa [2013] No. 185).
IFRSs	the International Financial Reporting Standards issued by the International Accounting Standards Board; the International Financial Reporting Standards includes the International Accounting Standards

## SECTION II CORPORATE INFORMATION AND KEY FINANCIAL HIGHLIGHTS

### I. CORPORATE INFORMATION

<b>Stock abbreviation (A Shares)</b>	BQD	<b>Stock code (A Shares)</b>	002948
<b>Listing stock exchange of A Shares</b>	Shenzhen Stock Exchange		
<b>Stock abbreviation (H Shares)</b>	BQD	<b>Stock code (H Shares)</b>	3866
<b>Listing stock exchange of H Shares</b>	The Stock Exchange of Hong Kong Limited		
<b>Company name in Chinese</b>	青島銀行股份有限公司		
<b>Abbreviation in Chinese</b>	青島銀行		
<b>Company name in English</b>	BANK OF QINGDAO CO., LTD.		
<b>Abbreviation in English</b>	BANK OF QINGDAO		
<b>Legal representative</b>	JING Zailun		
<b>Authorized representatives</b>	JING Zailun, ZHANG Qiaowen		
<b>Joint company secretaries</b>	ZHANG Qiaowen, YU Wing Sze		
<b>Registered address</b>	Building 3, No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC		
<b>Postal code of registered address</b>	266061		
<b>Office address</b>	No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC		
<b>Postal code of office address</b>	266061		
<b>Registered office address in Hong Kong</b>	31st Floor, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong		
<b>Company website</b>	<a href="http://www.qdccb.com/">http://www.qdccb.com/</a>		
<b>Email</b>	ir@qdbankchina.com		

### II. CONTACT PERSONS AND CONTACT INFORMATION

Item	Secretary to the Board	Securities Affairs Representative
<b>Name</b>	ZHANG Qiaowen <sup>1</sup>	LU Zhenzhen
<b>Address</b>	No.6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC	No.6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC
<b>Tel</b>	+86 40066 96588 ext. 6	+86 40066 96588 ext. 6
<b>Fax</b>	+86 (532) 85783866	+86 (532) 85783866
<b>Email</b>	ir@qdbankchina.com	ir@qdbankchina.com

1 Note: The Bank held the 17th meeting of the eighth session of the Board on 8 August 2022, at which it has agreed to appoint Ms. ZHANG Qiaowen, assistant president of the Bank, as the secretary to the Board. Ms. ZHANG Qiaowen shall officially perform her duties from the date of obtaining the qualification certificate of secretary to the board from the SZSE and the approval of her qualification by the CBIRC Qingdao Office. Mr. JING Zailun, the chairman of the Bank, shall temporarily perform the duties of the secretary to the Board before Ms. ZHANG Qiaowen officially takes office.

## SECTION II CORPORATE INFORMATION AND KEY FINANCIAL HIGHLIGHTS

### III. OTHER INFORMATION

#### (I) Contact information of the Bank

The Bank's registered address, office address and corresponding postal code, the Bank's website and email address remained unchanged during the Reporting Period. Please refer to 2021 Annual Report of the Bank for details.

#### (II) Other relevant information

During the Reporting Period, there were no changes in the Bank's other relevant information.

### IV. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

The financial information and indicators set out in this interim report which have been prepared in accordance with the IFRSs and the relevant provisions are consolidated information of the Company unless otherwise specified.

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

## SECTION II CORPORATE INFORMATION AND KEY FINANCIAL HIGHLIGHTS

Item	30 June 2022	31 December 2021	Change from the end of last year
<b>Scale indicators (RMB' 000)</b>			<b>Change (%)</b>
Total assets <sup>(2)</sup>	<b>536,409,742</b>	522,249,610	2.71
Loans and advances to customers:			
Total loans to customers <sup>(2)</sup>	<b>265,268,036</b>	244,205,480	8.62
Add: Accrued interest	<b>632,531</b>	829,555	(23.75)
Less: Impairment provision for loans and advances to customers measured at amortized cost	<b>(7,367,446)</b>	(6,426,337)	14.64
Loans and advances to customers	<b>258,533,121</b>	238,608,698	8.35
Provision for loan impairment	<b>(7,385,548)</b>	(6,439,606)	14.69
Of which: Impairment provision for loans and advances to customers at fair value through other comprehensive income	<b>(18,102)</b>	(13,269)	36.42
Total liabilities <sup>(2)</sup>	<b>497,877,643</b>	488,921,882	1.83
Deposits from customers:			
Total deposits from customers <sup>(2)</sup>	<b>330,030,436</b>	313,524,923	5.26
Add: Accrued interest	<b>5,394,351</b>	4,440,884	21.47
Deposits from customers	<b>335,424,787</b>	317,965,807	5.49
Share capital	<b>5,820,355</b>	4,509,690	29.06
Equity attributable to shareholders of the Bank	<b>37,797,927</b>	32,635,495	15.82
Equity attributable to shareholders	<b>38,532,099</b>	33,327,728	15.62
Net capital base	<b>49,842,578</b>	47,075,226	5.88
Of which: Net core tier-one capital	<b>30,218,270</b>	24,910,985	21.30
Other tier-one capital	<b>7,931,158</b>	7,912,511	0.24
Tier-two capital	<b>11,693,150</b>	14,251,730	(17.95)
Total risk-weighted assets	<b>343,031,729</b>	297,412,693	15.34
<b>Per share (RMB/share)</b>			<b>Change (%)</b>
Net assets per share attributable to ordinary shareholders of the Bank <sup>(3)</sup>	<b>5.14</b>	5.20	(1.15)

## SECTION II CORPORATE INFORMATION AND KEY FINANCIAL HIGHLIGHTS

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

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

## SECTION II CORPORATE INFORMATION AND KEY FINANCIAL HIGHLIGHTS

### Notes:

- (1) Earnings per share and weighted average return on net assets were calculated in accordance with the “Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Computation and Disclosure of Return on Net Assets and Earnings per Share” (2010 Revision) (《公開發行證券的公司信息披露編報規則第9號 – 淨資產收益率和每股收益的計算及披露》(2010年修訂)). The Bank completed A Share and H Share rights issue in January and February 2022 respectively. In accordance with the Accounting Standards for Enterprises No. 34 – Earnings per Share and the relevant application guidelines, rights issue is an offer of ordinary shares to all existing shareholders at a price lower than the prevailing market price of the shares. In fact, it can be construed as a hybrid of issuing shares at a market price and no-consideration bonus issue. The Bank recalculated the earnings per share for the period under comparison in consideration of the bonus issue factors included in the rights issue. The basic earnings per share and diluted earnings per share for the same period of 2021 before recalculation were both RMB0.40 per share. For details, please refer to “11. Basic and Diluted Earnings per Share” under “Notes to the Unaudited Interim Financial Report” in this interim report. Basic earnings per share and weighted average return on net assets decreased year-on-year, mainly due to the significant increase in weighted average share capital and weighted average net assets after the rights issue. The Bank issued offshore preference shares in September 2017. Therefore, in calculating weighted average return on net assets, the effect from preference shares has been deducted from the “weighted average net assets”.
- (2) For details of the structure of total assets, total liabilities, total loans to customers and total deposits from customers, please refer to “5. Analysis of Major Items of the Statement of Financial Position in Section III. Management Discussion and Analysis” of this interim report.
- (3) Net assets per share attributable to ordinary shareholders of the Bank = (equity attributable to shareholders of the Bank – other equity instruments)/the number of ordinary shares as at the end of the period. The adjusted net assets per share attributable to ordinary shareholders of the Bank as at 31 December 2021 has taken account of the bonus issue factors included in the rights issue.
- (4) Return on average total assets = net profit/average balance of total assets at the beginning and at the end of the period.
- (5) Net interest spread = average yield of interest-earning assets – average cost rate of interest-bearing liabilities.
- (6) Net interest margin = net interest income/average balance of interest-earning assets.
- (7) Cost-to-income ratio = (operating expenses – tax and surcharges)/operating income.
- (8) The relevant indicators of capital adequacy ratio were calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and other relevant regulatory regulations.

## SECTION II CORPORATE INFORMATION AND KEY FINANCIAL HIGHLIGHTS

### V. ACCOUNTING DATA DIFFERENCE UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

The net profit attributable to shareholders of the Bank for the Reporting Period and the equity attributable to the shareholders of the Bank as at the end of the Reporting Period as disclosed in the financial statements of the Company prepared in accordance with the PRC Accounting Standards for Business Enterprises are consistent with those prepared in accordance with the IFRSs.

### VI. SUPPLEMENTARY INDICATORS

<b>Migration rate indicators (%)</b>	<b>30 June 2022</b>	31 December 2021	31 December 2020
Normal loan migration rate	0.99	1.07	0.88
Special mention loan migration rate	52.70	78.54	31.07
Substandard loan migration rate	9.08	19.28	74.64
Doubtful loan migration rate	6.37	2.45	21.91

*Note:* The migration rate indicators on 31 December 2021 and at the end of the Reporting Period thereafter were calculated in accordance with the requirements of the Notice of the CBIRC on Revising the Definition and Calculation Formula of Basic Indicators for Off-site Regulation of the Banking Industry (Yin Jian Fa [2022] No. 2) (《中國銀保監會關於修訂銀行業非現場監管基礎指標定義及計算公式的通知》(銀監發[2022]年2號)).

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## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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### I. THE BANK'S PRINCIPAL BUSINESS DURING THE REPORTING PERIOD

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

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

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

### II. ANALYSIS OF THE CORE COMPETITIVENESS

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

- 1. Party construction and corporate governance complemented each other.** The Bank has always organically integrated the Party’s leadership into the full process of its corporate governance and regarded the improvement of corporate governance as the foundation of the Bank and the source of its development. Strictly implementing the Rules and Procedures of Party Committee and the decision-making mechanism of “three important and one great” matters, the Bank insisted on taking the study of the Party Committee as a pre-procedure for the Board and the management to decide major issues, adhered to shareholder governance and built a sound equity structure with diversity, reasonableness and mutual checks and balances. The Bank continued to improve various corporate governance system of the Company so as to ensure the compliance and efficient operation of the general meeting, the Board and the Board of Supervisors and the management. Insisting on compliance first, the Bank firmly established a comprehensive, prudent, solid and effective internal control mechanism. In addition, it cultivated a governance culture of respect for shareholders and trust and win-win.
- 2. The soft power of “BQD services” provided “solid support” for the business development.** From the earliest standardized service to the warm service and then to the current advocated value-based service, BQD services provided by the Bank always focus on customer needs, express passion and respect, convey kindness and warmth, promote development with services and create value with services. The Bank continuously optimized and adjusted the way of service management, coordinated and formed a synergy to improve customer experience, and further expanded the connotation and extension of “BQD services” with the keynote of improving quality in stability, thus creating a new advantage of value-based service management.
- 3. A full process and multi-dimensional risk management and control system was in place.** The Bank continued to track, evaluate and optimize the unified credit management, centralized management and quota management, and proceeded with the construction of a multi-level unified credit granting system and a large amount risk exposure system covering all customers, all assets, and the entire organization. It managed the asset quality dynamically and enhanced the analysis and prediction of the change in the overall risk in order to control the trend of risk change in real time. The Bank strived to minimize the cost of each risk by strengthening the credit risk cost control and strengthening the comprehensive remediation of overdue loans, non-performing loans and other risky loans.

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## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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- 4. The improvement of business management was efficiently driven by digital transformation.** The Bank vigorously promoted mobilization, onlineization and digitization, and adopted the distributed database and micro-service architecture to realize a 3-in-1 digital corporate operation system integrating the online business hall, the offline business hall and the comprehensive corporate operation platform. With data-driven decision making and Retail Smart Outlet 3.0 that accesses the smart marketing system, the Bank comprehensively enhanced business values of the financial technology in channel expansion, scenario service, product innovation, process optimization, risk identification and other aspects. Normalized monitoring mechanism was established to strengthen the monitoring, alert and disposal of network security and fully consolidate the foundation of information technology risk management.
- 5. New growth was boosted by “Financial Leasing + Wealth Management”:** Focusing on the fields of smart agriculture, smart community, consumer leasing, industrial internet, marine pasture, new energy, etc., BQD Financial Leasing created a new financial leasing pattern to help farmers in China, and launched the “Nongzutong” to effectively solve the problems of being difficult to finance and being expensive to finance for “agriculture, the countryside and farmers” through financing and leasing. Strictly following the guidance of national policy, BQD Wealth Management made deployment for the “carbon neutrality”, so that more investors may seize the “green opportunity”. It actively participated in the development of blue finance and successfully issued products with the special theme of carbon neutrality, ESG, charity and blue finance to facilitate the “Marine Strategy” of Qingdao and its construction of being a global marine center city, among which the financial products with the theme of carbon neutrality, charitable wealth management and blue finance are the new products in China.

### III. SUMMARY OF OVERALL OPERATIONS

#### 3.1 Status of Key Operational Indicators Achievements

- (1) Total assets amounted to RMB536.410 billion, representing an increase of RMB14.160 billion or 2.71% as compared with that at the end of the previous year;
- (2) Total loans to customers amounted to RMB265.268 billion, representing an increase of RMB21.063 billion or 8.62% as compared with that at the end of the previous year;
- (3) Total deposits from customers amounted to RMB330.030 billion, representing an increase of RMB16.506 billion or 5.26% as compared with that at the end of the previous year;
- (4) Net profit amounted to RMB2.060 billion, representing a year-on-year increase of RMB227 million or 12.40%; net profit attributable to shareholders of the parent company amounted to RMB2.018 billion, representing a year-on-year increase of RMB221 million or 12.28%;

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

- (5) Non-performing loan ratio was 1.33%, representing a decrease of 0.01 percentage point as compared with that at the end of the previous year; provision coverage ratio was 209.07%, representing an increase of 11.65 percentage points as compared with that at the end of the previous year; capital adequacy ratio was 14.53%, the core tier-one capital adequacy ratio stood at 8.81%, representing an increase of 0.43 percentage point as compared with that at the end of the previous year;
- (6) Return on average total assets was 0.78%, representing a year-on-year increase of 0.02 percentage point;
- (7) Basic earnings per share was RMB0.36, representing a year-on-year decrease of RMB0.02; weighted average return on net assets was 14.03%, representing a year-on-year decrease of 1.35 percentage points.

### 3.2 Major Tasks of Operation and Management

- (1) The Company strived to lead cohesion through Party building, and serve the local community to demonstrate its responsibility. The Company further improved its working style, and actively fulfilled its social responsibilities. During the Reporting Period, the Company thoroughly studied and fully implemented the spirit of provincial and municipal party congresses, striving to improve the quality and efficiency of financial services to support the real economy. The Company continued to strengthen the leadership of Party building, continued to innovate in grass-roots Party building, deepened comprehensive and strict governance of the Party, strengthened political supervision, and consolidated the “two responsibilities” to escort business development.
- (2) The Company made early deployments to push forward asset-related businesses and acted in advance to ensure loan issuance. Early plan and movements were made regarding corporate banking businesses in order to ensure asset-related businesses and loan issuance. During the Reporting Period, corporate loans amounted to RMB23.938 billion. The Company fully supported the real economy and fully fulfill the task of its inclusive financial service. Newly added inclusive loans amounted to RMB3.572 billion, with 9,241 new inclusive loan customers; the balance of inclusive loans accounted for 10.23%, representing an increase of 0.52 percentage point as compared with that at the end of the previous year, in compliance with regulatory assessment requirements at this phase.

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## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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- (3) Retail deposits made a breakthrough, while corporate deposits gained momentum. The retail strategy achieved remarkable results. Retail deposits increased by RMB18.244 billion as compared with the end of the previous year, representing an increase of nearly RMB6 billion as compared with the same period of previous year. During the Reporting Period, 3,438 new customers were acquired in agency payroll payment, representing an increase of 91.00% as compared with the same period of previous year. At the end of the Reporting Period, the total deposit balance of community finance and agriculture-benefiting finance exceeded RMB10 billion. Various measures were taken to increase corporate deposits. During the Reporting Period, investment banking retained bond issuance funds of RMB21.257 billion through the issuance of underwriting products, representing a year-on-year increase of 52.60%. Cash management products absorbed demand deposits with a daily average of RMB21.125 billion, representing a year-on-year increase of 21.96%. The effective deposits retained for bill acceptance were RMB16.881 billion, representing a year-on-year increase of 34.82%.
- (4) BQD Financial Leasing and Qingyin Wealth Management kept pace with each other, and the scale efficiency has steadily improved. BQD Financial Leasing increased the deployment of leasing assets to achieve double growth in revenue and profit. During the Reporting Period, BQD Financial Leasing's asset deployment amounted to RMB7.029 billion, and the scale of leased assets exceeded RMB15 billion, achieving revenue of RMB240 million, representing a year-on-year increase of 35.54%, and the net profit was RMB86 million, representing a year-on-year increase of 18.53%. Qingyin Wealth Management achieved remarkable results in channel expansion. During the Reporting Period, Qingyin Wealth Management included more than 20 institutions, and the funds raised through agency sales accounted for more than 20%. At the end of the Reporting Period, the product scale of Qingyin Wealth Management amounted to RMB170.770 billion, representing an increase of 1.77% as compared with the end of the previous year; the asset scale amounted to RMB192.899 billion, representing an increase of 6.14% as compared with the end of the previous year; the income from wealth management fees amounted to RMB459 million, representing a year-on-year increase of 10.55%, demonstrating steady improvement in scale efficiency.

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## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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- (5) Maintaining steady and promising credit quality and continuously improving the risk control ability. The Bank implemented comprehensive management of credit risk and strengthened the centralized control of credit operations by including loans due over 60 days into non-performing loans for three consecutive years, with good control on new non-performing loans. By strengthening the disposal of existing non-performing loans, the Bank recorded a significant increase in the proportion of cash recovery, coupled with a continuously stable and declining non-performing loan ratio. Leveraging on the increasingly mature unified credit granting and the gradual improvement in the professional loan approval, the Bank also actively promoted the parallel operations to and expand the scope of professional loan approval.
- (6) Accelerating the digital transformation and driving the improvement in business management. The Bank has accelerated the construction of digital operations, as well as the transfer of products online. The first phase of the intelligent corporate marketing management platform has been launched, while the online business hall has completed the comprehensive test of system development. Besides, the second phase of the intelligent retail marketing platform and the YingXiaoTong APP (營銷通 APP) have also been launched. By comprehensively promoting the digitalization of management, the Bank has achieved remarkable results in respect of technology empowerment, and optimized the system for unified credit granting, credit risk and financial consolidation management on an ongoing basis. Furthermore, the Eagle Eye 360 intelligent risk monitoring platform 2.0 has been under construction, while the first phase of the “Warning Platform for Smart Personal Loan” has been launched.

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 4. ANALYSIS OF MAJOR ITEMS OF THE STATEMENT OF PROFIT OR LOSS

#### 4.1 Financial Performance Summary

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

Unit: RMB'000

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 4.2 Operating Income

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

*Unit: RMB'000*

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 4.3 Net Interest Income

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

Unit: RMB'000

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

*Notes:*

- (1) Deposits and placements with banks and other financial institutions include financial assets held under resale agreements.
- (2) Deposits and placements from banks and other financial institutions include financial assets sold under repurchase agreements.

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

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 4.4 Interest Income

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

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

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

*Unit: RMB'000*

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

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

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

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

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 4.5 Interest Expense

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

#### *Interest expense on deposits from customers*

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

*Unit: RMB'000*

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

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

### ***Interest expense on debt securities issued***

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

#### **4.6 Net Non-interest Income**

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

*Unit: RMB'000*

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 4.7 Net Fee and Commission Income

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

*Unit: RMB'000*

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

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

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

*Unit: RMB'000*

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

### 4.9 Operating Expenses

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

*Unit: RMB'000*

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 4.10 Credit impairment losses

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

*Unit: RMB'000*

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 5. ANALYSIS OF MAJOR ITEMS OF THE STATEMENT OF FINANCIAL POSITION

#### 5.1 Assets

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

*Unit: RMB'000*

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 5.1.1 Loans and advances to customers

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

Unit: RMB'000

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

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## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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### *Corporate loans*

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

### *Personal loans*

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

### *Discounted bills*

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 5.1.2 Financial investments

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

*Unit: RMB'000*

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

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

*Unit: RMB'000*

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

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

*Unit: RMB'000*

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### *Financial investments measured at amortized cost*

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

*Unit: RMB'000*

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 5.2 Liabilities

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

Unit: RMB'000

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 5.2.1 Deposits from customers

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

*Unit: RMB'000*

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

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## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

### **5.2.2 Deposits from banks and other financial institutions**

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

### **5.2.3 Financial assets sold under repurchase agreements**

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

### **5.2.4 Borrowings from central bank**

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 5.2.5 Debt securities issued

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

### 5.3 Equity Attributable to Shareholders

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

*Unit: RMB'000*

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

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## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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### 6. ANALYSIS OF CASH FLOWS STATEMENT

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

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

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 7. SEGMENT REPORTING

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

*Unit: RMB'000*

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

*Unit: RMB'000*

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 8. ANALYSIS OF ASSETS AND LIABILITIES

#### 8.1 Major Offshore Assets

N/A.

#### 8.2 Assets and Liabilities Measured at Fair Value

Unit: RMB'000

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

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

Please refer to “Notes to the Unaudited Interim Financial Report – 44(6). Pledged Assets” of this interim report.

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 9. ANALYSIS OF QUALITY OF LOANS

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

#### 9.1 Distribution of Loans by Five Categories

*Unit: RMB'000*

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

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 9.2 Distribution of Loans by Product Type

Unit: RMB'000

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 9.3 Distribution of Loans by Industry

*Unit: RMB'000*

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 9.4 Distribution of Loans by Region

Unit: RMB'000

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

### 9.5 Distribution of Loans by Type of Collateral

Unit: RMB'000

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 9.6 Loans to the Top Ten Single Borrowers

*Unit: RMB'000*

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 9.7 Distribution of Loans by Overdue Period

Unit: RMB'000

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

### 9.8 Repossessed Assets and Provision for Impairment

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 9.9 Changes in Provision for Impairment of Loans

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

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

*Unit: RMB'000*

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

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

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## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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### 9.10 Countermeasures Taken against Non-performing Assets

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

### 9.11 Credit Extension to Group Customers and Risk Management

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

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 9.12 Rescheduled Loans

Unit: RMB'000

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

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

### 10. ANALYSIS OF CAPITAL ADEQUACY RATIO AND LEVERAGE RATIO

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

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

### 10.1 Capital Adequacy Ratio

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

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

*Unit: RMB'000*

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

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

*Unit: RMB'000*

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 10.2 Leverage Ratio

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

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

*Unit: RMB'000*

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

*Unit: RMB'000*

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

*Unit: RMB'000*

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

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

### 11. INVESTMENT ANALYSIS

#### 11.1 Overview

*Unit: RMB'000*

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

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

### 11.2 Significant Equity Investments Made during the Reporting Period

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

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

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

### 11.4 Investment in Securities

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

*Unit: RMB'000*

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

*Unit: RMB'000*

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

### 11.5 Derivative Investments

*Unit: RMB'000*

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

*Notes:*

1. Within the risk appetite established by the Board and the risk framework of its own derivatives market, the Company followed the limit requirements and actively carried out various derivatives transactions. As of 30 June 2022, derivative financial instruments held by the Company included interest rate swaps and others.
2. During the Reporting Period, there were no significant changes in the Company's derivatives accounting policies and specific accounting principles as compared with the previous reporting period.

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 11.6 Use of Proceeds Raised

#### (1) General Use of Proceeds Raised

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

Unit: RMB0'000

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

#### (2) Commitment of Use of Proceeds Raised

N/A.

#### (3) Change of Use of Proceeds Raised

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

### 12. MATERIAL DISPOSAL OF ASSETS AND EQUITY INTEREST

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

### 13. OTHER FINANCIAL INFORMATION

#### 13.1 Analysis of Off-balance Sheet Items

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

#### 13.2 Overdue and Outstanding Debts

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

#### 13.3 Pledge of Assets

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: RMB'000

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

*Unit: RMB'000*

Item	30 June 2022	31 December 2021	Changes (%)	Main reasons
Placements with banks and other financial institutions	<b>7,023,303</b>	5,108,646	37.48	Increase in the placements with non-inter-banks and other financial institutions
Financial assets held under resale agreements	–	12,288,925	(100.00)	Decrease in the scale of bonds purchased under resale agreements
Long-term receivables	<b>15,238,236</b>	11,688,253	30.37	Increase in the finance lease receivable of subsidiaries
Other assets	<b>3,333,110</b>	2,315,830	43.93	Increase in the settlement payable
Deposits from banks and other financial institutions	<b>8,519,016</b>	6,341,814	34.33	The Company strengthened its inter-bank active liability management, moderately adjusted its interbank liability structure, and appropriately increased the size of relatively stable inter-bank time deposits while reducing financial assets sold under repurchase agreements
Financial assets sold under repurchase agreements	<b>14,107,980</b>	25,305,596	(44.25)	The Company strengthened its inter-bank active liability management, continued to reduce the size of its bonds sold under repurchase agreements

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

<b>Item</b>	<b>30 June 2022</b>	31 December 2021	<b>Changes (%)</b>	<b>Main reasons</b>
Income tax payable	<b>71,463</b>	124,032	(42.38)	Income tax payable was greater than the provision amount
Other liabilities	<b>5,280,347</b>	3,917,133	34.80	Increase in the financial liabilities related to gold
Capital reserve	<b>11,181,510</b>	8,337,869	34.11	Completion of the A share rights issue and H share rights issue and increase in the share premium
Retained earnings	<b>4,594,267</b>	3,507,129	31.00	Increase in the retained earnings

### 13.5 Changes in Interest Receivables

Unit: RMB'000

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

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 13.6 Provision for Bad Debts

*Unit: RMB'000*

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

## 14. ANALYSIS OF MAIN SHARES HOLDING COMPANIES AND JOINT STOCK COMPANIES

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

*Unit: RMB in 100 million*

<b>Name of company</b>	<b>Type of company</b>	<b>Main business</b>	<b>Registered capital</b>	<b>Total assets</b>	<b>Net assets</b>	<b>Operating income</b>	<b>Operating Profit</b>	<b>Net profit</b>
Qingyin Wealth Management Company Limited	Wholly – owned subsidiary	Public offering of wealth management products to the general public, investment and management of properties entrusted by investors; private placement of wealth management products to qualified investors, investment and management of properties entrusted by investors; wealth management advisory and consulting services; and other business approved by CBIRC	10.00	15.10	14.15	3.33	2.74	2.04

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## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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Name of company	Type of company	Main business	Registered capital	Total assets	Net assets	Operating income	Operating Profit	Net profit
BQD Financial Leasing Company Limited	Subsidiary	Finance leasing business; transferring in and out assets under a finance lease; fixed income securities investment business; accepting guaranteed deposit of the lessee; absorbing fixed deposits over 3 months (inclusive) from non-bank shareholders; interbank lending and borrowing; obtaining loans from financial institutions; lending loans to offshore borrowers; disposal of and dealing with leased articles; economic consulting, etc.	10.00	161.57	14.98	2.40	1.15	0.86

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### 14.2 Acquisition and Disposal of Subsidiaries during the Reporting Period

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

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

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

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

### 15. OVERVIEW OF BUSINESS DEVELOPMENT

#### 15.1 Retail Banking

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

##### 1. *Retail customers and customer asset management*

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

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

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

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

### **2. Retail loans**

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

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

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

### **3. Credit card business**

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

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

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

### **4. Wealth management and private banking business**

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

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

### 5. *Customer service management*

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

### 15.2 Corporate banking

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

### **1. Corporate deposits**

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

### **2. Corporate-related loans**

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

### 3. *Corporate customers*

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

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

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

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

### 4. *Corporate products*

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

### 15.3 Financial Markets

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

#### 1. *Proprietary investment*

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

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

### **2. Interbank business**

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

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

### 3. *Asset management*

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

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

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

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

### 4. *Investment banking*

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

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

## 15.4 Distribution Channels

### 1. *Physical distribution channels*

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

### **2. Self-service banking channels**

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

### **3. Electronic banking channels**

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

#### *(1) Mobile finance*

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

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

#### *(2) Internet banking*

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

### (3) 5G SMS

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

### 15.5 Information technology

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

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

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

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

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## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

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

## **16. STRUCTURED ENTITIES CONTROLLED BY THE COMPANY**

Structured entities controlled by the Company are the asset-backed securities sponsored by the Company. The Company controls these entities because the Company has power over, is exposed to, or has rights to variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of returns. The Company does not provide financial support to the controlled structured entities.

## **17. RISK MANAGEMENT**

### **17.1 Credit Risk Management**

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

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

### SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

- (1) Strengthened the Group's unified credit granting management and improved our credit risk management and control. We have continuously optimised the management and control plan for the concentration limit of credit granting at the Group and headquarters level, supported the implementation of the "central review of group risk asset acceptance" mechanism, and accelerated the development of a hierarchical unified credit system and a large risk exposures system that covered all customers and assets and the entire bank.
- (2) Continued to optimise credit asset quality control, implemented dynamic refined management, strengthened the pre-assessment and analysis of the trends of risk migrations and changes, actively controlled and monitored the trends of risk changes, strengthened the dynamic monitoring of the regional distribution and industrial distribution of non-performing loans, enhanced pre-processing capabilities for risk signals, strengthened the management of maturing loans and overdue loans, enhanced the disposal of risky loans, stepped up efforts in increasing cash collection and cancellation of non-performing loans, making efforts to resolve the stock of non-performing assets. The loans that were overdue more than 60 days continued to be managed as non-performing loans to maintain a downward trend and achieved the control target.
- (3) Strengthened the dynamic management of quality indicators and enhanced the comprehensive control of risk assets. The Company continued to strengthen the refined dynamic management of various quality indicators of credit assets, conducted dynamic analysis, dynamic tracking and enhancement of research and judgment combined with daily risk inspection, striving to achieve full coverage, overall control and early resolution to ensure the continuous optimization of various quality indicators of assets. The Company also continuously strengthened the disposal of non-performing assets by taking multiple measures including the combination of litigation, transfer, write-off and other means to make breakthroughs in key points, with good results being achieved.
- (4) Strengthened the adherence to the credit policies to improve the quality and effectiveness of serving the real economy. The Company continued to optimize credit structure by focusing on key areas such as inclusive loans to small and micro enterprises, rural revitalization, fintech, green finance and marine finance and increasing financial support for manufacturing, especially advanced manufacturing and strategic emerging industries, innovated supply chain financing model and enhanced the service capabilities of upstream and downstream enterprises to effectively improve the quality and effectiveness of serving the real economy.

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## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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- (5) Strengthened the construction of credit management system and continuously enhanced credit compliance management. The Bank continued to improve the credit risk system and business process to build an intensive and efficient credit management system, and solidly carried out internal control and compliance management construction activities to further improve the internal credit control system, enhance the effectiveness of internal control, further deepen the awareness of compliance and establish an effective mechanism of “not daring to, not being able to and not wanting to violate”.
- (6) Continuously strengthened the construction of risk early warning platform to enhance the intelligent risk control of credit management. The Company continued to improve its intelligent risk control ability in respect of credit risk by continuously utilizing advanced mobile internet technology, image technology and risk measurement tools, and introducing channel data to improve the timeliness and accuracy of risk assessment and early warning, thereby enhancing credit operation efficiency in a comprehensive manner and increasing the intelligence level of credit risk management.

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

### 17.2 Liquidity Risk Management

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

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

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

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## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

1. Continuously allocated sufficient qualified and high-quality liquidity assets to ensure adequate liquidity reserves;
2. Took various measures simultaneously to promote stable deposit growth, whereby the proportion of deposits has increased steadily, and the stability of liabilities has been further enhanced;
3. Strengthened the monitoring, adjustment and control of indicators to ensure that various liquidity indicators meet management expectations through limits management, limits monitoring, early warning and other management methods;
4. Conducted daily liquidity risk management, strengthened market analysis and study, prospectively conducted capital arrangement to improve the capital utilization efficiency on the basis of ensuring the safety of liquidity across the Bank;
5. Considered main factors and external environmental factors that may trigger liquidity risk in a comprehensive manner and conducted liquidity risk stress test on a quarterly basis by reasonably setting stress scenarios.

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

### 17.3 Market Risk Management

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

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

#### 17.3.1 Analysis of interest rate risks

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

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

### 17.3.2 Analysis of interest rate sensitivity

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

*Unit: RMB'000*

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

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## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

1. All assets and liabilities re-priced or mature within three months and after three months but within one year are assumed to be re-priced or mature at the beginning of their respective periods (i.e. all of those assets and liabilities re-priced or mature within three months are re-priced or mature in real time; all of those assets and liabilities re-priced or mature after three months but within one year are re-priced or mature immediately after three months);
2. There is a parallel shift in the yield curve and in interest rates;
3. There are no other changes in the portfolio of assets and liabilities, and all positions will be retained and rolled over upon maturity.

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

### ***17.3.3 Analysis of exchange rate risk***

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

## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

### 17.3.4 Analysis of exchange rate sensitivity

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

*Unit: RMB'000*

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

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

1. The foreign exchange sensitivity is the gain or loss recognized as a result of 100 basis points fluctuation in the foreign currency exchange rates against the average of the central parity rates of RMB on the reporting date;
2. The exchange rates against RMB for all foreign currencies change in the same direction simultaneously;
3. The foreign exchange exposures calculated include spot foreign exchange exposures, forward foreign exchange exposures and options, and all positions will be retained and rolled over upon maturity.

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

### 17.4 Operational Risk Management

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

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

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

- (1) Consistently strengthening case prevention and control, as well as staff training to build solid basis of risk prevention and control. The Company created a linkage mechanism for conducting risk screening and case warning education activities on a regular basis, strengthened the staff training continuously, put emphasis on staff's behavior management and ideological source governance, to improve staff's business operation level and compliance awareness, and strictly prohibiting the risk of non-compliance of personnel.
- (2) Strengthening operational risk control in key areas and strictly controlling the occurrence of operational risks. The risk identification and rectification on key businesses and key areas within the Bank is conducted based on internal and external supervision and inspection, for the purpose of rectifying the problems through a self-knowledge and self-governance process, plugging the loopholes in operation and management, and nipping the risks in the bud.

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## SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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- (3) Upgrading the operational risk management tools and strengthening risk monitoring and assessment. The Company made comprehensive use of system monitoring, risk screening, internal inspection, and line supervision etc. to monitor operational risks in all aspects, collected and analysed key operational risk indicators and loss data and provided early warning, captured potential risks in a timely manner and identified control defects, improved internal process construction and blocked operational risks in all aspects.
- (4) Optimising business continuity management to ensure the normal operation of the businesses. The Company promoted the business continuity management continuously, improved the system construction of emergency plans comprehensively, organized and conducted business continuity drills, and enhanced the relevant personnel's ability to respond to emergencies and their ability to work collaboratively.
- (5) Strengthening outsourcing business management to prevent potential outsourcing risks. The Company improved the outsourcing risk management system, strictly examined the entry of outsourcing projects and service providers, increased the control of outsourcing personnel, controlled the daily operation of outsourcing services strictly, and controlled and prevented the occurrence of outsourcing risks from the source.

### 18. DEVELOPMENT PLAN IN THE SECOND HALF OF 2022

#### 18.1 Operating Situation Analysis for the Second Half of the Year

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

#### 18.2 Development Guiding Ideology for the Second Half of the Year

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

### 18.3 Major Work Measures in the Second Half of the Year

- (1) Developing corporate retails on parallel lines, continuing to capture quality assets
- (2) Continuing to focus on building customer base, strengthening debt business development
- (3) Enhancing investment risk management, developing bond business steadily
- (4) Increasing efforts in investment and research and expanding channels of wealth management, creating special features of financial leasing
- (5) Continuing to improve risk control capabilities to ensure stable asset quality
- (6) Accelerating the progress of digital transformation to help upgrade business management
- (7) Optimising and improving the organisation's layout, implementing the organisation's development plan
- (8) Continuing to strengthen the leading of party building, improving comprehensive management

## SECTION IV CORPORATE GOVERNANCE

Corporate governance serves as the core of the modern corporate system. Standardized and effective corporate governance is an essential endogenous driving force for listed banks to maintain high-quality development. The Bank has always regarded the improvement of corporate governance as the foundation of the Bank and the source of its development. It continued to improve various corporate governance systems so as to ensure the compliance and efficient operation of the general meeting, the Board and the Board of Supervisors and the management, continuously establishing a standardized, market-oriented and characteristic corporate governance model. During the Reporting Period, the Bank's shareholders' general meeting, Board of Directors, Board of Supervisors and senior management achieved independent operation, effective check and balance, coordinating operation, scientifically and effectively performed decision-making, supervision and execution duties of each corporate governance entity.

### I. CONVENING OF SHAREHOLDERS' GENERAL MEETING, BOARD MEETING AND SUPERVISORY MEETING DURING THE REPORTING PERIOD

#### 1.1 Shareholders' general meeting

Session of meeting	Type of meeting	Participation percentage of investors	Date of convening	Date of disclosure	Resolutions of meeting
2021 annual general meeting	Annual general meeting	68.128598%	10 May 2022	10 May 2022	The meeting considered and approved 8 resolutions, such as the work report of the Board of Directors of Bank of Qingdao Co., Ltd. for 2021, the work report of the Board of Supervisors of Bank of Qingdao Co., Ltd. for 2021, the final financial accounts of Bank of Qingdao Co., Ltd. for 2021, the profit distribution plan of Bank of Qingdao Co., Ltd. for 2021, the resolution on the engagement of external auditors of Bank of Qingdao Co., Ltd. for 2022 and their remuneration, the special report on related party transactions of Bank of Qingdao Co., Ltd. for 2021, the resolution on the estimated amount of the ordinary related party transactions of Bank of Qingdao Co., Ltd. for 2022 and the resolution on the general mandate for the issue of shares by Bank of Qingdao Co., Ltd.
2022 first extraordinary general meeting	Extraordinary general meeting	65.548897%	28 June 2022	28 June 2022	The meeting considered and approved the resolution regarding the election of Mr. JING Zailun as an executive Director of the eighth session of the Board of Directors of Bank of Qingdao Co., Ltd.

#### 1.2 Request for convening of extraordinary general meeting by preference shareholders with recovered voting rights

During the Reporting Period, there was no request for convening of extraordinary general meeting by preference shareholders with recovered voting rights in the Bank.

### 1.3 Board meetings and meetings of the special committees

During the Reporting Period, the Board of Directors convened 8 meetings, including 3 on-site meetings and 5 correspondence voting meetings, at which a total of 31 proposals were considered and 40 reports were heard. The special committees under the Board held 18 meetings, including 2 meetings of the Strategy Committee, 2 meetings of the Risk Management and Consumer Rights Protection Committee, 4 meetings of the Audit Committee, 3 meetings of the Remuneration Committee, 2 meetings of the Nomination Committee, 3 meetings of the Related Party Transactions Control Committee and 2 meetings of the Network Security and Information Technology Committee<sup>1</sup>, at which a total of 30 proposals were considered and 36 reports were heard.

### 1.4 Supervisory meetings and meetings of the special committees

During the Reporting Period, the Board of Supervisors held 4 meetings, including 1 on-site meeting and 3 correspondence voting meetings, at which a total of 17 proposals were considered and 39 reports were heard. The special committees under the Board of Supervisors held 6 meetings, including 4 meetings of the Supervision Committee and 2 meetings of the Nomination and Evaluation Committee, at which a total of 15 proposals were considered and 37 reports were heard.

1 At the first meeting of the eighth session of the Board of Directors of the Bank, it was agreed that the former “Information Technology Committee” of the Board of Directors would be renamed as “Network Security and Information Technology Committee”. The change will take effect upon the completion of the amendments to the Articles of Association and the Rules of Procedure of the Board of Directors of Bank of Qingdao Co., Ltd.

## SECTION IV CORPORATE GOVERNANCE

### II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors of the Bank are nominated by the Board of Directors and elected in accordance with the qualifications and election procedures for Directors as set out in the Articles of Association; the shareholder Supervisors and external Supervisors are nominated by the Board of Supervisors and the employee Supervisors are nominated by the Trade Union Committee and elected in accordance with the election procedures as set out in the Articles of Association. The changes in the Directors, Supervisors and senior management of the Bank are set out in the table below:

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

Saved as mentioned, there were no other changes in the Directors, Supervisors and senior management of the Bank.

As at the date of publication of this report, the Board comprises Mr. JING Zailun, Mr. WANG Lin and Mr. LIU Peng as executive Directors; Mr. ZHOU Yunjie, Mr. Rosario STRANO, Ms. TAN Lixia, Mr. Marco MUSSITA and Mr. DENG Youcheng as non-executive Directors; Mr. Simon CHEUNG, Ms. FANG Qiaoling, Mr. Tingjie ZHANG, Mr. XING Lecheng and Mr. ZHANG Xu as independent non-executive Directors.

### III. CHANGES IN INFORMATION ON DIRECTORS AND SUPERVISORS DURING THE REPORTING PERIOD

1. Mr. Marco MUSSITA, a non-executive Director, has ceased to be the director of Chongqing Italian Gasket Rubber & Plastic Co., Ltd. (重慶凱恩斯橡膠有限公司) since 30 June 2022.
2. Mr. HE Liangjun, a shareholder Supervisor, has served as the executive director of Shanghai Huiyuanda Chemical Co., Ltd. (上海匯沅達化工有限公司) since 2 March 2022, and has served as the executive director of Hainan Goodi International Trade Co., Ltd. (海南谷迪國際貿易有限公司) since 8 June 2022.

Saved as mentioned, there were no other changes in the information on Directors and Supervisors of the Bank during the Reporting Period.

### IV. PROFIT DISTRIBUTION AND CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL DURING THE REPORTING PERIOD

The Bank did not distribute cash bonus for ordinary shares, distribute bonus shares and increase share capital with provident fund during the interim period.

### V. IMPLEMENTATION OF THE EQUITY INCENTIVE PLAN, EMPLOYEE SHAREHOLDING PLAN OR OTHER EMPLOYEE INCENTIVE MEASURE

There was no implementation of the equity incentive plan, employee shareholding plan or other employee incentive measure of the Bank during the Reporting Period.

### VI. RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors of the Bank is responsible for ensuring the establishment and implementation of an adequate and effective internal control system and the Bank's prudential operation within the framework set by laws and policies. The Board of Directors is also responsible for explicitly determining the acceptable risk level, ensuring the senior management to adopt necessary risk control measures, and supervising the senior management on their monitoring and assessment of the adequacy and effectiveness of the risk management and internal control systems.

The Board of Directors of the Bank has established the Audit Committee to be responsible for the supervision of the effective implementation of the Bank's internal control and the self-assessment of risk management and internal control, the coordination of audit on internal control and other relevant matters.

The Board of Supervisors of the Bank is responsible for supervising the Board of Directors and senior management in improving the risk management and internal control systems; supervising the performance of risk management and internal control duties by the Board of Directors, senior management and their members.

The senior management of the Bank is responsible for implementing the decisions of the Board of Directors, formulating systematic systems, procedures and methods based on the acceptable risk control level as determined by the Board of Directors and adopting the corresponding risk control measures, establishing and improving the internal organizational structure, ensuring the effective implementation of various risk management and internal control functions as well as conducting supervision and assessment of the adequacy and effectiveness of the risk management and internal control systems.

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## SECTION IV CORPORATE GOVERNANCE

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Based on laws and regulations including the Basic Standards for Enterprise Internal Control and its complimentary guidelines and the Guidelines on Internal Control of Commercial Banks, along with relevant requirements of the Hong Kong Stock Exchange, the Bank has formulated the objectives and principles of internal control and established its internal control system. The Bank takes control over the entire process of various operation and management activities, and continuously enhances the completeness, reasonableness and effectiveness of internal control system through practice.

On the basis of continuous improvement of the Bank's streamlined and efficient system featuring "good customer experience, smooth working process and 100% risk coverage rate", the Bank launched the "Year of System Empowerment Enhancement" in 2022 to empower the improvement of system management by "three upgrading", namely, upgrading the system, upgrading the system process and upgrading the system learning, hence build a system environment of "Unity in Knowledge and Action". With the issuance of the "No. 1 document (一號文)" at the beginning of the year, the Bank continued to consolidate the construction of three basic compliance elements, namely compliance culture, compliance institution, and compliance system. The Bank initiated measures to get rid of those repeatedly committed and investigated improper behaviors, operational non-compliance of the banking counters and to build a law-abiding BQD, so as to reach a new level, new breakthrough and new progress in compliance management of the Bank.

Under the premise of orderly implementation of "regular audits, special audits and follow-up audits", the Bank insists on the leadership of "risk-oriented and focused on audit in key areas", strengthens special audits in risk areas and improves the risk warning system. It coordinates the "audit vertical management reform" and optimizes the "audit management structure". The Bank also accelerates the transformation of audit management, enhances the effectiveness of audit work and improves the risk internal control management capability through expanding the audit coverage and strengthening audit independence. Furthermore, adhering to the general principle of "technology strengthening audit and technology empowerment", the Bank will deepen the application of big data technology in the field of audit, consolidate audit quality control, and promote the comprehensive improvement of internal control management and risk management quality and efficiency of the whole bank.

The Bank formulated Information Disclosure Management System of Bank of Qingdao Co., Ltd., which specified the definition of inside information, confidentiality measures, handling and issuance procedures and internal control.

During the Reporting Period, no institution or staff of the Bank participated in or was suspected of being involved in any money laundering or terrorism financing activity.

### I. MAJOR ENVIRONMENTAL ISSUES

The Bank and its subsidiaries are not key pollutant discharging enterprises as announced by the environmental protection authorities. During the Reporting Period, the Bank and its subsidiaries were not subject to any penalties due to violation of environmental protection laws and regulations. In the monetary and financial service industry, no pollutants specified in the Provisions on the Management of List of Key Sewage Discharging Units (Interim) (《重點排污單位名錄管理規定(試行)》) are produced by the Bank's principal business. The Bank and its subsidiaries will conscientiously implement the Environmental Protection Law of the PRC and other environmental protection laws and regulations in its future production and operational activities.

### II. SOCIAL RESPONSIBILITY

During the Reporting Period, abided by the originality of "Finance serves the people", the Bank adhered to the origin of finance services serving the real economy and actively fulfilled the economic, environmental and social responsibilities as a local bank corporation, in order to facilitate the high-quality development of regional economy and meet the diversified financial needs of the people with its financial strength.

In terms of economic responsibility, the Bank has thoroughly implemented the decisions and deployments of governments at all levels. During the Reporting Period, the Bank established a leading group of "finance serving high-quality development of the real economy" and introduced "Twenty measures for Stabilizing Growth, Promoting Development and Innovating Finance Service to Support High-quality Development of the Real Economy" (《穩增長促發展創新金融服務支持實體經濟高質量發展二十條工作舉措》), with a focus on key regions, areas and industries and weak links to enhance the ability to serve the real economy. The Bank innovated financial products by launching businesses such as "Qingyin Tax E Loan", "Gao Xin Dai (高新貸)" and "Growing Loan" and continuously broaden the breadth and coverage of financial support with various financial products. Moreover, the Bank continued to increase its financial support for SMEs and individual business owners through various measures such as setting up green channel for approval and renewing loans, extending the term of loans and adjusting repayment arrangement on a reasonable basis to alleviate the difficulties of enterprises.

In terms of environmental responsibility, the Bank has actively responded to the national "carbon neutrality" strategy by sticking with the significant guidance of promoting the real economy development with green finance, continuously improving the long-term and effective development system and mechanism of the Bank's green finance and increasing its credit support for green, low-carbon and recycling economy. During the Reporting Period, the Bank issued the "Implementation Plan on Promoting Green Finance and Increasing Financial Support for Carbon Emission Reduction" (《關於推進綠色金融發展加大碳減排金融支持力度的實施方案》) to further increase green financial support for carbon emission reduction. As at the end of the Reporting Period, the balance of the Bank's Green Credit project loans was RMB22.099 billion with an increase of 15.83% as compared to that at the beginning of the year, representing 8.33% of the total loan balance, which was mainly invested in green enterprises engaged in areas such as energy conservation, pollution prevention and control, clean transportation, resource conservation and recycling, ecological preservation and climate change adaptation. The Bank continued to build a characteristic banking brand of blue finance. During the Reporting Period, the Bank reached a cooperation intention with the International Finance Corporation (IFC), a member of the World Bank Group and signed a blue syndicate loan agreement of US\$150 million, which is the first blue finance investment in China by an international development institution led by IFC.

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## SECTION V ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

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In terms of social responsibility, amid the complicated epidemic prevention and control situation in the year, the Bank donated RMB2 million to Qingdao Laixi Charity Federation for assisting epidemic prevention and control during the Reporting Period. The Bank improved customer service experience in multi-dimensions by promoting the upgrading of service management system centered on “user experience”, focusing on “user experience” and “customers’ voice”, and launching the traceability management of consumer complaints to invent a new forum for online service digitation experience. With focus on “new citizen” group, the Bank introduced “Work Plan for Strengthening Financial Service to New Citizens” (《加強新市民金融服務工作方案》) and increased the allocation of credit loan and credit support for employment, housing purchase, education and training, so as to practically enhance the new citizens’ sense of gain, happiness and security. Led by “Qingcheng”, the brand of protecting consumer rights, the Bank extensively carried out promotional activities on financial knowledge education. During the Reporting Period, the Bank successively launched more than 500 on-site promotional activities, such as “3•15 Financial Consumer Rights Day”, “Spreading Financial Knowledge Everywhere” and “Prevent Illegal Fund Raising”, accurately spreading financial knowledge directly to the group who need them.

### III. PROTECTION OF CONSUMER RIGHTS

During the Reporting Period, in respect of the Bank’s consumer right protection (the “**consumer protection**”) work, the Board and the Board of Supervisors and senior management fulfilled their respective responsibilities under the guidance of the operating principle of “developing with refinement, pursuing further improvement, optimizing structures and enhancing the continuous development”, undertaking the management responsibility of consumer protection earnestly. The Bank ensured the strategic objectives and institutional measures for consumer protection in place effectively by strengthening top-level design, improving institutional system and promoting top-down strengthening of the consumer protection concept throughout the Bank.

#### 1. Enhance political awareness, clarify responsibilities of major bodies and improve the consumer protection working mechanism

Firstly, the Bank enhanced political awareness by attaching great importance to, deeply understanding and fully realizing the fact that the consumer protection work is a concrete manifestation of the “people-centered” development ideology; secondly, the Board, senior management and Consumer Rights Protection Committee performed their duties in an effective manner to monitor and provide guidance for the comprehensiveness, timeliness and effectiveness of the consumer protection work throughout the Bank; thirdly, the Bank gave full play to the leading and coordinating function of the consumer protection department by carrying out the consumer protection risk alert on a regular basis and providing an accurate position for the key point and risk control measures of the consumer protection work to ensure the horizontal information sharing and the effective operation of work coordination and cooperation mechanism among various departments.

### **2. Deepen the brand effect, enrich the promotional channels and strengthen the concept of the consumer protection throughout the Bank**

Firstly, we continued to deepen the consumer protection brand effect of “Qingcheng” and combined financial education with the special work such as the grassroots Party building brand positioned as “Bank of Qingdao providing financing services for thousands of families”, “happiness neighborhood” community financial service station, inclusive financial service farmer stations to establish a “two stations and one school” education model and enrich the channels and methods of education for financial consumers; secondly, we carried out promotional activities on special topics such as “3•15 Consumer Rights Protection Day”, “Spreading Financial Knowledge Everywhere”, “Spreading Financial Knowledge to Safeguard the Money Bag” and prevent illegal fund raising; thirdly, we based on job categories and needs of employees, carried out consumer protection special trainings such as product and service sales, consumer complaint handling, and tests for consumer protection knowledge which shall be known in a targeted manner, so as to strengthen the employees’ consumer protection concept and working competence.

### **3. Strengthened solution through analyzing root causes and resorted to diversified method to solve disputes to improve complaint management**

Firstly, we enhanced the effectiveness of “solution through analyzing root causes” of consumer complaints to prevent and reduce occurrence of repeated, frequent and similar complaints from the source. Secondly, we gave full play to the mechanism of dispute resolving, so as to improve the effectiveness and save costs through applying “batch resolving mode”. Thirdly, we continued to improve front-end products and services to meet reasonable requests of financial consumers with consumer complaints handling being a key to improve business and service quality and complaint management level.

## SECTION VI SIGNIFICANT EVENTS

### I. UNDERTAKINGS FULFILLED DURING THE REPORTING PERIOD AND NOT FULFILLED AS AT THE END OF THE REPORTING PERIOD BY THE DE FACTO CONTROLLERS, SHAREHOLDERS, RELATED PARTIES, ACQUIRERS, THE BANK AND OTHER PARTIES INVOLVED IN UNDERTAKING

There were no de facto controllers and acquirers of the Bank. The following undertakings have been fulfilled during the Reporting Period:

Reason of undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Date of undertaking	Term of undertaking
Undertaking made on initial public offering or refinancing	Qingdao Conson Industrial Co., Ltd.	Undertaking on voluntary lockup of shares held	Qingdao Conson Industrial Co., Ltd., a shareholder holding more than 5% of the total share capital of the Bank, undertook not to transfer nor entrust others to manage the shares of the Bank held directly or indirectly by it prior to the issuance of the A shares within 36 months from the date of the listing of A shares of the Bank on the stock exchange and not to sell back the above shares to the Bank.	16 January 2019	36 months
	Qingdao Haier Investment and Development Co., Ltd., Qingdao Haier Air-Conditioner Electronics Co., Ltd., Haier Smart Home Co., Ltd., Qingdao Haier Mold Co., Ltd., Qingdao Haier Tooling Development Co., Ltd., Qingdao Manniq Intelligent Technology Co., Ltd. (青島曼尼科智能科技有限公司), Qingdao Haier Air - Conditioner Co., Ltd. and Qingdao Haier Special Refrigerator Co., Ltd.	Undertaking on voluntary lockup of shares held	Eight enterprises including Qingdao Haier Investment and Development Co., Ltd., Qingdao Haier Air-Conditioner Electronics Co., Ltd., Haier Smart Home Co., Ltd., Qingdao Haier Mold Co., Ltd., Qingdao Haier Tooling Development Co., Ltd., Qingdao Manniq Intelligent Technology Co., Ltd. (青島曼尼科智能科技有限公司), Qingdao Haier Air-Conditioner Co., Ltd. and Qingdao Haier Special Refrigerator Co., Ltd. respectively undertook not to transfer nor entrust others to manage the shares of the Bank held directly or indirectly by them prior to the issuance of the A shares within 36 months from the date of the listing of A shares of the Bank on the stock exchange and not to sell back the above shares to the Bank (except for the transfers between a company and its related party if the transfer is in compliance with the relevant laws and regulations and the transferee agrees to fulfill the undertaking on lock-up of shares by the transferor).	16 January 2019	36 months

## SECTION VI SIGNIFICANT EVENTS

Reason of undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Date of undertaking	Term of undertaking
	Shandong Sanliyuan Economics and Trade Co., Ltd., Qingdao Hairan Investment Co., Ltd., Qingdao Jifa Group Co., Ltd., Shanghai Jiacheng Investment Management Co., Ltd., Beijing International Trust Co., Ltd. (北京國際信託有限公司), Guosen Securities Company Limited (國信證券股份有限公司), Qingdao Bright Mountain Industries Co., Ltd. (青島貝蒙特實業有限公司), Qingdao New Hongfang Group Co., Ltd. (青島新紅紡集團有限公司), United Ventures Group Co., Ltd. (聯合創業集團有限公司), Hundsun Technologies Inc. (恒生電子股份有限公司), Qingdao Kingking Applied Chemistry Co., Ltd., Qingjian Group Co., Ltd. (青建集團股份公司) and Qingdao Huatong State-owned Capital Operation (Group) Co., Ltd.	Undertaking on voluntary lockup of shares held	Shandong Sanliyuan Economics and Trade Co., Ltd., Qingdao Hairan Investment Co., Ltd., Qingdao Jifa Group Co., Ltd., Shanghai Jiacheng Investment Management Co., Ltd., Beijing International Trust Co., Ltd. (北京國際信託有限公司), Guosen Securities Company Limited (國信證券股份有限公司), Qingdao Bright Mountain Industries Co., Ltd. (青島貝蒙特實業有限公司), Qingdao New Hongfang Group Co., Ltd. (青島新紅紡集團有限公司), United Ventures Group Co., Ltd. (聯合創業集團有限公司), Hundsun Technologies Inc. (恒生電子股份有限公司), Qingdao Kingking Applied Chemistry Co., Ltd., Qingjian Group Co., Ltd. (青建集團股份公司) and Qingdao Huatong State-owned Capital Operation (Group) Co., Ltd. respectively undertook not to transfer nor entrust others to manage the shares of the Bank held directly or indirectly by them prior to the issuance of the A shares within 36 months from the date of the listing of A shares of the Bank on the stock exchange and not to sell back the above shares to the Bank.	16 January 2019	36 months
	Qingdao Collective Enterprise Cooperative Society	Undertaking on voluntary lockup of shares held	Qingdao Collective Enterprise Cooperative Society undertook not to transfer nor entrust others to manage the 2,829,795 shares held by it within 36 months from the date of the listing of A shares of the Bank on the stock exchange and not to sell back the above shares to the Bank.	16 January 2019	36 months

## SECTION VI SIGNIFICANT EVENTS

Reason of undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Date of undertaking	Term of undertaking
	Qingdao Haier Industrial Development Co., Ltd. (青島海爾產業發展有限公司), Qingdao Haier Air-Conditioner Electronics Co., Ltd., Haier Smart Home Co., Ltd., Qingdao Haier Mold Co., Ltd., Qingdao Haier Tooling Development Co., Ltd., Qingdao Manniq Intelligent Technology Co., Ltd. (青島曼尼科智能科技有限公司), Qingdao Haier Air-Conditioner Co., Ltd. and Qingdao Haier Special Refrigerator Co., Ltd.	Undertakings on subscription of the Bank's rights shares	Qingdao Haier Industrial Development Co., Ltd. (青島海爾產業發展有限公司), Qingdao Haier Air-Conditioner Electronics Co., Ltd., Haier Smart Home Co., Ltd., Qingdao Haier Mold Co., Ltd., Qingdao Haier Tooling Development Co., Ltd., Qingdao Manniq Intelligent Technology Co., Ltd. (青島曼尼科智能科技有限公司), Qingdao Haier Air-Conditioner Co., Ltd. and Qingdao Haier Special Refrigerator Co., Ltd. respectively undertakes that based on the number of shares held by the Bank after the market close on the date of the registration of the rights issue, they will subscribe for the available placing shares in full by way of cash at a market-based price determined by the Bank and the underwriter in accordance with the plan of the rights issue.	29 December 2021	Please see the details of undertakings
	Qingdao Conson Industrial Co., Ltd., Qingdao Guoxin Capital Investment Co., Ltd. (青島國信資本投資有限公司)	Undertakings on subscription of the Bank's rights shares	Qingdao Conson Industrial Co., Ltd., Qingdao Guoxin Capital Investment Co., Ltd. (青島國信資本投資有限公司) respectively undertakes that they will subscribe in cash for all the offered rights shares to be determined in accordance with the Company's plan of the Rights Issue and to be allotted to it in proportion to the number of Shares held by it after the close of market on the registration date of the rights issue, at the price to be determined through consultation with underwriters.	29 December 2021	Please see the details of undertakings

Saved as mentioned, there were no other undertakings fulfilled during the Reporting Period and not fulfilled as at the end of the Reporting Period by the Bank, shareholders, related parties of the Bank or other parties involved in undertaking.

### II. APPROPRIATION OF THE LISTED COMPANY'S FUNDS BY THE CONTROLLING SHAREHOLDERS AND ITS RELATED PARTIES FOR NON-OPERATING PURPOSES

During the Reporting Period, there was no appropriation of funds of the Bank by the controlling shareholders and other related parties for non-operating purposes. The Bank's largest shareholder and its related parties were also not involved in the above situation.

### III. ILLEGAL EXTERNAL GUARANTEES

The Bank had no illegal external guarantees during the Reporting Period.

### IV. ENGAGEMENT OR DISMISSAL OF ACCOUNTING FIRMS

The financial reports in this interim report are unaudited. During the Reporting Period, the Bank did not change the accounting firm.

### V. MATTERS RELATED TO BANKRUPTCY AND REORGANIZATION

There was no matter related to bankruptcy and reorganization of the Bank during the Reporting Period.

### VI. LITIGATION

#### 6.1 Material litigation and arbitration

There was no material litigation and arbitration confronted by the Bank during the Reporting Period.

#### 6.2 Other litigation and arbitration

The Bank is involved in several litigations in the daily operation due to loan collection and other reasons. The Bank does not anticipate that these litigations will have a material adverse impact on our financial or operating results.

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## SECTION VI SIGNIFICANT EVENTS

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### VII. PUNISHMENT AND RECTIFICATION

As far as the Bank is aware, during the Reporting Period, none of the Bank and Directors, Supervisors or senior management of the Bank was investigated by competent authorities, imposed coercive measures according to laws, received criminal punishment, investigated or imposed administrative penalties by the CSRC, or imposed significant administrative penalties by other competent authorities, detained by the discipline inspection and supervision authority that prevented him/her from discharging duties, imposed coercive measures by other competent authorities that prevented him/her from discharging duties.

### VIII. CREDIBILITY OF THE BANK, ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

The Bank has no controlling shareholders or de facto controllers. During the Reporting Period, none of the largest shareholder of the Bank or its de facto controller failed to perform obligations determined by any effective court judgment or settle any significant debts that have fallen due.

### IX. RELATED PARTY TRANSACTIONS

#### 9.1 Related party transactions during the ordinary course of business

The Bank conducted related party transactions by strictly following the relevant regulations of the regulatory authorities and the Administrative Measures for the Related Party Transactions of Bank of Qingdao Co., Ltd. (《青島銀行股份有限公司關聯交易管理辦法》) and the Implementation Provisions of the Related Party Transactions of Bank of Qingdao Co., Ltd. (《青島銀行股份有限公司關聯交易管理實施細則》) formulated by the Bank.

According to the requirements of the CBIRC, the Bank reviews and approves related party transactions based on commercial principles and on terms no more favorable than 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 there is no negative impact on the operating results and financial position of the Bank. Among which, all credit-related related party transactions were conducted in accordance with relevant laws and regulations, credit granting conditions and the review procedures of the Bank, and the amount of all the loans was recovered normally with no non-performing loans.

## SECTION VI SIGNIFICANT EVENTS

According to the requirements of the CBIRC, during the Reporting Period, there were 5 proposals on material related party transactions approved by the Board, which were related party transactions with 4 related enterprises of Haier Group and BQD Financial Leasing. As at the end of the Reporting Period, the Bank's balance of credit-related significant related party transactions was RMB2,015 million, the details of which are as follows:

*Unit: RMB in 100 million*

<b>Name of related party</b>	<b>Type of business</b>	<b>Way of guarantee</b>	<b>Balance of credit-related significant related party transactions</b>	<b>Net credit after deducting margin</b>	<b>Percentage of the net capital as at the end of the reporting period</b>
Qingdao Haiyun Chuangzhi Business Development Co., Ltd. (青島海雲創智商業發展有限公司)	Loan	Mortgage	8.00	8.00	1.71%
BQD Financial Leasing Company Limited	Interbank borrowing	–	4.00	4.00	0.86%
Haier Financial Factoring (Chongqing) Co., Ltd. (海爾金融保理(重慶)有限公司)	Loan	Guarantee	3.67	3.67	0.79%
Qingdao Haichen Real Estate Development Co., Ltd. (青島海宸房地產開發有限公司)	Loan	Mortgage	2.69	2.69	0.58%
Haier Group Finance Co., Ltd.	Interbank bill credit	–	0.84	0.84	0.18%
Qingdao Haili Living Technology Co., Ltd. (青島海驪住居科技股份有限公司)	Commercial bill financing	Pledge	0.75	0.75	0.16%
Qingdao Haishanghai Commercial Operation Co., Ltd. (青島海尚海商業運營有限公司)	Loan	Mortgage	0.10	0.10	0.02%
Qingdao No.1 Courtyard Hotel Co., Ltd. (青島壹號院酒店有限公司)	Loan	Mortgage	0.10	0.10	0.02%

*Note:* According to the relevant requirements of the CBIRC, the proportion of the balance of credit-related significant related party transactions as set out in the above table to the net capital as at the end of the Reporting Period is calculated on the basis of the net capital of the parent company of the Bank.

According to the provisions of the CSRC and SZSE, the Bank has made a forecast of the daily related party transactions in 2022 and published the Announcement on Estimated Ordinary Related Party Transactions in 2022 (Announcement No.: 2022-017) on CNINFO website dated 23 March 2022. The related party transactions in the Reporting Period have not exceeded the forecast. The details are as follows:

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## SECTION VI SIGNIFICANT EVENTS

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- (1) Haier Group Corporation (海爾集團公司) and its related parties: The balance of credit-related transactions at the end of the Reporting Period was RMB1,940 million (including the balance of transactions between BQD Financial Leasing and the related parties of Haier Group of RMB325 million), and there were no non-credit related party transactions during the Reporting Period;
- (2) Intesa Sanpaolo S.p.A. and its related parties: There is no balance of credit-related transactions at the end of the Reporting Period; the actual amount of non-credit transactions during the Reporting Period was RMB11.7669 million;
- (3) Qingdao Conson Development (Group) Co., Ltd. and its related parties: The balance of credit-related transactions at the end of the Reporting Period was RMB151 million; the actual amount of non-credit transactions during the Reporting Period was RMB26.1496 million;
- (4) BQD Financial Leasing Company Limited: The balance of credit-related transactions at the end of the Reporting Period was RMB400 million, and there were no non-credit related party transactions during the Reporting Period;
- (5) Qingyin Wealth Management Company Limited: The actual amount of non-credit transactions during the Reporting Period was RMB203.9327 million;
- (6) Related natural persons: The balance of credit-related transactions at the end of the Reporting Period was RMB220 million, and the risk exposure was RMB220 million.

### **9.2 Related party transactions in connection with acquisition or sale of assets or equity interest**

There were no related party transactions of the Bank in connection with acquisition or sale of assets or equity interest during the Reporting Period.

### **9.3 Related party transactions in connection with joint external investment**

There were no related party transactions of the Bank in connection with joint external investment during the Reporting Period.

### **9.4 Related creditors' rights and debts transactions**

There were no non-operating related creditors' rights and debts transactions of the Bank during the Reporting Period.

### 9.5 Transactions with related financial companies

During the Reporting Period, there were no deposits, loans, credit grants or other financial business between the Bank and the financial companies that were related to the Bank. The facilities of RMB250 million granted by the Bank to Haier Group Finance Co., Ltd. was for holders of bank acceptance bills issued by Haier Group Finance Co., Ltd. to pledge and discount bank acceptance bills with the Bank. The Bank has no direct business with Haier Group Finance Co., Ltd.

### 9.6 Transactions with related parties and financial companies controlled by the Bank

The Bank does not control any financial companies.

### 9.7 Other significant related party transactions

There were no other significant related party transactions of the Bank during the Reporting Period.

## X. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF

### 10.1 Custody, contracting and leasing

There was no matter related to custody, contracting, and leasing of assets of other companies by the Bank, or matter related to custody, contracting, and leasing of assets of the Bank by other companies which occurred during the Reporting Period or in previous periods and carried over into the Reporting Period.

### 10.2 Significant guarantees

The guarantee business is in the ordinary course of the Bank. There was no significant guarantee matter out of the Bank's normal scope of business that needs to be disclosed during the Reporting Period.

### 10.3 Entrusted wealth management

The Bank did not have any entrusted wealth management out of its normal scope of business during the Reporting Period.

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## SECTION VI SIGNIFICANT EVENTS

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### 10.4 Major contracts of daily operation

The Bank did not sign any major contracts of daily operation that need to be disclosed during the Reporting Period.

### 10.5 Other material contracts

There were no other material contracts of the Bank during the Reporting Period.

## XI. OTHER MATTERS OF SIGNIFICANCE

### 11.1 Acquisition, merger and disposal of assets during the Reporting Period

During the Reporting Period, the Bank did not engage in any material acquisition, merger and disposal of assets.

### 11.2 Significant commitment and entrusted asset management

During the Reporting Period, save for commitment and entrusted asset management business within the scope of its normal business, the Bank did not have any other significant commitments and entrusted asset management that need to be disclosed. Please refer to the notes to the unaudited interim financial report of this interim report for the specific guarantee and commitments.

### 11.3 Publishing of interim report

This interim report prepared in both Chinese and English by the Company in accordance with the International Accounting Standards and Hong Kong Listing Rules is available at the HKEXnews website of the Hong Kong Stock Exchange and the website of the Bank. In case of any discrepancy in interpretation between the two versions, the Chinese version shall prevail. This interim report has been reviewed by the Audit Committee of the Board of Directors.

The half-yearly report in Chinese prepared by the Company in accordance with the Accounting Standards for Business Enterprises and the semi-annual report compilation rules is available at the website of SZSE and the website of the Bank.

## SECTION VI SIGNIFICANT EVENTS

### 11.4 Representation on compliance with the Hong Kong Listing Rules

The Bank has adopted the required standard set by the Model Code as the code of conduct for securities transactions by its Directors and Supervisors. Having made enquiries to all Directors and Supervisors, the Bank confirmed that they had complied with the Model Code during the Reporting Period.

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

### XII. MAJOR ISSUES OF THE BANK'S SUBSIDIARIES

During the Reporting Period, the Bank's subsidiaries had no major issues that need to be disclosed.

### XIII. RECEPTION OF ACTIVITIES SUCH AS SURVEYS, COMMUNICATIONS AND INTERVIEWS

Date of reception	Site of reception	Way of reception	Type of recipient	Recipient	Major discussion points and information provided	Index of the basic particulars of the survey
21 February 2022	Head office of the Bank	On-site survey	Institutions	Liao Zhiming, Shao Chunyu from China Merchants Securities, Zhang Jiasheng from Tenbagger Investment (拾貝投資)	They communicated on the Bank's corporate banking, retail banking, wealth management and other services. The Bank did not provide any information.	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website ( <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> ) dated 25 February 2022
22 February 2022	Head office of the Bank	Telephone communication	Institutions	Dai Zhifeng, Deng Meijun, Jia Jing, Yao Yubo from Zhongtai Securities, Jiang Zhaopeng from Southern Asset Management, Han Xue from Fullgoal Fund, Song Yue, Ding Jingjing from Wanjia Asset, Cui Bojian, Shi Guocai from CCB Fund, Xiao Yuchen from China Post Fund, Tang Ling from ICBCAXA, Yang Xue from Zhong Geng Fund, Han Yuefeng from Mingyuan Asset Management, Luo Jie from Guoxin Proprietary, Li Chuanpeng from Hotland Innovation, Qi Yuying from Evergrande Life, Lan Tian from Shengdian Technology, Qiu Boyuan from CoPower Capital	Exchanges on the asset quality, the structure of assets and liabilities and the green finance of the Bank, and the Bank did not provide relevant information.	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website ( <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> ) dated 25 February 2022

## SECTION VI SIGNIFICANT EVENTS

<u>Date of reception</u>	<u>Site of reception</u>	<u>Way of reception</u>	<u>Type of recipient</u>	<u>Recipient</u>	<u>Major discussion points and information provided</u>	<u>Index of the basic particulars of the survey</u>
23 February 2022	Head office of the Bank	Telephone communication	Institutions	Shen Juan, An Na, Feng Songyue from Huatai Securities, Wu Yingying from Yinhua Fund, Xie Weiwei from PICC Pension, Yuan Ye from AVIVA-COFCO, Hong Liu from Mighty Divine Investment Management	Exchanges on the business development progress of lease, wealth management and blue finance of the Bank, and the Bank did not provide relevant information.	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website ( <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> ) dated 25 February 2022.
24 February 2022	Head office of the Bank	Telephone communication	Institutions	Guo Qiwei, Liao Ziyuan, Liu Feiran, Xie Wenxu from TF Securities, Sun Siyi from China Securities Funds, Guo Yuze from Xinghe Fund, Yan Cheng from China Life Pension, Liang Weidong from Shenzhen Hongding Wealth Management, Zhang Yahui from Zhaoxin Asset Management, Huang Xianqing from Hangzhou Lequ Investment Management, Liu Hanlin, Lu Wenjing from ICBC Wealth Management, Chen Xueshi from Guosen Securities, Bi Jing from China Future Capital Management	Exchanges on the retail banking and the asset quality of the Bank, and the Bank did not provide relevant information.	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website ( <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> ) dated 25 February 2022.

## SECTION VI SIGNIFICANT EVENTS

Date of reception	Site of reception	Way of reception	Type of recipient	Recipient	Major discussion points and information provided	Index of the basic particulars of the survey
15 April 2022	Head office of the Bank	Telephone communication and online interaction	Institutions	Dai Zhifeng, Deng Meijun, Jia Jing and Ma Xiang from Zhongtai Securities, Wang Jian from Guosen Securities, Ni Jun from GF Securities, Shen Juan from Huatai Securities, Liao Zhiming from China Merchants Securities, Chen Shaoxing and Wang Xing from Industrial Securities, Jiang Zhongyu from Guotai Junan Securities, Chen Gong from Guosheng Securities, Cheng Si from Zheshang Securities, Li Lei from AMTD Group, Wang Bangyan from UBS Securities, Zhang Ying from CMB Wealth Management, Jiang Zhaopeng from China Southern Asset Management, etc., and all kinds of investors who participated in this performance conference through live webcast.	Exchanges on the 2021 performance and operating conditions of the Bank were conducted, and the Bank provided relevant presentations.	Please refer to the Investor Relations Activity Record Form and its attachments published by the Bank on CNINFO website ( <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> ) dated 19 April 2022

## SECTION VI SIGNIFICANT EVENTS

<u>Date of reception</u>	<u>Site of reception</u>	<u>Way of reception</u>	<u>Type of recipient</u>	<u>Recipient</u>	<u>Major discussion points and information provided</u>	<u>Index of the basic particulars of the survey</u>
20 May 2022	Head office of the Bank	Telephone communication	Institutions	Liao Zhiming, Shao Chunyu and Dai Tiantian from China Merchants Securities, Gu Baocheng from Hwabao Trust, Long Xiao from Southwest Securities, Zhang Jiawang from Dacheng Fund, Cui Bojian from CCB Principal Asset Management, Xu Dong from Taikang Pension, Fang Yishen from Zheshang Asset Management, Tian Faxiang from Taiping Fund Asset Management, Liu Wei from Ping An Asset Management, Zhang Yuxin from Taikang Asset Management, Zhao Jun from Shanghai Shangjin Investment Management and Liu Xuming from GH Shining Asset Management	Exchanges on the credit allocation, interest spread and interest margin, wealth management, etc. were conducted with the Bank, but the Bank did not provide relevant information.	Please refer to the Investor Relations Activity Record Form and its attachments published by the Bank on CNINFO website ( <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> ) dated 25 May 2022
15 June 2022	Head office of the Bank	Field research	Institutions	Mao Wei and Jiang Zhaopeng from China Southern Asset Management, Yu Yanling from Zhongtai Securities	Exchanges on the loan investment, customer base construction, capital planning, etc. were conducted with the Bank, but the Bank did not provide relevant information.	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website ( <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> ) dated 20 June 2022

## SECTION VI SIGNIFICANT EVENTS

Date of reception	Site of reception	Way of reception	Type of recipient	Recipient	Major discussion points and information provided	Index of the basic particulars of the survey
17 June 2022	Head office of the Bank	Telephone communication	Institutions	Lin Yuanyuan and Ding Huangshi from BOC Securities and CMB Wealth Management, asset management department of Ping An Securities, asset management department of China Merchants Securities, asset management department of Great Wall Securities, etc.	Exchanges on the asset and liability layout, inclusive financial business, financial technology, etc. were conducted with the Bank, but the Bank did not provide relevant information.	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website ( <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> ) dated 20 June 2022
23 June 2022	Head office of the Bank	Telephone communication	Institutions	Wang Yifeng and Dong Wenxin from Everbright Securities and China Life Pension, etc.	Exchanges on the wealth management, interest spread and interest margin, etc. were conducted with the Bank, but the Bank did not provide relevant information.	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website ( <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> ) dated 27 June 2022

## SECTION VII CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

### I. CHANGES IN SHAREHOLDINGS

#### 1.1 Changes in Shareholdings

Unit: share

Item	31 December 2021		Increase/decrease (+/-) during the Reporting Period					30 June 2022	
	Number of shares	Percentage %	New issue	Bonus issue	Conversion from reserves	Others	Sub-total	Number of shares	Percentage %
<b>I. Shares with selling restrictions</b>	2,141,602,419	47.49	-	-	-	-1,628,103,482	-1,628,103,482	<b>513,498,937</b>	<b>8.82</b>
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. Shares held by state- owned legal entities	680,564,147	15.09	-	-	-	-585,596,566	-585,596,566	<b>94,967,581</b>	<b>1.63</b>
3. Shares held by other domestic investors	1,461,038,272	32.40	-	-	-	-1,042,506,916	-1,042,506,916	<b>418,531,356</b>	<b>7.19</b>
Of which: Shares held by domestic non- state-owned legal entities	1,436,972,356	31.86	-	-	-	-1,021,653,160	-1,021,653,160	<b>415,319,196</b>	<b>7.14</b>
Shares held by domestic natural individuals	24,065,916	0.53	-	-	-	-20,853,756	-20,853,756	<b>3,212,160</b>	<b>0.06</b>
4. Shares held by foreign investors	-	-	-	-	-	-	-	-	-
Of which: Shares held by foreign legal entities	-	-	-	-	-	-	-	-	-
Shares held by foreign natural individuals	-	-	-	-	-	-	-	-	-
<b>II. Shares without selling restrictions</b>	2,368,087,581	52.51	1,310,664,724	-	-	1,628,103,482	2,938,768,206	<b>5,306,855,787</b>	<b>91.18</b>
1. RMB ordinary shares	605,052,601	13.42	781,754,230	-	-	1,628,103,482	2,409,857,712	<b>3,014,910,313</b>	<b>51.80</b>
2. Domestic listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	1,763,034,980	39.09	528,910,494	-	-	-	528,910,494	<b>2,291,945,474</b>	<b>39.38</b>
4. Others	-	-	-	-	-	-	-	-	-
<b>III. Total number of shares</b>	<b>4,509,690,000</b>	<b>100.00</b>	<b>1,310,664,724</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,310,664,724</b>	<b>5,820,354,724</b>	<b>100.00</b>

## SECTION VII CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

### Notes:

1. For the reasons for the Bank's change of the total number of shares and the approval of the change of shares during the Reporting Period, please refer to "I. CHANGES IN SHAREHOLDINGS 1.2 Changes of Shares with Selling Restrictions" and "II. SECURITIES ISSUANCE AND THE LISTING" in this section. The above changes in shares do not involve share transfer.
2. The Bank did not conduct share repurchase during the Reporting Period.
3. For the impact of the Bank's A+H rights issue on financial indicators, please refer to "Section II CORPORATE INFORMATION AND KEY FINANCIAL HIGHLIGHTS IV. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS".

### 1.2 Changes of Shares with Selling Restrictions

On 17 January 2022, a total of 1,631,288,859 shares in issue prior to the initial public offering of A shares were released. For details, please refer to the Indicative Announcement for the Listing and Circulation of Shares Issued Prior to the Initial Public Offering of A Shares which was published by the Bank on CNINFO website dated 13 January 2022 (Announcement No.: 2022-007).

Name of shareholders	Number of restricted shares at the beginning of the period	Number of restricted shares unlocked during the period	Number of restricted shares increased during the period	Number of restricted shares at the end of the period	Reason for the lock-up	Date of unlocking the restricted shares
Qingdao Conson Industrial Co., Ltd. (青島國信實業有限公司)	503,556,341	503,556,341	-	-	Pre-IPO shares subject to trading restrictions	17 January 2022
Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青島海爾空調電子有限公司)	218,692,010	218,692,010	-	-	Pre-IPO shares subject to trading restrictions	17 January 2022
Shandong Sanliyuan Economics and Trade Co., Ltd. (山東三利源經貿有限公司)	152,170,000	152,170,000	-	-	Pre-IPO shares subject to trading restrictions	17 January 2022
Haier Smart Home Co., Ltd. (海爾智家股份有限公司)	145,297,405	145,297,405	-	-	Pre-IPO shares subject to trading restrictions	17 January 2022
Qingdao Hai ren Investment Co., Ltd. (青島海仁投資有限責任公司)	133,910,000	133,910,000	-	-	Pre-IPO shares subject to trading restrictions	17 January 2022

## SECTION VII CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

Name of shareholders	Number of restricted shares at the beginning of the period	Number of restricted shares unlocked during the period	Number of restricted shares increased during the period	Number of restricted shares at the end of the period	Reason for the lock-up	Date of unlocking the restricted shares
Qingdao Jifa Group Co., Ltd. (青島即發集團股份有限公司)	90,936,164	90,936,164	-	-	Pre-IPO shares subject to trading restrictions	17 January 2022
Shanghai Jiacheng Investment Management Co., Ltd. (上海嘉誠投資管理有限公司)	77,276,328	77,276,328	-	-	Pre-IPO shares subject to trading restrictions	17 January 2022
Guosen Securities Company Limited (國信證券股份有限公司)	52,540,225	52,540,225	-	-	Pre-IPO shares subject to trading restrictions	17 January 2022
Qingdao Bright Mountain Industries Co., Ltd. (青島貝蒙特實業有限公司)	34,682,270	34,682,270	-	-	Pre-IPO shares subject to trading restrictions	17 January 2022
Qingjian Group Co., Ltd. (青建集團股份公司)	32,121,818	32,121,818	-	-	Pre-IPO shares subject to trading restrictions	17 January 2022
12 other legal entity shareholders	166,040,382	166,040,382	-	-	Pre-IPO shares subject to trading restrictions	17 January 2022
145 natural individual shareholders	24,065,916	24,065,916	-	-	Pre-IPO shares subject to trading restrictions	17 January 2022
Of which: Total 7 Directors, Supervisors and senior management <sup>1, 3</sup>	3,100,301	3,100,301	-	3,185,293	Pre-IPO shares subject to trading restrictions	17 January 2022
Total 110 other employee shareholders holding 50,000 shares or more <sup>2</sup>	20,763,589	20,763,589	-	-	Pre-IPO shares subject to trading restrictions	17 January 2022
Total 28 other natural individual shareholders	202,026	202,026	-	-	Pre-IPO shares subject to trading restrictions	17 January 2022
<b>Total</b>	<b>1,631,288,859</b>	<b>1,631,288,859</b>	<b>-</b>	<b>3,185,293</b>	<b>-</b>	<b>-</b>

## SECTION VII CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

### Notes:

1. In addition to the compliance with the Company Law, the Securities Law of the PRC and the regulations promulgated by the CSRC, the SZSE and China Securities Depository and Clearing Corporation Limited, Directors, Supervisors and senior management of the Bank will continue to, after this release of shares from trading restrictions, undertake that the number of shares in issue of the Bank prior to the listing of its A shares transferred by each of them through concentrated bidding, block trade and share transfer by agreement every year will not exceed 15% of the total number of shares of the Bank held by each of them, and the total number of shares transferred by each of them within 5 years shall not exceed 50% of the total number of shares of the Bank held by each of them.
2. Pursuant to the Notice on the Regulation of Internal Staff Shares in Financial Enterprises (Caijin [2010] No. 97) 《關於規範金融企業內部職工持股的通知》(財金[2010]97號), the individuals holding more than 50,000 shares of internal staff shares will continue to, after this release of shares from trading restrictions, undertake that the number of shares in issue of the Bank prior to the listing of its A shares available for sale every year shall not exceed 15% of the total number of the shares of the Bank held by each of them, and the number of shares available for sale within 5 years shall not exceed 50% of the total number of shares of the Bank held by each of them.
3. As the seven Directors, Supervisors and senior management involved in this release of trading restrictions made subscriptions for the Bank's shares under rights issue during the Reporting Period, the number of locked shares (i.e. restricted shares) held by them at the end of the Reporting Period exceeded the number of shares that have been released from trading restrictions for the period.

## II. SECURITIES ISSUANCE AND THE LISTING

Stock name	Issue date	Issue price	Issue volume (share)	Listing date	Approved number of shares for listing and dealing (share)	Ending date of transaction	Disclosure index	Disclosure date
A share	4 January 2022	RMB3.20 per share	781,754,230	28 January 2022	781,754,230	-	CNINFO website (www.cninfo.com.cn)	26 January 2022
H share	13 January 2022	HK\$3.92 per share	528,910,494	11 February 2022	528,910,494	-	HKEXnews website of the Stock Exchange (www.hkexnews.hk)	9 February 2022

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## SECTION VII CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

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In December 2021, the Bank obtained the Approval in Respect of the Rights Issue of Bank of Qingdao Co., Ltd. (Zheng Jian Xu Ke [2021] No. 3932) issued by CSRC. The Bank allotted three shares for every 10 shares to all A share shareholders at a price of RMB3.20 per share. 781,754,230 A rights shares were actually issued and were listed on 28 January 2022. The par value of each A rights share was RMB1, with the total par value of RMB781,754,230. On 29 December 2021, the closing price of A shares of the Bank was RMB4.68 per share, and the net amount of funds raised was RMB3.17 per share. For details, please refer to the the Changes in Shares under A Share Rights Issue and Listing Announcement of A Rights Shares (Announcement No.: 2022-011) dated 26 January 2022 published by the Bank on CNINFO website.

In December 2021, the Bank obtained the Approval in Respect of the Issuance of Overseas Listed Foreign Shares of Bank of Qingdao Co., Ltd. (Zheng Jian Xu Ke [2021] No. 3861) issued by CSRC. The Bank placed three shares for every 10 shares to all H share shareholders at the same price as the price of the A share rights issue, which is HK\$3.92 per share after exchange rate conversion. 528,910,494 H rights shares were actually issued and were listed on 11 February 2022. The par value of each H rights share was RMB1, with the total par value of RMB528,910,494. On 29 December 2021, the closing price of H shares of the Bank was HK\$4.43 per share, and the net amount of funds raised was HK\$3.87 per share. For details, please refer to the the Announcement on Results of H Share Rights Issue and Changes in Shares (Announcement No.: 2022-012) dated 9 February 2022 published by the Bank on CNINFO website and the announcement on results of H share rights issue published on the HKEXnews website of the Hong Kong Stock Exchange on the same day.

## SECTION VII CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

### III. NUMBER OF SHAREHOLDERS AND THEIR SHAREHOLDINGS IN THE BANK

Unit: share

Total number of ordinary shareholders at the end of the Reporting Period			70,584		Total number of preference shareholders whose voting rights were resumed at the end of the Reporting Period			–	
<b>Shareholdings of ordinary shareholders who hold more than 5% of the shares or shareholdings of the top ten ordinary shareholders</b>									
Name of shareholders	Nature of shareholders	Percentage of shareholding	Number of shares held as at the end of Reporting Period	Increase or decrease during the Reporting Period	Number of ordinary shares with selling restrictions held	Number of ordinary shares without selling restrictions held	Share pledged, marked or locked-up		
							Status of shares	Number of shares	
Hong Kong Securities Clearing Company Nominees Limited (香港中央結算(代理人)有限公司)	Overseas legal entity	21.87%	1,272,948,424	135,054,644	–	1,272,948,424	Unknown	Unknown	
Intesa Sanpaolo S.p.A. (意大利聯合聖保羅銀行)	Overseas legal entity	17.50%	1,018,562,076	393,808,096	–	1,018,562,076	–	–	
Qingdao Conson Industrial Co., Ltd. (青島國信實業有限公司)	State-owned legal entity	11.25%	654,623,243	151,066,902	–	654,623,243	–	–	
Qingdao Haier Industrial Development Co., Ltd. (青島海爾產業發展有限公司)	Domestic non-state-owned legal entity	9.15%	532,601,341	122,908,002	409,693,339	122,908,002	–	–	
Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青島海爾空調電子有限公司)	Domestic non-state-owned legal entity	4.88%	284,299,613	65,607,603	–	284,299,613	–	–	
Haier Smart Home Co., Ltd. (海爾智家股份有限公司)	Domestic non-state-owned legal entity	3.25%	188,886,626	43,589,221	–	188,886,626	–	–	
Qingdao Hairen Investment Co., Ltd. (青島海仁投資有限責任公司)	Domestic non-state-owned legal entity	2.99%	174,083,000	40,173,000	–	174,083,000	–	–	
Shandong Sanliyuan Economics and Trade Co., Ltd. (山東三利源經貿有限公司)	Domestic non-state-owned legal entity	2.61%	152,170,000	–	–	152,170,000	Pledged	151,600,000	
Qingdao Huatong State-owned Capital Operation (Group) Co., Ltd. (青島華通國有資本投資運營集團有限公司)	State-owned legal entity	2.12%	123,457,855	28,490,274	94,967,581	28,490,274	–	–	
Qingdao Jifa Group Co., Ltd. (青島即發集團股份有限公司)	Domestic non-state-owned legal entity	2.03%	118,217,013	27,280,849	–	118,217,013	–	–	
Strategic investors or general legal entities becoming one of the top ten ordinary shareholders of the Bank as a result of placing of new shares		N/A							

## SECTION VII CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

Description of the related relationships or acting in concert among the above shareholders	Qingdao Haier Industrial Development Co., Ltd., Qingdao Haier Air-Conditioner Electronics Co., Ltd. and Haier Smart Home Co., Ltd. are all under Haier Group. Among the abovementioned shareholders, the Bank is not aware of any other related relationships among other shareholders or whether they are parties acting in concert.
Description of the voting rights entrusted by the above shareholders, the voting rights the above shareholders are entrusted with, the voting the above shareholders abstained from	Among the abovementioned shareholders, Qingdao Haier Industrial Development Co., Ltd. and Qingdao Haier Air-Conditioner Electronics Co., Ltd. have entrusted Haier Smart Home Co., Ltd. to exercise the voting rights of the shareholders corresponding to their shares.
Special description of the existence of a specific repurchase account among the top ten shareholders	N/A

### Shareholdings of the top ten shareholders without selling restrictions

Name of shareholders	Number of ordinary shares held without selling restrictions as at the end of the Reporting Period	Types of shares	Number
Hong Kong Securities Clearing Company Nominees Limited (香港中央結算(代理人)有限公司)	1,272,948,424	Overseas listed foreign shares	1,272,948,424
Intesa Sanpaolo S.p.A. (意大利聯合聖保羅銀行)	1,018,562,076	Overseas listed foreign shares	1,018,562,076
Qingdao Conson Industrial Co., Ltd. (青島國信實業有限公司)	654,623,243	RMB ordinary shares	654,623,243
Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青島海爾空調電子有限公司)	284,299,613	RMB ordinary shares	284,299,613
Haier Smart Home Co., Ltd. (海爾智家股份有限公司)	188,886,626	RMB ordinary shares	188,886,626
Qingdao Hairen Investment Co., Ltd. (青島海仁投資有限責任公司)	174,083,000	RMB ordinary shares	174,083,000
Shandong Sanliyuan Economics and Trade Co., Ltd. (山東三利源經貿有限公司)	152,170,000	RMB ordinary shares	152,170,000
Qingdao Haier Industrial Development Co., Ltd. (青島海爾產業發展有限公司)	122,908,002	RMB ordinary shares	122,908,002
Qingdao Jifa Group Co., Ltd. (青島即發集團股份有限公司)	118,217,013	RMB ordinary shares	118,217,013
Guosen Securities Company Limited (國信證券股份有限公司)	68,302,292	RMB ordinary shares	68,302,292

## SECTION VII CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

Explanation on the related relationships or acting in concert among the top ten ordinary shareholders without selling restrictions and that between the top ten ordinary shareholders without selling restrictions and the top ten ordinary shareholders	Qingdao Haier Industrial Development Co., Ltd., Qingdao Haier Air-Conditioner Electronics Co., Ltd. and Haier Smart Home Co., Ltd. are all under Haier Group, and Qingdao Haier Industrial Development Co., Ltd. and Qingdao Haier Air-Conditioner Electronics Co., Ltd. have entrusted Haier Smart Home Co., Ltd. to exercise the voting rights of the shareholders corresponding to their shares. The Bank is not aware of any related relationships or acting in concert among the remaining top ten ordinary shareholders without selling restrictions and that between the remaining top ten ordinary shareholders without selling restrictions and the top ten ordinary shareholders.
Explanation on the margin trading and securities lending by top ten ordinary shareholders	The Bank is not aware of margin trading and securities lending by holder of shares in which Hong Kong Securities Clearing Company Nominees Limited acts as an agent. As at the end of the Reporting Period, top ten ordinary shareholders did not participate in margin trading and securities lending business and refinancing business.
Notes	<ol style="list-style-type: none"><li>1. Among the total number of ordinary shareholders as at the end of the Reporting Period, there are 70,431 A Share shareholders and 153 H Share registered shareholders;</li><li>2. The shares held by Hong Kong Securities Clearing Company Nominees Limited are the total number of shares in the Bank's H shareholders accounts traded on the trading platform of Hong Kong Securities Clearing Company Nominees Limited by it as an agent;</li><li>3. As at the end of the Reporting Period, Intesa Sanpaolo S.p.A., as a H Share registered shareholder of the Bank, held 1,015,380,976 H Shares, and the remaining 3,181,100 H Shares were agented to and under the name of Hong Kong Securities Clearing Company Nominees Limited. In this table, the agent shares have been deducted from the number of shares held by Hong Kong Securities Clearing Company Nominees Limited;</li><li>4. The top 10 ordinary shareholders and the top 10 ordinary shareholders without selling restrictions of the Bank did not conduct any transactions on agreed repurchases during the Reporting Period.</li></ol>

## SECTION VII CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

### IV. CHANGES IN SHAREHOLDING OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Status of office	Shareholding at the beginning of the Reporting Period (shares)	Increase of shareholding for the Reporting Period (shares)	Decrease of shareholding for the Reporting Period (shares)	Shareholding at the end of the Reporting Period (shares)	Restricted	Restricted	Restricted
							shares granted at the beginning of the Reporting Period (shares)	shares granted during the Reporting Period (shares)	shares granted at the end of the Reporting Period (shares)
TAN Lixia	Non-executive Director	Incumbent	375	112	-	487	-	-	-
WANG Lin	Executive Director, President	Incumbent	500,000	150,000	-	650,000	-	-	-
YANG Fengjiang	Chief Supervisor, Employee Supervisor	Incumbent	500,000	150,000	-	650,000	-	-	-
WANG Yu	Vice President	Incumbent	500,000	150,000	-	650,000	-	-	-
CHEN Shuang	Vice President	Incumbent	350,000	105,000	-	455,000	-	-	-
MENG Xianzheng	Employee Supervisor	Incumbent	370,301	111,090	-	481,391	-	-	-
GUO Shaoquan	Former Chairman, Former Executive Director	Resigned	500,000	150,000	-	650,000	-	-	-
LU Lan	Former Executive Director, Former Secretary to the Board	Resigned	380,000	114,000	-	494,000	-	-	-
Total	-	-	3,100,676	930,202	-	4,030,878	-	-	-

*Note:* Mr. GUO Shaoquan resigned as chairman and executive Director of the Bank on 8 June 2022; and Ms. LU Lan resigned as executive Director and secretary to the Board of the Bank on 8 August 2022.

## SECTION VII CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

So far as the Directors, Supervisors and chief executives of the Bank are aware, as of the date of publication of this interim report, the Directors, Supervisors and chief executives who had interests or short positions in the issued share capital, debentures or equity derivatives of the Bank which are required to be recorded in the register referred to in section 352 of the SFO, or interests or short positions which are required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code, are as follows:

Name of Director/ Supervisor/ chief executive	Type of shares	Capacity	Number of shares held	Percentage	Percentage	Long position/ Short position
				of the total number of ordinary shares <sup>Note</sup>	of the total number of A Shares <sup>Note</sup>	
TAN Lixia	A Shares	Beneficial owner	487	0.00001%	0.00001%	Long position
WANG Lin	A Shares	Beneficial owner	650,000	0.01%	0.02%	Long position
YANG Fengjiang	A Shares	Beneficial owner	650,000	0.01%	0.02%	Long position
MENG Xianzheng	A Shares	Beneficial owner	481,391	0.01%	0.01%	Long position

*Note:* The aforementioned percentages are calculated according to the total number of shares of 5,820,354,724 shares and the total number of A Shares of 3,528,409,250 shares of the Bank at the end of the Reporting Period.

Saved as mentioned, so far as the Directors, Supervisors and chief executives of the Bank are aware, as of the date of publication of this interim report, there was no other person who had any interests or short positions in the shares, debentures or equity derivatives of the Bank which are required to be recorded in the register referred to in section 352 of the SFO, or interests or short positions which are required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code.

### V. CHANGES IN CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

As at the end of the Reporting Period, there was no controlling shareholder or de facto controller of the Bank.

### VI. PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE BANK

During the Reporting Period, save as otherwise disclosed in this report, the Bank had not purchased, sold or redeemed any listed securities of the Bank.

### VII. SUBSTANTIAL SHAREHOLDERS OF THE BANK

#### 7.1 Shareholders holding more than 5% of the shares at ultimate controlling level

##### 1. *Haier Group Corporation*

Haier Group Corporation was established on 24 March 1980 with its legal representative of ZHOU Yunjie and a registered capital of RMB311.18 million. It is mainly engaged in technology development, technology consultation, technology transfer, and technology service; data processing; and is engaged in digital technology, intelligent technology, and software technology; research and development, sales and after-sale services of robot and automation equipment products; logistics information services; research, development and sales of smart home products and software technology of solution system; household appliances, electronic products, communications equipment, electronic computers and accessories, general machinery, kitchen utensils, industrial robot manufacturing; economic and technical consultation; research and development and transfer of technological achievements.

Haier Group is a world's leading provider of better life solutions. It is committed to working with the world's first-class ecological partners to continue building high-end brands, scenario-based brands and ecological brands, building an IoT ecosystem covering clothing, food, housing, transportation, health care, medical and education, etc., and customizing personalized smart life for global users.

As at the end of the Reporting Period, Haier Group Corporation held a total of 1,055,878,943 A Shares of the Bank via eight companies within the group, which accounted for 18.14% of the total ordinary share capital. The above shares were not pledged or frozen. These eight companies were persons acting in concert. The ultimate beneficiary of Haier Group Corporation is itself. Haier Group Corporation has declared to the Bank related parties in accordance with regulatory requirements. As at the end of the Reporting Period, the balance of the Bank's credit-related significant related party transactions<sup>2</sup> with Haier Group was RMB1,615 million. No non-credit-related significant related party transactions occurred during the Reporting Period.

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<sup>2</sup> *Note:* The data of related party transactions in this section was accounted under the caliber as required by the CBIRC.

**2. Intesa Sanpaolo S.p.A.**

Intesa Sanpaolo S.p.A. was established on 5 January 2007 (through merger of Banca Intesa S.p.A. (意大利聯合銀行) and Sanpaolo IMI S.p.A. (意大利聖保羅意米銀行)) with its legal representative of Gian Maria GROS-PIETRO and a registered capital of EUR10,369 million. Intesa Sanpaolo S.p.A. is a multi-national bank headquartered in Turin, Italy. It is one of the most prominent players of the Eurozone's banking industry as well as the industry-leader of Italy's retail banking, corporate banking business and wealth management businesses. Intesa Sanpaolo S.p.A. has a total of approximately 3,700 branches in Italy, providing 13.50 million customers with high-quality service. Intesa Sanpaolo S.p.A. has established a strategic international layout, including approximately 1,000 branches serving 7 million customers, commercial banking in 12 countries and an international and professional service network for corporate customers in 25 countries.

As at the end of the Reporting Period, Intesa Sanpaolo S.p.A. held 1,018,562,076 H shares of the Bank, which accounted for 17.50% of the total ordinary share capital. The above shares were not pledged or frozen. Intesa Sanpaolo S.p.A. has no controlling shareholders, no de facto controllers, no persons acting in concert, and its ultimate beneficiary is itself. Intesa Sanpaolo S.p.A. has declared to the Bank related parties in accordance with regulatory requirements. During the Reporting Period, there was no significant related party transaction between the Bank and Intesa Sanpaolo S.p.A.

**3. Qingdao Conson Development (Group) Co., Ltd. (青島國信發展(集團)有限責任公司)**

Qingdao Conson Development (Group) Co., Ltd. was established on 17 July 2008 with its legal representative of WANG Jianhui and a registered capital of RMB3 billion. It is mainly engaged in the investment, construction and operation of major urban and rural infrastructure projects, and major public welfare projects of the government; business services such as real estate, tourism and land development, as well as non-banking financial services.

Qingdao Conson Development (Group) Co., Ltd. is a wholly-state-owned company contributed by the State-owned Assets Supervision and Administration Commission of Qingdao Municipal Government on behalf of the Qingdao Municipal People's Government. Since its establishment, the group has followed the urban development strategy, undertaken the mission of urban development, and formed the primary business sectors of the modern ocean, integrated financial services, urban functionality development, urban operation and services, and has nine core tier-1 subsidiaries and one listed company. The Group has a domestic main credit rating of AAA and an international credit rating of BBB+ (Fitch) and has been assessed as an A-class enterprise by the Qingdao State-owned Assets Supervision and Administration Commission for many consecutive years.

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## SECTION VII CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

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As at the end of the Reporting Period, Qingdao Conson Development (Group) Co., Ltd. held a total of 872,471,173 shares of the Bank via three subsidiaries, including 654,623,893 A shares and 217,847,280 H shares, which together accounted for 14.99% of the total ordinary share capital. The above shares were not pledged or frozen. The controlling shareholder and the de facto controller of Qingdao Conson Development (Group) Co., Ltd. is the State-owned Assets Supervision and Administration Committee of the Qingdao Municipal People's Government. It has no persons acting in concert, and its ultimate beneficiary is itself. Qingdao Conson Development (Group) Co., Ltd. has declared to the Bank related parties in accordance with regulatory requirements. During the Reporting Period, there were no significant related transactions between the Bank and Qingdao Conson Group.

### 7.2 Other substantial shareholders under the regulatory caliber

Qingdao East Steel Tower Stock Co., Ltd. was established on 1 August 1996 with its legal representative of HAN Fangru and a registered capital of RMB1.244 billion. It is a company listed on the SZSE (stock code: 002545). It underwent restructuring in 2016 and was transformed into a listed company with dual main businesses in steel structure and potash fertilizer industry.

As at the end of the Reporting Period, Qingdao East Steel Tower Stock Co., Ltd. held 174,083,000 A Shares of the Bank via its subsidiary, Qingdao Hairan Investment Co., Ltd., accounting for 2.99% of the total ordinary share capital. The above shares were not pledged or frozen. Qingdao East Steel Tower Co., Ltd. accredited a supervisor to the Bank. Pursuant to the provisions of CBIRC, it is a substantial shareholder of the Bank. The controlling shareholder and de facto controller of Qingdao East Steel Tower Stock Co., Ltd. is HAN Huiru. It has no persons acting in concert, and its ultimate beneficiary is itself. Qingdao East Steel Tower Stock Co., Ltd. has declared to the Bank related parties in accordance with regulatory requirements. During the Reporting Period, there were no significant related party transactions between the Bank and Qingdao East Steel Tower Stock Co., Ltd.

## SECTION VII CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

### 8. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, in so far as the Directors, Supervisors and chief executives of the Bank were aware, substantial shareholders who had an interest or short position in the issued share capital of the Bank which are required to be recorded in the register to be kept under section 336 of the SFO or held an equity interest or short position of 5% or more in the issued share capital of the Bank which are required to be notified to the Bank are shown as below:

Name of shareholders	Notes	Type of		Number of shares held	Approximate percentage of the total share capital <sup>(9)</sup>	Approximate percentage of the total number of A shares <sup>(9)</sup>	Approximate percentage of the total number of H shares <sup>(9)</sup>	Long/short position
		shares	Capacity					
Haier Group Corporation (海爾集團公司)	1	A shares	Interest of controlled corporation	1,055,878,943	18.14	29.93	-	Long
Haier Kaaosi Co., Ltd. (海爾卡奧斯股份有限公司)	2	A shares	Interest of controlled corporation	532,601,341	9.15	15.09	-	Long
Qingdao Haier Industrial Development Co., Ltd. (青島海爾產業發展有限公司)	2	A shares	Beneficial owner	532,601,341	9.15	15.09	-	Long
Haier Smart Home Co., Ltd. (海爾智家股份有限公司)	-	A shares	Beneficial owner	188,886,626	3.25	5.35	-	Long
			Interest of controlled corporation	318,085,033	5.46	9.01	-	Long
Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青島海爾空調電子有限公司)	-	A shares	Beneficial owner	284,299,613	4.88	8.06	-	Long
Qingdao Conson Development (Group) Co., Ltd. (青島國信發展(集團)有限責任公司)	3	A shares	Interest of controlled corporation	654,623,893	11.25	18.55	-	Long
Qingdao Conson Industrial Co., Ltd. (青島國信實業有限公司)	3	A shares	Beneficial owner	654,623,243	11.25	18.55	-	Long
GE Shoujiao (葛守蛟)	4	A shares	Interest of controlled corporation	152,170,000	2.61	4.31	-	Long
LENG Qiyuan (冷啟媛)	4	A shares	Interest of controlled corporation	152,170,000	2.61	4.31	-	Long
Shandong Sanliyan Economics and Trade Co., Ltd. (山東三利源經貿有限公司)	4	A shares	Beneficial owner	152,170,000	2.61	4.31	-	Long
Intesa Sanpaolo S.p.A.	-	H shares	Beneficial owner	1,018,562,076	17.50	-	44.44	Long
AMTD Group Company Limited (尚乘集團有限公司)	5	H shares	Interest of controlled corporation	225,033,531	3.87	-	9.82	Long
AMTD Strategic Investment Limited	5	H shares	Beneficial owner	196,882,000	3.38	-	8.59	Long
AMTD Investment Solutions Group Limited	5	H shares	Beneficial owner	28,151,531	0.48	-	1.23	Long

## SECTION VII CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

Name of shareholders	Notes	Type of		Number of shares held	Approximate percentage of the total share capital <sup>(9)</sup>	Approximate percentage of the total number of A shares <sup>(9)</sup>	Approximate percentage of the total number of H shares <sup>(9)</sup>	Long/short position
		shares	Capacity					
Jinan Binhe New District Constructive Investment Group Co., Ltd. (濟南濱河新區建設投資集團有限公司)	-	H shares	Beneficial owner	200,000,000	3.44	-	8.73	Long
Qingdao Conson Development (Group) Co., Ltd. (青島國信發展(集團)有限責任公司)	6	H shares	Interest of controlled corporation	217,847,280	3.74	-	9.50	Long
Qingdao Conson Financial Holdings Co., Ltd. (青島國信金融控股有限公司)	6	H shares	Interest of controlled corporation	217,847,280	3.74	-	9.50	Long
Haitian (HK) Holdings Limited (海天(香港)控股有限公司)	6	H shares	Beneficial owner	217,847,280	3.74	-	9.50	Long
Goncius I Limited	-	H shares	Beneficial owner	488,911,765	8.40	-	21.33	Long
			Beneficial owner	488,911,765	8.40	-	21.33	Short
DBS Group Holdings Ltd	-	H shares	Interest of controlled corporation	214,583,374	3.69	-	9.36	Long
			Interest of controlled corporation	214,583,374	3.69	-	9.36	Short

### Notes:

- (1) 1,055,878,943 shares of the Bank are held by Haier Group Corporation via its directly or indirectly controlled companies.
- (2) These 1,055,878,943 shares are held as to 532,601,341 shares directly by Qingdao Haier Industrial Development Co., Ltd., which is 100% owned by Haier Kaosi Co., Ltd. Therefore, Haier Kaosi Co., Ltd. is deemed to be interested in all the shares of the Bank held by Qingdao Haier Industrial Development Co., Ltd.
- (3) Qingdao Conson Industrial Co., Ltd. is 100% owned by Qingdao Conson Development (Group) Co., Ltd. Therefore, Qingdao Conson Development (Group) Co., Ltd. is deemed to be interested in all the shares of the Bank held by Qingdao Conson Industrial Co., Ltd.
- (4) GE Shoujiao and LENG Qiyuan hold 55% and 45% equity interest in Shandong Sanliyuan Economics and Trade Co., Ltd. respectively. Therefore, GE Shoujiao and LENG Qiyuan are deemed to be interested in all the shares of the Bank held by Shandong Sanliyuan Economics and Trade Co., Ltd.

## SECTION VII CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

- (5) AMTD Strategic Investment Limited and AMTD Investment Solutions Group Limited hold 196,882,000 shares and 28,151,531 shares of the Bank respectively. AMTD Strategic Investment Limited and AMTD Investment Solutions Group Limited are controlled by AMTD Group Company Limited. Therefore, AMTD Group Company Limited is deemed to be interested in all the shares of the Bank held by AMTD Strategic Investment Limited and AMTD Investment Solutions Group Limited.

According to the disclosure of interests notices submitted by L.R. Capital Financial Holdings Limited, L.R. Capital MNP Limited and L.R. Capital Management Company (Cayman) Limited on 2 July 2020, L.R. Capital Financial Holdings Limited holds 61.57% interest in AMTD Group Company Limited, and L.R. Capital MNP Limited and L.R. Capital Management Company (Cayman) Limited indirectly holds interest in AMTD Group Company Limited through a controlled corporation. Therefore, L.R. Capital Financial Holdings Limited, L.R. Capital MNP Limited and L.R. Capital Management Company (Cayman) Limited are deemed to be interested in all the shares of the Bank then held by AMTD Strategic Investment Limited and AMTD Investment Solutions Group Limited at that time.

According to the disclosure of interests notices submitted by CM International Capital Limited, CM International Capital Limited (中民國際資本有限公司) and China Minsheng Investment Co., Ltd. (中國民生投資股份有限公司) on 21 September 2017, CM International Capital Limited holds 34.10% interest in L.R. Capital Financial Holdings Limited, CM International Capital Limited is 100% owned by CM International Capital Limited (中民國際資本有限公司), and CM International Capital Limited (中民國際資本有限公司) is 100% owned by China Minsheng Investment Co., Ltd. (中國民生投資股份有限公司). Therefore, CM International Capital Limited, CM International Capital Limited (中民國際資本有限公司) and China Minsheng Investment Co., Ltd. (中國民生投資股份有限公司) are deemed to be interested in all the shares of the Bank held by AMTD Strategic Investment Limited and AMTD Investment Solutions Group Limited (i.e. 401,800,000 H shares (long position) in the capacity of controlled corporation) at that time.

- (6) Haitian (HK) Holdings Limited holds 217,847,280 shares of the Bank and is wholly-owned by Qingdao Conson Financial Holdings Co., Ltd. which is 90.27% owned by Qingdao Conson Development (Group) Co., Ltd.
- (7) According to the disclosure of interests notices submitted by Ariana Capital Investment Limited on 30 June 2020, Ariana Capital Investment Limited was interested in 176,766,469 shares of the Bank directly held by it. As at the date of this interim report, no other disclosure of interests notices have been submitted by them.
- (8) Under Section 336 of the SFO, forms disclosing of interests shall be submitted by shareholders of the Bank upon satisfaction of certain conditions. Changes of shareholders' shareholdings in the Bank are not required to inform the Bank and the Hong Kong Stock Exchange, except for the satisfaction of certain conditions. Therefore, there could be difference between shareholders' latest shareholdings in the Bank and the shareholdings submitted to the Hong Kong Stock Exchange.
- (9) As at 30 June 2022, the number of the Bank's total issued ordinary shares, A shares and H shares are 5,820,354,724 shares, 3,528,409,250 shares and 2,291,945,474 shares, respectively.

As at 30 June 2022, save as disclosed above, in so far as the Directors, Supervisors and chief executives of the Bank are aware, there is no person who had an interest or short position in the shares, underlying shares or equity derivatives of the Bank which are required to be recorded in the register to be kept under section 336 of the SFO or held an equity interest or short position of 5% or more in the issued capital of the Bank which are required to be notified to the Bank.

## SECTION VIII PREFERENCE SHARES

### I. ISSUANCE AND LISTING OF PREFERENCE SHARES DURING THE REPORTING PERIOD

During the Reporting Period, the Bank had no issuance or listing of preference shares.

### II. NUMBER OF SHAREHOLDERS OF PREFERENCE SHARES AND THEIR SHAREHOLDINGS

*Unit: share*

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Total number of shareholders of preference shares as at the end of  
the Reporting Period 1

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#### Shareholding of shareholders holding more than 5% of the preference shares or top ten shareholders of preference shares

Name of shareholder	Nature of shareholder	Percentage of shareholding	Number of shares held as at the end of the Reporting Period	Increase or decrease during the Reporting Period	Share pledged or locked-up Status of shares	Number of shares
The Bank of New York Depository (Nominees) Limited	Overseas legal entity	100%	60,150,000	–	Unknown	Unknown

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Explanation on the different settings of other provisions other than dividend distribution and residual properties distribution in respect of preference shares held

Shareholders of preference shares of the Bank do not have different settings on other provisions other than dividend distribution and residual properties distribution

Explanation on the related relationships or persons acting in concert among the top 10 shareholders of preference shares and that between the top 10 shareholders of preference shares and the top 10 shareholders of ordinary shares

The Bank is not aware of any related party relationship or acting in concerted relationship between the above shareholders of preference shares and the top 10 shareholders of ordinary shares

### III. REDEMPTION OR CONVERSION OF PREFERENCE SHARES

During the Reporting Period, there was no redemption or conversion of offshore preference shares.

On 29 June 2022, the Board of the Bank considered and approved the resolution on the redemption of the offshore preference shares of Bank of Qingdao Co., Ltd. The Bank has received a reply letter from the CBIRC Qingdao Office, pursuant to which, the CBIRC Qingdao Office has agreed the redemption of the offshore preference shares by the Bank. The redemption date of the offshore preference shares of the Bank was 19 September 2022, Beijing time and time of delisting of the offshore preference shares was after 4:00 p.m. on 21 September 2022, Beijing time. As of the date of publication of this interim report, there were no offshore preference shares in issue of the Bank. For details, please refer to the announcement on Completion of Redemption dated 21 September 2022 which was published by the Bank on the HKEXnews website of the Hong Kong Stock Exchange.

### IV. RESUMPTION OR EXERCISE OF VOTING RIGHTS OF PREFERENCE SHARES

During the Reporting Period, there was no resumption or exercise of voting rights of offshore preference shares.

### V. ACCOUNTING POLICIES ADOPTED FOR PREFERENCE SHARES AND REASONS

The Company made accounting judgments over the preference shares then issued and outstanding in accordance with the relevant requirements of the accounting standards, including the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments and Accounting Standards for Business Enterprises No. 37 – Presentation and Reporting of Financial Instruments. As the Company's preference shares issued and outstanding carry no obligation to deliver cash and cash equivalents, nor have they any contractual obligations to deliver a variable number of its own equity instruments for settlement, they were therefore measured as other equity instruments.

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## SECTION IX EMPLOYEES AND INSTITUTIONS

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### I. EMPLOYEES AND HUMAN RESOURCES MANAGEMENT

#### 1.1 Details of Employees

Number of employees on the payroll of the parent company (persons)	4,448
Number of employees on the payroll of the major subsidiaries (persons)	126
Total number of employees on the payroll (persons)	4,574

#### Composition by profession

Composition by profession category	Number of composition by profession (persons)
Management personnel	345
Business personnel	3,487
General administrative personnel	742
Total	4,574

#### Education background

Education background category	Number (persons)
Master's degree or above	913
Bachelor's degree	3,193
College graduates or below	468
Total	4,574

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#### 1.2 Policy on Employee Remuneration

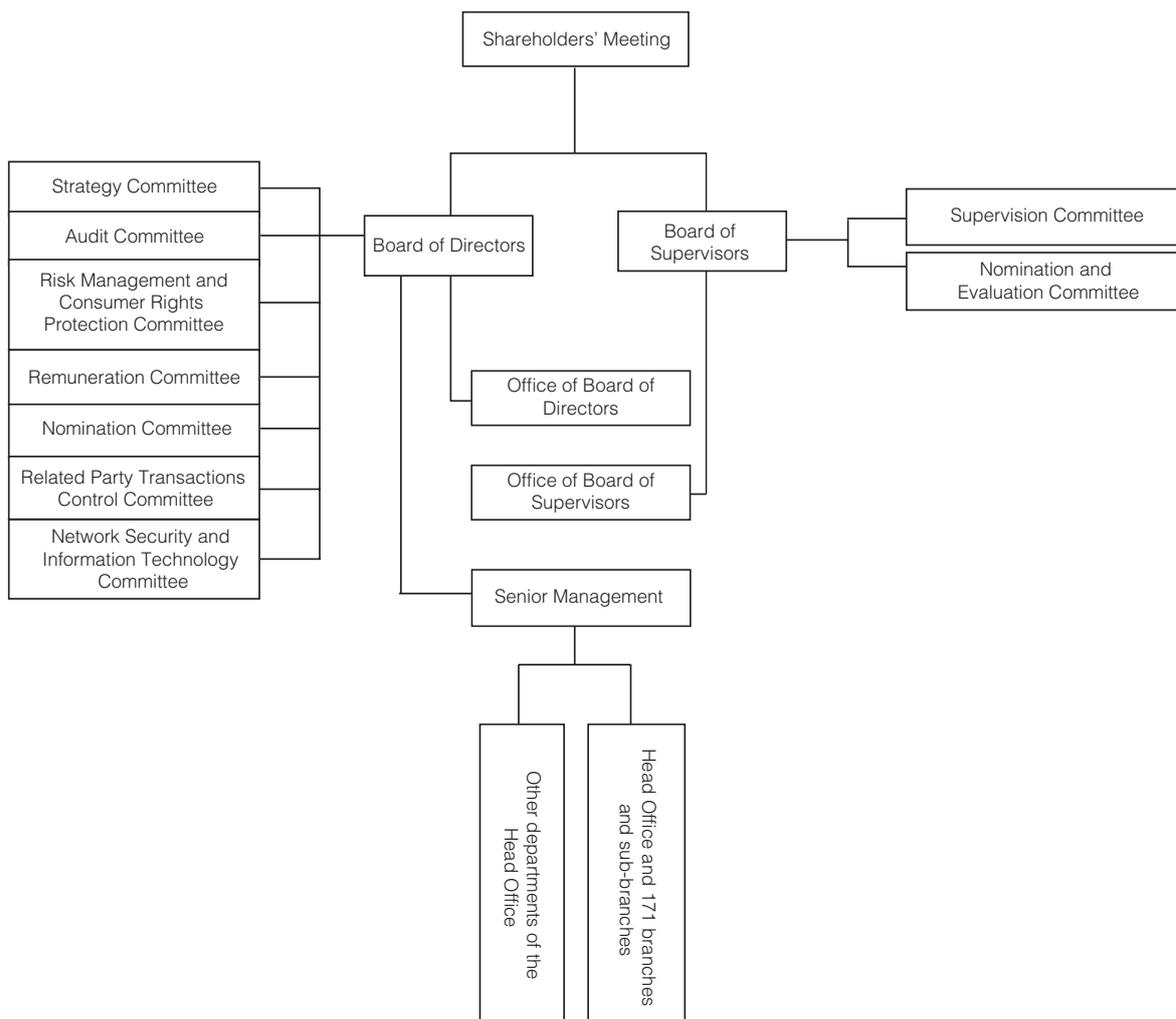
Currently, the Bank has established a market-oriented remuneration system that is based on a position-specific salary regime, under which employee remuneration is linked to the responsibilities, requirements and importance of the position and the results of performance appraisal. Under this remuneration system, remuneration is limited to the position and the performance of the employee. In order to improve the remuneration incentive and restraint mechanism and overcome short-term behavior in business management, the Bank has established a mechanism related to performance-based remuneration deferred payment and recovery in accordance with regulatory requirements and operational management needs. The formulation and implementation of the annual remuneration scheme of the Bank are determined in strict accordance with the annual salary budget approved by the Board of Directors.

The Bank has formulated scientific evaluation measures, and utilizes such measures as a guideline to optimize resources allocation, actively mobilize employees' initiatives, so as to enhance the Bank's overall efficiency. Employees' performance-based remuneration is decided based on the performance evaluation results of the whole Bank, the institutions or departments they work in and their own.

1.3 Training for Employees

According to the development strategy, based on the the current situation of training work and future development needs, and with the aim of building a multi-level and all-round staff capacity development and management system, the Bank is committed to creating a learning engine with the characteristics of BQD. During the Reporting Period, with a focus on the management of training materials, trainers and training, the Bank launched the “Strong Foundation Course” (強基課程), a project to improve the Bank’s basic capabilities, the “Starlight Project” (星光工程), a project for the competition among internal trainers to improve their teaching skills, and carried out the preparation of basic training materials, to continuously improve the integration of training materials, explore further training innovation and accelerate value transformation. The Bank also continuously enriched online training methods by leveraging digital training resources, and promoted the normalisation of online training in a bid to ensure the trainings to be organized orderly and to comprehensively facilitate the business development.

II. ORGANIZATIONAL STRUCTURE



## SECTION IX EMPLOYEES AND INSTITUTIONS

### III. BRANCHES AND SUB-BRANCHES

No.	Name of branch/sub-branch	Business address	Institutions under its administration	No. of staff (persons)	Total assets (RMB100 million)
1	In Qingdao	-	1 head office, 1 branch and 99 sub-branches	2,679	3,848.44
2	Jinan Branch	Building 6, Yinfeng Fortune Plaza, No. 1 Longaoxi Road, Lixia District, Jinan	10 sub-branches under it	304	203.72
3	Dongying Branch	No. 72 Fuqian Avenue, Dongying District, Dongying	6 sub-branches under it	166	70.27
4	Weihai Branch	No. 112, No. 3-4 Shichang Avenue, Weihai	8 sub-branches under it	193	223.66
5	Zibo Branch	No. 266 Liantong Road, Zhangdian District, Zibo	4 sub-branches under it	138	123.90
6	Dezhou Branch	No. 717 Dexing Middle Avenue, Decheng District, Dezhou	4 sub-branches under it	117	61.89
7	Zaozhuang Branch	No. 215 Qingtan North Road, Shizhong District, Zaozhuang	5 sub-branches under it	120	67.88
8	Yantai Branch	Hongyuan Business Building, No. 29 Jinshajiang Road, Development Zone, Yantai	5 sub-branches under it	154	149.54
9	Binzhou Branch	No. 471 Huanghe 8th Road, Bincheng District, Binzhou	2 sub-branches under it	68	66.07
10	Weifang Branch	No. 124, Building 7, No. 6636 Fushou East Street, Kuiwen District, Weifang	5 sub-branches under it	132	152.38
11	Laiwu Branch	No. 57, Wanfu North Road, Laiwu District, Jinan	1 sub-branch under it	56	18.35
12	Linyi Branch	Building 9, Hongxing International Plaza, Intersection of Jinan Road and Xiaohe Road, Beicheng New District, Linyi	3 sub-branches under it	99	66.07
13	Jining Branch	Welfare Lottery Building, No. 24 Hongxing Middle Road, Jining	2 sub-branches under it	72	101.11
14	Tai'an Branch	No. 237 Dongyue Street, Tai'an	1 sub-branch under it	66	27.29
15	Heze Branch	North side of East Gate of Jindu Huating, middle section of Renmin Road, Heze	-	37	20.80
16	Rizhao Branch	No.79 Tai'an Road, Qinlou Street, Donggang District, Rizhao	-	47	13.22

### **Review report to the board of directors of Bank of Qingdao Co., Ltd.**

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

#### **INTRODUCTION**

We have reviewed the interim financial report set out on pages 134 to 230 which comprises the consolidated statement of financial position of Bank of Qingdao Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Group") as of 30 June 2022 and the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

#### **SCOPE OF REVIEW**

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

#### **CONCLUSION**

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

#### **KPMG**

*Certified Public Accountants*

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

26 August 2022

## SECTION XI UNAUDITED INTERIM FINANCIAL REPORT

### UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

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

The notes on pages 144 to 230 form part of this interim financial report.

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

For the six months ended 30 June 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

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

The notes on pages 144 to 230 form part of this interim financial report.

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

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

The notes on pages 144 to 230 form part of this interim financial report.

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

\_\_\_\_\_  
**Jing Zailun**  
*Legal Representative*  
*(Chairman)*

\_\_\_\_\_  
**Wang Lin**  
*President*

\_\_\_\_\_  
**Chen Shuang**  
*Vice President in charge*  
*of finance function*

\_\_\_\_\_  
**Meng Dageng**  
*Chief Financial Officer*

(Company Stamp)

The notes on pages 144 to 230 form part of this interim financial report.

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

For the six months ended 30 June 2022

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

The notes on pages 144 to 230 form part of this interim financial report.

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

For the six months ended 30 June 2021

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

The notes on pages 144 to 230 form part of this interim financial report.

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

For the year ended 31 December 2021

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

The notes on pages 144 to 230 form part of this interim financial report.

## UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

*For the six months ended 30 June 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)*

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

The notes on pages 144 to 230 form part of this interim financial report.

## UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the six months ended 30 June 2022

(Expressed in thousands of Renminbi, unless otherwise stated)

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

The notes on pages 144 to 230 form part of this interim financial report.

## UNAUDITED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the six months ended 30 June 2022  
(Expressed in thousands of Renminbi, unless otherwise stated)

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

The notes on pages 144 to 230 form part of this interim financial report.

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# NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

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## 1 BACKGROUND INFORMATION

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

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

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

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

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

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

### (1) Basis of preparation

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

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### (2) Accounting judgements and estimates

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

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

#### (3) Changes in accounting policies

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

### 3 NET INTEREST INCOME

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4 NET FEE AND COMMISSION INCOME

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

### 5 NET TRADING GAINS/(LOSSES)

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

Notes:

- (i) Net gains/(losses) of foreign exchange and foreign exchange rate derivative financial instruments include gains or losses from the purchase and sale of foreign currency spot, foreign exchange derivative financial instruments, and translation of foreign currency monetary assets and liabilities into RMB, etc.
- (ii) Net gains/(losses) from debt securities mainly include gains or losses arising from the buying and selling of, and changes in the fair value of debt securities held for trading.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 6 NET GAINS ARISING FROM INVESTMENTS

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

### 7 OTHER OPERATING INCOME

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 8 OPERATING EXPENSES

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 9 CREDIT LOSSES

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

### 10 INCOME TAX EXPENSE

#### (1) *Income tax for the reporting period*

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 10 INCOME TAX EXPENSE (continued)

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

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

Note:

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 11 BASIC AND DILUTED EARNINGS PER SHARE

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

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

Note:

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

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 11 BASIC AND DILUTED EARNINGS PER SHARE (continued)

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

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

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

### 12 CASH AND DEPOSITS WITH CENTRAL BANK

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

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

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 13 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

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

### 14 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 15 DERIVATIVE FINANCIAL INSTRUMENTS

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

### 16 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

#### (1) Analysed by type and location of counterparty

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

#### (2) Analysed by type of security held

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 17 LOANS AND ADVANCES TO CUSTOMERS

#### (1) Analysed by nature

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 17 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

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

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

	30 June 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	549,497	471,151	16,143	1,995	1,038,786
Guaranteed loans	636,959	634,658	917,505	199,715	2,388,837
Loans secured by mortgages	291,171	144,623	97,916	40,928	574,638
Pledged loans	77,860	-	-	-	77,860
<b>Total</b>	<b>1,555,487</b>	<b>1,250,432</b>	<b>1,031,564</b>	<b>242,638</b>	<b>4,080,121</b>
As a percentage of gross loans and advances to customers	<b>0.59%</b>	<b>0.47%</b>	<b>0.39%</b>	<b>0.09%</b>	<b>1.54%</b>

	31 December 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	400,126	86,043	10,969	1,477	498,615
Guaranteed loans	398,106	360,450	798,749	160,503	1,717,808
Loans secured by mortgages	192,714	110,905	97,356	138,916	539,891
<b>Total</b>	<b>990,946</b>	<b>557,398</b>	<b>907,074</b>	<b>300,896</b>	<b>2,756,314</b>
As a percentage of gross loans and advances to customers	<b>0.41%</b>	<b>0.23%</b>	<b>0.37%</b>	<b>0.12%</b>	<b>1.13%</b>

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 17 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

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

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

	30 June 2022			Total
	12-month ECL	Lifetime ECL-not credit- impaired	Lifetime ECL- credit- impaired (Note (i))	
Gross loans and advances to customers measured at amortised cost (including accrued interest)	244,673,804	2,323,193	3,576,708	250,573,705
Less: Provision for impairment losses	(3,682,084)	(864,427)	(2,820,935)	(7,367,446)
Net loans and advances to customers measured at amortised cost	240,991,720	1,458,766	755,773	243,206,259
	31 December 2021			
	12-month ECL	Lifetime ECL-not credit- impaired	Lifetime ECL- credit- impaired (Note (i))	Total
Gross loans and advances to customers measured at amortised cost (including accrued interest)	221,484,002	2,544,940	3,365,869	227,394,811
Less: Provision for impairment losses	(3,159,298)	(603,867)	(2,663,172)	(6,426,337)
Net loans and advances to customers measured at amortised cost	218,324,704	1,941,073	702,697	220,968,474

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 17 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

	30 June 2022			Total
	12-month ECL	Lifetime ECL-not credit- impaired	Lifetime ECL- credit- impaired (Note (i))	
Gross/net loans and advances to customers at FVOCI	15,326,862	–	–	15,326,862
Provision for impairment losses through other comprehensive income	(18,102)	–	–	(18,102)
	31 December 2021			
	12-month ECL	Lifetime ECL-not credit- impaired	Lifetime ECL- credit- impaired (Note (i))	Total
Gross/net loans and advances to customers at FVOCI	17,640,224	–	–	17,640,224
Provision for impairment losses through other comprehensive income	(13,269)	–	–	(13,269)

Note:

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 17 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

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

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

	Six months ended 30 June 2022			
	12-month ECL	Lifetime ECL—not credit-impaired	Lifetime ECL—credit-impaired	Total
As at 1 January 2022	3,159,298	603,867	2,663,172	6,426,337
Transfer to				
– 12-month ECL	444	(434)	(10)	–
– Lifetime ECL				
– not credit-impaired loans	(110,459)	110,702	(243)	–
– credit-impaired loans	(36,330)	(256,412)	292,742	–
Charge for the period	669,131	406,704	464,254	1,540,089
Write-offs and transfer out	–	–	(606,467)	(606,467)
Recoveries of loans and advances written off	–	–	12,433	12,433
Other changes	–	–	(4,946)	(4,946)
As at 30 June 2022	3,682,084	864,427	2,820,935	7,367,446
		2021		
	12-month ECL	Lifetime ECL—not credit-impaired	Lifetime ECL—credit-impaired	Total
As at 1 January 2021	2,113,757	923,214	2,250,830	5,287,801
Transfer to				
– 12-month ECL	4,447	(4,435)	(12)	–
– Lifetime ECL				
– not credit-impaired loans	(53,236)	60,019	(6,783)	–
– credit-impaired loans	(27,721)	(1,077,196)	1,104,917	–
Charge for the year	1,122,051	702,265	1,287,225	3,111,541
Write-offs and transfer out	–	–	(2,496,161)	(2,496,161)
Recoveries of loans and advances written off	–	–	539,709	539,709
Other changes	–	–	(16,553)	(16,553)
As at 31 December 2021	3,159,298	603,867	2,663,172	6,426,337

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 17 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

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

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

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 19 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 19 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

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

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

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

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 19 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

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

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

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 20 FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 20 FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST (continued)

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

	Six months ended 30 June 2022			
	12-month ECL	Lifetime ECL-not credit- impaired	Lifetime ECL- credit- impaired	Total
As at 1 January 2022	298,990	516,032	432,800	1,247,822
Transfer to				
– 12-month ECL	6,324	(6,324)	–	–
– Lifetime ECL				
– not credit-impaired	(6,070)	6,070	–	–
– credit-impaired	–	(497,184)	497,184	–
(Release)/Charge for the period	(93,863)	24,212	447,754	378,103
As at 30 June 2022	205,381	42,806	1,377,738	1,625,925
	2021			
	12-month ECL	Lifetime ECL-not credit- impaired	Lifetime ECL- credit- impaired	Total
As at 1 January 2021	282,041	541,384	273,095	1,096,520
Transfer to				
– Lifetime ECL				
– not credit-impaired	(653)	653	–	–
– credit-impaired	–	(184,891)	184,891	–
Charge for the year	17,602	158,886	174,814	351,302
Others	–	–	(200,000)	(200,000)
As at 31 December 2021	298,990	516,032	432,800	1,247,822

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 21 INVESTMENT IN SUBSIDIARIES

	30 June 2022	31 December 2021
BQD Financial Leasing Company Limited	510,000	510,000
BQD Wealth Management Company Limited	1,000,000	1,000,000
<b>Total</b>	<b>1,510,000</b>	1,510,000

The subsidiaries are as follows:

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

Note:

- (i) BQD Financial Leasing Company Limited was co-established by the Bank, Qingdao Hanhe Cable Co., Ltd., Qingdao Port International Co., Ltd. and Qingdao Qianwan Container Terminal Co., Ltd. on 15 February 2017, with a registered capital of RMB1.00 billion.
- (ii) BQD Wealth Management Company Limited, a limited liability company wholly owned by the Bank, was established on 16 September 2020, with a registered capital of RMB1.00 billion.

### 22 LONG-TERM RECEIVABLES

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 22 LONG-TERM RECEIVABLES (continued)

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

	Six months ended 30 June 2022			
	12-month ECL	Lifetime ECL-not credit- impaired	Lifetime ECL- credit- impaired	Total
As at 1 January 2022	227,836	36,120	45,036	308,992
Transfer to				
– Lifetime ECL				
– non credit-impaired	(2,694)	2,694	–	–
– credit-impaired	–	(15,171)	15,171	–
Charge for the period	53,239	10,667	34,358	98,264
Others	–	–	1,662	1,662
As at 30 June 2022	278,381	34,310	96,227	408,918
	2021			
	12-month ECL	Lifetime ECL-not credit- impaired	Lifetime ECL- credit- impaired	Total
As at 1 January 2021	192,063	59,446	36,075	287,584
Transfer to				
– Lifetime ECL				
– not credit-impaired	(3,659)	3,659	–	–
– credit-impaired	–	(9,330)	9,330	–
Charge/(Release) for the year	39,432	(17,655)	64,695	86,472
Others	–	–	(65,064)	(65,064)
As at 31 December 2021	227,836	36,120	45,036	308,992

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 22 LONG-TERM RECEIVABLES (continued)

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

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

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

Note:

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 23 PROPERTY AND EQUIPMENT

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

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 23 PROPERTY AND EQUIPMENT (continued)

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

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

### 24 RIGHT-OF-USE ASSETS

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 25 DEFERRED INCOME TAX ASSETS

#### (1) Analysed by nature

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

#### (2) Analysed by movement

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

Notes:

- (i) Pursuant to the requirement issued by the local tax authority, tax obligations arise when the Group receives discounted bills. The deductible temporary difference, which arises from the interest income recognised in profit or loss using the effective interest method, forms deferred tax assets.
- (ii) Others mainly include supplementary retirement benefits accrued, provisions, and accumulated depreciation of right-of-use assets, which are deductible against taxable income when actual payment occurs.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 26 OTHER ASSETS

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

Notes:

- (i) As at 30 June 2022, the book value of the Group's interest receivable after deducting the provision for impairment is RMB49.59 million (31 December 2021: RMB12.78 million).
- (ii) As at 30 June 2022, the Group has no repossessed assets. As at 31 December 2021, repossessed assets of the Group mainly included premises, etc. The book value of the Group's repossessed assets is RMB29.44 million. The impairment provision for repossessed assets of the Group is RMB30.25 million.
- (iii) Mainly includes settlement receivable and other receivables.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 26 OTHER ASSETS (continued)

#### (1) Intangible assets

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

Intangible assets of the Group mainly include software.

#### (2) Interest receivable

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 27 BORROWINGS FROM CENTRAL BANK

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

### 28 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

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

### 29 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 30 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

#### (1) *Analysed by type and location of counterparty*

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

#### (2) *Analysed by types of collaterals*

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 31 DEPOSITS FROM CUSTOMERS

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

### 32 DEBT SECURITIES ISSUED

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 32 DEBT SECURITIES ISSUED (continued)

Notes:

- (i) Financial debts with fixed interest rates were issued by the Group. The details are as follows:
- (a) Ten-year tier-two capital bonds were issued with an interest rate of 5.00% per annum and with a nominal amount of RMB3.0 billion in June 2017. The debts will mature on 29 June 2027 with annual interest payments. The Group has an option to redeem the debts at the end of the fifth year at the nominal amount. The debts were redeemed on 29 June 2022. As at 31 December 2021, the fair value of the debts was RMB3.030 billion.
  - (b) Ten-year tier-two capital bonds were issued with an interest rate of 5.00% per annum and with a nominal amount of RMB2.0 billion in July 2017. The debts will mature on 14 July 2027 with annual interest payments. The Group has an option to redeem the debts at the end of the fifth year at the nominal amount. As at 30 June 2022, the fair value of the debts was RMB2.002 billion (31 December 2021: RMB2.022 billion).
  - (c) Three-year Financial Bonds were issued with an interest rate of 3.65% per annum and with a nominal amount of RMB3.0 billion in May 2019. The debts were redeemed on 22 May 2022 with annual interest payments. As at 31 December 2021, the fair value of the debts was RMB3.013 billion.
  - (d) Five-year Financial Bonds were issued with an interest rate of 3.98% per annum and with a nominal amount of RMB1.0 billion in May 2019. The debts will mature on 22 May 2024 with annual interest payments. As at 30 June 2022, the fair value of the debts was RMB1.023 billion (31 December 2021: RMB1.025 billion).
  - (e) Three-year Financial Bonds were issued with an interest rate of 3.70% per annum and with a nominal amount of RMB3.0 billion in May 2019. The debts were redeemed on 31 May 2022 with annual interest payments. As at 31 December 2021, the fair value of the debts was RMB3.014 billion.
  - (f) Five-year Financial Bonds were issued with an interest rate of 3.98% per annum and with a nominal amount of RMB1.0 billion in May 2019. The debts will mature on 31 May 2024 with annual interest payments. As at 30 June 2022, the fair value of the debts was RMB1.023 billion (31 December 2021: RMB1.025 billion).
  - (g) Three-year Small and Micro Enterprises Financial Bonds were issued with an interest rate of 3.45% per annum and with a nominal amount of RMB3.0 billion in December 2019. The debts will mature on 5 December 2022 with annual interest payments. As at 30 June 2022, the fair value of the debts was RMB3.018 billion (31 December 2021: RMB3.020 billion).
  - (h) Five-year Small and Micro Enterprises Financial Bonds were issued with an interest rate of 3.84% per annum and with a nominal amount of RMB1.0 billion in December 2019. The debts will mature on 5 December 2024 with annual interest payments. As at 30 June 2022, the fair value of the debts was RMB1.023 billion (31 December 2021: RMB1.026 billion).
  - (i) Three-year Small and Micro Enterprises Financial Bonds were issued with an interest rate of 3.42% per annum and with a nominal amount of RMB3.0 billion in December 2019. The debts will mature on 16 December 2022 with annual interest payments. As at 30 June 2022, the fair value of the debts was RMB3.019 billion (31 December 2021: RMB3.019 billion).
  - (j) Five-year Small and Micro Enterprises Financial Bonds were issued with an interest rate of 3.80% per annum and with a nominal amount of RMB1.0 billion in December 2019. The debts will mature on 16 December 2024 with annual interest payments. As at 30 June 2022, the fair value of the debts was RMB1.022 billion (31 December 2021: RMB1.025 billion).

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 32 DEBT SECURITIES ISSUED (continued)

- (k) Ten-year tier-two capital bonds were issued with an interest rate of 4.80% per annum and with a nominal amount of RMB4.0 billion in March 2021. The debts will mature on 24 March 2031 with annual interest payments. The Group has an option to redeem the debts at the end of the fifth year at the nominal amount. As at 30 June 2022, the fair value of the debts was RMB4.191 billion (31 December 2021: RMB4.185 billion).
- (l) Ten-year tier-two capital bonds were issued with an interest rate of 4.34% per annum and with a nominal amount of RMB2.0 billion in May 2021. The debts will mature on 28 May 2031 with annual interest payments. The Group has an option to redeem the debts at the end of the fifth year at the nominal amount. As at 30 June 2022, the fair value of the debts was RMB2.063 billion (31 December 2021: RMB2.057 billion).
- (ii) The Group issued a number of certificates of interbank deposit with duration between 1 month and 1 year. As at 30 June 2022 and 31 December 2021, the fair value of outstanding certificates of interbank deposit was RMB72.697 billion and RMB64.778 billion, respectively.

### 33 LEASE LIABILITIES

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 34 OTHER LIABILITIES

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

#### (1) Employee benefits payable

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

Note:

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

Early retirement plan

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

Supplementary retirement plan

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 34 OTHER LIABILITIES (continued)

#### (2) Taxes payable

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

#### (3) Expected credit loss on credit commitments

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

	Six months ended 30 June 2022			Total
	12-month ECL	Lifetime ECL-not credit- impaired	Lifetime ECL- credit- impaired	
As at 1 January 2022	129,789	7,652	–	137,441
Charge/(Release) for the period	28,663	(5,397)	–	23,266
As at 30 June 2022	158,452	2,255	–	160,707
	2021			
	12-month ECL	Lifetime ECL-not credit- impaired	Lifetime ECL- credit- impaired	Total
As at 1 January 2021	102,164	99	–	102,263
Transfer to				
– 12-month ECL	5	(5)	–	–
– Lifetime ECL				
– not credit-impaired loans	(1,078)	1,078	–	–
Charge for the year	28,698	6,480	–	35,178
As at 31 December 2021	129,789	7,652	–	137,441

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 35 SHARE CAPITAL

#### Authorised and issued share capital

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

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

### 36 PREFERENCE SHARES

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

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

#### (2) Main Clauses

##### (a) Dividend

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

##### (b) Conditions to distribution of dividends

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 36 PREFERENCE SHARES (continued)

(c) *Dividend stopper*

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

(d) *Order of distribution and liquidation method*

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

(e) *Mandatory conversion trigger events*

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

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

(f) *Redemption*

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

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

(g) *Dividend setting mechanism*

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 36 PREFERENCE SHARES (continued)

#### (3) Changes in preference shares outstanding

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

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

#### (4) Interests attribute to equity instruments' holders

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

### 37 RESERVES

#### (1) Capital reserve

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

#### (2) Surplus reserve

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 37 RESERVES (continued)

#### (3) General reserve

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

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

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

#### (4) Other comprehensive income

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 37 RESERVES (continued)

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

### 38 PROFIT APPROPRIATION

- (1) At the 2021 annual general meeting held on 10 May 2022, the shareholders approved the following profit appropriation for the year ended 31 December 2021:
- Appropriated RMB244 million to statutory surplus reserve;
  - Appropriated RMB429 million to general reserve;
  - Declared cash dividends to all ordinary shareholders of approximately RMB931 million representing RMB1.60 per 10 shares (including tax).
- (2) At the Bank's board of directors meeting held on 30 August 2021. According to the terms of issuance of the offshore preference shares and related authorization, the chairman, the president and the secretary to the board of directors of the Bank jointly signed the Decision on Full Distribution of Dividends of the Fourth Year on Offshore Preference Shares of Bank of Qingdao Co., Ltd. for overseas preference shares to be distributed amounts to USD73.5167 million (including tax), calculated at the initial annual dividend rate of 5.50% (after tax) before the first reset date pursuant to the terms and conditions of overseas preference shares. The dividend payment date is 23 September 2021, and the amount of dividend is equivalent to approximately RMB474 million (including tax).
- (3) At the 2020 annual general meeting held on 11 May 2021, the shareholders approved the following profit appropriation for the year ended 31 December 2020:
- Appropriated RMB233 million to statutory surplus reserve;
  - Appropriated RMB581 million to general reserve;
  - Declared cash dividends to all ordinary shareholders of approximately RMB812 million representing RMB1.80 per 10 shares (including tax).

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 39 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents:

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

### 40 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

#### (1) Relationship of related parties

##### (a) Major shareholders

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

Major shareholders' information

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 40 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

Changes in ordinary shares of the Bank held by major shareholders

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

Changes in registered capital of major shareholders

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

(b) *Subsidiaries of the Bank*

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

(c) *Other related parties*

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 40 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

#### (2) Related party transactions and balances

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

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 40 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 40 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

Notes:

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

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

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

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

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

- (iv) Bank acceptances with related parties

	<b>30 June 2022</b>	31 December 2021
Qingdao Hainayun Intelligent System Co.,Ltd.	–	9
<b>Total</b>	–	9

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 40 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

#### (b) Transactions with subsidiary

	30 June 2022	31 December 2021
Balances at the end of the period/year:		
On-balance sheet items:		
Deposits from banks and other financial institutions	801,850	974,828
Placements with banks and other financial institutions	401,778	–
	<b>Six months ended 30 June</b>	
	2022	2021
Transactions during the period:		
Interest income	1,778	–
Interest expense	2,846	2,089
Fee and commission income	105,481	9
Fee and commission expense	55,519	59,954
Other operating income	1,016	1,014

#### (3) Key management personnel

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

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

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

#### (4) Plan and transaction of annuity

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

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

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### 41 SEGMENT REPORTING

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

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

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

#### ***Corporate banking***

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

#### ***Retail banking***

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

#### ***Financial market business***

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

#### ***Un-allocated items and others***

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





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## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

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### 42 RISK MANAGEMENT

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

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

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

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

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

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

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

#### (1) **Credit risk**

##### (a) *Definition and scope*

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42 RISK MANAGEMENT (continued)

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

#### (b) Credit risk assessment method

##### Stage of financial instruments

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

The three risk stages are defined as follows:

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

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

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

##### Financial instruments that have low credit risk

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

##### Significant increases in credit risk

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

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

- Failure to make payments of principal or interest on their contractually due dates;
- An actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- An actual or expected significant deterioration in the operating results of the debtor; and
- Existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

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### 42 RISK MANAGEMENT (continued)

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

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

#### Definition of default

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

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

#### Credit impairment assessment

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

- significant financial difficulty of the borrower or issuer;
- A breach of contract, such as a default or delinquency in interest or principal payments for over 90 days;
- For economic or contractual reasons relating to the borrower's financial difficulty, the Group having granted to the borrower a concession that would not otherwise consider;
- It is probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

#### Measuring ECL – the parameters, assumptions and valuation techniques

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

- PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan.
- EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan.
- LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies due to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42 RISK MANAGEMENT (continued)

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

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

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

Forward-looking information included in the expected credit loss model

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

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

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

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

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

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### 42 RISK MANAGEMENT (continued)

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

#### Write-off policy

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

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

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

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

#### (d) *Collaterals and other credit enhancements*

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

- Real estate and land use rights
- Machinery and equipment
- Right to receive payments and accounts receivable
- Financial instruments such as time deposits, debt securities and equities

In order to minimise its credit risk, once an indication of impairment has been identified with an individual loan, the Group will seek additional collateral from counterparties/require additional guarantors or squeeze the credit limit. It is the Group's policy to dispose of repossessed assets in an orderly manner. In general, the Group does not occupy repossessed assets for business use.

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42 RISK MANAGEMENT (continued)

#### (e) Maximum credit risk exposure

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

#### The Group

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42 RISK MANAGEMENT (continued)

#### (f) Risk concentrations

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

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42 RISK MANAGEMENT (continued)

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

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

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42 RISK MANAGEMENT (continued)

(g) Analysis on the credit quality of financial instruments

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

#### The Group

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42 RISK MANAGEMENT (continued)

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

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

Note:

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

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

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### 42 RISK MANAGEMENT (continued)

#### (2) *Market risk*

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

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

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

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

#### (a) *Interest rate risk*

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

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42 RISK MANAGEMENT (continued)

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42 RISK MANAGEMENT (continued)

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

*Notes:*

- (i) For the Group's loans and advances to customers, the category "Less than three months" as at 30 June 2022 includes overdue loans and advances (net of provision for impairment losses) of RMB1.281 billion (31 December 2021: RMB805 million).
- (ii) Financial investments include financial investments measured at FVTPL, financial investments measured at FVOCI, financial investments measured at amortised cost.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42 RISK MANAGEMENT (continued)

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

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

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

- (i) All assets and liabilities that are repriced or mature within three months and after three months but within one year are repriced or mature at the beginning of the respective periods (i.e., all the assets and liabilities that are repriced or mature within three months are repriced or mature immediately, and all the assets and liabilities that are repriced or mature after three months but within one year are repriced or mature immediately after three months);
- (ii) There is a parallel shift in the yield curve and in interest rates; and
- (iii) There are no other changes to the portfolio and all positions will be retained and rolled over upon maturity.

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42 RISK MANAGEMENT (continued)

#### (b) Currency risk

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

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42 RISK MANAGEMENT (continued)

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

Note:

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42 RISK MANAGEMENT (continued)

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

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

- (i) the foreign exchange sensitivity is the gain or loss recognised as a result of 100 basis point fluctuation in the foreign currency exchange rates against RMB;
- (ii) the exchange rates against RMB for all foreign currencies change in the same direction simultaneously;
- (iii) the foreign exchange exposures calculated include both spot foreign exchange exposures, forward foreign exchange exposures and options, and all positions will be retained and rolled over upon maturity.

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

### (3) Liquidity risk

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

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

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42 RISK MANAGEMENT (continued)

#### (a) Maturity analysis

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42 RISK MANAGEMENT (continued)

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

#### Notes:

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42 RISK MANAGEMENT (continued)

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

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

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

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42 RISK MANAGEMENT (continued)

#### (c) Analysis on contractual undiscounted cash flows of derivatives

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

	30 June 2022							Contractual undiscounted cash flow
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Derivative cash flows:								
Derivative financial instruments settled on net basis	-	-	(1,656)	(3,867)	(2,480)	1,867	-	(6,136)
Derivative financial instruments settled on gross basis								
Including: Cash inflow	-	-	15,061	337,267	233,080	-	-	585,408
Cash outflow	-	-	(15,043)	(337,129)	(232,864)	-	-	(585,036)
	-	-	18	138	216	-	-	372
	31 December 2021							Contractual undiscounted cash flow
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Derivative cash flows:								
Derivative financial instruments settled on net basis	-	-	149	(939)	172	2,497	-	1,879
Derivative financial instruments settled on gross basis								
Including: Cash inflow	-	-	15,757	5,633	466,946	-	-	488,336
Cash outflow	-	-	(15,748)	(5,630)	(465,937)	-	-	(487,315)
	-	-	9	3	1,009	-	-	1,021

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

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### 42 RISK MANAGEMENT (continued)

#### (4) Operational risk

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

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

#### (5) Capital management

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

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42 RISK MANAGEMENT (continued)

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 43 FAIR VALUE

#### (1) *Methods and assumptions for measurement of fair value*

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

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

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

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

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

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

#### (a) *Debt securities investments*

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

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

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

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

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

#### (d) *Derivative financial instruments*

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 43 FAIR VALUE (continued)

#### (2) Financial instruments recorded at fair value

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

#### The Group

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 43 FAIR VALUE (continued)

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

Notes:

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 43 FAIR VALUE (continued)

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

#### The Group

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 43 FAIR VALUE (continued)

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

### (3) Level 2 of the fair value hierarchy

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

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

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### 43 FAIR VALUE (continued)

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

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

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

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

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

(iii) *Debt securities financial investments measured at amortised cost*

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

(iv) *Deposits from customers*

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

(v) *Debt securities issued*

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 43 FAIR VALUE (continued)

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

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 44 COMMITMENTS AND CONTINGENCIES

#### (1) Credit commitments

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

Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from its customers. The contractual amounts of credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

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

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

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

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

#### (2) Credit risk-weighted amount

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 44 COMMITMENTS AND CONTINGENCIES (continued)

#### (3) Capital commitments

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

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

#### (4) Outstanding litigations and disputes

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

#### (5) Bonds redemption obligations

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

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

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

#### (6) Pledged assets

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

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

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 45 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

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

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

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

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

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

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

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 45 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (continued)

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

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

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

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

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

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

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

### 46 TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

#### (1) *Repurchase transactions and securities lending transactions*

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

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

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### 46 TRANSFERRED FINANCIAL ASSETS (continued)

#### (2) *Asset securitization*

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

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

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

### 47 FIDUCIARY ACTIVITIES

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

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

### 48 SUBSEQUENT EVENTS

#### (1) *Issuance of undated capital bonds*

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

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

#### (2) *Redemption of tier-two capital bonds*

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

#### (3) *Redemption of preference shares*

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

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

## SECTION XII UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

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

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

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

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

#### (1) Liquidity coverage ratio

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

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

#### (2) Leverage ratio

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

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

#### (3) Net stable funding ratio

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

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

## SECTION XII UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 CURRENCY CONCENTRATIONS

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

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

## SECTION XII UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

### 3 INTERNATIONAL CLAIMS

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

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

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

	30 June 2022			
	Public sector entities	Banks and other financial institutions	Non-bank private sector	Total
– Asia Pacific	189,796	5,456,197	5,420,344	11,066,337
– of which attributed to Hong Kong	–	5,064,638	–	5,064,638
– North and South America	–	167,181	–	167,181
– Europe	–	5,608	–	5,608
	<b>189,796</b>	<b>5,628,986</b>	<b>5,420,344</b>	<b>11,239,126</b>
	31 December 2021			
	Public sector entities	Banks and other financial institutions	Non-bank private sector	Total
– Asia Pacific	495,354	9,593,288	7,837,804	17,926,446
– of which attributed to Hong Kong	–	4,986,197	–	4,986,197
– North and South America	–	558,692	–	558,692
– Europe	–	16,214	–	16,214
	495,354	10,168,194	7,837,804	18,501,352

## SECTION XII UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES TO CUSTOMERS

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