BQD 青岛银行

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

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

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

Announcement of Interim Results for the Six Months Ended 30 June 2020

The board of directors (the "**Board**") of Bank of Qingdao Co., Ltd. (the "**Bank**" or "**Bank of Qingdao**") is pleased to announce the unaudited interim results (the "**Interim Results**") of the Bank and its subsidiaries (the "**Company**") for the six months ended 30 June 2020 (the "**Reporting Period**") prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**"), and compliance with International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. The Board and its Audit Committee have reviewed and confirmed the Interim Results.

Unless otherwise specified, the currency of the amounts mentioned in this results announcement is Renminbi ("**RMB**").

1. CORPORATE BASIC INFORMATION

1.1 Corporate Basic Information

Legal name in Chinese:	青島銀行股份有限公司 (Abbreviation: 青島銀行)
Legal name in English:	BANK OF QINGDAO CO., LTD. (Abbreviation: BANK OF QINGDAO)
Legal representative:	Guo Shaoquan
Authorized representatives:	Guo Shaoquan, Lu Lan

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

1.2 Contact Persons and Contact Details

Secretary to the Board:	Lu Lan
Joint company secretaries:	Lu Lan, Yu Wing Sze
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Company website:	http://www.qdccb.com/

2. FINANCIAL HIGHLIGHTS

Item	January to June 2020	January to June 2019	Year-on-year change
Business performance (RMB'000)			**Change (%)**
Net interest income	**3,916,476**	3,144,543	24.55
Net non-interest income	**2,187,663**	1,390,025	57.38
Operating income	**6,104,139**	4,534,568	34.61
Operating expenses	**(1,456,874)**	(1,266,489)	15.03
Credit impairment losses	**(2,787,723)**	(1,428,195)	95.19
Profit before taxation	**1,859,542**	1,839,884	1.07
Net profit	**1,564,491**	1,466,129	6.71
Net profit attributable to shareholders of the Bank	**1,530,517**	1,438,462	6.40
Per share (RMB)			**Change (%)**
Basic earnings per share(1)	**0.34**	0.32	6.25
Diluted earnings per share(1)	**0.34**	0.32	6.25

Item	30 June 2020	31 December 2019	Change from the end of last year
Scale indicators (RMB'000)			**Change (%)**
Total assets(2)	**440,522,009**	373,622,150	17.91
Loans and advances to customers:			
Total loans to customers(2)	**202,801,470**	172,795,443	17.37
Add: Accrued interest	**819,081**	772,480	6.03
Less: Provision for impairment on loans and advances to customers measured at amortized cost	**(5,367,861)**	(4,409,632)	21.73
Loans and advances to customers	**198,252,690**	169,158,291	17.20
Provision for loan impairment	**(5,382,793)**	(4,422,549)	21.71
Of which: Impairment provision for loans and advances to customers at fair value through other comprehensive income	**(14,932)**	(12,917)	15.60
Total liabilities(2)	**409,596,859**	343,144,232	19.37
Deposits from customers:			
Total deposits from customers(2)	**263,770,974**	212,790,909	23.96
Add: Accrued interest	**3,000,389**	2,634,494	13.89
Deposits from customers	**266,771,363**	215,425,403	23.83

Item	30 June 2020	31 December 2019	Change from the end of last year
Scale indicators (RMB'000)			**Change (%)**
Share capital	**4,509,690**	4,509,690	–
Equity attributable to shareholders of the Bank	**30,328,718**	29,915,460	1.38
Equity attributable to shareholders	**30,925,150**	30,477,918	1.47
Net capital base	**38,182,206**	39,252,505	(2.73)
Of which: Net core tier-one capital	**22,682,116**	22,224,697	2.06
Other tier-one capital	**7,911,814**	7,901,623	0.13
Tier-two capital	**7,588,276**	9,126,185	(16.85)
Total risk-weighted assets	**279,038,666**	265,908,365	4.94
Per share (RMB/share)			**Change (%)**
Net assets per share attributable to shareholders of the Bank[3]	**4.98**	4.89	1.84

Item	January to June 2020	January to June 2019	Year-on-year change
Profitability indicators (%)			**Change**
Return on average total asset[4](annualized)	**0.77**	0.88	(0.11)
Weighted average return on net assets[1] (annualized)	**13.56**	13.49	0.07
Net interest spread[5] (annualized)	**2.08**	2.03	0.05
Net interest margin[6] (annualized)	**2.12**	2.06	0.06
Net fee and commission income to operating income	**18.33**	12.81	5.52
Cost-to-income ratio[7]	**22.72**	26.84	(4.12)

Item	30 June 2020	31 December 2019	Change from the end of last year
Asset quality indicators (%)			**Change**
Non-performing loan ratio	**1.63**	1.65	(0.02)
Provision coverage ratio	**163.00**	155.09	7.91
Loan provision ratio	**2.65**	2.56	0.09
Indicators of capital adequacy ratio (%)			**Change**
Core tier-one capital adequacy ratio[(8)]	**8.13**	8.36	(0.23)
Tier-one capital adequacy ratio[(8)]	**10.96**	11.33	(0.37)
Capital adequacy ratio[(8)]	**13.68**	14.76	(1.08)
Total equity to total assets ratio	**7.02**	8.16	(1.14)
Other indicators (%)			**Change**
Liquidity coverage ratio	**160.02**	142.27	17.75
Liquidity ratio	**76.83**	68.84	7.99

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 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 "4. Analysis of Major Items of the Statement of Financial Position in 3. Management Discussion and Analysis" of this results announcement.

(3) Net assets per share attributable to ordinary shareholders of the Bank = (equity attributable to shareholders of the Bank - other equity instruments)/the number of ordinary shares as at the end of the period.

(4) Return on average total assets = net profit/average balance of total assets at the beginning and at the end of the period, of which total assets at the beginning of 2019 is the balance after the adoption of International Financial Reporting Standard 16 Leases ("**IFRS 16**").

(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 interest-earning assets.

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

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

3. MANAGEMENT DISCUSSION AND ANALYSIS

1. Overview

In the first half of 2020, the novel coronavirus epidemic spread rapidly around the world and caused a severe global economic recession. China has taken stringent and effective prevention and control measures against the epidemic. Domestic industries have resumed operation and production steadily and domestic economic order has gradually recovered. The impact of the epidemic was short-term and has not disrupted the long-term trend of China's economy registering a stable performance with good momentum for growth. Meanwhile, the economy in Shandong Province and Qingdao showed an upward trend. As operation and production fully resume, production and normal life have been restored in Shandong Province and Qingdao and the fundamentals of economic development are strengthening. Shandong Province has facilitated "Stability in Six Areas" and "Six Priorities" and firmly implemented measures to boost consumption, enhance investments and stabilize foreign trade and investments, which have contributed to the gradual improvement of and a rebound in major economic indicators. Qingdao has also shown increasing positive changes, with its production and demand continuing to improve, local industries and service industries showing signs of recovery, the commercial and trade markets recovering, import and export maintaining steady growth, and total positive factors increasing.

2. Summary of Overall Operations

2.1 Status of Key Operational Indicators Achievements

(1) Total assets amounted to RMB440.522 billion, representing an increase of RMB66.900 billion or 17.91% as compared with that at the end of the previous year, achieving rapid growth;

(2) Total loans to customers amounted to RMB202.801 billion, representing an increase of RMB30.006 billion or 17.37% as compared with that at the end of the previous year, maintaining rapid growth;

(3) Total deposits from customers amounted to RMB263.771 billion, representing an increase of RMB50.980 billion or 23.96% as compared with that at the end of the previous year, achieving rapid growth, with the growth rate in the first half of the year hitting a new high since 2015;

(4) Operating income amounted to RMB6.104 billion, representing a year-on-year increase of RMB1.570 billion or 34.61%, maintaining rapid growth; net profit amounted to RMB1.564 billion, representing a year-on-year increase of RMB98 million or 6.71%;

(5) Non-performing loan ratio was 1.63%, representing a decrease of 0.02 percentage point as compared with that at the end of the previous year, with asset quality remaining basically stable; provision coverage ratio was 163.00%, representing an increase of 7.91 percentage points as compared with that at the end of the previous year, with improved ability to resist risks; capital adequacy ratio was 13.68%, representing a decrease of 1.08 percentage points as compared with that at the end of the previous year, which was mainly attributed to the faster business development of the Company, a considerable increase in risk-weighted assets and the exercise of the redemption option of tier-two capital bonds of RMB2.2 billion;

(6) Return on average total assets was 0.77%, representing a year-on-year decrease of 0.11 percentage point, which was mainly attributed to the Company's business development and the increase in the size of assets, and the rapid year-on-year growth in average total assets;

(7) Basic earnings per share was RMB0.34, representing a year-on-year increase of RMB0.02; weighted average return on net assets was 13.56%, representing a year-on-year increase of 0.07 percentage point, mainly due to the increase in net profit attributable to shareholders of the Bank.

2.2 Major Tasks of Operation and Management

(1) Demonstrate responsibility for helping take initiative to fight against the prevention and control of the outbreak of the COVID-19 pandemic. The Bank implemented the requirements of the Party Central Committee on "Stabilization of Six Aspects" and "Six Priorities" and took multiple measures to combat against the coronavirus. The Bank opened a green channel for payment and credit, ensured the efficient remittance of anti-coronavirus funds at all finance levels, and issued Qingdao's first anti-coronavirus loans and loans for resuming work and production. The Bank also launched a variety of inclusive financial products such as the "Shi Yi Loan* (食宜貸)" loan product and the "Anti-Coronavirus Discount* (抗疫貼)" discount product, while utilized relending and rediscounting and other low-cost policy funds to benefit enterprises. During the pandemic, the Bank invested a total of RMB8.026 billion special credit funds to support enterprises in fighting against the coronavirus and resuming work and production, cooperating with enterprises to overcome the difficulties. The Bank also made donations to affected areas and first-line medical staffs to demonstrate responsibility and commitment.

(2) Improve in both business and management, supporting deposits for breakthroughs. During the Reporting Period, the Bank activated the "Enhancement Plan 2.0- improvement on both business and management". With improving operational efficiency as its core task, the Bank carried out various management improvement measures by focusing on development empowered by technology, transformation in business approval and operational management optimization, and achieved high-quality development in the Bank's business. During the period of the enhancement activity, the Bank leveraged on the national counter-cyclical adjustment policies, grasped the window of development brought by the relatively abundant liquidity, and the balance of deposits broke through and stood firm at the RMB260 billion mark as at the end of the period, amounting to RMB263.771 billion, which increased by RMB50.980 billion within half a year, representing an increase of 23.96%.

(3) Accelerate update with remarkable results regarding the transformation into online retail. With non-cash and online being the trend in retail business, the number of active users and the transaction volume of the Bank's mobile banking services increased significantly, mobile banking has become the main area regarding our operations and customer services. The continuous optimization of virtual channels and the "APP + Outlet" interaction facilitated rapid growth in savings deposits. The Bank will continue its plan in new territories of retail development to ensure smooth promotion of agricultural aid businesses and community banking businesses.

(4) Coordinated by integration empowerment, wholesale business achieved key breakthroughs. During the Reporting Period, the Bank kept close eyes on bond issuance business opportunities by focusing on target clients in public finance and the "Two New and One Major (兩新一重)", being new infrastructure construction, new urbanization construction, transportation, water conservancy and other major construction projects, and by cross-line collaborations, bank-government-enterprise linkage, online-offline linkage, front-middle-back end linkage, and on balance sheet and off balance sheet linkage, the Bank achieved remarkable results. With various first implementations of business within the country and provinces, significant business qualifications regarding bonds and derivatives were approved. As the "dual-base strategy" and "network construction" progressed smoothly, the Company officially launched its line CRM system, corporate mobile banking, "Qing E-Payment" (青E繳) and others, continuously enhancing its wholesale business capability.

(5) The approval of Qingyin Wealth Management led to significant increase in the intermediary income from wealth management. During the Reporting Period, the Bank was approved to establish Qingyin Wealth Management, which is proposed to be established solely by the Bank. Qingyin Wealth Management is the first wealth management subsidiary of a city commercial bank approved in the north of the Yangtze River area and the sixth in the PRC. During the Reporting Period, based on the consolidation of the size of RMB100 billion, the balance of the Bank's wealth management business continued to grow steadily, the scale of wealth management assets surpassed RMB120 billion, and the intermediary income from wealth management business doubled year-on-year, showing remarkable effect on net-worth transformation.

(6) Utilizing financial technology to open up new vistas for smart banking. The first "5G + Ecosystem" smart bank in Shandong Province, being the Bank's flagship sub-branch entered its trial operation, which created good customer experiences and received positive feedback, establishing a promising start for the intelligent lobby transformation. 108 outlets of the Bank have opened up the smart outlet service model, effectively relieving pressure of counters and enhancing service quality and efficiency. The Bank focused on advancing the in-depth integration of new technologies and businesses such as 5G, big data and biometrics, and completed the construction of projects such as face recognition offline payment, and identity authentication system in mobile channels based on voiceprint recognition, to promote the Bank's smart banking services transformation.

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

3.1 Financial Performance Summary

During the Reporting Period, the Company's profit before taxation amounted to RMB1.860 billion, representing a year-on-year increase of RMB20 million or 1.07%; net profit amounted to RMB1.564 billion, representing a year-on-year increase of RMB98 million or 6.71%; and effective income tax rate was 15.87%, representing a year-on-year decrease of 4.45 percentage points, which was mainly due to the increase in tax-free income from the Company's central government bonds, local government bonds and 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 2020**	January to June 2019	**Change in amount**	**Change (%)**
Net interest income	**3,916,476**	3,144,543	771,933	24.55
Net fee and commission income	**1,118,788**	580,810	537,978	92.63
Net trading gains, net gains arising from investments and other operating income, net	**1,068,875**	809,215	259,660	32.09
Operating expenses	**(1,456,874)**	(1,266,489)	(190,385)	15.03
Credit impairment losses	**(2,787,723)**	(1,428,195)	(1,359,528)	95.19
Profit before taxation	**1,859,542**	1,839,884	19,658	1.07
Income tax	**(295,051)**	(373,755)	78,704	(21.06)
Net profit	**1,564,491**	1,466,129	98,362	6.71
Of which: Net profit attributable to shareholders of the Bank	**1,530,517**	1,438,462	92,055	6.40
Net profit attributable to non-controlling interests	**33,974**	27,667	6,307	22.80

3.2 Operating Income

During the Reporting Period, the Company's operating income amounted to RMB6.104 billion, representing a year-on-year increase of RMB1.570 billion or 34.61%, mainly due to the increase in the scale of the Company and the optimization of structure, maintaining a rapid increase in net interest income; wealth management and credit card businesses developed rapidly, resulting in the rapid growth in net fee and commission income. Among the operating income, net interest income accounted for 64.16%, representing a year-on-year decrease of 5.19 percentage points, and net fee and commission income accounted for 18.33%, representing a year-on-year increase of 5.52 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 2020**		January to June 2019		**Percentage changes (percentage point)**
	Amount	**Percentage (%)**	Amount	Percentage (%)	
Net interest income	**3,916,476**	**64.16**	3,144,543	69.35	(5.19)
Interest income	**8,220,426**	**134.67**	6,825,818	150.53	(15.86)
Among which: Loans and advances to customers	**4,915,647**	**80.53**	3,441,917	75.90	4.63
Financial investments	**2,636,940**	**43.20**	2,685,687	59.23	(16.03)
Deposits with banks and other financial institutions	**3,733**	**0.06**	8,670	0.19	(0.13)
Placements with banks and other financial institutions	**74,377**	**1.22**	142,484	3.14	(1.92)
Deposits with central bank	**173,372**	**2.84**	168,832	3.72	(0.88)
Financial assets held under resale agreements	**105,924**	**1.74**	133,225	2.94	(1.20)
Long-term receivables	**310,433**	**5.09**	245,003	5.40	(0.31)
Interest expense	**(4,303,950)**	**(70.51)**	(3,681,275)	(81.18)	10.67
Net non-interest income	**2,187,663**	**35.84**	1,390,025	30.65	5.19
Among which: Net fee and commission income	**1,118,788**	**18.33**	580,810	12.81	5.52
Other net non-interest income	**1,068,875**	**17.51**	809,215	17.85	(0.34)
Operating income	**6,104,139**	**100.00**	4,534,568	100.00	–

3.3 Net Interest Income

During the Reporting Period, the Company's net interest income amounted to RMB3.916 billion, representing a year-on-year increase of RMB772 million or 24.55%, mainly due to increase in the scale of the Company, the optimization of structure, the decrease in the cost rate of interbank and bond liabilities and the increase in net interest margin. The following table sets forth the average balance of interest-earning assets and interest-bearing liabilities items, interest income/expense and average yield/cost rate of the Company for the periods indicated. The average balances of interest-earning assets and interest-bearing liabilities represent the daily average balances.

Unit: RMB'000

	January to June 2020			January to June 2019		
Item	**Average balance**	**Interest income/ expense**	**Average yield/ cost rate**	Average balance	Interest income/ expense	Average yield/ cost rate
Interest-earning assets						
Loans and advances to customers	**190,112,744**	**4,915,647**	**5.20%**	137,694,343	3,441,917	5.04%
Financial investment	**125,590,006**	**2,636,940**	**4.22%**	117,755,709	2,685,687	4.60%
Deposits and placements with banks and other financial institutions (1)	**20,736,264**	**184,034**	**1.78%**	21,055,983	284,379	2.72%
Deposits with central bank	**24,063,776**	**173,372**	**1.45%**	22,209,675	168,832	1.53%
Long-term receivables	**10,789,667**	**310,433**	**5.79%**	8,590,242	245,003	5.75%
Total	**371,292,457**	**8,220,426**	**4.45%**	307,305,952	6,825,818	4.48%
Interest-bearing liabilities						
Borrowings form central bank	**6,374,878**	**92,296**	**2.91%**	11,081,843	172,514	3.14%
Deposits from customers	**227,844,871**	**2,290,323**	**2.02%**	176,323,940	1,591,835	1.82%
Deposits and placements from banks and other financial institutions (2)	**49,013,154**	**571,345**	**2.34%**	46,107,855	659,773	2.89%
Debt securities issued	**82,268,328**	**1,349,986**	**3.30%**	69,715,302	1,257,153	3.64%
Total	**365,501,231**	**4,303,950**	**2.37%**	303,228,940	3,681,275	2.45%
Net interest income	**/**	**3,916,476**	**/**	/	3,144,543	/
Net interest spread	**/**	**/**	**2.08%**	/	/	2.03%
Net interest margin	**/**	**/**	**2.12%**	/	/	2.06%

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 RMB371.292 billion, representing a year-on-year increase of RMB63.987 billion or 20.82%, mainly due to the Company's business development and the increase in loan size. Net interest spread was 2.08%, representing a year-on-year increase of 0.05 percentage point. Net interest margin was 2.12%, representing a year-on-year increase of 0.06 percentage point, mainly due to the continued promotion of the Company's structural adjustment and loans maintaining rapid growth. Finance costs of interbank and bond issuance decreased while the scale of liabilities increased.

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

Unit: RMB'000

	January to June 2020 vs. January to June 2019		
Item	**Due to volume**	**Due to rate**	**Net increase (decrease)**
Assets			
Loans and advances to customers	1,364,176	109,554	1,473,730
Financial investment	173,766	(222,513)	(48,747)
Deposits and placements with banks and other financial institutions	(1,923)	(98,422)	(100,345)
Deposits with central bank	13,375	(8,835)	4,540
Long-term receivables	63,721	1,709	65,430
Interest income changes	**1,613,115**	**(218,507)**	**1,394,608**
Liabilities			
Borrowings from central bank	(67,544)	(12,674)	(80,218)
Deposits from customers	523,128	175,360	698,488
Deposits and placements from banks and other financial institutions	37,676	(126,104)	(88,428)
Debt securities issued	210,701	(117,868)	92,833
Interest expense changes	**703,961**	**(81,286)**	**622,675**
Net interest income changes	**909,154**	**(137,221)**	**771,933**

3.4 *Interest Income*

During the Reporting Period, the Company's interest income was RMB8.220 billion, representing a year-on-year increase of RMB1.395 billion or 20.43%, mainly due to the increase in the Company's loan size. 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 RMB4.916 billion, representing a year-on-year increase of RMB1.474 billion or 42.82%, mainly due to the continuous expansion of the scale of credit supply by the Company under controllable risks. The following table sets forth the average balance, interest income and average yield of each component of the Company's loans and advances to customers for the periods indicated.

Unit: RMB'000

	January to June 2020			January to June 2019		
Item	**Average balance**	**Interest income**	**Average yield**	Average balance	Interest income	Average yield
Corporate loans	**124,338,086**	**3,317,073**	**5.36%**	83,599,410	2,127,391	5.13%
Personal loans	**57,726,866**	**1,470,654**	**5.12%**	43,305,566	1,102,518	5.13%
Discounted bills	**8,047,792**	**127,920**	**3.20%**	10,789,367	212,008	3.96%
Total	**190,112,744**	**4,915,647**	**5.20%**	137,694,343	3,441,917	5.04%

Interest income from financial investments

During the Reporting Period, the Company's interest income from financial investments was RMB2.637 billion, representing a year-on-year decrease of RMB49 million or 1.82%, mainly due to the fact that in the face of the lenient monetary policies in the first half of the year and the downward trend of the rate of return on investment, the Company moderately adjusted the investment scale to keep interest income from investments basically stable.

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 RMB184 million, representing a year-on-year decrease of RMB100 million or 35.29%, mainly attributable to the decline in interbank market interest rates and the Company's adjustment of capital allocation to reduce the scale of placements with banks and other financial institutions.

3.5 *Interest Expense*

During the Reporting Period, the Company's interest expenses amounted to RMB4.304 billion, representing a year-on-year increase of RMB623 million or 16.91%, mainly due to the satisfactory development of the Company's deposit business and the rapid growth of interest expenses on deposits. Interest expenses on deposits from customers and 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 RMB2.290 billion, representing a year-on-year increase of RMB698 million or 43.88%, mainly due to the expansion of the scale of the Company's deposit business and the rapid increase in interest expenses on deposits. The following table sets forth the average balance, interest expense and average cost rate of each component of the Company's deposits from customers for the periods indicated.

Unit: RMB'000

	January to June 2020			January to June 2019		
Item	**Average balance**	**Interest expense**	**Average cost rate**	Average balance	Interest expense	Average cost rate
Corporate deposits						
Demand	**82,887,495**	**340,811**	**0.83%**	68,776,120	257,471	0.75%
Time	**72,403,656**	**1,024,929**	**2.85%**	48,880,541	643,916	2.66%
Sub-total	**155,291,151**	**1,365,740**	**1.77%**	117,656,661	901,387	1.54%
Personal deposits						
Demand	**20,790,952**	**31,373**	**0.30%**	18,282,267	27,430	0.30%
Time	**51,762,768**	**893,210**	**3.47%**	40,385,012	663,018	3.31%
Sub-total	**72,553,720**	**924,583**	**2.56%**	58,667,279	690,448	2.37%
Total	**227,844,871**	**2,290,323**	**2.02%**	176,323,940	1,591,835	1.82%

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 RMB571 million, representing a year-on-year decrease of RMB88 million or 13.40%, mainly due to the decline in interbank market interest rates and the decrease in cost rate of deposits and placements from banks and other financial institutions.

Interest expense on debt securities issued

During the Reporting Period, the Company's interest expense on debt securities issued amounted to RMB1.350 billion, representing a year-on-year increase of RMB93 million or 7.38%, mainly due to the fact that the Company actively grasped the interest rate downward trend in bond markets and appropriately increased the issuance of bonds, resulting in a lower increase in interest expense on debt securities issued.

3.6 Net Non-interest Income

During the Reporting Period, the Company's net non-interest income was RMB2.188 billion, representing a year-on-year increase of RMB798 million or 57.38%, mainly due to an increase in net fee and commission income as a result of the rapid development of the Company's wealth management and credit card businesses. The following table sets forth the main components of the Company's net non-interest income for the periods indicated.

Unit: RMB'000

Item	**January to June 2020**	January to June 2019
Fee and commission income	**1,182,905**	614,082
Less: Fee and commission expense	**(64,117)**	(33,272)
Net fee and commission income	**1,118,788**	580,810
Net trading gains, net gains arising from investments and other operating income, net	**1,068,875**	809,215
Total net non-interest income	**2,187,663**	1,390,025

3.7 Net Fee and Commission Income

During the Reporting Period, the Company's net fee and commission income amounted to RMB1.119 billion, representing a year-on-year increase of RMB538 million or 92.63%, mainly due to an increase in fee and commission income as a result of the rapid development of the Company's wealth management and credit card businesses. 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 2020	January to June 2019
Fee and commission income	**1,182,905**	614,082
Of which: Wealth management service fees	**672,692**	318,278
Agency service fees	**227,747**	155,930
Custody and bank card service fees	**154,074**	37,535
Financial leasing fees	**92,729**	71,688
Settlement fees	**19,636**	17,798
Others	**16,027**	12,853
Less: Fee and commission expense	**(64,117)**	(33,272)
Net fee and commission income	**1,118,788**	580,810

During the Reporting Period, the Company's wealth management service fees amounted to RMB673 million, representing a year-on-year increase of RMB354 million or 111.35%, mainly due to the greater contribution to income from intermediary business resulting from increase in the Company's wealth management product scale; agency service fees amounted to RMB228 million, representing a year-on-year increase of RMB72 million or 46.06%, mainly due to an increase in commission fee from the sales agency business for trust products; custody and bank card service fees amounted to RMB154 million, representing a year-on-year increase of RMB117 million or 310.48%, mainly due to a continuous increase in relevant service fees income as a result of the rapid development of the credit card business.

3.8 Net Trading Gains, Net Gains Arising from Investments and Other Operating Income, Net

During the Reporting Period, the Company's net trading gains, net gains arising from investments and other operating income, net amounted to RMB1.069 billion, representing a year-on-year increase of RMB260 million or 32.09%, mainly due to the fact that the Company appropriately adjusted the investment scale by grasping the bond market trend, and income from financial investments at fair value through other comprehensive income increased and the impact of exchange rate fluctuations. The following table sets forth the main components of the Company's net trading gains, net gains arising from investments and other operating income, net for the periods indicated.

Unit: RMB'000

Item	**January to June 2020**	January to June 2019
Net trading gains	**130,994**	15,362
Net gains arising from investments	**909,014**	785,541
Other operating income, net	**28,867**	8,312
Total	**1,068,875**	809,215

3.9 Operating Expenses

During the Reporting Period, the Company's operating expenses amounted to RMB1.457 billion, representing a year-on-year increase of RMB190 million or 15.03%. In particular, staff costs increased by RMB113 million or 16.23% on a year-on-year basis, mainly due to business development and the increase in personnel. The following table sets forth the main components of the Company's operating expenses for the periods indicated.

Unit: RMB'000

Item	**January to June 2020**	January to June 2019
Staff costs	**809,949**	696,838
Property and equipment expenses	**270,774**	283,311
Tax and surcharges	**69,765**	49,349
Other general and administrative expenses	**306,386**	236,991
Total operating expenses	**1,456,874**	1,266,489

3.10 Credit Impairment Losses

During the Reporting Period, the Company's credit impairment losses amounted to RMB2.788 billion, representing a year-on-year increase of RMB1.36 billion or 95.19%. Credit impairment losses from loans and advances to customers constituted the largest component of the credit impairment losses. 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 2020**	January to June 2019
Deposits with banks and other financial institutions	**210**	51
Placements with banks and other financial institutions	**(10,126)**	(4,029)
Financial assets held under resale agreements	**7,456**	(122)
Loans and advances to customers	**1,944,777**	1,382,222
Financial investments measured at amortized cost	**735,614**	(75,701)
Financial investments at fair value through other comprehensive income	**(28,239)**	63,809
Long-term receivables	**134,237**	58,718
Credit commitments	**(2,015)**	(3,905)
Others	**5,809**	7,152
Total credit impairment losses	**2,787,723**	1,428,195

During the Reporting Period, credit impairment losses from loans and advances to customers amounted to RMB1.945 billion, representing a year-on-year increase of RMB563 million or 40.70%, mainly due to the fact that the Company appropriately increased provision for impairment in response to faster growth in loans and taking into consideration the increased uncertainty of the economic outlook due to the novel coronavirus epidemic, etc.

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

4.1 Assets

As at the end of the Reporting Period, the Company's total assets amounted to RMB440.522 billion, representing an increase of RMB66.9 billion or 17.91% as compared with that at the end of last 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 2020**		31 December 2019		**Change from the end of last year**		31 December 2018	
	Amount	**% of total**	Amount	% of total	**Change in amount (%)**	**Change in % of total**	Amount	% of total
Loans and advances to customers	**198,252,690**	**45.00**	169,158,291	45.28	17.20	(0.28)	123,366,891	38.84
Financial investments measured at amortized cost	**81,461,246**	**18.49**	64,491,058	17.26	26.31	1.23	70,032,056	22.05
Financial investments measured at fair value through other comprehensive income	**60,428,947**	**13.72**	54,973,781	14.71	9.92	(0.99)	53,002,751	16.69
Financial investments measured at fair value through profit or loss	**29,846,944**	**6.78**	22,912,561	6.13	30.26	0.65	22,361,816	7.04
Cash and deposits with central bank	**34,997,001**	**7.94**	39,704,840	10.63	(11.86)	(2.69)	29,554,430	9.30
Deposits with banks and other financial institutions	**2,142,587**	**0.49**	1,312,468	0.35	63.25	0.14	1,542,437	0.49
Placements with banks and other financial institutions	**1,139,412**	**0.26**	3,313,603	0.89	(65.61)	(0.63)	4,110,464	1.29
Derivative financial assets	**311,283**	**0.07**	12,436	–	2,403.08	0.07	–	–
Financial assets held under resale agreements	**13,608,775**	**3.09**	2,325,771	0.62	485.13	2.47	300,262	0.09
Long-term receivables	**11,003,918**	**2.50**	9,037,819	2.42	21.75	0.08	7,766,698	2.44
Property and equipment	**2,991,381**	**0.68**	3,048,813	0.82	(1.88)	(0.14)	3,124,355	0.98
Right-of-use assets	**822,081**	**0.19**	818,928	0.22	0.39	(0.03)	N/A	N/A
Deferred tax assets	**2,294,408**	**0.52**	1,581,905	0.42	45.04	0.10	1,152,778	0.36
Other assets	**1,221,336**	**0.27**	929,876	0.25	31.34	0.02	1,343,564	0.43
Total assets	**440,522,009**	**100.00**	373,622,150	100.00	17.91	–	317,658,502	100.00

4.1.1 Loans and advances to customers

As at the end of the Reporting Period, the Company's loans and advances to customers amounted to RMB198.253 billion, representing an increase of RMB29.094 billion or 17.20% as compared with that at the end of last year. During the Reporting Period, the Company implemented the national and local monetary policy guidelines, increased the financial support for the real economy and the support for funds needed for epidemic prevention and control, production and circulation, with loans maintaining rapid growth. The following table sets forth the components of the loans and advances to customers of the Company by product type as at the dates indicated.

Unit: RMB'000

	30 June 2020		31 December 2019		**Change from the end of last year**		31 December 2018	
Item	**Amount**	**% of total**	Amount	% of total	**Change in amount (%)**	**Change in % of total**	Amount	% of total
Corporate loans	**131,984,603**	**65.08**	112,036,804	64.83	17.80	0.25	78,264,271	61.92
Personal loans	**61,452,694**	**30.30**	54,508,817	31.55	12.74	(1.25)	41,349,974	32.72
Discounted bills	**9,364,173**	**4.62**	6,249,822	3.62	49.83	1.00	6,772,625	5.36
Total customer loans	**202,801,470**	**100.00**	172,795,443	100.00	17.37	–	126,386,870	100.00
Add: Accrued interest	**819,081**	/	772,480	/	6.03	/	521,250	/
Less: Provision for impairment on loans and advances to customers measured at amortized cost	**(5,367,861)**	/	(4,409,632)	/	21.73	/	(3,541,229)	/
Loans and advances to customers	**198,252,690**	/	169,158,291	/	17.20	/	123,366,891	/

Corporate loans

As of the end of the Reporting Period, the Company's corporate loans amounted to RMB131.985 billion, representing an increase of RMB19.948 billion or 17.80% as compared with that at the end of last year, and accounted for 65.08% of the total loans and advances to customers (excluding accrued interest, the same hereinafter). During the Reporting Period, the Company continued to strengthen the support for the real economy and promptly adjust credit policies to exercise all efforts in credit support for prevention and control of the pandemic and enterprise's resumption of work and production.

Personal loans

As at the end of the Reporting Period, the Company's personal loans amounted to RMB61.453 billion, representing an increase of RMB6.944 billion or 12.74% as compared with that at the end of last year, and accounted for 30.30% of the total loans and advances to customers. During the Reporting Period, the Company actively supported the needs of individual businesses and small and micro enterprises for funds to resume operation and production, and personal business loans grew rapidly. Meanwhile, the credit card business developed rapidly, with a rapid increase in the overdraft balance.

Discounted bills

As at the end of the Reporting Period, the Company's discounted bills amounted to RMB9.364 billion, representing an increase of RMB3.114 billion or 49.83% as compared with that at the end of last year, and accounted for 4.62% of the total loans and advances to customers. During the Reporting Period, the Company promptly launched the "Anti-Coronavirus Discount (抗疫貼)" bill product that focused on supporting anti-epidemic enterprises and supporting enterprises to resume operation and production, and responded to the policy of the People's Bank of China to develop the rediscount business, thereby promoting discounted bills for small and micro private enterprises to benefit corporate entities.

4.1.2 Financial investments

As at the end of the Reporting Period, the Company's carrying value of financial investments amounted to RMB171.737 billion, representing an increase of RMB29.360 billion or 20.62% as compared with that at the end of last year. The following table sets forth the components of the Company's financial investment portfolio as at the dates indicated.

Unit: RMB'000

	30 June 2020		31 December 2019	
Item	**Amount**	**% of total**	Amount	% of total
Financial investments measured at fair value through profit or loss	**29,846,944**	**17.38**	22,912,561	16.09
Financial investments measured at fair value through other comprehensive income	**60,428,947**	**35.19**	54,973,781	38.61
Financial investments measured at amortized cost	**81,461,246**	**47.43**	64,491,058	45.30
Financial investments	**171,737,137**	**100.00**	142,377,400	100.00

Financial investments measured at fair value through profit or loss

As at the end of the Reporting Period, the Company's carrying value of financial investments measured at fair value through profit or loss amounted to RMB29.847 billion, representing an increase of RMB6.934 billion or 30.26% as compared with that at the end of last year. The increase was mainly due to the Company's increased investment in public bond funds with stronger liquidity. The following table sets forth the components of the Company's financial investments measured at fair value through profit or loss as at the dates indicated.

Unit: RMB'000

Item	**30 June 2020**	31 December 2019
Debt securities issued by banks and other financial institutions	**687,126**	676,304
Debt securities issued by corporate entities	**173,271**	124,557
Investment funds	**16,067,216**	9,008,256
Asset management plans	**10,729,142**	9,240,047
Trust fund plans	**2,190,189**	2,829,424
Wealth management products	**–**	1,033,973
Financial investments measured at fair value through profit or loss	**29,846,944**	22,912,561

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 RMB60.429 billion, representing an increase of RMB5.455 billion or 9.92% as compared with that at the end of last year. The increase was mainly due to the fact that guided by supporting the real economy, the Company adjusted its investment structure and increased investment in non-financial corporate bonds. The following table sets forth the components of the Company's financial investment measured at fair value through other comprehensive income as at the dates indicated.

Unit: RMB'000

Item	**30 June 2020**	31 December 2019
Government bonds	**13,834,048**	12,412,488
Debt securities issued by policy banks	**4,757,291**	4,776,962
Debt securities issued by banks and other financial institutions	**6,070,346**	8,027,292
Debt securities issued by corporate entities	**27,146,483**	20,848,475
Asset management plans	**6,914,230**	7,128,140
Other investments	**707,810**	705,543
Equity investments	**23,250**	23,250
Add: Accrued interest	**975,489**	1,051,631
Financial investments measured at fair value through other comprehensive income	**60,428,947**	54,973,781

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 RMB81.461 billion, representing an increase of RMB16.970 billion or 26.31% as compared with that at the end of last year. The increase was mainly due to the fact that the Company strengthened market research and judgment, avoided market risks and increased its investment in bonds and certificates of interbank deposit measured at amortized cost under the background of greater fluctuations in the bond market in the first half of the year. The following table sets forth the components of the Company's financial investments measured at amortized cost as at the dates indicated.

Unit: RMB'000

Item	**30 June 2020**	31 December 2019
Debt securities issued by government	**25,062,708**	11,196,072
Debt securities issued by policy banks	**12,392,365**	13,143,054
Debt securities issued by banks and other financial institutions	**19,730,569**	11,288,474
Debt securities issued by corporate entities	**2,113,759**	2,475,729
Asset management plans	**12,695,872**	16,285,720
Trust fund plans	**2,640,700**	5,052,516
Other investments	**6,730,000**	4,800,000
Total financial investments measured at amortized cost	**81,365,973**	64,241,565
Add: Accrued interest	**1,000,173**	1,118,779
Less: Provision for impairment losses	**(904,900)**	(869,286)
Carrying value of financial investments measured at amortized cost	**81,461,246**	64,491,058

Investment in securities

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

Unit: RMB'000

Type of securities	**Amount of investment in securities**	**Proportion of investment in securities**
Debt securities issued by government	38,896,756	34.73%
Debt securities issued by policy banks	17,149,656	15.32%
Debt securities issued by banks and other financial institutions	26,488,041	23.66%
Debt securities issued by corporate entities	29,433,513	26.29%
Total	111,967,966	100.00%

Set out below are the top ten 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 securities	Type of securities	Code	Amount held	Initial investment amount	Market value at the end of the period	% of total investment (%)	Interest rate (%)	Maturity date	Provision for Impairment
16 Guo Kai 05	Debt securities issued by banks and other financial institutions	160205	4,270,000	4,270,000	4,224,479	2.48%	3.80	2036/1/25	429
20 Fu Xi Guo Zhai 04	Debt securities issued by government	200004	4,170,000	4,170,000	4,093,749	2.40%	3.39	2050/3/16	119
16 Jin Chu 10	Debt securities issued by policy banks	160310	2,740,000	2,740,000	2,698,356	1.58%	3.18	2026/9/5	277
20 Guo Kai 05	Debt securities issued by banks and other financial institutions	200205	2,560,000	2,560,000	2,565,382	1.50%	3.07	2030/3/10	153
20 Shandong Zhai 27	Debt securities issued by government	2005399	2,250,000	2,250,000	2,250,000	1.32%	3.55	2040/5/19	407
19 Fu Xi Guo Zhai 16	Debt securities issued by government	190016	2,230,000	2,230,000	2,271,079	1.33%	3.12	2026/12/5	71
20 Fu Xi Guo Zhai 06	Debt securities issued by government	200006	2,130,000	2,130,000	2,107,675	1.23%	2.68	2030/5/21	12
20 Jin Chu 10	Debt securities issued by policy banks	200310	2,000,000	2,000,000	2,026,032	1.19%	3.23	2030/3/23	204
19 Fu Xi Guo Zhai 15	Debt securities issued by government	190015	1,950,000	1,950,000	1,993,867	1.17%	3.13	2029/11/21	61
19 Fu Xi Guo Zhai 07	Debt securities issued by government	190007IIB	1,740,000	1,740,000	1,786,999	1.05%	3.25	2026/6/6	53

Notes: The market value of financial investments measured at fair value through other comprehensive income refers to the fair value at 30 June 2020, and the market value of financial investments measured at amortised cost refers to the amortised cost at 30 June 2020.

4.2 Liabilities

As at the end of the Reporting Period, the Company's total liabilities amounted to RMB409.597 billion, representing an increase of RMB66.453 billion or 19.37% as compared with that at the end of last year. The increase was mainly due to a rapid increase in the Company's deposits from customers. The following table sets forth the components of the Company's total liabilities as at the dates indicated.

Unit: RMB'000

	30 June 2020		31 December 2019		**Change from the end of last year**		31 December 2018	
Item	**Amount**	**% of total**	Amount	% of total	**Change in amount (%)**	**Change in % of total**	Amount	% of total
Deposits from customers	**266,771,363**	**65.13**	215,425,403	62.78	23.83	2.35	177,911,247	61.31
Deposits from banks and other financial institutions	**11,595,733**	**2.83**	16,462,527	4.80	(29.56)	(1.97)	11,632,982	4.01
Borrowings from central bank	**8,103,568**	**1.98**	5,536,650	1.61	46.36	0.37	10,878,835	3.75
Placements from banks and other financial institutions	**12,458,847**	**3.04**	9,916,257	2.89	25.64	0.15	7,207,066	2.48
Derivative financial liabilities	**317,920**	**0.08**	8,805	–	3,510.68	0.08	–	–
Financial assets sold under repurchase agreements	**25,812,324**	**6.30**	16,027,082	4.67	61.05	1.63	14,850,333	5.12
Debt securities issued	**80,444,367**	**19.64**	76,858,899	22.40	4.67	(2.76)	65,240,507	22.48
Income tax payable	**654,609**	**0.16**	187,027	0.05	250.01	0.11	13,174	0.01
Lease liabilities	**443,075**	**0.11**	427,429	0.12	3.66	(0.01)	N/A	N/A
Other liabilities	**2,995,053**	**0.73**	2,294,153	0.68	30.55	0.05	2,427,634	0.84
Total liabilities	**409,596,859**	**100.00**	343,144,232	100.00	19.37	–	290,161,778	100.00

4.2.1 Deposits from customers

As at the end of the Reporting Period, the Company's deposits from customers amounted to RMB266.771 billion, representing an increase of RMB51.346 billion or 23.83% as compared with that at the end of last year, achieving rapid growth, and the growth rate hit a new high since 2015 in the first half of the year; accounting for 65.13% of the Company's total liabilities, representing an increase of 2.35 percentage points as compared with that at the end of last year. During the Reporting Period, the Company strengthened the evaluation of national monetary policies, sought development opportunities amidst the epidemic, stepped up efforts in expanding the deposit business, and achieved a rapid increase in deposits from customers. The fundamental position of deposits as a source of operating funds was continuously consolidated. The following table sets forth the components of the Company's deposits from customers by product type and customer type as at the dates indicated.

Unit: RMB'000

	30 June 2020		31 December 2019		**Change from the end of last year**		31 December 2018	
Item	**Amount**	**% of total**	Amount	% of total	**Change in amount (%)**	**Change in % of total**	Amount	% of total
Corporate deposits	**180,577,109**	**68.46**	147,880,817	69.49	22.11	(1.03)	118,644,749	67.54
Demand deposits	**100,934,686**	**38.27**	92,593,934	43.51	9.01	(5.24)	72,852,694	41.47
Time deposits	**79,642,423**	**30.19**	55,286,883	25.98	44.05	4.21	45,792,055	26.07
Personal deposits	**82,988,605**	**31.46**	64,796,343	30.45	28.08	1.01	56,898,658	32.39
Demand deposits	**22,729,689**	**8.62**	20,622,060	9.69	10.22	(1.07)	18,313,340	10.43
Time deposits	**60,258,916**	**22.84**	44,174,283	20.76	36.41	2.08	38,585,318	21.96
Outward remittance and remittance payables	**204,075**	**0.08**	100,697	0.05	102.66	0.03	131,519	0.07
Fiscal deposits to be transferred	**1,185**	**0.00**	13,052	0.01	(90.92)	(0.01)	923	0.00
Total customer deposits	**263,770,974**	**100.00**	212,790,909	100.00	23.96	–	175,675,849	100.00
Add: Accrued interest	**3,000,389**	**/**	2,634,494	/	13.89	/	2,235,398	/
Deposits from customers	**266,771,363**	**/**	215,425,403	/	23.83	/	177,911,247	/

As at the end of the Reporting Period, the Company's demand deposits accounted for 46.89% of the total deposits from customers (excluding accrued interest), representing a decrease of 6.31 percentage points as compared with that at the end of last year. Among those deposits, corporate demand deposits accounted for 55.90% of corporate deposits, representing a decrease of 6.71 percentage points as compared with that at the end of last year; and personal demand deposits accounted for 27.39% of personal deposits, representing a decrease of 4.44 percentage points as compared with that at the end of last year.

4.2.2 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 RMB11.596 billion, representing a decrease of RMB4.867 billion or 29.56% as compared with that at the end of last year, mainly due to the Company's strengthened management on active interbank liabilities, optimization and adjustment of the debt structure, and appropriate decrease in scale of deposits from banks while general deposits increased.

4.2.3 Borrowings from central bank

As at the end of the Reporting Period, the Company's borrowings from Central Bank amounted to RMB8.104 billion, representing an increase of RMB2.567 billion or 46.36% as compared with that at the end of last year, mainly due to the fact that the Company implemented the Central Bank's policy guidance and actively applied for re-loans for small and micro enterprises and rediscount to increase the source of credit funds for small and micro enterprises.

4.2.4 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 RMB25.812 billion, representing an increase of RMB9.785 billion or 61.05% as compared with that at the end of last year, mainly due to the Company's exercising control over the total amount and structural adjustment of interbank liabilities, and appropriately increasing the size of financial assets sold under repurchase agreements to balance the debt structure.

4.2.5 Debt securities issued

As at the end of the Reporting Period, the Company's debt securities issued amounted to RMB80.444 billion, representing an increase of RMB3.585 billion or 4.67% as compared with that at the end of last year, mainly due to the Company's strengthened management on active interbank liabilities, and appropriate increase in the size of inter-bank certificates of deposit in response to the capital market situation and the impact of the epidemic. For details of the bonds, please refer to "Notes to the Unaudited Interim Financial Report – 32 DEBT SECURITIES ISSUED" of this results announcement.

4.3 Equity Attributable to Shareholders

As at the end of the Reporting Period, the shareholders' equity of the Company amounted to RMB30.925 billion, representing an increase of RMB447 million or 1.47% as compared with that at the end of last year. Equity attributable to the shareholders of the Bank amounted to RMB30.329 billion, representing an increase of RMB413 million or 1.38% as compared with that at the end of last year, mainly due to the increase in retained earnings. The following table sets forth the components of the Company's shareholders' equity as at the dates indicated.

Unit: RMB'000

Item	**30 June 2020**	31 December 2019
Share capital	**4,509,690**	4,509,690
Other equity instruments		
Including: Preference shares	**7,853,964**	7,853,964
Capital reserve	**8,337,869**	8,337,869
Other comprehensive income	**442,909**	658,230
Surplus reserve	**1,626,662**	1,626,662
General risk reserve	**4,400,258**	4,400,258
Retained earnings	**3,157,366**	2,528,787
Total equity attributable to equity shareholders of the Bank	**30,328,718**	29,915,460
Non-controlling interests	**596,432**	562,458
Total equity	**30,925,150**	30,477,918

4.4 *Assets and Liabilities Measured at Fair Value*

Unit: RMB'000

Main item	31 December 2019	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 2020
Financial investments measured at fair value through profit or loss	22,912,561	(189,423)	N/A	N/A	**29,846,944**
Loans and advances to customers measured at fair value through other comprehensive income	6,249,822	N/A	1,955	2,015	**9,364,173**
Financial investments measured at fair value through other comprehensive income	54,973,781	N/A	499,057	(28,239)	**60,428,947**
Derivative financial assets	12,436	298,847	N/A	N/A	**311,283**
Derivative financial liabilities	(8,805)	(309,115)	N/A	N/A	**(317,920)**

4.5 *Derivative Financial Instruments*

Unit: RMB'000

Item	**30 June 2020**			31 December 2019		
	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	**111,396,629**	**311,283**	**(317,920)**	33,896,438	12,436	(8,805)

Notes:

1. Under the risk preference set by the Board and the Bank's derivatives market risk framework, the Bank actively carried out various derivative transactions in compliance with threshold requirements. As at 30 June 2020, the derivative financial instruments held by the Bank included interest rate swaps, interest rate options and credit risk mitigating instruments.

2. The nominal amount of the derivative financial instruments only reflects the transaction volume but not its actual risk exposure. The derivative business conducted by the Bank is mainly based on hedging strategy, which is subject to a smaller actual risk exposure.

3. The accounting policies and specific accounting principles for derivatives of the Bank in the Reporting Period did not have material change as compared with those in the last reporting period.

5. ANALYSIS OF QUALITY OF LOANS

During the Reporting Period, the Company strengthened the quality control of credit assets. While the credit assets grew steadily, the quality of credit assets continuously improved and the non-performing loan ratio decreased as compared with that at the beginning of the year. As at the end of the Reporting Period, the total amount of loans of the Company (excluding accrued interest) was RMB202.801 billion, total non-performing loans amounted to RMB3.302 billion, non-performing loan ratio was 1.63%. For the purpose of discussion and analysis, unless otherwise specified, the amount of loans presented in the analysis below excludes accrued interest.

5.1 Distribution of Loans by Five Categories

Unit: RMB'000

	30 June 2020		31 December 2019	
Item	**Amount**	**% of total**	Amount	% of total
Normal loan	**195,136,806**	**96.22**	163,910,475	94.86
Special mention loan	**4,362,390**	**2.15**	6,033,401	3.49
Substandard loan	**2,273,960**	**1.12**	965,897	0.56
Doubtful loan	**866,736**	**0.43**	1,743,364	1.01
Loss loan	**161,578**	**0.08**	142,306	0.08
Total loans to customers	**202,801,470**	**100.00**	172,795,443	100.00
Total non–performing loans	**3,302,274**	**1.63**	2,851,567	1.65

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 0.02 percentage point as compared with that at the end of last year to 1.63%, of which the proportion of substandard loan increased by 0.56 percentage point to 1.12%, the proportion of doubtful loan decreased by 0.58 percentage point to 0.43% and loss loan remained flat as compared with that at the end of last year.

5.2 Distribution of Loans and Non-performing Loans by Product Type

Unit: RMB'000

Item	30 June 2020 Amount of loans	% of total	Amount of non-performing loans	Non-performing loan ratio %	31 December 2019 Amount of loans	% of total	Amount of non-performing loans	Non-performing loan ratio %
Corporate loans	**141,348,776**	**69.70**	**2,981,623**	**2.11**	118,286,626	68.45	2,600,568	2.20
Working capital loans	**73,806,976**	**36.39**	**2,881,623**	**3.90**	61,475,942	35.57	2,500,568	4.07
Fixed asset loans	**57,025,577**	**28.12**	**100,000**	**0.18**	49,681,134	28.75	100,000	0.20
Import and export bills transactions	**1,152,050**	**0.57**	**–**	**–**	879,728	0.51	–	–
Discounted bills	**9,364,173**	**4.62**	**–**	**–**	6,249,822	3.62	–	–
Retail loans	**61,452,694**	**30.30**	**320,651**	**0.52**	54,508,817	31.55	250,999	0.46
Personal housing loans	**40,277,677**	**19.86**	**58,097**	**0.14**	36,762,232	21.28	38,882	0.11
Personal consumption loans	**10,670,793**	**5.26**	**54,818**	**0.51**	9,470,211	5.48	19,387	0.20
Personal business loans	**10,504,224**	**5.18**	**207,736**	**1.98**	8,276,374	4.79	192,730	2.33
Total loans to customers	**202,801,470**	**100.00**	**3,302,274**	**1.63**	172,795,443	100.00	2,851,567	1.65

5.3 *Distribution of Loans and Non-performing Loans by Industry*

Unit: RMB'000

Item	30 June 2020 Amount of loans	% of total	Amount of non-performing loans	Non-performing loan ratio %	31 December 2019 Amount of loans	% of total	Amount of non-performing loans	Non-performing loan ratio %
Corporate loans	**141,348,776**	**69.70**	**2,981,623**	**2.11**	118,286,626	68.45	2,600,568	2.20
Manufacturing	**24,689,408**	**12.17**	**2,389,977**	**9.68**	23,033,775	13.32	2,029,615	8.81
Construction	**24,608,663**	**12.13**	**80,547**	**0.33**	19,902,351	11.52	65,677	0.33
Real estate	**23,746,897**	**11.71**	**102,600**	**0.43**	19,673,198	11.39	102,600	0.52
Renting and business services	**17,720,163**	**8.74**	**4,850**	**0.03**	11,228,367	6.50	9,850	0.09
Water conservancy, environment and public utility management	**16,925,572**	**8.35**	**–**	**–**	12,287,741	7.11	39,000	0.32
Wholesale and retail trade	**11,761,143**	**5.80**	**294,892**	**2.51**	11,628,689	6.73	288,677	2.48
Financial services	**5,713,581**	**2.82**	**–**	**–**	6,677,300	3.86	–	–
Transportation, storage and postal services	**5,170,433**	**2.55**	**25,000**	**0.48**	3,247,547	1.88	–	–
Production and supply of electric and heating power, gas and water	**4,016,004**	**1.98**	**39,000**	**0.97**	4,443,352	2.57	–	–
Others	**6,996,912**	**3.45**	**44,757**	**0.64**	6,164,306	3.57	65,149	1.06
Retail loans	**61,452,694**	**30.30**	**320,651**	**0.52**	54,508,817	31.55	250,999	0.46
Total loans to customers	**202,801,470**	**100.00**	**3,302,274**	**1.63**	172,795,443	100.00	2,851,567	1.65

5.4 *Distribution of Loans and Non-performing Loans by Region*

Unit: RMB'000

Region	30 June 2020 Amount of loans	% of total	Amount of non-performing loans	Non-performing loan ratio %	31 December 2019 Amount of loans	% of total	Amount of non-performing loans	Non-performing loan ratio %
Shandong Province	**202,801,470**	**100.00**	**3,302,274**	**1.63**	172,795,443	100.00	2,851,567	1.65
Of which: Qingdao City	**108,900,823**	**53.70**	**531,654**	**0.49**	92,363,443	53.46	739,064	0.80

5.5 Distribution of Loans and Non-performing Loans by Type of Collateral

Unit: RMB'000

	30 June 2020				31 December 2019			
Item	Amount of loans	% of total	Amount of non-performing loans	Non-performing loan ratio %	Amount of loans	% of total	Amount of non-performing loans	Non-performing loan ratio %
Unsecured loans	**37,169,845**	**18.33**	**172,512**	**0.46**	27,881,658	16.14	34,345	0.12
Guaranteed loans	**50,021,755**	**24.66**	**2,782,518**	**5.56**	46,794,567	27.08	2,415,504	5.16
Mortgage loans	**85,274,614**	**42.05**	**347,244**	**0.41**	75,145,703	43.48	401,718	0.53
Pledged loans	**30,335,256**	**14.96**	**–**	**–**	22,973,515	13.30	–	–
Total loans to customers	**202,801,470**	**100.00**	**3,302,274**	**1.63**	172,795,443	100.00	2,851,567	1.65

5.6 Loans to the Top Ten Single Borrowers

Unit: RMB'000

Top ten borrowers	Industry	Amount of loans as at the end of the Reporting Period	Percentage in net capital %	Percentage in total loans %
A	Manufacturing	2,400,000	6.29	1.18
B	Renting and business services	2,250,000	5.89	1.11
C	Renting and business services	2,000,000	5.24	0.99
D	Renting and business services	2,000,000	5.24	0.99
E	Water conservancy, environment and public utility management	1,755,000	4.60	0.87
F	Renting and business services	1,730,000	4.53	0.85
G	Transportation, storage and postal services	1,654,000	4.33	0.82
H	Real estate	1,600,000	4.19	0.79
I	Water conservancy, environment and public utility management	1,454,610	3.81	0.72
J	Construction	1,409,900	3.69	0.68
Total		18,253,510	47.81	9.00

5.7 Distribution of Loans by Overdue Period

Unit: RMB'000

	30 June 2020		31 December 2019	
Overdue period	**Amount of loans**	**% of total**	Amount of loans	% of total
Overdue for 3 months (inclusive) or less	**692,512**	**0.34**	711,091	0.41
Overdue for over 3 months to 1 year (inclusive)	**1,480,962**	**0.73**	1,061,050	0.61
Overdue for over 1 year to 3 years (inclusive)	**627,810**	**0.31**	563,866	0.33
Overdue for over 3 years	**161,561**	**0.08**	159,443	0.09
Total overdue loans	**2,962,845**	**1.46**	2,495,450	1.44
Total loans to customers	**202,801,470**	**100.00**	172,795,443	100.00

As at the end of the Reporting Period, the overdue loans of the Company amounted to RMB2.963 billion, the overdue loans accounted for 1.46% of the total loans of the Company, representing an increase of 0.02 percentage point as compared with that at the beginning of the year. The Company had adopted a relatively strict classification standard as to overdue loans, according to which loans overdue for more than 60 days were classified as overdue loans.

5.8 Repossessed Assets and Provision for Impairment

As at the end of the Reporting Period, the total amount of the repossessed assets of the Company was RMB100 million with no provision for impairment, and the net amount of repossessed assets was RMB100 million.

5.9 Changes in Provision for Impairment of Loans

The Company has performed impairment accounting and confirmed loss provision based on expected credit losses. If the credit risk of a financial instrument 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 12-month expected credit losses. For other financial instruments, the Company measures their loss provisions based on lifetime expected credit losses.

The Company re-measures expected credit losses on each end of the 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 division of loss stages, probability of default, loss given default, exposure at default, discount rate, forward-looking adjustment and other adjustment factors. The changes in the Company's provision for impairment of loans are detailed in the following table.

Unit: RMB'000

Item	**January to June 2020**	2019
Balance at the beginning of the period/year	**4,422,549**	3,557,806
Charge for the period/year	**1,944,777**	3,026,604
Write-offs for the period/year	**(1,046,395)**	(2,251,771)
Recovery of write-offs for the period/year	**84,322**	146,481
Other changes	**(22,460)**	(56,571)
Balance at the end of the period/year	**5,382,793**	4,422,549

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 RMB5.383 billion, representing an increase of RMB960 million or 21.71% as compared with that at the end of last year. The provision coverage ratio reached 163.00%; the provision rate of loans stood at 2.65%, both provision indicators satisfying regulatory requirements.

5.10 *Countermeasures Taken against Non-performing Assets*

During the Reporting Period, the Company continued to strengthen the management and disposal of non-performing loans, accelerated the disposal of existing assets and strictly controlled new additions. The Company continued to carry out risk screening, formulate response plans and disposal plans by classification; comprehensively use various means such as self-collection, judicial disposal, asset write-off, debt transfer, reorganization and transformation, and accelerate the disposal of risky assets to ensure the quality and effectiveness of work; emphasize the anticipation and response to potential risks, strengthen target assessment and constraints, strictly control the rebound of non-performing loans; improve the asset preservation management mechanism, optimize the assessment and incentive mechanism; continue to strengthen the follow-up collection of written-off non-performing assets, and tap the potential for non-performing disposal; strengthen coordination with government departments, judicial organs, debt committee agencies, and external cooperative agencies to improve the quality and efficiency of non-performing asset disposal.

5.11 *Credit Extension to Group Customers and Risk Management*

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. First, it further strengthened the internal risk information sharing mechanism, with continuous improvement on the management of corporate family trees of group customers. It consolidated and analyzed various credit risk information of group customers with the core enterprises that are engaged in the principal businesses of their group considered as the financing entities. The Company reviewed the solvency, business characteristics, and actual demand of each member. In the principle of priority to leading industries, advantageous industries and quality enterprises, and based on the extent of credit risk and risk tolerance, the overall credit limit of group customers and subline limit of each member were verified, and a unified credit extension proposal for group customers was formulated and executed. Second, it enhanced centralized management of group customers for preventing the risk of large-sum credit extension, it established the Large-sum Credit Extension Review Committee composed of senior management at the headquarter level, which was in charge of reviewing and approving the credit extension business that meets the standards of large-sum credit extension bank-wide. Third, it further improved the pre-warning mechanism of group customer risk, setting risk warning thresholds for group customers in pre-loan and approval process based on the industry where the group customers operate and their operating capability, which was a key reference for post-loan inspection, to proactively monitor and prevent risks, so that the control of overall credit extension risk of group customers was ensured.

5.12 Rescheduled Loans

Unit: RMB'000

Item	**30 June 2020** Amount of loans	**30 June 2020** % of total	31 December 2019 Amount of loans	31 December 2019 % of total
Rescheduled loans	**428,027**	**0.21**	426,588	0.25
Total loans and advances to customers	**202,801,470**	**100.00**	172,795,443	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 0.21%, representing a decrease of 0.04 percentage point as compared with that at the end of the previous year.

6. ANALYSIS OF CAPITAL ADEQUACY RATIO AND LEVERAGE RATIO

The capital management of the Company, while satisfying regulatory requirements, is targeted to constantly enhance the ability to resist capital risk and boost return on capital, and on this basis, it 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. 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.

6.1 Capital Adequacy Ratio

The Company calculates capital adequacy ratio in accordance with the "Regulation Governing Capital of Commercial Banks (Provisional)" issued by China Banking and Insurance Regulatory Commission ("**CBIRC**") and other relevant regulatory provisions. The on-balance sheet weighted risk 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 complied with the capital requirements prescribed by the regulators.

As at the end of the Reporting Period, the Company's capital adequacy ratio was 13.68%, representing a decrease of 1.08 percentage points as compared with that at the end of last year; the core tier-one capital adequacy ratio was 8.13%, representing a decrease of 0.23 percentage point as compared with that at the end of last year. During the Reporting Period, the Company's business developed rapidly, and risk-weighted assets increased. It exercised redemption options for RMB2.2 billion of tier-two capital bonds.

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

Unit: RMB'000

The Company	**30 June 2020**	31 December 2019
Total core tier-one capital	**22,908,627**	22,418,940
Of which：Share capital	**4,509,690**	4,509,690
Qualifying portion of capital reserve	**8,337,869**	8,337,869
Other comprehensive income	**442,909**	658,230
Surplus reserve	**1,626,662**	1,626,662
General reserve	**4,400,258**	4,400,258
Retained earnings	**3,157,366**	2,528,787
Qualifying portion of non-controlling interests	**433,873**	357,444
Deductions from core tier-one capital	**(226,511)**	(194,243)
Net core tier-one capital	**22,682,116**	22,224,697
Other tier-one capital	**7,911,814**	7,901,623
Net tier-one capital	**30,593,930**	30,126,320
Tier-two capital	**7,588,276**	9,126,185
Net capital base	**38,182,206**	39,252,505
Total risk-weighted assets	**279,038,666**	265,908,365
Of which: Total credit risk-weighted assets	**236,029,641**	218,075,573
Total market risk-weighted assets	**28,899,466**	33,723,233
Total operational risk-weighted assets	**14,109,559**	14,109,559
Core tier-one capital adequacy ratio	**8.13%**	8.36%
Tier-one capital adequacy ratio	**10.96%**	11.33%
Capital adequacy ratio	**13.68%**	14.76%

As at the end of the Reporting Period, at the level of the Bank, the capital adequacy ratio was 13.67%, representing a decrease of 1.10 percentage points as compared with that at the end of last year; the core tier-one capital adequacy ratio stood at 8.08%, representing a decrease of 0.21 percentage point as compared with that at the end of last year.

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

Unit: RMB'000

The Bank	30 June 2020	31 December 2019
Total core tier-one capital	**22,363,975**	21,984,910
Of which: Share capital	**4,509,690**	4,509,690
Qualifying portion of capital reserve	**8,337,869**	8,337,869
Other comprehensive income	**442,909**	658,230
Surplus reserve	**1,626,662**	1,626,662
General reserve	**4,400,258**	4,400,258
Retained earnings	**3,046,587**	2,452,201
Deductions from core tier-one capital	**(740,729)**	(701,986)
Net core tier-one capital	**21,623,246**	21,282,924
Other tier-one capital	**7,853,964**	7,853,964
Net tier-one capital	**29,477,210**	29,136,888
Tier-two capital	**7,080,519**	8,770,981
Net capital base	**36,557,729**	37,907,869
Total risk-weighted assets	**267,458,616**	256,725,689
Of which: Total credit risk-weighted assets	**224,846,219**	209,289,525
Total market risk-weighted assets	**28,899,466**	33,723,233
Total operational risk-weighted assets	**13,712,931**	13,712,931
Core tier-one capital adequacy ratio	**8.08%**	8.29%
Tier-one capital adequacy ratio	**11.02%**	11.35%
Capital adequacy ratio	**13.67%**	14.77%

6.2 Leverage Ratio

The leverage ratio of commercial banks shall not be less than 4% in accordance with 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. As at the end of the Reporting Period, the Company's leverage ratio was 6.38% as calculated according to the "Measures for the Administration of the Leverage Ratio of Commercial Banks (Revision)", which was above the regulatory requirements of CBIRC, representing a decrease of 1.08 percentage points as compared with that at the end of last year, mainly due to the rapid development of business, increase in the size of the Bank's assets and the total consolidated assets increased.

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

Unit: RMB'000

No.	**Item**	**30 June 2020**	31 December 2019
1	Total consolidated assets	**440,522,009**	373,622,150
2	Consolidated adjustments	**–**	–
3	Customer assets adjustments	**–**	–
4	Derivative adjustments	**3,272,000**	117,777
5	Securities financing transactions adjustments	**–**	–
6	Off-balance sheet items adjustments	**36,327,137**	30,479,440
7	Other adjustments	**(226,511)**	(194,243)
8	Balance of assets on and off balance sheet after adjustments	**479,894,635**	404,025,124

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 2020	31 December 2019
1	Assets on the balance sheet (excluding derivatives and securities financing transactions)	**426,601,951**	371,283,943
2	Less: Tier-one capital deductions	**(226,511)**	(194,243)
3	The balance of assets on the balance sheet after adjustments (excluding derivatives and securities financing transactions)	**426,375,440**	371,089,700
4	Replacement cost of various types of derivatives (net of qualified margins)	**311,283**	12,436
5	Potential risk exposure in various types of derivatives	**3,272,000**	115,239
6	The sum of collaterals deducted from the statement of financial position	**–**	–
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	**–**	2,538
10	Less: The balance of sold credit derivatives assets which can be deducted	**–**	–
11	The balance of derivatives assets	**3,583,283**	130,213
12	The balance of accounting assets for securities financing transactions	**13,608,775**	2,325,771
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	**13,608,775**	2,325,771
17	The balance of items off balance sheet	**36,327,137**	30,479,440
18	Less: The balance of items off balance sheet reduced due to credit conversion	**–**	–
19	The balance of items off balance sheet after adjustments	**36,327,137**	30,479,440
20	Net tier-one capital	**30,593,930**	30,126,320
21	The balance of assets on and off balance sheet after adjustments	**479,894,635**	404,025,124
22	Leverage ratio	**6.38%**	7.46%

The following table sets out, as at the dates indicated, the relevant information of the Company's leverage ratio:

Unit: RMB'000

Item	30 June 2020	31 March 2020	31 December 2019	30 September 2019
Leverage ratio(%)	**6.38**	7.31	7.46	7.71
Net tier-one capital	**30,593,930**	31,099,145	30,126,320	29,818,915
The balance of assets on and off balance sheet after adjustments	**479,894,635**	425,251,459	404,025,124	386,887,353

According to the "Regulatory Requirements in 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 Company at http://www.qdccb.com/.

7. INVESTMENT ANALYSIS

7.1 Overview

Unit: RMB'000

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

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

As at the end of the Reporting Period, for details of other information concerning the Company's investments, please refer to 3. Management Discussion and Analysis "4.1.2 Financial Investments" and "11. Analysis of Main Shares Holding Companies and Joint Stock Companies" of this results announcement.

7.2 Significant Equity Investments Made during the Reporting Period

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

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

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

7.4 Financial Assets Measured at Fair Value

As at the end of the Reporting Period, for details of the financial assets measured at fair value of the Company, please refer to "3. Management Discussion and Analysis – 4.4 Assets and Liabilities Measured at Fair Value" of this results announcement.

7.5 Securities Investments

As at the end of the Reporting Period, for details of the securities investments of the Company, please refer to "3. Management Discussion and Analysis – 4.1.2 Financial Investments" of this results announcement.

7.6 Derivative Investments

As at the end of the Reporting Period, for details of the derivative investments of the Company, please refer to "3. Management Discussion and Analysis – 4.5 Derivative Financial Instruments" of this results announcement.

8. 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, etc. The following table shows a summary of the operating performance of each business segment of the Company during the periods presented.

Unit: RMB'000

	January to June 2020		January to June 2019	
Item	**Segment operating income**	**Ratio (%)**	Segment operating income	Ratio (%)
Corporate banking	**3,088,002**	**50.59**	2,336,421	51.52
Retail banking	**1,057,926**	**17.33**	950,593	20.96
Financial market business	**1,691,245**	**27.71**	1,079,937	23.82
Un-allocated items and others	**266,966**	**4.37**	167,617	3.70
Total	**6,104,139**	**100.00**	4,534,568	100.00

Unit: RMB'000

Item	January to June 2020 Segment profit before tax	Ratio (%)	January to June 2019 Segment profit before tax	Ratio (%)
Corporate banking	**590,925**	**31.78**	391,993	21.31
Retail banking	**384,085**	**20.65**	526,391	28.61
Financial market business	**778,559**	**41.87**	839,695	45.64
Un-allocated items and others	**105,973**	**5.70**	81,805	4.44
Total	**1,859,542**	**100.00**	1,839,884	100.00

9. OTHER FINANCIAL INFORMATION

9.1 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 RMB40.007 billion. For details, please refer to "Notes to the Unaudited Interim Financial Report – 44 Commitments and Contingencies" of this results announcement.

9.2 Overdue and Outstanding Debts

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

9.3 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 Commitments and Contingencies" of this results announcement.

9.4 Analysis of Cash Flow Statement

As at the end of the Reporting Period, net cash flows generated from operating activities of the Company was RMB19.725 billion, representing an increase of RMB26.370 billion as compared with the same period of the previous year, which was mainly due an increase in net increase in deposits from customers of RMB40.786 billion, while the above impact was partially offset by an increase in net change of financial assets held under resale agreements of RMB11.590 billion. Among which, cash outflows generated from operating assets increased by RMB22.926 billion and cash inflows generated from operating liabilities increased by RMB48.013 billion.

Net cash flows generated from investing activities was RMB-27.331 billion, representing a decrease of RMB30.648 billion as compared with the same period of the previous year, which was mainly due to an increase in cash payments on investments of RMB36.604 billion, while the above impact was partially offset by an increase in proceeds from disposal and redemption of investments of RMB5.570 billion.

Net cash flows generated from financing activities was RMB1.522 billion, representing a decrease of RMB9.104 billion as compared with the same period of the previous year, which was mainly due to a decrease in cash received by the Company for issuance of debt securities of RMB12.443 billion.

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

Unit: RMB'000

Item	January to June 2020	January to June 2019	Changes(%)	Main reasons
Fee and commission income	**1,182,905**	614,082	92.63	Significant increase in fee and commission income due to rapid development of wealth management and credit card businesses
Fee and commission expense	**(64,117)**	(33,272)	92.71	Increase in fee expense due to faster growth of credit card business
Net fee and commission income	**1,118,788**	580,810	92.63	Significant increase in fee and commission income due to rapid development of wealth management and credit card businesses
Net trading gains	**130,994**	15,362	752.71	The impact of market-based exchange rate fluctuations
Other operating income, net	**28,867**	8,312	247.29	Increase in government grants
Credit impairment losses	**(2,787,723)**	(1,428,195)	95.19	Appropriately increasing provision for impairment by the Company based on the faster growth of loans and taking into account the increasing uncertainties of COVID-19 on the economic outlook
Other comprehensive income, net of tax	**(215,321)**	(25,404)	(747.59)	Changes in fair value of financial investments measured at fair value through other comprehensive income

Unit: RMB'000

Item	30 June 2020	31 December 2019	Changes(%)	Main reasons
Deposits with banks and other financial institutions	**2,142,587**	1,312,468	63.25	Increase in deposits with banks for settlement at the end of the period
Placements with banks and other financial institutions	**1,139,412**	3,313,603	(65.61)	Decrease in interbank borrowings
Derivative financial assets	**311,283**	12,436	2,403.08	Increase in changes in fair value of interest rate swaps and other derivative financial instruments
Financial assets held under resale agreements	**13,608,775**	2,325,771	485.13	Increase in the scale of debt securities held under resale agreements
Financial investments measured at fair value through profit or loss	**29,846,944**	22,912,561	30.26	Increased investment in public bond funds with higher liquidity
Deferred tax assets	**2,294,408**	1,581,905	45.04	Increase in deferred tax assets arising from provision for impairment assets
Other assets	**1,221,336**	929,876	31.34	Increase in prepayment for establishment of wealth management subsidiary
Borrowings from central bank	**8,103,568**	5,536,650	46.36	Implement the central bank's policy guidance and actively apply for re-loans and re-discounts for small banks to increase sources of credit for small and micro enterprises
Derivative financial liabilities	**317,920**	8,805	3,510.68	Increase in changes in fair value of interest rate swaps and other derivative financial instruments
Financial assets sold under repurchase agreements	**25,812,324**	16,027,082	61.05	Increase the scale of business sold under repurchase agreements to balance the structure of liabilities
Income tax payable	**654,609**	187,027	250.01	Increase in income tax payable
Other liabilities	**2,995,053**	2,294,153	30.55	Increase in settlement payable and dividend payable
Other comprehensive income	**442,909**	658,230	(32.71)	Decrease in changes in fair value of financial investments measured at fair value through other comprehensive income

9.6 Changes in Interest Receivables

Unit: RMB' 000

Item	31 December 2019	Increase during the period	Decrease during the period	**30 June 2020**
Loans and advances to customers	16,825	182,179	(189,393)	**9,611**
Long-term receivables	–	19,461	(15,634)	**3,827**
Total	16,825	201,640	(205,027)	**13,438**

Notes: In accordance with the "Format of the Financial Statements of the Financial Enterprise for 2018" released by the Ministry of Finance, the item "interest receivables" only reflects the interests overdue 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.

9.7 Provision for Bad Debts

Unit: RMB' 000

Item	**30 June 2020**	31 December 2019	**Changes**
Other receivables	**593,266**	131,317	461,949
Interest receivables	**18,317**	16,825	1,492
Less: Bad debt provision	**(6,457)**	(1,005)	(5,452)

10. MATERIAL DISPOSAL OF ASSETS AND EQUITY INTEREST

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

11. ANALYSIS OF MAIN SHARES HOLDING COMPANIES AND JOINT STOCK COMPANIES

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

Unit: RMB in 100 million

Name of company	Type of company	Main business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
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; other businesses approved by the banking regulatory authorities.	10	112.63	12.17	2.34	0.71	0.69

11.2 Acquisition and Disposal of Subsidiaries during the Reporting Period

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

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

BQD Financial Leasing Company Limited ("BQD Financial Leasing") was established on 15 February 2017, with a registered capital of RMB1.0 billion, and 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 industrial policy, BQD Financial Leasing is committed to realizing the original intent of leasing and serving the real economy. BQD Financial Leasing focuses on the financing leasing of large and medium-sized equipment in medical and health care, cultural tourism, public utilities industries as its main lines of business development, and adheres to the business philosophy of "specialization, differentiation and marketization" to satisfy the specific needs of tenants in equipment purchase, sales boosting, assets revitalization, and the improvement of financial structure, etc., and to provide new financial lease services such as financing, asset management and economic consulting.

12. OVERVIEW OF BUSINESS DEVELOPMENT

12.1 Retail banking

During the Reporting Period, for retail banking, with customer base construction as the core, the Bank insisted on operating retail business using a wholesale approach and obtained customers in batches through "three agencies and one linkage" (i.e. agencies for payroll, tax payment, relocation compensation and public-private linkage), which focused on finance of rural villages across counties, to create new ways of achieving business growth. The Bank steadily promoted the construction of smart outlet projects, enriched the construction of intelligent marketing system, and continued improving the credit card business. The Bank steadily expand the scale of retail customer base through attracting young customers via new media such as WeChat to increase customer loyalty. The Bank conducted upgrades on service value based on the core of "customer base" with improved customer experience and concrete actions in customer base management to solidify the foundation of retail business. The Bank would enhance the scale of financial assets of its customers by improving the "quantity" and "quality" of its retail customer base so as to increase the comprehensive customer contribution. During the Reporting Period, the Company recorded the operating income of RMB1.058 billion in respect of retail banking, representing a year-on-year increase of 11.27%, and accounting for 17.39% of the Company's operating income.

1. *Retail customers and customer asset management*

As at the end of the Reporting Period, the number of retail (including credit cards) customers of the Bank reached 6,067.8 thousand, representing an increase of 506.3 thousand or 9.10% as compared with that at the end of the previous year. Among which, the number of retail customers obtained in the second quarter of 2020 increased by 393.7 thousand, which is 3.5 times of that in the first quarter of the year. The growth trend has recovered to the level before the epidemic outbreak. The assets retained by retail customers in the Bank reached RMB180.148 billion, representing an increase of 10.99% as compared with that at the end of the previous year.

As at the end of the Reporting Period, the Bank's balance of retail deposits exceeded RMB80 billion to reach RMB82.989 billion, representing an increase of RMB18.193 billion or 28.08% as compared with that at the end of the previous year and accounting for 31.46% of the balance of various deposits (excluding accrued interest). The increased amount of the balance was 9.4 times of that of the corresponding period of last year. In particular, retail demand deposits reached RMB22.730 billion, representing an increase of RMB2.108 billion or 10.22% as compared with that at the end of the previous year while retail time deposits reached RMB60.259 billion, representing an increase of RMB16.085 billion or 36.41% as compared with that at the end of the previous year, accounting for 72.61% of retail deposits. The average cost rate of retail deposits amounted to 2.02%.

The promotion of the smart outlet project is progressing smoothly. During the Reporting Period, the Bank created a new customer experience by preliminarily completing the "three-step transformation" construction targets of its smart outlet projects such as smart queueing, targeted marketing in halls, and linkage marketing by staff in various positions. 119 branches of the Bank have adopted the smart outlet service model, which significantly enhanced outlets' productivities with the average replacement rate of personal non-cash businesses conducted via smart PAD reached 86% and service efficiency of basic businesses increased by 75%.

The Bank rigorously promoted the development of farmer-benefiting business. The Bank enriched customer base structure and scaled up business scope by actively expanding into the financial market in rural areas. The Bank extended its financial services to rural villages through setting up comprehensive service stations for inclusive finance and agricultural support across Shandong Province. During the Reporting Period, there are 312 new contracted agricultural support service stations. As at the end of the Reporting Period, the Bank has 93 agricultural support service stations in operation. During the Reporting Period, the Bank launched its first bank card, the "Rural Revitalization Card*(鄉村振興卡)", which on the basis of basic financial services, extended the payment and settlement services in rural areas from the aspect of daily life to that of production and rural villages' ecosystems. As at the end of the Reporting Period, the deposit balance of the Bank's agricultural support service stations amounted to RMB636 million, representing an increase of RMB524 million as compared with that at the end of the previous year. The number of customers reached 33.9 thousand, representing an increase of 17.5 thousand as compared with that at the beginning of the year.

2. *Retail loans*

As at the end of the Reporting Period, the balance of retail loans (including credit cards) of the Bank amounted to RMB61.453 billion, representing an increase of RMB6.944 billion or 12.74% as compared with that at the end of the previous year. The balance of retail loans accounted for 30.30% of the total balance of various loans. During the Reporting Period, the retail loan business of the Bank focused on increasing service efficiency with an aim to increase market share and ensured the inclusive loan indicators were reached. The Bank overcame the adverse impact of the pandemic with its various businesses all experienced encouraging developments.

Preventing and controlling risks and adhering to the principle of steady development to ensure asset quality. During the Reporting Period, the Bank continued to adopt the standard of "including all loans overdue for more than 60 days in non-performing loans" on retail loans, pursuant to which, the balance of non-performing loans (including credit cards) to retail customers reached RMB321 million while non-performing loan ratio to retail customers was 0.52%. Among the non-performing retail loan, mortgage loans and pledged loans accounted for 34.30%, loan loss was controllable.

Contribution has been increasing and the proportion of interest income continued to increase. During the Reporting Period, interest income from retail loan business amounted to RMB1.471 billion, representing an increase of RMB368 million or 33.39% year on year, accounting for 29.92% of the interest income from loans of the Bank. The average interest rate of retail loans (excluding credit cards) was 5.35%, representing an increase of 13 basis points over the same period of last year.

The Bank enhanced service efficiency and built quality channels for housing loans. The Bank explored the "headquarter-to-headquarter" cooperation channels through collaborating with top-ranking developers and intermediaries across the country aiming to seize business opportunities from the source. While thoroughly preventing and controlling risks, the Bank obtained customers in batches through constructing quality channels and conducting the housing loan business using a wholesale approach. As at the end of the Reporting Period, the balance of personal housing loans of the Bank reached RMB40.278 billion, representing an increase of RMB3.515 billion or 9.56% as compared with that at the end of the previous year. The number of customers reached 78.9 thousand, representing an increase of 5.4 thousand as compared with that at the end of the previous year.

The Bank promoted inclusive finance and fully supported the development of the real economy. During the Reporting Period, the Bank solidly implemented national policies and regulatory requirements and actively supported the financing needs for the resumption of work and production of individual business owners and owners of small and micro enterprises. The Bank further optimized its services and improved the efficiency of approvals. During the pandemic, the Bank carried out "three non-stops," which are non-stop handling of business, non-stop review and approval, and non-stop loan provision, ensuring the reviews and approvals of inclusive loans were concluded in two days. As at the end of the Reporting Period, the balance of personal inclusive loans reached RMB9.271 billion, representing an increase of RMB2.377 billion or 34.47% as compared with that at the end of the previous year. For customers acquisition, by adopting a clustered marketing model, exploring a large number of customers and integrating segmented industries with regional characteristics, the Bank has launched innovative products such as "Engineering Machinery Loan*(工程機械貸)" and "Talent Loan*(人才貸) as well as deepened and thoroughly conducted its featured business. As at the end of the Reporting Period, the number of personal inclusive loans reached 38.1 thousand, representing an increase of 25.8 thousand as compared with that at the end of the previous year.

The Bank continued to develop our micro loan financial featured business. In respect of supply chain finance, the Bank cooperated with 14 domestic leading fast-moving consumer goods enterprises. During the Reporting Period, the Bank deepened its relationship with existing core corporations and customers and granted credit of RMB1.056 billion to a total of 1,582 distributors with a loan balance of RMB203 million as at the end of the Reporting Period. In respect of internet online personal loans, the Bank cooperated with well-known domestic internet companies to develop business of internet-based small-amount consumption loans, operation loan business of small and micro enterprises and individual business owners. During the Reporting Period, the Bank granted a total of 1,134.1 thousand loans with an amount of RMB11.881 billion. As at the end of the Reporting Period, the balance of loans was RMB12.538 billion, representing an increase of 22.27% as compared with that at the end of the previous year.

3. *Credit card business*

The operation basis of the Bank's credit card business has been taking shape and the business' effect of scale has been manifesting gradually. As at the end of the Reporting Period, the cumulative number of credit cards (excluding business cards) issued by the Bank reached 1,584.0 thousand, representing an increase of 174.89% year on year with a cumulative transaction amount of RMB16.065 billion during the Reporting Period. Overdraft balance reached RMB4.355 billion, representing an increase of 181.12% year on year.

The Bank explored channels of and increased efficiency for obtaining customers. Firstly, the Bank adhered to the concept of win-win cooperation and explored channels for obtaining customers across sectors from the Internet and traditional companies. Secondly, by effectively leveraging online and offline resources, the Bank further promoted the online and offline issue of cards to merchants. Thirdly, through achieving cross-marketing on retail customers leveraging big data, the Bank sought potential customers at a deep level. Fourthly, the Bank insisted on prioritizing customer experience and continually optimized card application experience to effectively attract more customers.

The Bank leveraged financial technology and realizing the thorough development of our business. In respect of obtaining customers, the Bank profiled regional customers' features adopting artificial intelligence technology to obtain customers under the one-city-one-policy strategy. In respect of activation, the Bank fully leveraged big data in pursuit of the best approach to activate the life cycle of credit cards. In respect of marketing, the Bank accelerated the construction of the marketing system and realizing the marketing effect of "different faces of different customers". In respect of risk control, the Bank further enlarged the application of artificial intelligence technology in customer eligibility's approval and quota management. By closely monitoring the changes and trends of risks in the industry, the Bank continuously optimized risk management policies.

4. Wealth management and private banking business

The wealth management and private banking business of the Bank adhered to the operation and service philosophy of "customer-centered and market-oriented", constantly enriched investment instruments, provided customers with comprehensive wealth management planning and asset allocation services, and satisfied customers' increasingly diversified wealth management needs. Currently, the Bank has established a multi-level product system covering cash, fixed income and equity, and continued to optimize the product supply strategy. While enriching the product shelf, the Bank also provided high-quality and marketable products to promote the steady increase in the number of customers, asset scale and business income. As at the end of the Reporting Period, retail customers with assets under management of over RMB2.00 million reached 9,999, representing an increase of 1,114 or 12.54% as compared to the end of last year, and the assets retained in the Bank amounted to RMB42.750 billion, representing an increase of RMB4.628 billion or 12.14% as compared to the end of last year.

During the Reporting Period, the Bank focused on enhancing the capability to serve remote and online customers, thereby businesses increased rather than decreased during the pandemic. Cumulative sales agency amount of trust products reached RMB4.574 billion. Insurance premiums from agency sales amounted to RMB162 million, and agency sales of open-ended funds amounted to RMB1.409 billion. During the Reporting Period, the Bank realized wealth management fee and commission income of RMB109 million, representing a year-on-year increase of 159.52%. The management fee and commission income exceeded the total amount of the year last year, of which fee and commission income from agency sales of trust products amounted to RMB86 million representing a year-on-year increase of 308%.

5. Customer service management

During the Reporting Period, the Bank took a series of actions to enhance its service value with its focus pinned on "customer base". Firstly, under the guideline of offering a "warm and valuable" service experience, the Bank exploited the opportunities arising from the upgrade of the IT infrastructure of its outlets while increasing its efforts in service exploration and capitalization and promotion of its 5+N services, taking a firm grip on the opportunities for "face-to-face" services, further promoting the exploration of its service value by building new business halls that prioritize "operation, connection and experience" so as to strengthen its outlets' capability to obtain and vitalize customers. Secondly, the Bank successfully launched the smart customer service chatbot via its official WeChat account following the launch of its online banking services. Based on the deep learning and artificial intelligence technology, the chatbot revolutionized the existing but outdated customer support model which relies merely on telephone and provided a caring and smart online customer service, which further enhanced the online customer experience and strengthened its capability to offer one-stop solutions. Thirdly, the Bank's "Qingxin Service" highlighted humanistic care during the COVID-19 pandemic outbreak and opened up a new chapter of its caring service. To satisfy the customers' needs for financial services during the unprecedented period of COVID-19 pandemic prevention and control, the Bank coordinated its online and offline business operations and constantly improved its emergency service mechanism so as to provide customized services for its customers in order to comprehensively satisfy their specific needs. The Bank took concrete actions to improve people's livelihood and convey love and strength, which turned into over 3,000 touching stories taking place during the COVID-19 pandemic campaign under the theme of "Qingxin service is always there for you, filled with love".

12.2 Corporate banking

During the Reporting Period, in terms of corporate banking, the Bank focused on strengthening key areas and promoting coordinated business development. It strengthened its foothold in public finance, specialized in finance of listed enterprises and continued to develop inclusive finance. The Bank introduced fine customer categorization and classified management while continuing to expand its customer base, with focus on building superior products to penetrate the market, supported by technology and precision marketing. The Bank also reshaped its product design processes so as to be more customer-oriented. All these measures have contributed to an integrated development landscape with well-coordinated head office-branch operation as well as a synergized network of products, customers and resources, resulting in a steady growth in both scale and efficiency of its corporate banking business. During the Reporting Period, the Company's corporate banking business recorded operating income of RMB3.088 billion, representing a year-on-year increase of 32.16%, accounting for 50.75% of the Company's operating income.

1. Corporate deposits

As at the end of the Reporting Period, the balance of corporate deposits (excluding accrued interest) reached RMB180.577 billion, representing an increase of RMB32.696 billion as compared with that at the end of the previous year. Newly added corporate deposits reached an all-time high, representing an increase of 22.11%, accounting for 68.46% of the balance of various deposits (excluding accrued interest). In particular, corporate demand deposit amounted to RMB100.935 billion, representing an increase of RMB8.341 billion or 9.01% as compared with that at the end of the previous year. Corporate time deposit amounted to RMB79.642 billion, representing an increase of RMB24.356 billion or 44.05% as compared with that at the end of the previous year, accounting for 44.10% of corporate deposits. The significant proportion and increase in time deposits will help identify long-term and stable liabilities. The average cost rate of corporate deposits was 1.77%.

During the Reporting Period, the Bank fully implemented the "Campaign 630 of Enhancement Plan 2.0" to closely monitor the cash flows of public finance, major projects, bond issuance, etc. and strengthen the market competitiveness of its products such as structured deposits. The Bank blended in with the local economy and actively participated in the open tender for projects in relation to fund deposits and key accounts of government agencies and business units. During the Reporting Period, the Bank successfully connected to the provident fund system, and entered into cooperation with the National Healthcare Security Administration, the Bureau of Education, the People's Court and the Finance Bureau, and opened up a positive situation for deposit marketing in such key areas as healthcare, education and law.

2. *Corporate loans*

As at the end of the Reporting Period, the Bank's balance of corporate loans (including discounted bills) amounted to RMB141.349 billion, representing an increase of RMB23.062 billion as compared with that at the end of the previous year. Newly added corporate loans reached an all-time high, representing an increase of 19.50%, accounting for 69.70% of the balance of various loans (excluding accrued interest). In particular, the balance of the loans for inclusive Small and Micro Enterprises of the Bank was RBM16.679 billion, representing an increase of RMB2.668 billion, or 19.04% as compared with that at the beginning of the year, and the average interest rate of loans to inclusive Small and Micro Enterprises was 5.73%. The balance of the loans of private enterprises reached RMB62.741 billion, representing an increase of RMB9.463 billion, or 17.76% as compared with that at the beginning of the year, accounting for 44.39% of the total corporate loans. The balance of green credit was RMB15.404 billion, representing an increase of RMB3.817 billion, or 32.94% as compared with that at the beginning of the year, accounting for 10.90% of the total corporate loans.

During the Reporting Period, the Bank continued to implement the major decisions and deployments of the Central Committee of the Chinese Communist Party and the State Council aiming to win the battle against the COVID-19 outbreak. The Bank launched innovative services by adjusting its credit policies and opening a green channel for loan approval to support the COVID-19 combating efforts as well as the resumption of work and production. Meanwhile, the Bank implemented the spirit of the Central Economic Work Conference, actively supported the supply-side reform, adapted to the new requirements of the continued transition from old to new growth drivers, carried out differentiated credit policies, strengthened the support for real economy in aspects such as supporting private economy, small and micro enterprises and manufacturing businesses and giving priority to the financing of projects in the areas of inclusive finance, green finance, technology finance and the blue economy. Also, the Bank continued to support the key engineering and construction projects and to meet the loan needs of traditional enterprises in respect of industrial upgrading, technological transformation and energy conservation and environmental protection projects.

3. Corporate customers

As at the end of the Reporting Period, the number of corporate customers of the Bank reached 183.2 thousand, representing an increase of 10.8 thousand or 6.26% as compared with that at the end of the previous year. The number of corporate customers with a deposit of RMB10 million or more reached 1,703, representing an increase of 211 from the beginning of the year. During the Reporting Period, there were 274 new transaction banking customers, including 42 cash management customers and 227 international business settlement customers. In addition, the Bank promoted precision marketing with marketing guidelines for key customer groups such as inclusive finance and listed finance. During the Reporting Period, the number of customers of the listed enterprises finance increased by 14 to 114, and the number of loans to inclusive small and micro enterprises reached 40.1 thousand, representing an increase of 26.2 thousand as compared with that at the end of the previous year, and featured branches serving small and micro enterprises totalled 13.

The Bank categorized and expanded its customer base under the operation principle of industry professionalism and customer diversification so as to explore the potential of strategic customers. During the Reporting Period, the Bank entered into cooperation with the People's Governments of Zibo, Weifang and Taian, as well as leading enterprises and groups in various fields of Shandong Province, while actively expanding its strategic customer base. During the Reporting Period, the Bank launched its intelligent Customer Relationship Management (CRM) for corporate customers, and established the capability of hierarchical management of customers based on customer structure, contribution, balance of deposits and exploration of the potential of customers.

4. Corporate products

During the Reporting Period, the Bank kicked off the "network construction" of its corporate banking business so as to serve the market needs and offer superior products with multi-dimensional linkage. The Bank also polished and optimized its existing products and enriched its business scenarios through rebuilding the product design process. Through innovation, comparison, and exploitation of new market needs and products of the peers, and integrating them to create a full range of products comprising assets, liabilities and intermediary business, the Bank has built a comprehensive product system that spans across various industries and different scales of customer groups.

During the Reporting Period, the Bank launched the "anti-coronavirus loan (抗疫貸)" to support Small and Micro Enterprises in resuming work and production and debuted innovative featured products such as "Shi Yi Loan* (食宜貸)", "Yi Dai Tong* (醫貸通)" and "Anti-Coronavirus Discount* (抗疫貼)". The Bank also worked with the Bureau of Commerce and Finance of Shandong Province to launch "Lu Mao Loan* (魯貿貸)", aiming to relieve the financing pressure of the foreign trade companies. The Bank concluded the first cross-border Kazakhstan Tenge settlement in Shandong, and was the first in Shandong Province to establish direct link with the cross-border financial block chain service platform of State Administration of Foreign Exchange. With the official launch of its mobile corporate banking service, the Bank has further optimized its channels for handling corporate banking business.

12.3 Financial Market Business

During the Reporting Period, in terms of financial market business, the Bank continued to optimize structural quality and effectiveness and enhance support for the financial market. The Bank leveraged on advantage as a bank corporation to enhance its underwriting strength and coordination capability. The Bank has also expanded the coverage of bond underwriting business, enlarged and solidified underwriting businesses by encouraging business innovations and improving product lines. Through facilitating the growth in investments and deposits linkages, the Bank optimized asset structure and improved investment quality. The level of the Bank's technology empowerment further raised by the construction of the information technology system and expanded online service channels. During the Reporting Period, the Company's financial market business realized operating income of RMB1.691 billion, representing an increase of 56.60% year on year, accounting for 27.80% of the Company's operating income.

1. *Proprietary investment*

During the Reporting Period, the Bank continued to improve the investment portfolio, enhancing investment quality and efficiency, and increasing investment gain while reducing specific purpose vehicle investment and risk assets as well as saving capital appropriation. During the Reporting Period, the Bank's total amount of interest income and investment gain on proprietary financial investment amounted to RMB3.717 billion, representing a year-on-year increase of RMB281 million or 8.19%. The increase was mainly attributable to the spread income of the bonds realized through bond transactions in secondary markets. While realizing an increase in assets, the high-risk occupancy in non-standard assets was reduced, and the proportion of allocation in bond accounts was adjusted.

As at the end of the Reporting Period, the Bank's proprietary investment (excluding accrued interest) reached RMB170.666 billion, representing an increase of RMB29.590 billion or 20.97% as compared to the end of the previous year. Among them, the scope of bond investment (excluding accrued interest) reached RMB111.968 billion, representing an increase of RMB26.999 billion or 31.77% as compared with that at the end of last year, which was mainly attributable to the increase in investment in central government bonds as well as local government bonds and corporate entity bonds. The scope of non-standard debt investment (excluding accrued interest) reached RMB58.675 billion, representing an increase of RMB2.592 billion or 4.62% as compared with that at the end of last year, which was mainly attributable to the increased investment in public bond fund products. Except for public funds, other asset management plans and commercial bank wealth management investment showed a significant downward trend.

2. *Interbank business*

During the Reporting Period, the Bank participated in the nationwide interbank market transactions, increasing the breadth and depth of transactions. The breadth of transactions represents the diversity of transactions, which the Bank participated in "probationary market maker" transactions and derivatives transactions. The depth of transactions represents the increase in volume of transactions. During the Reporting Period, the delivery amount of bonds of the Bank in the interbank market nationwide reached RMB7.46 trillion. In the ranking of delivery amount of bonds issued by China Central Depository & Clearing Co., Ltd., the Bank ranked No. 24 among national financial institutions and No. 6 among city commercial banks. During the Reporting Period, the Bank obtained multiple qualification licenses, including ordinary class derivatives transaction business qualification, interest rate options business qualification, and standard bond forward business qualification, becoming the quotation agency for "Bond Connect", and joined the RMB versus Tenge regional transaction market to enrich its risk management tools and to better provide financial services for customers.

As at the end of the Reporting Period, the balance of interbank deposits (excluding accrued interest) was RMB11.640 billion, representing a decrease of 30.16% as compared with that at the end of the previous year. Interbank deposits accounted for 2.91% of total liabilities. Among them, the interbank demand deposit accounted for 29.39%, down by 2.21 percentage points as compared with that at the end of the previous year. The balance of interbank deposit certificates issued amounted to RMB57.649 billion, representing an increase of 11.42% as compared with that at the end of the previous year. Interbank deposit certificates issued accounted for 14.42% of total liabilities.

3. *Asset management*

Under the market background of promoting wealth management business net-worth transformation according to regulatory requirements, the balance of the Bank's wealth management products has grown steadily on the basis of a consolidated scale of RMB100 billion, and the income of wealth management business increased significantly.

As at the end of the Reporting Period, wealth management products of the Bank reached 813, with a balance of RMB104.512 billion, and the scale of wealth management increased by 27.20% over the same period of the previous year. During the Reporting Period, wealth management products issued by the Bank reached 946 raising a total amount of RMB251.505 billion, all of which were non-principal-guaranteed wealth management products, representing an increase of 34.21% as compared to the same period of the previous year. During the Reporting Period, the Bank realized service fee revenue from wealth management products of RMB673 million, representing an increase of RMB354 million or 111.35% as compared to the same period of the previous year.

At the end of the Reporting Period, the balance of the Bank's wealth management investment products amounted to RMB125.758 billion, and asset types directly and indirectly invested mainly include fixed return type, non-standard debt assets type and capital market assets type, etc. Among them, fixed return assets amounted to RMB104.706 billion, accounting for 83.26%. Non-standard debt assets amounted to RMB10.473 billion, accounting for 8.33%. Public funds amounted to RMB6.559 billion, accounting for 5.22%. Capital market assets amounted to RMB4.020 billion, accounting for 3.19%.

The Bank's net-worth wealth management transformation continued to deepen, further consolidating our market position. As at the end of the Reporting Period, the scale of net-worth wealth management products of the Bank was RMB88.364 billion, accounting for 84.55% of the total product scale. During the Reporting Period, the Bank was awarded the "Advanced Institution Award in Asset Management Business for 2019" by China Central Depository Trust & Clearing Co., Ltd. According to the Bank Wealth Management Capabilities Ranking Report (the Year of 2019) published by PY Standard, the Bank ranked 6th in comprehensive capabilities of wealth management business among city commercial banks, and continued to rank first in comprehensive capability of wealth management and in each individual ranking in Shandong Province.

During the Reporting Period, the Bank received the approval on the establishment of Qingyin Wealth Management from CBIRC, Qingyin Wealth Management became the first wealth management subsidiary of a city commercial bank approved in the Northern Yangtze River area and the sixth within the whole country. Qingyin Wealth Management was proposed to be established solely by the Bank. A series of construction work such as the Company's establishment of strategic position, construction of organizational structure, design of risk control plans and planning of IT system have complied with high standard and strict requirements during the period of establishment, steadily progressing its establishment work.

4. *Investment banking*

As the only legal-person financial institution in Shandong Province with the qualification of Class B independent lead underwriter, the Bank insisted on understanding market dynamics and developed innovative market instruments that would enhance its competitive edges in the financial market, built a service brand of the Bank in the debt capital market and provided comprehensive financing solutions for quality corporate customers in Shandong Province.

During the Reporting Period, the Bank deeply explored the existing market to increase participation in the bond issuance business, while strengthened cooperation with non-bank financial institutions to expand incremental business opportunities. During the Reporting Period, the Bank underwrote and issued 30 bonds of various types, involving an issue size of RMB16.280 billion, and the Bank's underwriting proportion was RMB11.043 billion. As compared to the same period of the previous year, the number of issuance items increased by 15, which doubled year-on-year. The issue size increased by RMB10.250 billion or 169.98%, and the Bank's underwriting proportion increased by RMB6.336 billion or 134.61%. Under the impact of COVID-19, the Bank's financing amount in the debt capital market projects achieved breakthroughs, contributing to the development of the real economy and the resumption of production and work.

12.4 Distribution channels

1. *Physical distribution channels*

The business outlets of the Bank are based in Qingdao with its footprint covering all corners of Shandong Province. As at the end of the Reporting Period, the Bank had 143 business outlets including 14 branches in 14 cities in Shandong Province, including Qingdao, Jinan, Dongying, Weihai, Zibo, Dezhou, Zaozhuang, Yantai, Binzhou, Weifang, Laiwu, Linyi, Jining and Taian. The Bank had its head office, a branch and 80 sub-branches located in the vicinity of Qingdao. BQD Financial Leasing, the Company's holding subsidiary, is based in Qingdao and has set up an office in Shanghai.

2. *Self-service banking channels*

As at the end of the Reporting Period, the Bank had 104 self-service banks and 301 self-service devices including 57 self-service ATMs, 166 self-service Cash Deposit and Teller machines (CTM), and 78 self-service terminals. These units provide services such as withdrawal, deposit, transfer, account enquiry, and payment. During the Reporting Period, the Bank had recorded 2.7085 million transactions through self-service banks with a total transaction amount of RMB7.727 billion.

3. *Electronic banking channels*

The Bank regards electronic banking as a significant breakthrough in innovation and development, and continuously optimizes online service channels such as mobile banking so as to "enhance customers' experience". The Bank also enhanced its comprehensive channel service capabilities through more utilization of financial technology. The Bank also sought to open its doors to further cooperation, and promoted the rapid update of its products and services.

(1) Mobile finance

The Bank continued to accelerate the intelligent and personalized construction of mobile banking. During the Reporting Period, the Bank successfully released the version 4.0 of mobile banking based on the cloud platform, and made revolutionary upgrade and replacement of the mobile banking infrastructure, which improved the efficiency of the mobile banking version updates, function development, fault repairing and other tasks, laying a solid foundation for online digital operation based on big data analysis in the future. The intuitive changes brought to customers were the significant increase in the operation speed of mobile banking, the further optimization of common transaction processes such as transfer and inquiry, and the more smooth customer experience. During the Reporting Period, the Bank further enriched the functions of mobile banking by making use of mobile banking for fingerprint login, mobile phone number transfer, cross-bank payment and structured deposits, which effectively enhanced the user experience.

The mobile banking user size of the Bank maintained rapid growth. As at the end of the Reporting Period, the Bank recorded 2.6246 million mobile banking users, representing an increase of 11.39% as compared with that at the end of the previous year; 30.5383 million transactions, representing a decrease of 2.19% as compared with that in the same period of the previous year; a transaction amount of RMB185.77 billion, representing a decrease of 0.40% as compared with that in the same period of the previous year.

The volume of wealth management products sold via mobile banking was constantly improved. During the Reporting Period, the sales amount of wealth management products of the Bank sold via mobile banking totaled RMB16.667 billion. The transaction volume of wealth management products sold via mobile banking accounted for 85.96% of that via various channels, representing an increase of 8.47 percentage points as compared with that at the end of the previous year.

(2) Internet banking

As at the end of the Reporting Period, the Bank had a total of 125.7 thousand online corporate banking customers, representing an increase of 7.16% as compared with that at the end of the previous year. During the Reporting Period, the Bank's accumulated number of transactions totaled 7,761.0 thousand, representing an increase of 18.73% as compared with that at the end of the previous year while the value of total transaction amounted to RMB852.667 billion, representing an increase of 46.23% as compared with that in the same period of the previous year. Number of online retail banking customers totaled 735.3 thousand, representing an increase of 0.33% as compared with that at the end of the previous year. The Bank accumulated a total of 20,935.5 thousand transactions during the Reporting Period, representing a decrease of 59.77% as compared with that in the same period of the previous year. The transaction amount reached RMB125.445 billion, representing a decrease of 34.10% as compared with that in the same period of the previous year.

12.5 Information technology

During the Reporting Period, the Bank comprehensively implemented the strategy of scientific and technological innovations, combined with the new financial concept of "Finance + Technology + Scenarios", accelerated the application of emerging technologies such as big data, artificial intelligence, cloud computing, 5G technologies and biometrics, gradually improved the construction of the comprehensive risk management system for "stability," accelerated the application of new technologies for "agility" and accelerated the response to business demand, hence effectively supporting the achievement of business strategic objectives during the Reporting Period.

1. *Promoted the construction of key projects and strived to achieve key breakthroughs in smart banking, inclusive finance and other aspects*

During the Reporting Period, the Bank stepped up its efforts in the construction of technology projects, launched 15 new IT projects, and successfully completed the launch of 13 key projects, including the smart outlets of the Shinan Sub-branch and corporate mobile banking. The Bank made every effort to promote the construction of 33 projects under construction such as 5G technologies, smart marketing and cloud data center and orderly promoted the digital transformation of operation.

The first smart bank of the Bank that incorporates a variety of cutting-edge technologies such as biometrics, artificial intelligence and 5G technologies has commenced business. Through the "5G+smart bank" developed from digital transformation, the smart bank offers a brand new digital experience for customers.

The Bank also strengthened cross-sector cooperation with third-party companies, government organizations and online platforms and actively utilized financial technologies to create new models and formats of inclusive finance. The Bank's interface banking that integrates with third-party platforms facilitates the provision of credit facilities to upstream and downstream companies of the supply chain, effectively solving the problem of difficult and expensive financing for small and micro enterprises.

The channels and products for corporate customers of the Bank have been constantly expanded. The newly-launched corporate mobile banking offers one-stop online financial services for companies 24 hours a day, 7 days a week. The Bank's cross-border financial blockchain service platform connects the State Administration of Foreign Exchange, which has made the Bank the first corporate bank directly connected with an online cross-border financial blockchain service platform in Shandong Province and comprehensively improved the quality and efficiency of financing for export companies.

The Bank continued to enhance the intelligent and personalized construction of mobile banking and gradually achieved the comprehensive transformation from "card era" to "App era." The Bank's personal mobile banking service offers users a new smart mobile financial experience with multiple scenarios, intelligence, great customer experiences and powerful security features by successively launching new wealth management and remittance modules and introducing voice recognition technology.

2. *Strengthened information technology risk management and fully safeguarded the security of information systems*

The Bank attached great importance to information security management and control and kept on enhancing the management of IT risks, strengthened active operation and maintenance to enhance system availability and IT service level. The Bank successfully fulfilled its mission to safeguard the information system and security of the Internet during the "Two Sessions" by implementing a variety of initiatives such as "zero-fault launch" to reduce change risks and ensure the reliable, stable, continuous and efficient operation of information systems.

3. *Improved IT strategic planning and constructed blueprints for digital transformation*

The Bank established and improved IT strategic plans to enhance its core IT capability and focused on constructing strategic blueprints that supported the overall digital transformation of the Bank.

By constantly optimizing the internal organizational structure of the technology team and increasing efforts in recruiting digitalization talents and nurturing multi-skilled talents, the Bank optimized its technology resource allocation, explored and adopted the appraisal and salary systems required for digital transformation and deepened the integration of technology with business. Through employee empowerment, the Bank enhanced the core capabilities of its IT teams, which in turn facilitated the innovation, transformation and development of the Bank's businesses.

13. STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

Structured entities controlled by the Company are mainly principal-guaranteed wealth management products issued by the Company. Please refer to "3. Management Discussion and Analysis – 12.3 Financial Market Business – 3. Assets management" of this results announcement.

14. RISK MANAGEMENT

14.1 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. Several departments including the Credit Management Department, Credit Approval Department, Personal Loan Department and Financial Market Business Unit, etc., are responsible for the management of credit risk. 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 policy system is being optimized. The credit approval procedures have been reshaped and optimized while risk screening is conducted to pre-assess risk trends. Asset quality and quantity are further controlled and monitored to heighten the clearing and receiving of risky assets. The Bank continues to build an accurate and efficient risk-monitoring system and a quick-response mechanism through strengthening smart risk control capabilities. During the Reporting Period, the Company focused on the following areas to strengthen its credit risk management:

1. Implemented the Group's credit risk management and control mechanism and unified risk appetite and risk control standards. Based upon its persistent implementation of unified credit extension, the Company had been actively promoting the inclusion of large sum risk exposure management into the work of the comprehensive risk management system. By adopting a top-level design and focusing on improving relevant rules and regulations, the Company moved forward with the construction of a multi-level unified credit extension system covering a full range of customers, assets and the entire institution and the construction of a large sum risk exposure management system, which maintained the stability of the overall credit quality and quantity of the Group.

2. The Bank constantly strengthened the management and control of asset quality and quantity indicators, implemented dynamic refined management, strengthened the pre-assessment and analyses of the trends of risk migrations and changes and enhanced preprocessing capabilities for risk signals. The Bank intensified risk screening on potentially risky customers, actively controlled and monitored the trends of risk changes and stepped up efforts in increasing cash collection and cancellation of non-performing loans. The asset quality and quantity indicators of the Bank had maintained a positive and stable level. The loans that were overdue more than 60 days continued to be managed as non-performing loans.

3. Adjustments to the credit policy had been made in a timely manner and the leading of our credit policy had been enhanced. The Bank increased anti-epidemic enterprises and prioritized the support for industries relating closely to people's basic livelihood, for which the Bank arranged a special limit and established a green credit channel so as to specifically handle such special case with quick approval process and granting of credit. The Bank set up a green channel leading team regarding credit and payment and formulated a credit working plan for the prevention and control of the coronavirus epidemic. The Bank also introduced various measures for enhancing services while actively carrying out on-lending loans business to small and medium-sized enterprises with simplified procedures and fast and favorable services. The Bank actively adopted national bailout policies for enterprises facing temporary difficulties, so the enterprises could overcome the difficulties.

4. By comprehensively organizing the process of system modification, the Bank built an intensive credit management system with high-efficiency. The credit business operational process was optimized while credit management work efficiency was enhanced. The Bank had improved the post-loan supervision working method and set up a system of letter of supervising to carry out post-supervision orderly as well as tracking and rectifying the problems found. According to changes in the impact of the epidemic, the Bank would strengthen risk screening. The Bank would also implement differentiated post-loan management measures and consolidate the "before-loan investigation, loan-granting review and after-loan inspection" basis while sticking to the bottom line of risk.

5. The Bank continued to explore the use of advanced mobile Internet technology, imaging technology and risk measurement tools. The Bank introduced channel data to improve the timeliness and accuracy of risk assessment and early warning, realize efficient and intensive credit management in branches, and increase the use of information technology in credit management.

During the Reporting Period, the Company further improved its asset quality and put its credit risks under effective management and control through the above measures.

14.2 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 monitors future cash flows according to its liquidity risk management policy, and ensures an appropriate level of high liquid assets is maintained.

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

The Company measures, monitors, and identifies liquidity risks from the perspectives of short-term provision and structure, 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. A substantial portion of the Company's assets are funded by deposits from customers. During the Reporting Period, the deposits from customers of the Company were a stable source of funds as they had been growing rapidly and were widely diversified in terms of type and duration.

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. Constantly strengthening liquidity risk management on a daily basis, optimizing the function of position management and improving the efficiency in position warning;

2. Continuously promoting the growth of its proprietary deposits, strengthening key customer group marketing strategy and other measures, strengthening control at key time points, and adopt multiple strategies to promote steady growth of deposits, and the stability of liabilities was enhanced;

3. Dynamically regulating the release of credit assets, continue to optimize the asset structure, and realize the stable operation of assets and liabilities;

4. Strictly implementing liquidity risk limit management, fulfilling obligations from all business lines, and dynamically monitoring the operation of liquidity risk limit indicators;

5. Increasing investment in qualified and high-quality bonds, maintain adequate liquidity reserves, and further improving liquidity risk buffer capacity.

As at the end of the Reporting Period, details of the liquidity coverage ratio and net stable funding ratio of the Company are as follows:

Liquidity coverage ratio item (RMB'000)	**30 June 2020**	31 December 2019
Qualified and high-quality current assets	**75,830,413**	78,152,065
Net cash outflows in next 30 days	**47,388,291**	54,930,790
Liquidity coverage ratio	**160.02%**	142.27%

Note: Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks, the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018.

Net stable funding ratio (RMB'000)	**30 June 2020**		31 March 2020	
	The Company	**The Bank**	The Company	The Bank
Available stable funding	**246,428,181**	**243,844,029**	224,115,387	220,948,714
Required stable funding	**235,882,448**	**228,724,512**	215,816,615	208,642,719
Net stable funding ratio	**104.47%**	**106.61%**	103.85%	105.90%

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

For more details on the Company's liquidity risk management, please refer to "Notes to the Unaudited Interim Financial Report — 42(3) Liquidity Risk" of this results announcement.

14.3 Market Risk Management

Market risk refers to the risk of loss of on-balance sheet and off-balance sheet businesses due to adverse changes in market factors (interest rates, exchange rates, commodity prices, stock prices, etc.). The market risks faced by the Company mainly include interest rate risk and exchange rate risk.

In accordance with the relevant requirements of the regulatory authorities on market risk management with reference to the relevant provisions of the New Basel Capital Accord, the Company continued to improve its market risk management system during the Reporting Period, optimize its market risk management policy system, and deepen the construction of the market risk management information system. It continued to manage its interest rate risk and exchange rate risk and has established a market risk management system through measures such as the stipulation, monitoring and reporting of authorization, credit and risk limits, aiming to constantly improve the efficiency of its risk management.

The Company's internal control system for market risk management is sound and compliant, with clear responsibilities defined for the Board, senior management and various departments; meanwhile, the Company regularly inspected the policies and systems in relation to market risk management, so as to regulate the identification, monitoring and control of market risks. The Company carries out special internal audits on market risks annually and regularly reports the status of market risk management to the senior management and the Board and generates an independent report.

The Company comprehensively uses information systems including the Banking Financial Institutions Supervision Information System and China Bond Integrated Operation Platform to monitor the appropriation of market risk capital in strict accordance with the requirements of the New Basel Capital Accord.

14.3.1 Analysis of interest rate risk

The Company distinguishes its banking book and trading book according to the regulations of the regulatory authorities and the banking management traditions, and adopts the corresponding approaches for the identification, measurement, monitoring and control of market risks according to the different natures and characteristics of its banking book and trading book. The trading book records the freely traded financial instruments and commodity positions held by the Bank for trading purposes or for hedging the risks of other items in the trading book. Positions recorded in the trading book must not be subject to any terms on the transaction, or can be fully hedged to avert risks, accurately valued, and actively managed.

For the interest rate risk exposure in its trading book, the Bank mainly adopts techniques such as sensitivity analysis and scenario simulation to measure and monitor it. Risk exposure limits, such as interest rate sensitivity, risk exposure and stop-loss are set, and the implementation of these limits is also effectively monitored, managed and reported on a regular basis with market risk stress tests carried out. Corresponding to the trading book, the Bank's other businesses are included in the banking book. For the interest rate risk exposure in its banking book, the Company adopts measurement approaches suitable for the scale and structure of its assets and liabilities in accordance with the regulatory requirements, which employs various techniques such as repricing gap analysis, duration analysis, and net interest income simulation analysis to quantify the impact of interest rate changes on the Company's net interest income and economic value according to various risk sources, and puts forward management recommendations and business adjustment strategies based on the report generated from the analysis results. During the Reporting Period, the Company paid close attention to policy trends and changes in the external interest rate environment to improve the level of refined management on interest rate risk. The Company realized a stable growth in net interest income by proactively adjusting business pricing and structure strategies of its asset and liability, while ensuring that the interest rate risk as a whole was within the control.

14.3.2 *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 the interest rate sensitivity analysis based on the current assets and liabilities on 30 June 2020 and 31 December 2019.

Unit: RMB'000

Item	**30 June 2020 (Decrease)/ Increase**	31 December 2019 (Decrease)/ Increase
Change in annualized net interest income		
Interest rate increase by 100 bps	**(713,548)**	(438,707)
Interest rate decrease by 100 bps	**713,548**	438,707

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

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

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

3. There are no other changes to 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.

14.3.3 Analysis of exchange rate risk

The Company's exchange rate risk mainly arises from the currency mismatches of the non-RMB assets and liabilities held in the banking book of the Company. The Company controlled the exchange rate risk of banking book within an acceptable range through strictly managing and controlling risk exposure. Methods such as foreign exchange exposure analysis, scenario simulation analysis and stress test are mainly adopted for the measurement and analysis of the Company's exchange rate risks in its banking book.

14.3.4 *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 2020 and 31 December 2019.

Unit: RMB'000

Item	**30 June 2020 Increase/ (Decrease)**	31 December 2019 Increase/ (Decrease)
Change in annualized net profit		
Foreign exchange rate increase by 100 bps	**9,731**	9,511
Foreign exchange rate decrease by 100 bps	**(9,731)**	(9,511)

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 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 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.

14.4 Operational Risk Management

Operational risk refers to the risk of loss arising from inadequate or problematic internal procedures, employees and 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 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 Bank focuses on preventing systematic operational risks and heavy 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, vigorously promoted the enhancement of the level of operational risk management in accordance with the relevant policies of the Operational Management Policy of Bank of Qingdao, and its operational risks had been well contained. During the Reporting Period, the Bank focused on enhancing its operational risk management in the following areas:

1. Consistently strengthening case prevention and control to build solid lines of risk prevention. The Bank created a linkage mechanism for conducting risk screening and case warning education activities on a regular basis, put emphasis on staff's behavior management and ideological source governance, so that the Bank could timely discover and deal with potential risks and strictly prevent any crime at its early stage.

2. Proactively conducting inspections on key business areas to enhance risk prevention and mitigation capabilities. Focusing on key businesses and key areas of the Bank, combined with on-site and off-site inspection requirements for external supervision, the Bank conducted self-examinations and inspections in various forms, discovered problems in a timely manner and implemented rectifications, so as to strengthen internal control management measures and enhance risk prevention and mitigation capabilities.

3. Continuously strengthening information technology application and business continuity management to ensure the normal operation of the system and businesses. The Bank expanded the application of innovative information technology to build various automatic operation and maintenance scenes, to push forward platform establishment and to raise the automatic operation and maintenance level, which scaled down overall man-made and systematic operational risks in data centers. The Bank continued to promote the establishment of the business continuity management system, improved the system construction of emergency plans, organized and conducted business continuity drills, and enhanced the relevant personnel's ability to respond to emergencies and their ability to work collaboratively.

4. Conducting system establishment and employee training in a robust manner to ensure the regulated operation of various businesses. By taking a series of actions including optimizing the system formulation process, reinforcing the implementation of the system and refining management duties, the Bank comprehensively created a system governance environment of "the unity of knowledge and action" from the aspects of the system itself, enforcement and responsibility shouldering and formulated systems that regulate the Bank comprehensively and effectively. The Bank continuously strengthened staff training, paid attention to practical operational guidance training for new staff, and valued on-the-job education and training so as to raise staff's business operation level and increase their awareness of "full compliance", which helped strictly prevent man-made operational risks.

15. DEVELOPMENT PLAN IN THE SECOND HALF OF 2020 OF THE COMPANY

15.1 Operating Situation Analysis for the Second Half of the Year

In the second half of 2020, as global major economies gradually resume work and production, the global economic downturn will gradually narrow. Although China's economy is still under great pressure, it is expected to take the lead in recovery. The operating pressure of the banking industry is relatively high, but under the political environment of "proactive fiscal policies for positive outcomes and stable monetary policies for greater flexibility", there will be structural opportunities for city commercial banks with guaranteed capital and management.

15.2 Development Guiding Ideology for the Second Half of the Year

In the second half of 2020, under the guidance of the strategic goal of "being a bank that offers new quality financial products with advanced technology, lean management and outstanding features", the Bank will continue to follow the basic operating guiding principle of "adopting to changing times, strengthening characteristics, overcoming challenges and developing steadily", while continuing to promote business improvement, we will actively explore effective breakthroughs in management improvement to lay a solid foundation for the transformation into a regional medium-sized bank.

15.3 Major Work Measures in the Second Half of the Year

(1) Political aspect: improve political position and strengthen its implementation;

(2) Wholesale business: strengthen key areas and coordinate development;

(3) Retail business: continue to expand customer base and strengthen the foundation;

(4) Risk management: ensure asset quality, improve management and control;

(5) Management enhancement: focus on top-level design and to achieve key breakthroughs;

(6) Outlet construction: implement organizational planning and improve management;

(7) Technology empowerment: explore new technology applications and accelerate transformation;

(8) Comprehensive management: strengthen Party building to achieve overall enhancement.

4. OTHER EVENTS

4.1 Earnings and Dividends

The profit of the Company for the six months ended 30 June 2020 and the financial position of the Company as at the same date are set out in the financial report of this results announcement.

Pursuant to the resolutions considered and passed at the 2019 annual general meeting of the Bank on 7 May 2020, the Bank had distributed 2019 cash dividends on 2 July 2020 to shareholders of A shares and H shares whose names appeared on the share register of the Bank at the close of business on the respective record dates, in accordance with the profit distribution plan to distribute a cash dividend of RMB0.20 per share (tax inclusive).

No ordinary dividend distribution and no transfer from capital reserve to share capital were made by the Bank in 2020 during the interim period.

4.2 Use of Proceeds

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

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

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

4.3 Changes in Directors, Supervisors and Senior Management

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

Name	Position held	Type of change	Date of change	Reason for change
Tingjie ZHANG	Independent non-executive director	Newly elected	13 February 2020	–
WONG Tin Yau, Kelvin	Former independent non-executive director	Resigned	13 February 2020	Work reason
YANG Fengjiang	Former executive director, former vice president	Resigned	25 March 2020	Work adjustment
	Employee supervisor	Newly elected	26 March 2020	–
	Chairman of the board of supervisors	Newly elected	30 March 2020	–
CHEN Qing	Former chairlady of the board of supervisors, former employee supervisor	Resigned	26 March 2020	Reaching the age of retirement

Apart from the above, during the Reporting Period, there were no other changes in the directors, supervisors and senior management of the Bank.

4.4 Purchase, Sale and Redemption of Listed Securities

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

4.5 Statement of Compliance with the Hong Kong Listing Rules

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

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

4.6 Audit Committee

The audit committee of the Bank has reviewed the accounting standards and practices adopted by the Bank with the management and has reviewed the Interim Results for the six months ended 30 June 2020.

5. REVIEW REPORT

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 83 to 161 which comprises the consolidated statement of financial position of Bank of Qingdao Co., Ltd. (the "Bank") and its subsidiary (collectively the "Group") as of 30 June 2020 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 2020 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

28 August 2020

6. UNAUDITED INTERIM FINANCIAL REPORT

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	**Six months ended 30 June 2020 (unaudited)**	2019 (unaudited)
Interest income		**8,220,426**	6,825,818
Interest expense		**(4,303,950)**	(3,681,275)
Net interest income	*3*	**3,916,476**	3,144,543
Fee and commission income		**1,182,905**	614,082
Fee and commission expense		**(64,117)**	(33,272)
Net fee and commission income	*4*	**1,118,788**	580,810
Net trading gains	*5*	**130,994**	15,362
Net gains arising from investments	*6*	**909,014**	785,541
Other operating income	*7*	**28,867**	8,312
Operating income		**6,104,139**	4,534,568
Operating expenses	*8*	**(1,456,874)**	(1,266,489)
Credit losses	*9*	**(2,787,723)**	(1,428,195)
Profit before taxation		**1,859,542**	1,839,884
Income tax expense	*10*	**(295,051)**	(373,755)
Net profit for the period		**1,564,491**	1,466,129
Profit attributable to:			
Equity shareholders of the Bank		**1,530,517**	1,438,462
Non-controlling interests		**33,974**	27,667
Basic and diluted earnings per share (in RMB)	*11*	**0.34**	0.32

The notes on pages 92 to 161 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 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	**Six months ended 30 June** **2020** **(unaudited)**	2019 (unaudited)
Net profit for the period		**1,564,491**	1,466,129
Other comprehensive income:			
Item that will not be reclassified to profit or loss			
– Remeasurement of defined benefit liability		**(8)**	–
Items that may be reclassified subsequently to profit or loss			
– Changes in fair value of debt investments measured at fair value through other comprehensive income	*37(4)*	**(195,645)**	(76,063)
– Credit losses of debt investments measured at fair value through other comprehensive income	*37(4)*	**(19,668)**	50,659
Other comprehensive income, net of tax		**(215,321)**	(25,404)
Total comprehensive income		**1,349,170**	1,440,725
Total comprehensive income attributable to:			
Equity shareholders of the Bank		**1,315,196**	1,413,058
Non-controlling interests		**33,974**	27,667

The notes on pages 92 to 161 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	**30 June 2020 (unaudited)**	31 December 2019 (audited)
Assets			
Cash and deposits with central bank	*12*	**34,997,001**	39,704,840
Deposits with banks and other financial institutions	*13*	**2,142,587**	1,312,468
Placements with banks and other financial institutions	*14*	**1,139,412**	3,313,603
Derivative financial assets	*15*	**311,283**	12,436
Financial assets held under resale agreements	*16*	**13,608,775**	2,325,771
Loans and advances to customers	*17*	**198,252,690**	169,158,291
Financial investments:			
– Financial investments measured at fair value through profit or loss	*18*	**29,846,944**	22,912,561
– Financial investments measured at fair value through other comprehensive income	*19*	**60,428,947**	54,973,781
– Financial investments measured at amortised cost	*20*	**81,461,246**	64,491,058
Long-term receivables	*22*	**11,003,918**	9,037,819
Property and equipment	*23*	**2,991,381**	3,048,813
Right-of-use assets	*24*	**822,081**	818,928
Deferred tax assets	*25*	**2,294,408**	1,581,905
Other assets	*26*	**1,221,336**	929,876
Total assets		**440,522,009**	373,622,150
Liabilities			
Borrowings from central bank	*27*	**8,103,568**	5,536,650
Deposits from banks and other financial institutions	*28*	**11,595,733**	16,462,527
Placements from banks and other financial institutions	*29*	**12,458,847**	9,916,257
Derivative financial liabilities	*15*	**317,920**	8,805
Financial assets sold under repurchase agreements	*30*	**25,812,324**	16,027,082
Deposits from customers	*31*	**266,771,363**	215,425,403
Income tax payable		**654,609**	187,027
Debt securities issued	*32*	**80,444,367**	76,858,899
Lease liabilities	*33*	**443,075**	427,429
Other liabilities	*34*	**2,995,053**	2,294,153
Total liabilities		**409,596,859**	343,144,232

The notes on pages 92 to 161 form part of this interim financial report.

	Note	30 June 2020 (unaudited)	31 December 2019 (audited)
EQUITY			
Share capital	*35*	**4,509,690**	4,509,690
Other equity instrument			
Including: preference shares	*36*	**7,853,964**	7,853,964
Capital reserve	*37(1)*	**8,337,869**	8,337,869
Surplus reserve	*37(2)*	**1,626,662**	1,626,662
General reserve	*37(3)*	**4,400,258**	4,400,258
Other comprehensive income	*37(4)*	**442,909**	658,230
Retained earnings	*38*	**3,157,366**	2,528,787
Total equity attributable to equity shareholders of the Bank		**30,328,718**	29,915,460
Non-controlling interests		**596,432**	562,458
Total equity		**30,925,150**	30,477,918
Total liabilities and equity		**440,522,009**	373,622,150

Approved and authorised for issue by the board of directors on 28 August 2020.

Guo Shaoquan	**Wang Lin**	**Meng Dageng**	(Company Stamp)
Legal Representative (Chairman)	*President*	*Head of the Planning & Finance Department*	

The notes on pages 92 to 161 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2020

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Share capital	Other equity instrument	Capital reserve *Note 37(1)*	Surplus reserve *Note 37(2)*	General reserve *Note 37(3)*	Other comprehensive income *Note 37(4)*	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity shareholders of the Bank									
Balance at 1 January 2020		**4,509,690**	**7,853,964**	**8,337,869**	**1,626,662**	**4,400,258**	**658,230**	**2,528,787**	**29,915,460**	**562,458**	**30,477,918**
Profit for the period		**–**	**–**	**–**	**–**	**–**	**–**	**1,530,517**	**1,530,517**	**33,974**	**1,564,491**
Other comprehensive income	*37(4)*	**–**	**–**	**–**	**–**	**–**	**(215,321)**	**–**	**(215,321)**	**–**	**(215,321)**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**(215,321)**	**1,530,517**	**1,315,196**	**33,974**	**1,349,170**
Appropriation of profit:											
– Dividends	*38*	**–**	**–**	**–**	**–**	**–**	**–**	**(901,938)**	**(901,938)**	**–**	**(901,938)**
Balance at 30 June 2020 (unaudited)		**4,509,690**	**7,853,964**	**8,337,869**	**1,626,662**	**4,400,258**	**442,909**	**3,157,366**	**30,328,718**	**596,432**	**30,925,150**

	Note	Share capital	Other equity instrument	Capital reserve *Note 37(1)*	Surplus reserve *Note 37(2)*	General reserve *Note 37(3)*	Other comprehensive income *Note 37(4)*	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity shareholders of the Bank									
Balance at 1 January 2019		4,058,713	7,853,964	6,826,276	1,403,575	3,969,452	553,193	2,319,800	26,984,973	511,751	27,496,724
Profit for the period		–	–	–	–	–	–	1,438,462	1,438,462	27,667	1,466,129
Other comprehensive income	*37(4)*	–	–	–	–	–	(25,404)	–	(25,404)	–	(25,404)
Total comprehensive income		–	–	–	–	–	(25,404)	1,438,462	1,413,058	27,667	1,440,725
Issue of ordinary shares	*35*	450,977	–	1,511,593	–	–	–	–	1,962,570	–	1,962,570
Appropriation of profit:											
– Dividends	*38*	–	–	–	–	–	–	(901,938)	(901,938)	–	(901,938)
Balance at 30 June 2019 (unaudited)		4,509,690	7,853,964	8,337,869	1,403,575	3,969,452	527,789	2,856,324	29,458,663	539,418	29,998,081

The notes on pages 92 to 161 form part of this interim financial report.

	Note	Share capital	Other equity instrument	Capital reserve Note 37(1)	Surplus reserve Note 37(2)	General reserve Note 37(3)	Other comprehensive income Note 37(4)	Retained earnings	Total	Non-controlling interests	Total equity
		Attributable to equity shareholders of the Bank									
Balance at 1 January 2019		4,058,713	7,853,964	6,826,276	1,403,575	3,969,452	553,193	2,319,800	26,984,973	511,751	27,496,724
Profit for the year		–	–	–	–	–	–	2,284,815	2,284,815	50,707	2,335,522
Other comprehensive income	37(4)	–	–	–	–	–	105,037	–	105,037	–	105,037
Total comprehensive income		–	–	–	–	–	105,037	2,284,815	2,389,852	50,707	2,440,559
Ordinary shares insurance	35	450,977	–	1,511,593	–	–	–	–	1,962,570	–	1,962,570
Appropriation of profit:											
– Appropriation to surplus reserve	37(2)	–	–	–	223,087	–	–	(223,087)	–	–	–
– Appropriation to general reserve	37(3)	–	–	–	–	430,806	–	(430,806)	–	–	–
– Dividends	38	–	–	–	–	–	–	(1,421,935)	(1,421,935)	–	(1,421,935)
Balance at 31 December 2019 (audited)		4,509,690	7,853,964	8,337,869	1,626,662	4,400,258	658,230	2,528,787	29,915,460	562,458	30,477,918

The notes on pages 92 to 161 form part of this interim financial report.

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2020
(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
Cash flows from operating activities		
Profit before taxation	**1,859,542**	1,839,884
Adjustments for:		
Credit losses	**2,787,723**	1,428,195
Depreciation and amortisation	**208,199**	212,737
Unrealised foreign exchange gains	**(129,742)**	(14,385)
Net losses on disposal of property and equipment, intangible assets and other assets	**388**	582
Losses/(gains) from changes in fair value	**194,103**	(31,300)
Net gains arising from investment	**(1,098,437)**	(754,291)
Interest expense on debt securities issued	**1,349,986**	1,257,153
Interest income from financial investment	**(2,636,940)**	(2,685,687)
Others	**(22,460)**	(27,701)
	2,512,362	1,225,187
Changes in operating assets		
Net (increase)/decrease in deposits with central bank	**(1,151,640)**	795,841
Net (increase)/decrease in deposits with banks and other financial institutions	**(100,000)**	200,000
Net decrease in placements with banks and other financial institutions	**1,700,000**	7,542
Net increase in loans and advances to customers	**(31,012,452)**	(21,291,600)
Net (increase)/decrease in financial assets held under resale agreements	**(11,289,851)**	300,000
Net increase in long-term receivables	**(2,077,350)**	(1,074,973)
Net increase in other operating assets	**160,372**	(102,093)
	44,091,665	(21,165,283)

The notes on pages 92 to 161 form part of this interim financial report.

	Six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
Changes in operating liabilities		
Net increase/(decrease) in borrowings from central bank	**2,591,685**	(749,709)
Net (decrease)/increase in deposits from banks and other financial institutions	**(4,827,783)**	3,270,197
Net increase in placements from banks and other financial institutions	**2,516,394**	1,533,428
Net increase/(decrease) in financial assets sold under repurchase agreements	**9,782,953**	(1,194,617)
Net increase in deposits from customers	**50,980,065**	10,194,128
Net increase in other operating liabilities	**729,528**	706,149
	61,772,842	13,759,576
Income tax paid	**(468,198)**	(463,843)
Net cash flows generated/(used in) from operating activities	**19,725,341**	(6,644,363)
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	**40,682,817**	35,112,823
Net cash received from investment gains and interest	**3,973,515**	3,645,625
Proceeds from disposal of property and equipment, intangible assets and other assets	**159**	301
Payments on acquisition of investments	**(71,886,434)**	(35,282,062)
Payments on acquisition of property and equipment, intangible assets and other assets	**(100,854)**	(159,286)
Net cash flows (used in)/generated from investing activities	**(27,330,797)**	3,317,401
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	**–**	1,962,570
Net proceeds from debt securities issued	**32,155,562**	44,598,684
Repayment of debt securities issued	**(28,576,432)**	(35,530,000)
Interest paid on debt securities issued	**(1,343,648)**	(405,284)
Dividends paid	**(645,216)**	(62)
Cash payment for other financing activities	**(68,141)**	–
Net cash flows generated from financing activities	**1,522,125**	10,625,908

The notes on pages 92 to 161 form part of this interim financial report.

	Note	Six months ended 30 June 2020 (unaudited)	2019 (unaudited)
Effect of foreign exchange rate changes on cash and cash equivalents		**8,941**	7,115
Net (decrease)/increase in cash and cash equivalents		**(6,074,390)**	7,306,061
Cash and cash equivalents as at 1 January		**22,500,749**	10,212,182
Cash and cash equivalents as at 30 June	*39*	**16,426,359**	17,518,243
Net cash flows generated from operating activities include:			
Interest received		**5,910,187**	4,305,389
Interest paid		**(2,623,362)**	(2,138,247)

The notes on pages 92 to 161 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

1 BACKGROUND INFORMATION

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

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

The Bank obtained its financial institution licence No. B0170H237020001 from the Qingdao branch of the former CBRC. The Bank obtained its business license with a unified social credit code 91370200264609602K from the Administration for Industry and Commerce of Qingdao City, 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 the SME Board of Shenzhen Stock Exchange (Stock code: 002948). The share capital of the Bank is RMB4.510 billion as at 30 June 2020.

The Bank has 14 branches in Jinan, Dongying, Weihai, Zibo, Dezhou, Zaozhuang, Yantai, Binzhou, Weifang, Qingdao Westcoast, Laiwu, Linyi, Jining and Taian as at 30 June 2020. The principal activities of the Bank and its subsidiary (collectively the "Group") are the provision of corporate and personal deposits, loans and advances, settlement, financial market business, financial leasing and other services as approved by the regulatory authority. The background information of subsidiary refers to 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 28 August 2020.

The interim financial reports 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 2019.

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

(2) Accounting judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2019.

(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 this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 NET INTEREST INCOME

	Six months ended 30 June	
	2020	2019
Interest income arising from		
Deposits with central bank	**173,372**	168,832
Deposits with banks and other financial institutions	**3,733**	8,670
Placements with banks and other financial institutions	**74,377**	142,484
Loans and advances to customers		
– Corporate loans and advances	**3,317,073**	2,127,391
– Personal loans and advances	**1,470,654**	1,102,518
– Discounted bills	**127,920**	212,008
Financial assets held under resale agreements	**105,924**	133,225
Financial investments	**2,636,940**	2,685,687
Long-term receivables	**310,433**	245,003
Sub-total	**8,220,426**	6,825,818
Interest expense arising from		
Borrowings from central bank	**(92,296)**	(172,514)
Deposits from banks and other financial institutions	**(172,453)**	(190,952)
Placements from banks and other financial institutions	**(204,397)**	(207,222)
Deposits from customers	**(2,290,323)**	(1,591,835)
Financial assets sold under repurchase agreements	**(194,495)**	(261,599)
Debt securities issued	**(1,349,986)**	(1,257,153)
Sub-total	**(4,303,950)**	(3,681,275)
Net interest income	**3,916,476**	3,144,543

4 NET FEE AND COMMISSION INCOME

	Six months ended 30 June 2020	2019
Fee and commission income		
Wealth management service fees	**672,692**	318,278
Agency service fees	**227,747**	155,930
Custody and bank card service fees	**154,074**	37,535
Financial leasing service fees	**92,729**	71,688
Settlement fees	**19,636**	17,798
Others	**16,027**	12,853
Sub-total	**1,182,905**	614,082
Fee and commission expense	**(64,117)**	(33,272)
Net fee and commission income	**1,118,788**	580,810

5 NET TRADING GAINS

	Note	Six months ended 30 June 2020	2019
Net gains of foreign exchange and foreign exchange rate derivative financial instruments	*(i)*	**140,203**	16,918
Net gains/(losses) from debt securities and others	*(ii)*	**1,002**	(1,606)
Net (losses)/gains from non-exchange derivative financial instruments		**(10,211)**	50
Total		**130,994**	15,362

Notes:

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

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

6 NET GAINS ARISING FROM INVESTMENTS

	Six months ended 30 June 2020	2019
Net gains on disposal of financial assets measured at fair value through other comprehensive income	**567,635**	272,715
Net gains on financial investments measured at fair value through profit or loss	**341,379**	512,826
Total	**909,014**	785,541

7 OTHER OPERATING INCOME

	Six months ended 30 June	
	2020	2019
Government grants	**27,768**	4,173
Rental income	**277**	1,033
Net losses on disposal of property and equipment and other assets	**(388)**	(582)
Others	**1,210**	3,688
Total	**28,867**	8,312

8 OPERATING EXPENSES

	Six months ended 30 June	
	2020	2019
Staff costs		
– Salaries, bonuses and allowances	**618,315**	492,444
– Social insurance and housing allowances	**52,160**	50,382
– Staff welfare expenses	**50,183**	34,804
– Staff education expenses	**15,574**	12,420
– Labor union expenses	**12,459**	15,136
– Post-employment benefits		
– Defined contribution plans	**55,458**	87,932
– Supplementary retirement benefits	**5,800**	3,720
Sub-total	**809,949**	696,838
Property and equipment expenses		
– Depreciation and amortisation	**208,199**	212,737
– Electronic equipment operating expenses	**28,218**	35,349
– Maintenance	**34,357**	35,225
Sub-total	**270,774**	283,311
Tax and surcharges	**69,765**	49,349
Other general and administrative expenses	**306,386**	236,991
Total	**1,456,874**	1,266,489

9 CREDIT LOSSES

	Six months ended 30 June	
	2020	2019
Loans and advances to customers	**1,944,777**	1,382,222
Deposits with banks and other financial institutions	**210**	51
Placements with banks and other financial institutions	**(10,126)**	(4,029)
Financial assets held under resale agreements	**7,456**	(122)
Financial investments measured at amortised cost	**735,614**	(75,701)
Financial investments measured at FVOCI		
– Debt instruments	**(28,239)**	63,809
Long-term receivables	**134,237**	58,718
Credit commitments	**(2,015)**	(3,905)
Others	**5,809**	7,152
Total	**2,787,723**	1,428,195

10 INCOME TAX EXPENSE

(1) Income tax for the reporting period

		Six months ended 30 June	
	Note	**2020**	2019
Current tax		**935,781**	543,962
Deferred tax	*25(2)*	**(640,730)**	(170,207)
Total		**295,051**	373,755

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

	Six months ended 30 June	
	2020	2019
Profit before taxation	**1,859,542**	1,839,884
Statutory tax rate	**25%**	25%
Income tax calculated at statutory tax rate	**464,886**	459,971
Tax effect of non-deductible expenses for tax purpose		
– Annuity	**1,782**	2,136
– Entertainment expenses	**1,102**	1,296
– Others	**2,808**	1,072
Subtotal	**5,692**	4,504
Tax effect of non-taxable income for tax purpose *(Note (i))*	**(175,527)**	(90,720)
Income tax	**295,051**	373,755

Note:

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

11 BASIC AND DILUTED EARNINGS PER SHARE

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

		Six months ended 30 June	
	Note	**2020**	2019
Weighted average number of ordinary shares (in thousands)	*11(1)*	**4,509,690**	4,434,527
Net profit attributable to equity shareholders of the Bank		**1,530,517**	1,438,462
Less: dividends on preference shares declared		**–**	–
Net profit attributable to ordinary shareholders of the Bank		**1,530,517**	1,438,462
Basic and diluted earnings per share (in RMB)		**0.34**	0.32

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 2020, 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 on 19 September of each year after the declaration of the Board of Directors of the Bank, the Bank post-pays the dividends each year.

Therefore, in calculating the earnings per share for six months ended 30 June 2020, the Bank did not consider the effects of dividends that may be distributed to shareholders of the overseas preference share in September 2020 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 2019 were RMB520 million).

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

	Six months ended 30 June	
	2020	2019
Number of ordinary shares as at 1 January	**4,509,690**	4,058,713
Increase in weighted average number of ordinary shares	**–**	375,814
Weighted average number of ordinary shares	**4,509,690**	4,434,527

12 CASH AND DEPOSITS WITH CENTRAL BANK

	Note	**30 June 2020**	31 December 2019
Cash on hand		**721,614**	520,460
Deposits with central bank			
– Statutory deposit reserves	*12(1)*	**20,551,870**	19,327,597
– Surplus deposit reserves	*12(2)*	**13,663,443**	19,723,270
– Fiscal deposits		**50,229**	122,862
Sub-total		**34,265,542**	39,173,729
Accrued interest		**9,845**	10,651
Total		**34,997,001**	39,704,840

(1) The Bank places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of the reporting period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	30 June 2020	31 December 2019
Reserve ratio for RMB deposits	**8.0%**	9.5%
Reserve ratio for foreign currency deposits	**5.0%**	5.0%

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

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

13 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2020	31 December 2019
In Mainland China		
– Banks	**1,673,554**	946,722
– Other financial institutions	**42,063**	9,079
Outside Mainland China		
– Banks	**425,685**	355,234
Accrued interest	**2,070**	2,008
Sub-total	**2,143,372**	1,313,043
Less: Provision for impairment losses	**(785)**	(575)
Total	**2,142,587**	1,312,468

14 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2020	31 December 2019
In Mainland China		
– Other financial institutions	**1,101,364**	3,247,840
Accrued interest	**44,490**	82,331
Sub-total	**1,145,854**	3,330,171
Less: Provision for impairment losses	**(6,442)**	(16,568)
Total	**1,139,412**	3,313,603

15 DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2020			31 December 2019		
	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	**111,396,629**	**311,283**	**(317,920)**	33,896,438	12,436	(8,805)
Total	**111,396,629**	**311,283**	**(317,920)**	33,896,438	12,436	(8,805)

16 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(1) Analysed by type and location of counterparty

	30 June 2020	31 December 2019
In Mainland China		
– Banks	**13,616,451**	2,326,600
Accrued interest	**722**	113
Sub-total	**13,617,173**	2,326,713
Less: Provision for impairment losses	**(8,398)**	(942)
Total	**13,608,775**	2,325,771

(2) Analysed by type of security held

	30 June 2020	31 December 2019
Debt securities	**13,616,451**	2,326,600
Accrued interest	**722**	113
Sub-total	**13,617,173**	2,326,713
Less: Provision for impairment losses	**(8,398)**	(942)
Total	**13,608,775**	2,325,771

17 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by nature

	30 June 2020	31 December 2019
Measured at amortised cost:		
Corporate loans and advances		
– Corporate loans	**131,984,603**	112,036,804
Sub-total	**131,984,603**	112,036,804
Personal loans and advances		
– Residential mortgage	**40,277,677**	36,762,232
– Personal consumption loans	**10,670,793**	9,470,211
– Personal business loans	**10,504,224**	8,276,374
Sub-total	**61,452,694**	54,508,817
Accrued interest	**819,081**	772,480
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost		
– 12-month expected credit loss (“ECL”)	**(2,417,233)**	(1,523,023)
– lifetime ECL		
– not credit-impaired loans	**(926,270)**	(1,177,375)
– credit-impaired loans	**(2,024,358)**	(1,709,234)
Total provision for impairment losses	**(5,367,861)**	(4,409,632)
Measured at FVOCI:		
Corporate loans and advances		
– Discounted bills	**9,364,173**	6,249,822
Net loans and advances to customers	**198,252,690**	169,158,291

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

	30 June 2020	31 December 2019
Unsecured loans	**37,169,845**	27,881,658
Guaranteed loans	**50,021,755**	46,794,567
Loans secured by mortgages	**85,274,614**	75,145,703
Pledged loans	**30,335,256**	22,973,515
Gross loans and advances to customers	**202,801,470**	172,795,443

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

	30 June 2020				
	Overdue within three months (inclusive)	**Overdue more than three months to one year (inclusive)**	**Overdue more than one year to three years (inclusive)**	**Overdue more than three years**	**Total**
Unsecured loans	**146,656**	**46,046**	**11,011**	**228**	**203,941**
Guaranteed loans	**352,845**	**1,369,452**	**513,982**	**19,333**	**2,255,612**
Loans secured by mortgages	**193,011**	**65,464**	**102,817**	**142,000**	**503,292**
Total	**692,512**	**1,480,962**	**627,810**	**161,561**	**2,962,845**
As a percentage of gross loans and advances to customers	**0.34%**	**0.73%**	**0.31%**	**0.08%**	**1.46%**

	31 December 2019				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	63,393	18,294	1,604	199	83,490
Guaranteed loans	505,564	861,815	505,595	13,305	1,886,279
Loans secured by mortgages	142,134	180,941	56,667	145,939	525,681
Total	711,091	1,061,050	563,866	159,443	2,495,450
As a percentage of gross loans and advances to customers	0.41%	0.61%	0.33%	0.09%	1.44%

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

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

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

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

	30 June 2020			
	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)	**186,354,748**	**4,531,690**	**3,369,940**	**194,256,378**
Less: Provision for impairment losses	**(2,417,233)**	**(926,270)**	**(2,024,358)**	**(5,367,861)**
Net loans and advances to customers measured at amortised cost	**183,937,515**	**3,605,420**	**1,345,582**	**188,888,517**

	31 December 2019			
	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)	158,231,731	6,184,059	2,902,311	167,318,101
Less: Provision for impairment losses	(1,523,023)	(1,177,375)	(1,709,234)	(4,409,632)
Net loans and advances to customers measured at amortised cost	156,708,708	5,006,684	1,193,077	162,908,469

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

	30 June 2020			
	12-month ECL	**Lifetime ECL- not credit-impaired**	**Lifetime ECL- credit-impaired** *(Note (i))*	**Total**
Gross/net loans and advances to customers at FVOCI (including accrued interest)	**9,364,173**	**–**	**–**	**9,364,173**
Provision for impairment losses through other comprehensive income	**(14,932)**	**–**	**–**	**(14,932)**

	31 December 2019			
	12-month ECL	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired *(Note (i))*	Total
Gross/net loans and advances to customers at FVOCI (including accrued interest)	6,249,822	–	–	6,249,822
Provision for impairment losses through other comprehensive income	(12,917)	–	–	(12,917)

Note:

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

(5) Movements of provision for impairment losses

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

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

	Six months ended 30 June 2020			
	12-month ECL	**Lifetime ECL- not credit-impaired**	**Lifetime ECL-credit-impaired**	**Total**
As at 1 January 2020	**1,523,023**	**1,177,375**	**1,709,234**	**4,409,632**
Transfer to				
– 12-month ECL	**52,960**	**(44,977)**	**(7,983)**	**–**
– Lifetime ECL				
– not credit-impaired loans	**(19,139)**	**21,322**	**(2,183)**	**–**
– credit-impaired loans	**(13,192)**	**(763,254)**	**776,446**	**–**
Charge for the period	**873,581**	**535,804**	**533,377**	**1,942,762**
Write-offs and transfer out	**–**	**–**	**(1,046,395)**	**(1,046,395)**
Recoveries of loans and advances written off	**–**	**–**	**84,322**	**84,322**
Other changes	**–**	**–**	**(22,460)**	**(22,460)**
As at 30 June 2020	**2,417,233**	**926,270**	**2,024,358**	**5,367,861**

	2019			
	12-month ECL	Lifetime ECL- not credit-impaired	Lifetime ECL-credit-impaired	Total
As at 1 January 2019	1,276,373	1,277,670	987,186	3,541,229
Transfer to				
– 12-month ECL	18,848	(18,525)	(323)	–
– Lifetime ECL				
– not credit-impaired loans	(29,175)	29,175	–	–
– credit-impaired loans	(5,696)	(1,187,479)	1,193,175	–
Charge for the year	262,673	1,076,534	1,691,057	3,030,264
Write-offs and transfer out	–	–	(2,251,771)	(2,251,771)
Recoveries of loans and advances written off	–	–	146,481	146,481
Other changes	–	–	(56,571)	(56,571)
As at 31 December 2019	1,523,023	1,177,375	1,709,234	4,409,632

(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 2020			
	12-month ECL	**Lifetime ECL- not credit-impaired**	**Lifetime ECL-credit-impaired**	**Total**
As at 1 January 2020	**12,917**	**–**	**–**	**12,917**
Charge for the period	**2,015**	**–**	**–**	**2,015**
As at 30 June 2020	**14,932**	**–**	**–**	**14,932**

	2019			
	12-month ECL	Lifetime ECL- not credit-impaired	Lifetime ECL-credit-impaired	Total
As at 1 January 2019	16,577	–	–	16,577
Release for the year	(3,660)	–	–	(3,660)
As at 31 December 2019	12,917	–	–	12,917

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

In addition, in six months ended 30 June 2020 and the year ended 31 December 2019, the Group transferred loans and advances to independent third parties with principal amount of RMB0.100 billion and RMB0.150 billion respectively, and with the transfer price (including overdue interest, penalty interest, etc.) of RMB0.052 billion and RMB0.096 billion respectively.

18 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020	31 December 2019
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	**687,126**	676,304
– Corporate entities	**173,271**	124,557
Sub-total	**860,397**	800,861
Investment funds	**16,067,216**	9,008,256
Asset management plans	**10,729,142**	9,240,047
Trust fund plans	**2,190,189**	2,829,424
Wealth management products	**–**	1,033,973
Total	**29,846,944**	22,912,561
Unlisted	**29,846,944**	22,912,561

19 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Note	30 June 2020	31 December 2019
Debt securities issued by the following institutions in Mainland China			
– Government		**13,834,048**	12,412,488
– Policy banks		**4,757,291**	4,776,962
– Banks and other financial institutions		**6,070,346**	8,027,292
– Corporate entities		**27,146,483**	20,848,475
Sub-total		**51,808,168**	46,065,217
Asset management plans		**6,914,230**	7,128,140
Other investments		**707,810**	705,543
Equity investments	*19(1)*	**23,250**	23,250
Accrued interest		**975,489**	1,051,631
Total		**60,428,947**	54,973,781
Listed	*19(2)*	**20,741,695**	11,739,536
Of which: listed outside Hong Kong		**20,741,695**	11,739,536
Unlisted		**39,687,252**	43,234,245
Total		**60,428,947**	54,973,781

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

	Six months ended 30 June 2020					
Investees	**Balance at the beginning of the period**	**Increase during the period**	**Decrease during the period**	**Balance at the end of the period**	**Percentage of shareholding in investees (%)**	**Cash dividend for the period**
China UnionPay Co., Ltd.	**13,000**	**–**	**–**	**13,000**	**0.34**	**–**
Shandong City Commercial Bank Cooperation Alliance Co., Ltd.	**10,000**	**–**	**–**	**10,000**	**2.15**	**–**
Clearing Center for City Commercial Banks	**250**	**–**	**–**	**250**	**0.81**	**–**
Total	**23,250**	**–**	**–**	**23,250**		**–**

	2019					
Investees	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	1,500
Shandong City Commercial Bank Cooperation Alliance Co., Ltd.	10,000	–	–	10,000	2.15	–
Clearing Center for City Commercial Banks	250	–	–	250	0.81	–
Total	23,250	–	–	23,250		1,500

For the six months ended 30 June 2020 and the year ended 31 December 2019, 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 includes bonds traded on stock exchanges.

(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 2020			
	12-month ECL	**Lifetime ECL-not credit-impaired**	**Lifetime ECL-credit-impaired**	**Total**
As at 1 January 2020	**34,869**	**56,072**	**22,030**	**112,971**
Transfer to				
– 12-month ECL	**22,115**	**(22,115)**	**–**	**–**
– Lifetime ECL – credit-impaired	**–**	**(4,984)**	**4,984**	**–**
Release for the period	**(10,219)**	**(6,958)**	**(11,062)**	**(28,239)**
As at 30 June 2020	**46,765**	**22,015**	**15,952**	**84,732**

	2019			
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
As at 1 January 2019	32,672	19,122	–	51,794
Transfer to				
– Lifetime ECL				
– not credit-impaired	(1,601)	1,601	–	–
– credit-impaired	–	(1,246)	1,246	–
Charge for the year	3,798	36,595	20,784	61,177
As at 31 December 2019	34,869	56,072	22,030	112,971

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

20 FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST

	Note	**30 June 2020**	31 December 2019
Debt securities issued by the following institutions in Mainland China			
– Government		**25,062,708**	11,196,072
– Policy banks		**12,392,365**	13,143,054
– Banks and other financial institutions		**19,730,569**	11,288,474
– Corporate entities		**2,113,759**	2,475,729
Sub-total		**59,299,401**	38,103,329
Asset management plans		**12,695,872**	16,285,720
Trust fund plans		**2,640,700**	5,052,516
Other investments		**6,730,000**	4,800,000
Sub total		**22,066,572**	26,138,236
Accrued interest		**1,000,173**	1,118,779
Less: Provision for impairment losses	*20(1)*	**(904,900)**	(869,286)
Total		**81,461,246**	64,491,058
Listed	*20(2)*	**15,244,856**	11,566,752
Of which: listed outside Hong Kong		**15,244,856**	11,566,752
Unlisted		**66,216,390**	52,924,306
Total		**81,461,246**	64,491,058

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

	Six months ended 30 June 2020			
	12-month ECL	**Lifetime ECL-not credit-impaired**	**Lifetime ECL-credit-impaired**	**Total**
As at 1 January 2020	**481,299**	**387,987**	**–**	**869,286**
Transfer to				
– Lifetime ECL				
– not credit-impaired	**(76,585)**	**76,585**	**–**	**–**
– credit-impaired	**(113,339)**	**(40,599)**	**153,938**	**–**
(Release)/charge for the period	**(34,679)**	**51,659**	**718,634**	**735,614**
Others	**–**	**–**	**(700,000)**	**(700,000)**
As at 30 June 2020	**256,696**	**475,632**	**172,572**	**904,900**

	2019			
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
As at 1 January 2019	398,696	68,806	–	467,502
Transfer to				
– Lifetime ECL				
– not credit-impaired	(15,581)	15,581	–	–
Charge for the year	98,184	303,600	–	401,784
As at 31 December 2019	481,299	387,987	–	869,286

(2) Only includes bonds traded on stock exchanges.

21 INVESTMENT IN SUBSIDIARY

	30 June 2020	31 December 2019
BQD Financial Leasing Company Limited	**510,000**	510,000

As at 30 June 2020 and 31 December 2019, the subsidiary is as follows:

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

Note: 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.

22 LONG-TERM RECEIVABLES

	30 June 2020	31 December 2019
Minimum finance lease receivables	**12,320,567**	10,172,304
Less: Unearned finance lease income	**(1,023,461)**	(952,548)
Present value of finance lease receivables	**11,297,106**	9,219,756
Accrued interest	**108,715**	85,729
Sub-total	**11,405,821**	9,305,485
Less: Provision for impairment losses		
– 12-month ECL	**(302,337)**	(175,027)
– Lifetime ECL		
– not credit-impaired	**(96,397)**	(90,217)
– credit-impaired	**(3,169)**	(2,422)
Net balance	**11,003,918**	9,037,819

For the six months ended 30 June 2020 and the year ended 31 December 2019, movements of the provision for impairment losses on long-term receivable are as follows:

	Six months ended 30 June 2020			
	12-month ECL	**Lifetime ECL-not credit-impaired**	**Lifetime ECL-credit-impaired**	**Total**
As at 1 January 2020	**175,027**	**90,217**	**2,422**	**267,666**
Transfer to				
– Lifetime ECL				
– credit-impaired	**–**	**(471)**	**471**	**–**
Charge for the period	**127,310**	**6,651**	**276**	**134,237**
As at 30 June 2020	**302,337**	**96,397**	**3,169**	**401,903**

	2019			
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
As at 1 January 2019	137,367	–	–	137,367
Transfer to				
– Lifetime ECL				
– not credit-impaired	(10,629)	10,629	–	–
– credit-impaired	(224)	–	224	–
Charge for the year	48,513	79,588	2,198	130,299
As at 31 December 2019	175,027	90,217	2,422	267,666

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 2020			31 December 2019		
	Minimum finance lease receivables	**Unearned finance lease income**	**Present value of finance lease receivables**	Minimum finance lease receivables	Unearned finance lease income	Present value of finance lease receivables
Repayable on demand	**32,892**	**(1,863)**	**31,029**	51,938	(5,227)	46,711
Less than 1 year (inclusive)	**5,583,218**	**(581,652)**	**5,001,566**	3,950,432	(480,408)	3,470,024
1 year to 2 years (inclusive)	**3,976,612**	**(297,768)**	**3,678,844**	3,243,597	(300,965)	2,942,632
2 years to 3 years (inclusive)	**1,999,568**	**(101,970)**	**1,897,598**	2,048,164	(125,549)	1,922,615
3 years to 5 years (inclusive)	**573,835**	**(23,321)**	**550,514**	865,077	(39,074)	826,003
Indefinite	**154,442**	**(16,887)**	**137,555**	13,096	(1,325)	11,771
Total	**12,320,567**	**(1,023,461)**	**11,297,106**	10,172,304	(952,548)	9,219,756

23 PROPERTY AND EQUIPMENT

	Premises	**Electronic equipment**	**Vehicles**	**Machinery equipment and others**	**Construction in progress**	**Total**
Cost						
As at 1 January 2019	2,935,512	566,408	62,955	86,132	210,203	3,861,210
Increase	9,741	67,981	5,480	7,022	–	90,224
Decrease	(27,405)	(17,213)	(3,887)	(6,018)	–	(54,523)
As at 31 December 2019	2,917,848	617,176	64,548	87,136	210,203	3,896,911
Increase	8,554	18,819	370	1,646	–	29,389
Decrease	(15,634)	(6,241)	(1,082)	(2,276)	–	(25,233)
As at 30 June 2020	**2,910,768**	**629,754**	**63,836**	**86,506**	**210,203**	**3,901,067**
Accumulated depreciation						
As at 1 January 2019	(297,371)	(336,089)	(46,032)	(57,363)	–	(736,855)
Increase	(60,336)	(62,421)	(5,455)	(8,614)	–	(136,826)
Decrease	–	16,186	3,692	5,705	–	25,583
As at 31 December 2019	(357,707)	(382,324)	(47,795)	(60,272)	–	(848,098)
Increase	(29,655)	(34,421)	(2,550)	(4,015)	–	(70,641)
Decrease	–	5,903	1,026	2,124	–	9,053
As at 30 June 2020	**(387,362)**	**(410,842)**	**(49,319)**	**(62,163)**	**–**	**(909,686)**
Net book value						
As at 30 June 2020	**2,523,406**	**218,912**	**14,517**	**24,343**	**210,203**	**2,991,381**
As at 31 December 2019	2,560,141	234,852	16,753	26,864	210,203	3,048,813

As at 30 June 2020 and 31 December 2019, 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 2020 was RMB12 million (31 December 2019: RMB12 million). Management is in the opinion that the incomplete title deeds would not affect the rights to these assets of the Group.

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

	30 June 2020	31 December 2019
Held in Mainland China		
– Long-term leases (over 50 years)	**16,890**	17,086
– Medium-term leases (10 – 50 years)	**2,504,132**	2,540,578
– Short-term leases (less than 10 years)	**2,384**	2,477
Total	**2,523,406**	2,560,141

24 RIGHT-OF-USE ASSETS

	Premises	**Others**	**Total**
Cost			
As at 1 January 2019	892,651	4,114	896,765
Increase	46,566	–	46,566
Decrease	(213)	–	(213)
As at 31 December 2019	939,004	4,114	943,118
Increase	69,505	–	69,505
Decrease	(4,982)	–	(4,982)
As at 30 June 2020	**1,003,527**	**4,114**	**1,007,641**
Accumulated depreciation			
As at 1 January 2019	–	–	–
Increase	(123,609)	(651)	(124,260)
Decrease	70	–	70
As at 31 December 2019	(123,539)	(651)	(124,190)
Increase	(65,874)	(326)	(66,200)
Decrease	4,830	–	4,830
As at 30 June 2020	**(184,583)**	**(977)**	**(185,560)**
Net book value			
As at 30 June 2020	**818,944**	**3,137**	**822,081**
As at 31 December 2019	815,465	3,463	818,928

25 DEFERRED INCOME TAX ASSETS

(1) Analysed by nature

	30 June 2020		31 December 2019	
	Deductible/ (taxable) temporary differences	**Deferred Income tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred Income tax assets/ (liabilities)
Provision for impairment losses	**8,773,404**	**2,193,351**	6,435,256	1,608,814
Deferred interest income from discounted bills	**131,668**	**32,917**	85,700	21,425
Change in fair value	**(94,056)**	**(23,514)**	(549,020)	(137,255)
Others	**366,616**	**91,654**	355,684	88,921
Total	**9,177,632**	**2,294,408**	6,327,620	1,581,905

(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 2019	1,103,855	35,760	(58,976)	72,139	1,152,778
Recognised in profit or loss	519,338	(14,335)	(57,096)	16,232	464,139
Recognised in other comprehensive income	(14,379)	–	(21,183)	550	(35,012)
As at 31 December 2019	1,608,814	21,425	(137,255)	88,921	1,581,905
Recognised in profit or loss	577,981	11,492	48,526	2,731	640,730
Recognised in other comprehensive income	6,556	–	65,215	2	71,773
As at 30 June 2020	**2,193,351**	**32,917**	**(23,514)**	**91,654**	**2,294,408**

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 other accrued expenses, which are deductible against taxable income when actual payment occurs.

26 OTHER ASSETS

	Note	30 June 2020	31 December 2019
Prepayments and advances		**427,242**	171,948
Intangible assets	*26(1)*	**202,696**	194,243
Long-term deferred expense		**174,280**	186,590
Precious metals		**113,021**	113,223
Repossessed assets *(Note (i))*		**100,317**	111,345
Interest receivable *(Note(ii))*	*26(2)*	**18,317**	16,825
Deferred expense		**5,883**	9,563
Others		**186,037**	127,144
Sub-total		**1,227,793**	930,881
Less: Provision for impairment losses		**(6,457)**	(1,005)
Total		**1,221,336**	929,876

Notes:

(i) Repossessed assets mainly included premises, etc. As at 30 June 2020 and 31 December 2019, there is no need to recognise provision for impairments losses of repossessed assets.

(ii) As at 30 June 2020, the book value of the group's interest receivable after deducting the provision for impairment is RMB13.44 million.

(1) Intangible assets

	Six months ended 30 June 2020	2019
Cost		
As at 1 January	**518,914**	419,222
Additions	**48,078**	100,036
Decrease	**–**	(344)
As at 30 June/31 December	**566,992**	518,914
Accumulated amortisation		
As at 1 January	**(324,671)**	(254,069)
Additions	**(39,625)**	(70,651)
Decrease	**–**	49
As at 30 June/31 December	**(364,296)**	(324,671)
Net value		
As at 30 June/31 December	**202,696**	194,243
As at 1 January	**194,243**	165,153

Intangible assets of the Group mainly include software.

(2) Interests receivable

	30 June 2020	31 December 2019
Interest receivable arising from:		
– Loans and advances to customers	**14,490**	16,825
– Long-term receivables	**3,827**	–
Total	**18,317**	16,825

27 BORROWINGS FROM CENTRAL BANK

	30 June 2020	31 December 2019
Borrowings	**6,063,830**	4,900,000
Re-discounted bills	**2,035,309**	607,454
Accrued interest	**4,429**	29,196
Total	**8,103,568**	5,536,650

28 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2020	31 December 2019
In Mainland China		
– Banks	**78,775**	1,402,959
– Other financial institutions	**11,430,234**	14,933,833
Accrued interest	**86,724**	125,735
Total	**11,595,733**	16,462,527

29 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2020	31 December 2019
In Mainland China		
– Banks	**12,198,233**	9,831,839
– Other financial institutions	**150,000**	–
Accrued interest	**110,614**	84,418
Total	**12,458,847**	9,916,257

30 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(1) Analysed by type and location of counterparty

	30 June 2020	31 December 2019
In Mainland China		
– Central Bank	**3,840,000**	–
– Banks	**21,968,455**	15,525,502
– Other financial institutions	**–**	500,000
Accrued interest	**3,869**	1,580
Total	**25,812,324**	16,027,082

(2) Analysed by types of collaterals

	30 June 2020	31 December 2019
Debt securities	**19,736,800**	14,918,780
Discounted bills	**6,071,655**	1,106,722
Accrued interest	**3,869**	1,580
Total	**25,812,324**	16,027,082

31 DEPOSITS FROM CUSTOMERS

	30 June 2020	31 December 2019
Demand deposits		
– Corporate deposits	**100,934,686**	92,593,934
– Personal deposits	**22,729,689**	20,622,060
Sub-total	**123,664,375**	113,215,994
Time deposits		
– Corporate deposits	**79,642,423**	55,286,883
– Personal deposits	**60,258,916**	44,174,283
Sub-total	**139,901,339**	99,461,166
Outward remittance and remittance payables	**204,075**	100,697
Fiscal deposits to be transferred	**1,185**	13,052
Accrued interest	**3,000,389**	2,634,494
Total	**266,771,363**	215,425,403
Including:		
Pledged deposits	**12,283,232**	11,768,173

32 DEBT SECURITIES ISSUED

	30 June 2020	31 December 2019
Debt securities issued *(Note (i))*	**22,486,539**	24,681,106
Certificates of interbank deposit issued *(Note (ii))*	**57,648,782**	51,739,653
Accrued interest	**309,046**	438,140
Total	**80,444,367**	76,858,899

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 5.59% per annum and with a nominal amount of RMB2.2 billion in March 2015. The debts will mature on 5 March 2025 with annual interest payments. The Group has an option to redeem the debts at the end of the fifth year at the nominal amount, and has redeemed the debts during the first half year of 2020. As at 31 December 2019, the fair value of the debts was RMB2.310 billion.

(b) Five-year Green Bonds were issued with an interest rate of 3.40% per annum and with a nominal amount of RMB0.5 billion in March 2016. The debts will mature on 14 March 2021 with annual interest payments. As at 30 June 2020, the fair value of the debts was RMB0.503 billion (31 December 2019: RMB0.502 billion).

(c) Five-year Green Bonds were issued with an interest rate of 3.40% per annum and with a nominal amount of RMB1.0 billion in November 2016. The debts will mature on 24 November 2021 with annual interest payments. As at 30 June 2020, the fair value of the debts was RMB1.008 billion (31 December 2019: RMB1.003 billion).

(d) 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. As at 30 June 2020, the fair value of the debts was RMB3.040 billion (31 December 2019: RMB3.027 billion).

(e) 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 2020, the fair value of the debts was RMB2.027 billion (31 December 2019: RMB2.018 billion).

(f) 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 will mature on 22 May 2022 with annual interest payments. As at 30 June 2020, the fair value of the debts was RMB3.039 billion (31 December 2019: RMB3.023 billion).

(g) 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 2020, the fair value of the debts was RMB1.017 billion (31 December 2019: RMB1.007 billion).

(h) 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 will mature on 31 May 2022 with annual interest payments. As at 30 June 2020, the fair value of the debts was RMB3.042 billion (31 December 2019: RMB3.026 billion).

(i) 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 2020, the fair value of the debts was RMB1.016 billion (31 December 2019: RMB1.007 billion).

(j) 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 2020, the fair value of the debts was RMB3.025 billion (31 December 2019: RMB3.009 billion).

(k) 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 2020, the fair value of the debts was RMB1.008 billion (31 December 2019: RMB1.000 billion).

(l) 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 2020, the fair value of the debts was RMB3.023 billion (31 December 2019: RMB3.006 billion).

(m) 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 2020, the fair value of the debts was RMB1.006 billion (31 December 2019: RMB0.998 billion).

(ii) The Group issued a number of certificates of interbank deposit with duration between 1 month and 1 year. As at 30 June 2020 and 31 December 2019, the fair value of outstanding certificates of interbank deposit was RMB57.701 billion and RMB51.789 billion, respectively.

33 LEASE LIABILITIES

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

	30 June 2020	31 December 2019
Less than 1 year (inclusive)	**117,797**	107,526
1 year to 2 years (inclusive)	**104,729**	93,941
2 years to 3 years (inclusive)	**86,298**	77,565
3 years to 5 years (inclusive)	**117,283**	149,731
Over 5 years	**62,019**	29,917
Total undiscounted cash flows of lease liabilities as at 30 June 2020	**488,126**	458,680
Lease liabilities on statement of financial position as at 30 June 2020	**443,075**	427,429

34 OTHER LIABILITIES

	Note	**30 June 2020**	31 December 2019
Pledged deposits for leasing business		**683,782**	534,194
Employee benefits payable	*34(1)*	**681,354**	827,256
Settlement payable		**513,542**	117,378
Dividend payable		**273,270**	16,548
Taxes payable	*34(2)*	**214,525**	143,884
ECL on credit commitments	*34(3)*	**97,700**	99,715
Payable arising from fiduciary activities		**8,791**	73,516
Others		**522,089**	481,662
Total		**2,995,053**	2,294,153

(1) Employee benefits payable

	30 June 2020	31 December 2019
Salaries, bonuses and allowances payable	**546,758**	663,139
Social insurance and housing allowances payable	**–**	184
Staff welfare expenses	**1,821**	45,600
Staff education expenses	**31,232**	16,135
Labor union expenses	**19,433**	20,834
Post-employment benefits-defined contribution plans	**–**	164
Supplementary retirement benefits	**82,110**	81,200
Total	**681,354**	827,256

Note:

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

Early retirement plan

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

Supplementary retirement plan

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

(2) Taxes payable

	30 June 2020	31 December 2019
Value added tax payable	**183,047**	124,039
Urban construction tax and surcharges payable	**30,884**	19,076
Others	**594**	769
Total	**214,525**	143,884

(3) Expected credit loss on credit commitments

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

	Six months ended 30 June 2020			
	12-month ECL	**Lifetime ECL-not credit-impaired**	**Lifetime ECL-credit-impaired**	**Total**
As at 1 January 2020	**94,738**	**4,922**	**55**	**99,715**
Transfer to				
– 12-month ECL	**2,574**	**(2,574)**	**–**	**–**
Charge/(release) for the period	**280**	**(2,240)**	**(55)**	**(2,015)**
As at 30 June 2020	**97,592**	**108**	**–**	**97,700**

	2019			
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
As at 1 January 2019	103,845	1,101	18	104,964
Transfer to				
– Lifetime ECL				
– not credit-impaired	(252)	252	–	–
(Release)/charge for the year	(8,855)	3,569	37	(5,249)
As at 31 December 2019	94,738	4,922	55	99,715

35 SHARE CAPITAL

Authorised and issued share capital

	30 June 2020	31 December 2019
Number of shares authorised, issued and fully paid at nominal value (in thousands)	**4,509,690**	4,509,690

In January 2019, the Bank issued 451 million ordinary shares with a nominal value of RMB1 at RMB4.52 per share. After deducting the issuance costs, the premium arising from the issuance of new shares amounting to RMB1.512 billion was recorded in capital reserve. After the above issuance, the balance of the share capital was RMB4.510 billion, and the balance of the capital reserve was RMB8.338 billion.

36 PREFERENCE SHARES

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

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

(2) Main Clauses

(a) Dividend

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

(b) Conditions to distribution of dividends

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

(c) Dividend stopper

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

(d) Order of distribution and liquidation method

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

(e) Mandatory conversion trigger events

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

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

(f) Redemption

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

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

(g) Dividend setting mechanism

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

(3) Changes in preference shares outstanding

1 January 2020		**Increase during the period**		**30 June 2020**	
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 2019		Increase during the year		31 December 2019	
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 2020**	31 December 2019
Total equity attribute to equity holders of the Bank	**30,328,718**	29,915,460
– Equity attribute to ordinary shareholders of the Bank	**22,474,754**	22,061,496
– Equity attribute to preference shareholders of the Bank	**7,853,964**	7,853,964
Total equity attribute to non-controlling interests	**596,432**	562,458
– Equity attribute to non-controlling interests of ordinary shares	**596,432**	562,458

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 Ministry of Finance of the People's Republic of China (the "MOF") after making up for the previous years' losses, to statutory surplus reserve fund until the reserve fund balance reaches 50% of the Bank's registered capital.

(3) General reserve

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

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 2019 amounted to RMB4.400 billion, which has reached 1.5% of the year ending balance of the Bank's gross risk-bearing assets.

(4) Other comprehensive income

		Six months ended 30 June 2020				
Items	**Balance at the beginning of the period**	**Before-tax amount**	**Less: Previously recognised amount transferred to profit or loss**	**Less: Income tax expense**	**Net-of-tax amount**	**Balance at the end of the period**
Items that will not be reclassified to profit or loss						
Including: Remeasurements of defined benefit plan	**(7,591)**	**(10)**	**–**	**2**	**(8)**	**(7,599)**
Items that may be reclassified to profit or loss						
Including: Changes in fair value from debt investments measured at FVOCI	**571,405**	**306,775**	**(567,635)**	**65,215**	**(195,645)**	**375,760**
Credit losses of debt investments measured at FVOCI	**94,416**	**20,302**	**(46,526)**	**6,556**	**(19,668)**	**74,748**
Total	**658,230**	**327,067**	**(614,161)**	**71,773**	**(215,321)**	**442,909**

Items	Balance at the beginning of the year	2019 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	(5,941)	(2,200)	–	550	(1,650)	(7,591)
Items that may be reclassified to profit or loss						
Including: Changes in fair value from debt investments measured at FVOCI	507,856	496,813	(412,081)	(21,183)	63,549	571,405
Credit losses of debt investments measured at FVOCI	51,278	95,759	(38,242)	(14,379)	43,138	94,416
Total	553,193	590,372	(450,323)	(35,012)	105,037	658,230

38 PROFIT APPROPRIATION

(1) At the 2019 annual general meeting held on 7 May 2020, the shareholders approved the following profit appropriation for the year ended 31 December 2019:

– Appropriated RMB223 million to statutory surplus reserve;

– Appropriated RMB431 million to general reserve;

– Declared cash dividends to all ordinary shareholders of approximately RMB902 million representing RMB2.00 per 10 shares (including tax).

(2) At the Bank's board of directors meeting held on 23 August 2019. 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 on Offshore Preference Shares of Bank of Qingdao Co., Ltd. Dividend 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 19 September 2019, and the amount of dividend is equivalent to approximately RMB520 million (including tax).

(3) At the 2018 annual general meeting held on 17 May 2019, the shareholders approved the following profit appropriation for the year ended 31 December 2018:

– Appropriated RMB200 million to statutory surplus reserve;

– Declared cash dividends to all ordinary shareholders of approximately RMB902 million representing RMB2.00 per 10 shares (including tax).

39 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents:

	30 June 2020	30 June 2019
Cash	**721,614**	504,261
Surplus deposit reserves with central bank	**13,663,443**	14,045,254
Original maturity within three months:		
– Deposits with banks and other financial institutions	**2,041,302**	1,319,912
– Placements with banks and other financial institutions	**–**	653,097
– Certificates of interbank deposit issued	**–**	995,719
Total	**16,426,359**	17,518,243

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	Amount of ordinary shares of the Bank held by the Company *(in thousands)*	Proportion of ordinary shares of the Bank held by the Company: 30 June 2020	31 December 2019	Registered location	Business	Legal form	Legal representative
Intesa Sanpaolo S.p.A. ("ISP")	624,754	**13.85%**	13.85%	Italy	Commercial banking	Joint stock limited company	Gian Maria GROS-PIETRO
Qingdao Conson Industrial Co., Ltd. ("Qingdao Conson")	503,556	**11.17%**	11.17%	Qingdao	State-owned assets operation and investment, import and export of goods and technology	Limited liability company	WANG Jianhui
Qingdao Haier Investment and Development Co., Ltd. ("Haier Investment")	409,693	**9.08%**	9.08%	Qingdao	Outbound investment	Limited liability company	ZHANG Ruimin
AMTD Strategic Investment Limited ("AMTD")	196,882	**4.37%**	6.69%	Hong Kong	Outbound investment	Limited company	WANG Ruiqiang

Changes in ordinary shares of the Bank held by major shareholders

	ISP		Qingdao Conson		Haier Investment		AMTD	
	Amount	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**	**Amount**	**Percentage**
As at 1 January 2019	624,754	15.39%	503,556	12.41%	409,693	10.09%	301,800	7.44%
Decrease	–	(1.54%)	–	(1.24%)	–	(1.01%)	–	(0.75%)
As at 31 December 2019	624,754	13.85%	503,556	11.17%	409,693	9.08%	301,800	6.69%
Decrease	–	–	–	–	–	–	(104,918)	(2.32%)
As at 30 June 2020	**624,754**	**13.85%**	**503,556**	**11.17%**	**409,693**	**9.08%**	**196,882**	**4.37%**

Changes in registered capital of major shareholders as at 30 June 2020

	Currency	**30 June 2020**	31 December 2019
ISP	EUR	**9,086 Million**	9,086 Million
Qingdao Conson	RMB	**2,000 Million**	2,000 Million
Haier Investment	RMB	**111 Million**	111 Million

(b) Subsidiary 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) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals, etc.

(2) Related party transactions and balances

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

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

	ISP and its group	Qingdao Conson and its group	Haier Investment and its group	Other legal person related parties	Other natural person related parties	Total	Proportion to gross amount/ balance of similar transactions
As at 30 June 2020							
On-balance sheet items:							
Loans and advances to customers *(Note (i))*	–	–	391,658	–	15,217	406,875	0.20%
Financial investments measured at FVTPL	–	–	–	2,561,333	–	2,561,333	8.58%
Deposits with banks and other financial institutions	5,836	–	–	–	–	5,836	0.27%
Placements with banks and other financial institutions	–	–	318,651	–	–	318,651	27.81%
Deposits from customers	156,533	1,671,112	640,108	1,975,196	93,800	4,536,749	1.70%
Deposits from banks and other financial institutions	–	1,258	507	–	–	1,765	0.02%
Six months ended 30 June 2020							
Interest income	–	8,881	42,027	–	347	51,255	0.62%
Interest expense	1,292	16,027	2,366	7,135	885	27,705	0.64%
Fee and commission income	–	–	71	–	30,666	30,737	2.60%
Other operating losses	–	–	–	2,000	–	2,000	6.93%

	ISP and its group	Qingdao Conson and its group	Haier Investment and its group	AMTD and its group	Other legal person related parties	Other natural person related parties	Total	Proportion to gross amount/ balance of similar transactions
As at 31 December 2019								
On-balance sheet items:								
Loans and advances to customers *(Note (i))*	–	878,451	316,642	–	549,584	15,315	1,759,992	1.01%
Financial investments measured at amortised cost *(Note (ii))*	–	–	701,045	–	–	–	701,045	1.07%
Financial investments measured at FVOCI	–	–	–	–	213,184	–	213,184	0.39%
Financial investments measured at FVTPL	–	–	–	2,456,323	–	–	2,456,323	10.72%
Deposits with banks and other financial institutions	5,675	–	–	–	–	–	5,675	0.43%
Placements with banks and other financial institutions	–	–	825,856	–	–	–	825,856	24.80%
Deposits from customers	194,167	378,209	445,786	–	521,864	56,259	1,596,285	0.74%
Deposits from banks and other financial institutions	–	259	1,529	–	–	–	1,788	0.01%
Off-balance sheet items:								
Letters of guarantees *(Note (iii))*	–	–	18	–	–	–	18	0.00%
Six months ended 30 June 2019								
Interest income	–	57,897	38,563	–	17,610	282	114,352	1.68%
Interest expense	1,743	7,347	2,073	–	468	666	12,297	0.33%
Fee and commission income	–	–	10,859	–	–	16,576	27,435	4.47%
Net gains arising from investments	–	–	–	90,836	–	–	90,836	12.07%

Notes:

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

	30 June 2020	31 December 2019
Qingdao Haichen real estate development Co., Ltd.	**390,750**	315,800
Qingdao Conson Financial Holdings Co., Ltd.	**–**	875,380
Qingdao Huatong State-owned Capital Operation (Group) Co., Ltd.	**–**	498,500
Qingdao Huatong Military Industry Investment Co., Ltd.	**–**	10,000
Qingdao Yangfan Shipbuilding Co., Ltd.	**–**	10,000
Qingdao Baiyang Pharmaceutical Co., Ltd.	**–**	28,748
Individuals	**15,186**	15,283
Total	**405,936**	1,753,711

(ii) Financial investments measured at amortised cost (excluding accrued interest)

	30 June 2020	31 December 2019
Qingdao Changyuan Land Co., Ltd.	**–**	700,000
Total	**–**	700,000

(iii) Letters of guarantees with related parties

	30 June 2020	31 December 2019
Qingdao Haier Home Integration Co., Ltd.	**–**	18
Total	**–**	18

(b) Transactions with subsidiary

	30 June 2020	31 December 2019
Balances at the end of the period/year:		
On-balance sheet items:		
Deposits from banks and other financial institutions	**130,679**	330,113
Placements with banks and other financial institutions	**–**	202,605

	Six months ended 30 June	
	2020	2019
Transactions during the period:		
Interest income	**3,712**	–
Interest expense	**1,117**	613
Fee and commission income	**10**	–
Other operating income	**1,274**	1,456

(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	
	2020	2019
Remuneration of key management personnel	**7,576**	7,147

The total compensation package for certain key management personnel for the six months ended 30 June 2020 have not yet been finalized. The difference in emoluments is not expected to have significant impact on the Group's interim financial report for the six months ended 30 June 2020.

As at 30 June 2020, the credit card overdraft balance of the Bank to the key management personnel amounted to RMB0.01 million (31 December 2019: RMB0.22 million), which have been included in loans and advances to related parties stated in Note 40(2).

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 subsidiary, head office assets, liabilities, income and expenses that are not directly attributable to a segment.

	Six months ended 30 June 2020				
	Corporate banking	Retail banking	Financial market business	Un-allocated items and others	Total
External net interest income	2,362,382	594,050	812,263	147,781	3,916,476
Internal net interest income/(expense)	557,274	156,792	(714,066)	–	–
Net interest income	2,919,656	750,842	98,197	147,781	3,916,476
Net fee and commission income	100,941	278,321	648,804	90,722	1,118,788
Net trading gains	53,873	28,530	48,591	–	130,994
Net gains arising from investments	13,374	–	895,640	–	909,014
Other operating income	158	233	13	28,463	28,867
Operating income	3,088,002	1,057,926	1,691,245	266,966	6,104,139
Operating expenses	(590,261)	(550,714)	(289,143)	(26,756)	(1,456,874)
Credit losses	(1,906,816)	(123,127)	(623,543)	(134,237)	(2,787,723)
Profit before taxation	590,925	384,085	778,559	105,973	1,859,542
Other segment information					
– Depreciation and amortisation	(79,755)	(117,217)	(6,753)	(4,474)	(208,199)
– Capital expenditure	39,442	57,969	3,340	103	100,854

	30 June 2020				
	Corporate banking	Retail banking	Financial market business	Un-allocated items and others	Total
Segment assets	171,598,560	73,480,424	182,116,109	11,032,508	438,227,601
Deferred tax assets					2,294,408
Total assets					440,522,009
Segment liabilities/ Total liabilities	197,775,569	86,028,873	115,746,929	10,045,488	409,596,859
Credit commitments	33,073,734	6,933,028	–	–	40,006,762

	Six months ended 30 June 2019				
	Corporate banking	Retail banking	Financial market business	Un-allocated items and others	Total
External net interest income	1,669,701	461,723	921,523	91,596	3,144,543
Internal net interest income/(expense)	538,830	193,955	(732,785)	–	–
Net interest income	2,208,531	655,678	188,738	91,596	3,144,543
Net fee and commission income	121,282	289,111	100,073	70,344	580,810
Net trading gains	3,213	4,309	7,840	–	15,362
Net gains arising from investments	2,341	–	783,200	–	785,541
Other operating income	1,054	1,495	86	5,677	8,312
Operating income	2,336,421	950,593	1,079,937	167,617	4,534,568
Operating expenses	(628,250)	(347,334)	(263,811)	(27,094)	(1,266,489)
Credit losses	(1,316,178)	(76,868)	23,569	(58,718)	(1,428,195)
Profit before taxation	391,993	526,391	839,695	81,805	1,839,884
Other segment information					
– Depreciation and amortisation	(84,612)	(120,143)	(6,933)	(1,049)	(212,737)
– Capital expenditure	63,666	90,403	5,217	–	159,286

	31 December 2019				
	Corporate banking	Retail banking	Financial market business	Un-allocated items and others	Total
Segment assets	153,736,679	69,101,737	140,151,823	9,050,006	372,040,245
Deferred tax assets					1,581,905
Total assets					373,622,150
Segment liabilities/ Total liabilities	155,586,703	67,322,911	112,133,742	8,100,876	343,144,232
Credit commitments	24,612,840	5,045,541	–	–	29,658,381

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.

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 mainly in charge of the management and control of various risks such as credit, market, operation, information technology of the branch, 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 the credit management department 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. Several departments including the Credit Management Department, Credit Approval Unit, Personal Loan Department and Financial Market Business Unit, etc., are responsible for the management of credit risk. Each business unit is required to implement credit policies and procedures, and is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

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

(b) Credit risk assessment method

Stage of financial instruments

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

The three risk stages are defined as follows:

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

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

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

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.

The Group compares the risk of default of a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics as at the end of the reporting period and its risk of default at the date of initial application to determine changes in the risk of default during the lifetime of a financial instrument or a portfolio of financial instruments.

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 debt investments 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.

The assumptions underlying the ECL calculation, such as how the PDs and LGDs of different maturity profiles change are monitored and reviewed on a quarterly basis by the Group.

During the six months ended 30 June 2020, there has been no significant changes in the estimate techniques and key assumptions of the Group.

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

- The sustainability of the borrower's business plan;

- The borrower's ability to improve performance once a financial difficulty has arisen;

- The estimated recoverable cash flows from projects and liquidation;
- The availability of other financial support and the realisable value of collateral; and
- The timing of the expected cash flows.

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

Forward-looking information included in the expected credit loss model

Both the assessment of significant increase in credit risk and the measurement of ECL involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and ECL of asset portfolios, including consumer price index (CPI), industrial added value (IAV), 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.

When judging whether there is significant increase in credit risk, the Group multiplies the lifetime PD at the benchmark and under other scenarios by the weight of scenarios, and considers the qualitative and maximum indicators. The Group measures relevant provision for loss by the weighted 12-month ECL (for stage 1) or the weighted lifetime ECL (for stage 2 and stage 3). The above weighted credit losses are calculated from multiplying the ECL under different scenarios by the weight of the corresponding scenarios.

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

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

Write-off policy

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

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

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

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

(d) Collaterals and other credit enhancements

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

– Real estate and land use rights

– Machinery and equipment

– Right to receive payments and accounts receivable

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

In order to minimise its credit risk, once an indication of impairment has been identified with an individual loan, the Group will seek additional collateral from counterparties/require additional guarantors or squeeze the credit limit. It is the Group's policy to dispose of repossessed assets in an orderly manner. In general, the Group does not occupy repossessed assets for business use.

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

(e) Maximum credit risk exposure

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

	30 June 2020	31 December 2019
Deposits with central bank	**34,275,387**	39,184,380
Deposits with banks and other financial institutions	**2,142,587**	1,312,468
Placements with banks and other financial institutions	**1,139,412**	3,313,603
Derivative financial assets	**311,283**	12,436
Financial assets held under resale agreements	**13,608,775**	2,325,771
Loans and advances to customers	**198,252,690**	169,158,291
Financial investments:		
– Financial investments measured at FVTPL	**13,779,728**	13,904,305
– Financial investments measured at FVOCI	**60,405,697**	54,950,531
– Financial investments measured at amortised cost	**81,461,246**	64,491,058
Long-term receivables	**11,003,918**	9,037,819
Others	**442,268**	147,137
Subtotal	**416,822,991**	357,837,799
Off-balance sheet credit commitments	**40,006,762**	29,658,381
Total maximum credit risk exposure	**456,829,753**	387,496,180

(f) Risk concentrations

Credit risk is often greater when counterparties are 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 2020		31 December 2019	
	Amount	**Percentage**	Amount	Percentage
Manufacturing	**24,689,408**	**12.17%**	23,033,775	13.32%
Construction	**24,608,663**	**12.13%**	19,902,351	11.52%
Real estate	**23,746,897**	**11.71%**	19,673,198	11.39%
Renting and business activities	**17,720,163**	**8.74%**	11,228,367	6.50%
Water, environment and public utility management	**16,925,572**	**8.35%**	12,287,741	7.11%
Wholesale and retail trade	**11,761,143**	**5.80%**	11,628,689	6.73%
Financial service	**5,713,581**	**2.82%**	6,677,300	3.86%
Transportation, storage and postal services	**5,170,433**	**2.55%**	3,247,547	1.88%
Production and supply of electric and heating power, gas and water	**4,016,004**	**1.98%**	4,443,352	2.57%
Others	**6,996,912**	**3.45%**	6,164,306	3.57%
Subtotal for corporate loans and advances	**141,348,776**	**69.70%**	118,286,626	68.45%
Subtotal for personal loans and advances	**61,452,694**	**30.30%**	54,508,817	31.55%
Total for loans and advances to customers	**202,801,470**	**100.00%**	172,795,443	100.00%

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

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

	30 June 2020					
	Unrated	**AAA**	**AA**	**A**	**Below A**	**Total**
Debt securities (analysed by type of issuers):						
Government	**–**	**38,893,009**	**–**	**–**	**–**	**38,893,009**
Policy banks	**–**	**17,148,322**	**–**	**–**	**–**	**17,148,322**
Banks and other financial institutions	**447,655**	**25,215,864**	**377,104**	**109,375**	**332,767**	**26,482,765**
Corporate entities	**1,816,975**	**10,010,730**	**14,055,002**	**73,111**	**3,475,605**	**29,431,423**
Total	**2,264,630**	**91,267,925**	**14,432,106**	**182,486**	**3,808,372**	**111,955,519**

	31 December 2019					
	Unrated	AAA	AA	A	Below A	Total
Debt securities (analysed by type of issuers):						
Government	–	23,606,665	–	–	–	23,606,665
Policy banks	–	17,918,702	–	–	–	17,918,702
Banks and other financial institutions	–	18,276,243	588,001	500,391	625,750	19,990,385
Corporate entities	250,025	6,777,490	9,385,573	501,151	6,531,987	23,446,226
Total	250,025	66,579,100	9,973,574	1,001,542	7,157,737	84,961,978

(g) *Analysis on the credit quality of financial instruments*

As at 30 June 2020, the Group's credit risk stages of financial instruments are as follows:

	30 June 2020							
	Book balance				**Provision for expected credit losses**			
Financial assets measured at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Cash and balances with central banks	**34,997,001**	**–**	**–**	**34,997,001**	**–**	**–**	**–**	**–**
Deposits with banks and other financial institutions	**2,143,372**	**–**	**–**	**2,143,372**	**(785)**	**–**	**–**	**(785)**
Placements with banks and other financial institutions	**1,145,854**	**–**	**–**	**1,145,854**	**(6,442)**	**–**	**–**	**(6,442)**
Financial assets held under resale agreements	**13,617,173**	**–**	**–**	**13,617,173**	**(8,398)**	**–**	**–**	**(8,398)**
Loans and advances to customers								
– General corporate loans and advances	**125,558,978**	**4,046,706**	**3,049,289**	**132,654,973**	**(2,135,516)**	**(873,599)**	**(1,819,616)**	**(4,828,731)**
– Personal loans and advances	**60,795,770**	**484,984**	**320,651**	**61,601,405**	**(281,717)**	**(52,671)**	**(204,742)**	**(539,130)**
Financial investments	**80,427,689**	**1,719,221**	**219,236**	**82,366,146**	**(256,696)**	**(475,632)**	**(172,572)**	**(904,900)**
Long-term receivables	**11,009,235**	**386,739**	**9,847**	**11,405,821**	**(302,337)**	**(96,397)**	**(3,169)**	**(401,903)**
Total	**329,695,072**	**6,637,650**	**3,599,023**	**339,931,745**	**(2,991,891)**	**(1,498,299)**	**(2,200,099)**	**(6,690,289)**

	30 June 2020							
	Book balance				**Provision for expected credit losses**			
Financial assets measured at FVOCI	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers								
– Discounted bills	**9,364,173**	**–**	**–**	**9,364,173**	**(14,932)**	**–**	**–**	**(14,932)**
Financial investments	**59,100,916**	**1,285,177**	**19,604**	**60,405,697**	**(46,765)**	**(22,015)**	**(15,952)**	**(84,732)**
Total	**68,465,089**	**1,285,177**	**19,604**	**69,769,870**	**(61,697)**	**(22,015)**	**(15,952)**	**(99,664)**
Off-balance sheet credit commitments	**39,985,793**	**20,916**	**53**	**40,006,762**	**(97,592)**	**(108)**	**–**	**(97,700)**

	31 December 2019							
	Book balance				Provision for expected credit losses			
Financial assets measured at amortised cost	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Cash and balances with central banks	39,704,840	–	–	39,704,840	–	–	–	–
Deposits with banks and other financial institutions	1,313,043	–	–	1,313,043	(575)	–	–	(575)
Placements with banks and other financial institutions	3,330,171	–	–	3,330,171	(16,568)	–	–	(16,568)
Financial assets held under resale agreements	2,326,713	–	–	2,326,713	(942)	–	–	(942)
Loans and advances to customers								
– General corporate loans and advances	104,427,425	5,597,701	2,651,312	112,676,438	(1,281,247)	(1,135,766)	(1,569,797)	(3,986,810)
– Personal loans and advances	53,804,306	586,358	250,999	54,641,663	(241,776)	(41,609)	(139,437)	(422,822)
Financial investments	63,840,812	1,519,532	–	65,360,344	(481,299)	(387,987)	–	(869,286)
Long-term receivables	8,891,003	406,598	7,884	9,305,485	(175,027)	(90,217)	(2,422)	(267,666)
Total	277,638,313	8,110,189	2,910,195	288,658,697	(2,197,434)	(1,655,579)	(1,711,656)	(5,564,669)

	31 December 2019							
	Book balance				Provision for expected credit losses			
Financial assets measured at FVOCI	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers								
– Discounted bills	6,249,822	–	–	6,249,822	(12,917)	–	–	(12,917)
Financial investments	52,243,475	2,675,825	31,231	54,950,531	(34,869)	(56,072)	(22,030)	(112,971)
Total	58,493,297	2,675,825	31,231	61,200,353	(47,786)	(56,072)	(22,030)	(125,888)
Off-balance sheet credit commitments	29,575,025	82,987	369	29,658,381	(94,738)	(4,922)	(55)	(99,715)

Note:

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

(2) Market risk

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

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

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

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

(a) Interest rate risk

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

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

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

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

	30 June 2020					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with central bank	**34,997,001**	**781,688**	**34,215,313**	**–**	**–**	**–**
Deposits with banks and other financial institutions	**2,142,587**	**2,070**	**2,140,517**	**–**	**–**	**–**
Placements with banks and other financial institutions	**1,139,412**	**44,490**	**1,094,922**	**–**	**–**	**–**
Financial assets held under resale agreements	**13,608,775**	**722**	**13,608,053**	**–**	**–**	**–**
Loans and advances to customers *(Note (i))*	**198,252,690**	**724,695**	**48,968,110**	**119,668,668**	**27,498,471**	**1,392,746**
Financial investments *(Note (ii))*	**171,737,137**	**1,978,229**	**17,852,898**	**29,599,123**	**61,365,807**	**60,941,080**
Long-term receivables	**11,003,918**	**108,715**	**4,571,637**	**4,066,410**	**2,257,156**	**–**
Others	**7,640,489**	**7,640,489**	**–**	**–**	**–**	**–**
Total assets	**440,522,009**	**11,281,098**	**122,451,450**	**153,334,201**	**91,121,434**	**62,333,826**
Liabilities						
Borrowings from central bank	**8,103,568**	**4,429**	**3,396,304**	**4,702,835**	**–**	**–**
Deposits from banks and other financial institutions	**11,595,733**	**86,724**	**5,990,009**	**5,519,000**	**–**	**–**
Placements from banks and other financial institutions	**12,458,847**	**110,614**	**4,466,655**	**7,813,013**	**68,565**	**–**
Financial assets sold under repurchase agreements	**25,812,324**	**3,869**	**25,808,455**	**–**	**–**	**–**
Deposits from customers	**266,771,363**	**3,204,464**	**159,154,667**	**65,726,128**	**38,476,303**	**209,801**
Debt securities issued	**80,444,367**	**309,046**	**14,229,246**	**43,919,428**	**16,989,864**	**4,996,783**
Others	**4,410,657**	**3,967,583**	**–**	**1,684**	**175,272**	**266,118**
Total liabilities	**409,596,859**	**7,686,729**	**213,045,336**	**127,682,088**	**55,710,004**	**5,472,702**
Asset-liability gap	**30,925,150**	**3,594,369**	**(90,593,886)**	**25,652,113**	**35,411,430**	**56,861,124**

	31 December 2019					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with central bank	39,704,840	653,973	39,050,867	–	–	–
Deposits with banks and other financial institutions	1,312,468	2,008	1,310,460	–	–	–
Placements with banks and other financial institutions	3,313,603	82,331	944,727	2,286,545	–	–
Financial assets held under resale agreements	2,325,771	113	2,325,658	–	–	–
Loans and advances to customers *(Note (i))*	169,158,291	772,480	44,674,471	105,982,468	16,079,017	1,649,855
Financial investments *(Note (ii))*	142,377,400	2,193,661	13,402,331	27,738,081	58,535,322	40,508,005
Long-term receivables	9,037,819	85,729	6,756,565	2,195,525	–	–
Others	6,391,958	6,391,958	–	–	–	–
Total assets	373,622,150	10,182,253	108,465,079	138,202,619	74,614,339	42,157,860
Liabilities						
Borrowings from central bank	5,536,650	29,196	462,688	5,044,766	–	–
Deposits from banks and other financial institutions	16,462,527	125,735	10,186,792	6,150,000	–	–
Placements from banks and other financial institutions	9,916,257	84,418	4,288,217	5,465,633	77,989	–
Financial assets sold under repurchase agreements	16,027,082	1,580	16,025,502	–	–	–
Deposits from customers	215,425,403	2,735,191	142,197,240	37,524,419	32,572,152	396,401
Debt securities issued	76,858,899	438,140	13,477,677	38,261,976	17,489,383	7,191,723
Others	2,917,414	2,489,986	1,338	17,628	181,960	226,502
Total liabilities	343,144,232	5,904,246	186,639,454	92,464,422	50,321,484	7,814,626
Asset-liability gap	30,477,918	4,278,007	(78,174,375)	45,738,197	24,292,855	34,343,234

Notes:

(i) For the Group's loans and advances to customers, the category "Less than three months" as at 30 June 2020 includes overdue loans and advances (net of provision for impairment losses) of RMB1,388 million (31 December 2019: RMB1,269 million).

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

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

Changes in annualized net interest income	**30 June 2020 (Decrease)/ Increase**	31 December 2019 (Decrease)/ Increase
Interest rates increase by 100 bps	**(713,548)**	(438,707)
Interest rates decrease by 100 bps	**713,548**	438,707

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

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

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

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

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

(b) Currency risk

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

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

	30 June 2020			
	RMB	**USD** *(RMB Equivalent)*	**Others** *(RMB Equivalent)*	**Total** *(RMB Equivalent)*
Assets				
Cash and deposits with central bank	**34,875,093**	**117,070**	**4,838**	**34,997,001**
Deposits with banks and other financial institutions	**1,461,233**	**629,781**	**51,573**	**2,142,587**
Placements with banks and other financial institutions	**1,139,412**	**–**	**–**	**1,139,412**
Financial assets held under resale agreements	**13,608,775**	**–**	**–**	**13,608,775**
Loans and advances to customers	**196,999,298**	**1,251,622**	**1,770**	**198,252,690**
Financial investments *(Note (i))*	**160,199,084**	**11,538,053**	**–**	**171,737,137**
Long-term receivables	**11,003,918**	**–**	**–**	**11,003,918**
Others	**7,637,807**	**–**	**2,682**	**7,640,489**
Total assets	**426,924,620**	**13,536,526**	**60,863**	**440,522,009**
Liabilities				
Borrowings from central bank	**8,103,568**	**–**	**–**	**8,103,568**
Deposits from banks and other financial institutions	**11,595,728**	**5**	**–**	**11,595,733**
Placements from banks and other financial institutions	**10,955,100**	**1,503,747**	**–**	**12,458,847**
Financial assets sold under repurchase agreements	**25,812,324**	**–**	**–**	**25,812,324**
Deposits from customers	**264,714,355**	**2,027,072**	**29,936**	**266,771,363**
Debt securities issued	**80,444,367**	**–**	**–**	**80,444,367**
Others	**3,559,443**	**842,826**	**8,388**	**4,410,657**
Total liabilities	**405,184,885**	**4,373,650**	**38,324**	**409,596,859**
Net position	**21,739,735**	**9,162,876**	**22,539**	**30,925,150**
Off-balance sheet credit commitments	**39,461,507**	**413,664**	**131,591**	**40,006,762**

	31 December 2019			
	RMB	USD *(RMB Equivalent)*	Others *(RMB Equivalent)*	Total *(RMB Equivalent)*
Assets				
Cash and deposits with central bank	39,602,889	97,595	4,356	39,704,840
Deposits with banks and other financial institutions	809,420	452,943	50,105	1,312,468
Placements with banks and other financial institutions	2,865,118	448,485	–	3,313,603
Financial assets held under resale agreements	2,325,771	–	–	2,325,771
Loans and advances to customers	168,216,824	938,318	3,149	169,158,291
Financial investments *(Note (i))*	130,889,596	11,487,804	–	142,377,400
Long-term receivables	9,037,819	–	–	9,037,819
Others	6,389,347	573	2,038	6,391,958
Total assets	360,136,784	13,425,718	59,648	373,622,150
Liabilities				
Borrowings from central bank	5,536,650	–	–	5,536,650
Deposits from banks and other financial institutions	16,392,762	69,765	–	16,462,527
Placements from banks and other financial institutions	7,564,633	2,351,624	–	9,916,257
Financial assets sold under repurchase agreements	16,027,082	–	–	16,027,082
Deposits from customers	213,253,693	2,131,380	40,330	215,425,403
Debt securities issued	76,858,899	–	–	76,858,899
Others	2,872,014	36,589	8,811	2,917,414
Total liabilities	338,505,733	4,589,358	49,141	343,144,232
Net position	21,631,051	8,836,360	10,507	30,477,918
Off-balance sheet credit commitments	29,166,790	374,804	116,787	29,658,381

Note:

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

Changes in annualized net profit	**30 June 2020 Increase/ (Decrease)**	31 December 2019 Increase/ (Decrease)
Foreign exchange rate increase by 100 bps	**9,731**	9,511
Foreign exchange rate decrease by 100 bps	**(9,731)**	(9,511)

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

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

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

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

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

(3) Liquidity risk

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

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

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

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

(a) *Maturity analysis*

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

	30 June 2020							
	Indefinite *(Note (ii))*	Repayable on demand *(Note (ii))*	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central bank	20,602,099	14,394,902	–	–	–	–	–	34,997,001
Deposits with banks and other financial institutions	–	2,042,587	–	100,000	–	–	–	2,142,587
Placements with banks and other financial institutions	–	–	417,789	721,623	–	–	–	1,139,412
Financial assets held under resale agreements	–	–	13,608,775	–	–	–	–	13,608,775
Loans and advances to customers	1,390,253	298,743	9,373,797	12,601,213	50,963,582	66,688,882	56,936,220	198,252,690
Financial investments *(Note (i))*	23,250	–	14,156,504	4,637,510	30,612,677	61,367,658	60,939,538	171,737,137
Long-term receivables	132,181	30,262	527,655	829,711	3,564,782	5,919,327	–	11,003,918
Others	6,505,568	1,559	–	780	49,528	465,931	617,123	7,640,489
Total assets	28,653,351	16,768,053	38,084,520	18,890,837	85,190,569	134,441,798	118,492,881	440,522,009
Liabilities								
Borrowings from central bank	–	–	183,494	3,217,239	4,702,835	–	–	8,103,568
Deposits from banks and other financial institutions	–	3,290,259	506,239	2,255,872	5,543,363	–	–	11,595,733
Placements from banks and other financial institutions	–	–	1,707,597	2,808,618	7,917,438	25,194	–	12,458,847
Financial assets sold under repurchase agreements	–	–	25,203,699	608,625	–	–	–	25,812,324
Deposits from customers	–	124,170,895	15,131,960	20,643,282	67,337,393	39,276,987	210,846	266,771,363
Debt securities issued	–	–	2,564,850	11,664,396	44,228,474	16,989,864	4,996,783	80,444,367
Others	368,991	454,507	566,887	276,420	872,523	1,741,054	130,275	4,410,657
Total liabilities	368,991	127,915,661	45,864,726	41,474,452	130,602,026	58,033,099	5,337,904	409,596,859
Net position	28,284,360	(111,147,608)	(7,780,206)	(22,583,615)	(45,411,457)	76,408,699	113,154,977	30,925,150

	31 December 2019							
	Indefinite *(Note (ii))*	Repayable on demand *(Note (ii))*	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central bank	19,450,458	20,254,382	–	–	–	–	–	39,704,840
Deposits with banks and other financial institutions	–	1,312,468	–	–	–	–	–	1,312,468
Placements with banks and other financial institutions	–	–	162,798	806,359	2,344,446	–	–	3,313,603
Financial assets held under resale agreements	–	–	2,325,771	–	–	–	–	2,325,771
Loans and advances to customers	1,201,992	349,749	10,501,076	9,329,210	49,927,301	48,045,398	49,803,565	169,158,291
Financial investments *(Note (i))*	23,250	–	3,749,714	5,619,933	28,885,764	60,970,135	43,128,604	142,377,400
Long-term receivables	8,877	41,196	305,697	758,246	2,402,866	5,520,937	–	9,037,819
Others	5,552,527	8,066	5,588	283	4,253	194,456	626,785	6,391,958
Total assets	26,237,104	21,965,861	17,050,644	16,514,031	83,564,630	114,730,926	93,558,954	373,622,150
Liabilities								
Borrowings from central bank	–	–	400,375	62,314	5,073,961	–	–	5,536,650
Deposits from banks and other financial institutions	–	4,937,212	3,091,712	2,221,296	6,212,307	–	–	16,462,527
Placements from banks and other financial institutions	–	–	2,954,285	1,364,186	5,519,684	78,102	–	9,916,257
Financial assets sold under repurchase agreements	–	–	16,027,082	–	–	–	–	16,027,082
Deposits from customers	–	113,653,274	15,175,036	14,145,017	38,337,207	33,718,468	396,401	215,425,403
Debt securities issued	–	–	2,171,262	11,329,858	38,676,673	17,489,383	7,191,723	76,858,899
Others	114,271	120,041	539,476	135,578	197,957	1,502,389	307,702	2,917,414
Total liabilities	114,271	118,710,527	40,359,228	29,258,249	94,017,789	52,788,342	7,895,826	343,144,232
Net position	26,122,833	(96,744,666)	(23,308,584)	(12,744,218)	(10,453,159)	61,942,584	85,663,128	30,477,918

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 and long-term receivables, the "indefinite" period amount represents the balance being credit-impaired or not credit-impaired but overdue for more than one month, and the balance not credit-impaired but overdue within one month is included in "repayable on demand".

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

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

	30 June 2020								
	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	**–**	**–**	**183,757**	**3,256,996**	**4,760,156**	**–**	**–**	**8,200,909**	**8,103,568**
Deposits from banks and other financial institutions	**–**	**3,290,299**	**506,991**	**2,264,616**	**5,623,694**	**–**	**–**	**11,685,600**	**11,595,733**
Placements from banks and other financial institutions	**–**	**–**	**1,710,122**	**2,852,037**	**8,029,431**	**25,274**	**–**	**12,616,864**	**12,458,847**
Financial assets sold under repurchase agreements	**–**	**–**	**25,205,791**	**610,000**	**–**	**–**	**–**	**25,815,791**	**25,812,324**
Deposits from customers	**–**	**124,170,894**	**15,165,171**	**20,782,381**	**68,895,577**	**43,485,515**	**251,551**	**272,751,089**	**266,771,363**
Debt securities issued	**–**	**–**	**2,570,274**	**11,720,000**	**44,645,363**	**17,212,491**	**5,001,644**	**81,149,772**	**80,444,367**
Others	**368,991**	**454,507**	**566,814**	**275,725**	**820,491**	**1,506,833**	**144,429**	**4,137,790**	**4,092,737**
Total	**368,991**	**127,915,700**	**45,908,920**	**41,761,755**	**132,774,712**	**62,230,113**	**5,397,624**	**416,357,815**	**409,278,939**

	31 December 2019								
	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	–	–	400,599	85,875	5,150,899	–	–	5,637,373	5,536,650
Deposits from banks and other financial institutions	–	4,937,212	3,096,417	2,232,040	6,321,381	–	–	16,587,050	16,462,527
Placements from banks and other financial institutions	–	–	2,956,700	1,387,920	5,659,189	78,102	–	10,081,911	9,916,257
Financial assets sold under repurchase agreements	–	–	16,029,968	–	–	–	–	16,029,968	16,027,082
Deposits from customers	–	113,653,274	15,187,568	14,211,282	39,058,190	36,454,046	478,312	219,042,672	215,425,403
Debt securities issued	–	–	2,150,000	11,529,980	39,896,600	20,520,120	7,200,000	81,296,700	76,858,899
Others	114,271	120,041	557,855	145,680	257,361	1,594,232	150,419	2,939,859	2,908,609
Total	114,271	118,710,527	40,379,107	29,592,777	96,343,620	58,646,500	7,828,731	351,615,533	343,135,427

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

(c) Analysis on contractual undiscounted cash flows of derivatives

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

	30 June 2020							
	Indefinite	**Repayable on demand**	**Within one month**	**Between one month and three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**	**Contractual undiscounted cash flow**
Derivative cash flows:								
Derivative financial instruments settled on net basis	**–**	**–**	**(101)**	**(2,151)**	**(5,242)**	**(1,227)**	**34**	**(8,687)**

	31 December 2019							
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Contractual undiscounted cash flow
Derivative cash flows:								
Derivative financial instruments settled on net basis	–	–	–	(13)	(2,941)	(2,350)	–	(5,304)
Derivative financial instruments settled on gross basis								
Including: Cash inflow	–	–	270,751	–	–	–	–	270,751
Cash outflow	–	–	(263,534)	–	–	–	–	(263,534)
	–	–	7,217	–	–	–	–	7,217

(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 former CBRC. The capital of the Group is divided into three pieces: core tier-one capital, additional tier-one capital and tier-two capital.

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

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

As at 30 June 2020 and 31 December 2019, 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 promulgated by the former CBRC as follows:

	30 June 2020	31 December 2019
Total core tier-one capital	**22,908,627**	22,418,940
– Share capital	**4,509,690**	4,509,690
– Qualifying portion of capital reserve	**8,337,869**	8,337,869
– Surplus reserve	**1,626,662**	1,626,662
– General reserve	**4,400,258**	4,400,258
– Retained earnings	**3,157,366**	2,528,787
– Other comprehensive income	**442,909**	658,230
– Qualifying portion of non-controlling interests	**433,873**	357,444
Core tier-one capital deductions	**(226,511)**	(194,243)
Net core tier-one capital	**22,682,116**	22,224,697
Other tier-one capital	**7,911,814**	7,901,623
– Additional tier 1 capital instruments and related premium	**7,853,964**	7,853,964
– Valid portion of minority interests	**57,850**	47,659
Net tier-one capital	**30,593,930**	30,126,320
Tier two capital	**7,588,276**	9,126,185
– Qualifying portions of tier-two capital instruments issued	**5,000,000**	7,200,000
– Surplus provision for loan impairment	**2,472,576**	1,830,867
– Qualifying portion of non-controlling interests	**115,700**	95,318
Net capital base	**38,182,206**	39,252,505
Total risk weighted assets	**279,038,666**	265,908,365
Core tier-one capital adequacy ratio	**8.13%**	8.36%
Tier-one capital adequacy ratio	**10.96%**	11.33%
Capital adequacy ratio	**13.68%**	14.76%

43 FAIR VALUE

(1) Methods and assumptions for measurement of fair value

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

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

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

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

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

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

(a) Debt securities investments

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

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

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

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

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

(d) Derivative financial instruments

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

(2) Financial instruments recorded at fair value

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

	30 June 2020			
	Level 1 *Note (i)*	**Level 2** *Note (i)*	**Level 3** *Note (i) ~ (ii)*	**Total**
Financial investments measured at FVTPL				
– Debt securities	**–**	**860,397**	**–**	**860,397**
– Asset management plans	**–**	**–**	**10,729,142**	**10,729,142**
– Trust fund plans	**–**	**–**	**2,190,189**	**2,190,189**
– Investment funds	**–**	**16,016,741**	**50,475**	**16,067,216**
Derivative financial assets	**–**	**311,283**	**–**	**311,283**
Financial investments measured at FVOCI				
– Debt securities	**–**	**52,597,092**	**–**	**52,597,092**
– Asset management plans	**–**	**7,094,554**	**–**	**7,094,554**
– Other investments	**–**	**–**	**714,051**	**714,051**
– Equity investments	**–**	**–**	**23,250**	**23,250**
Loans and advances to customers measured at FVOCI	**–**	**–**	**9,364,173**	**9,364,173**
Total financial assets	**–**	**76,880,067**	**23,071,280**	**99,951,347**
Derivative financial liabilities	**–**	**315,138**	**2,782**	**317,920**
Total financial liabilities	**–**	**315,138**	**2,782**	**317,920**

	31 December 2019			
	Level 1 *Note (i)*	Level 2 *Note (i)*	Level 3 *Note (i) ~ (ii)*	Total
Financial investments measured at FVTPL				
– Debt securities	–	800,861	–	800,861
– Asset management plans	–	–	9,240,047	9,240,047
– Wealth management products	–	–	1,033,973	1,033,973
– Trust fund plans	–	–	2,829,424	2,829,424
– Investment funds	–	8,957,998	50,258	9,008,256
Derivative financial assets	–	6,848	5,588	12,436
Financial investments measured at FVOCI				
– Debt securities	–	46,915,283	–	46,915,283
– Asset management plans	–	7,302,406	–	7,302,406
– Other investments	–	–	732,842	732,842
– Equity investments	–	–	23,250	23,250
Loans and advances to customers measured at FVOCI	–	–	6,249,822	6,249,822
Total financial assets	–	63,983,396	20,165,204	84,148,600
Derivative financial liabilities	–	6,790	2,015	8,805
Total financial liabilities	–	6,790	2,015	8,805

Notes:

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

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

				Total gains or losses for the period		Purchases, issues, disposals and settlements			
	As at 1 January 2020	**Transfer into level 3**	**Transfer out of level 3**	**In profit or loss**	**In other comprehensive income**	**Purchases**	**Issues**	**Disposals and settlements**	**As at 30 June 2020**
Financial investments measured at FVTPL									
– Asset management plans	**9,240,047**	**–**	**–**	**95,176**	**–**	**5,560,766**	**–**	**(4,166,847)**	**10,729,142**
– Wealth management products	**1,033,973**	**–**	**–**	**6,727**	**–**	**–**	**–**	**(1,040,700)**	**–**
– Trust fund plans	**2,829,424**	**–**	**–**	**(32,913)**	**–**	**–**	**–**	**(606,322)**	**2,190,189**
– Investment funds	**50,258**	**–**	**–**	**217**	**–**	**–**	**–**	**–**	**50,475**
Derivative financial assets	**5,588**	**–**	**–**	**(5,588)**	**–**	**–**	**–**	**–**	**–**
Financial investments measured at FVOCI									
– Other investments	**732,842**	**–**	**–**	**6,241**	**2,267**	**–**	**–**	**(27,299)**	**714,051**
– Equity investments	**23,250**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**23,250**
Loans and advances to customers measured at FVOCI	**6,249,822**	**–**	**–**	**89,370**	**5,270**	**17,293,433**	**–**	**(14,273,722)**	**9,364,173**
Total financial assets	**20,165,204**	**–**	**–**	**159,230**	**7,537**	**22,854,199**	**–**	**(20,114,890)**	**23,071,280**
Derivative financial liabilities	**2,015**	**–**	**–**	**767**	**–**	**–**	**–**	**–**	**2,782**
Total financial liabilities	**2,015**	**–**	**–**	**767**	**–**	**–**	**–**	**–**	**2,782**

				Total gains or losses for the year		Purchases, issues, disposals and settlements			
2019	As at 1 January	Transfer into level 3	Transfer out of level 3	In profit or loss	In other comprehensive income	Purchases	Issues	Disposals and settlements	As at 31 December
Financial investments measured at FVTPL									
– Asset management plans	9,354,611	–	–	280,983	–	5,221,089	–	(5,616,636)	9,240,047
– Wealth management products	2,080,946	–	–	33,973	–	1,000,000	–	(2,080,946)	1,033,973
– Trust fund plans	3,221,359	–	–	112,326	–	270,304	–	(774,565)	2,829,424
– Investment funds	49,684	–	–	574	–	–	–	–	50,258
Derivative financial assets	–	–	–	5,588	–	–	–	–	5,588
Financial investments measured at FVOCI									
– Other investments	–	–	–	27,299	5,543	700,000	–	–	732,842
– Equity investments	23,250	–	–	–	–	–	–	–	23,250
Loans and advances to customers measured at FVOCI	6,772,625	–	–	309,424	(9,022)	22,794,208	–	(23,617,413)	6,249,822
Total financial assets	21,502,475	–	–	770,167	(3,479)	29,985,601	–	(32,089,560)	20,165,204
Derivative financial liabilities	–	–	–	2,015	–	–	–	–	2,015
Total financial liabilities	–	–	–	2,015	–	–	–	–	2,015

(3) Level 2 of the fair value hierarchy

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

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

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

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

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

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

(iii) Debt securities financial investments measured at amortised cost

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

(iv) Deposits from customers

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

(v) Debt securities issued

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

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

	30 June 2020				
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Financial investments measured at amortised cost (including accrued interest)					
– Debt securities	**60,016,704**	**60,233,170**	**–**	**60,153,438**	**79,732**
Total	**60,016,704**	**60,233,170**	**–**	**60,153,438**	**79,732**
Financial liabilities					
Securities issued (including accrued interest)					
– Debt securities	**22,795,585**	**23,063,675**	**–**	**23,063,675**	**–**
– Certificates of interbank deposit	**57,648,782**	**57,700,967**	**–**	**57,700,967**	**–**
Total	**80,444,367**	**80,764,642**	**–**	**80,764,642**	**–**

	31 December 2019				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost (including accrued interest)					
– Debt securities	38,866,579	38,978,313	–	38,895,979	82,334
Total	38,866,579	38,978,313	–	38,895,979	82,334
Financial liabilities					
Securities issued (including accrued interest)					
– Debt securities	25,119,246	25,374,003	–	25,374,003	–
– Certificates of interbank deposit	51,739,653	51,788,903	–	51,788,903	–
Total	76,858,899	77,162,906	–	77,162,906	–

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 2020	31 December 2019
Bank acceptances	**27,501,661**	20,884,567
Unused credit card commitments	**6,933,028**	5,045,541
Letters of credit	**3,934,293**	1,562,969
Letters of guarantees	**1,363,610**	1,891,134
Irrevocable loan commitments	**274,170**	274,170
Total	**40,006,762**	29,658,381

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 2020	31 December 2019
Credit risk-weighted amount of contingent liabilities and commitments	**9,007,388**	10,077,887

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

(3) Capital commitments

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

	30 June 2020	31 December 2019
Contracted but not paid for	**80,584**	82,790
Total	**80,584**	82,790

(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 2020 and 31 December 2019. 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 2020	31 December 2019
Bonds redemption obligations	**4,605,518**	5,026,883

(6) Pledged assets

	30 June 2020	31 December 2019
Investment securities	**27,896,573**	21,792,317
Discounted bills	**6,071,655**	1,106,722
Total	**33,968,228**	22,899,039

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 2020 and 31 December 2019, the Group did not have these discounted bills under resale agreements. As at 30 June 2020 and 31 December 2019, the Group did not sell or repledge any pledged assets which it has an obligation to resale when they are due.

45 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

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

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. The Group does not consolidate these structured entities. Such structured entities include wealth management products, 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 2020 and 31 December 2019 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 recognized:

	30 June 2020				
	Financial investments measured at FVTPL	**Financial investments measured at FVOCI**	**Financial investments measured at amortised cost**	**Carrying amount**	**Maximum exposure**
Asset management plans	**10,729,142**	**6,914,230**	**12,336,596**	**29,979,968**	**29,979,968**
Trust fund plans	**2,190,189**	**–**	**2,239,703**	**4,429,892**	**4,429,892**
Asset-backed securities	**151,592**	**966,245**	**–**	**1,117,837**	**1,117,837**
Investment funds	**16,067,216**	**–**	**–**	**16,067,216**	**16,067,216**
Total	**29,138,139**	**7,880,475**	**14,576,299**	**51,594,913**	**51,594,913**

	31 December 2019				
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost	Carrying amount	Maximum exposure
Asset management plans	9,240,047	7,302,406	15,884,877	32,427,330	32,427,330
Trust fund plans	2,829,424	–	4,781,679	7,611,103	7,611,103
Wealth management products	1,033,973	–	–	1,033,973	1,033,973
Asset-backed securities	100,000	1,008,633	–	1,108,633	1,108,633
Investment funds	9,008,256	–	–	9,008,256	9,008,256
Total	22,211,700	8,311,039	20,666,556	51,189,295	51,189,295

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 recognized in the statement of financial position.

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

The types of unconsolidated structured entities sponsored by the Group mainly include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes fees charged by providing management services to these structured entities. As at 30 June 2020 and 31 December 2019, the carrying amounts of the management fee receivables being recognized are not material in the statement of financial position.

As at 30 June 2020, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products, which are sponsored by the Group, was RMB104.512 billion (31 December 2019: RMB100.969 billion).

(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 2020, the amount of fee and commission income recognized from the above mentioned structured entities by the Group was RMB54 million (six months ended 30 June 2019: RMB38 million).

During the six months ended 30 June 2020, 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 RMB20.883 billion (six months ended 30 June 2019: RMB30.716 billion).

46 TRANSFERRED FINANCIAL ASSETS

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to structured entities. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

(1) Repurchase transactions and securities lending transactions

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

(2) Asset securitization

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

In 2015, the Group transferred a portfolio of customer loans with a book value of RMB2.543 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 recognized. The trust has completed the liquidation of trust property on 26 March 2020.

In 2017, the Group entrusted a portfolio of customer loans with a book value of RMB2.000 billion to an independent trust company for setting up an unconsolidated securitization vehicle. The Group obtained the trust beneficiary rights, and subsequently transferred all the initial holding trust beneficiary rights via Yindeng Center. As the consideration received was equivalent to the book value of the financial assets transferred, no gain or loss was recognised. The trust has completed the liquidation of trust property on 28 August 2019.

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 2020, the entrusted loans balance of the Group was RMB2.884 billion (31 December 2019: RMB3.145 billion).

48 THE IMPACT OF COVID-19

The outbreak of the COVID-19 in the beginning of 2020 has brought some uncertainties to the Group's operating environment and impacted on the financial and operational results of the Group in some extent. The Group earnestly implemented the requirements of the "Notice on Further Enhancing Financial Support for Prevention and Control of the COVID-19 (《關於進一步強化金融支持防控新型冠狀病毒感染肺炎疫情的通知》)" and other relevant policies and regulations jointly published by the People's Bank of China, the Ministry of Finance, the China Banking Insurance Regulatory Commission, China Securities Regulatory Commission and the State Administration of Foreign Exchange, to strengthen financial support for epidemic prevention and control. The Group has been closely monitoring the development of the COVID-19 and has taken proactive measures to minimize its impact on the financial condition, operating results and other aspects of the Group.

49 SUBSEQUENT EVENTS

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

50 COMPARATIVE FIGURES

For financial statements disclosure purpose, the Group made reclassification adjustments to some comparative figures.

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 2020	As at 31 December 2019
Qualified and high-quality current assets	**75,830,413**	78,152,065
Net cash outflows in next 30 days	**47,388,291**	54,930,790
Liquidity coverage ratio (RMB and foreign currency)	**160.02%**	142.27%

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks, the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018.

(2) Leverage ratio

	As at 30 June 2020	As at 31 December 2019
Leverage ratio	**6.38%**	7.46%

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 2020	As at 31 March 2020
Available stable funding	**246,428,181**	224,115,387
Required stable funding	**235,882,448**	215,816,615
Net stable funding ratio	**104.47%**	103.85%

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

2 CURRENCY CONCENTRATIONS

	30 June 2020			
	US Dollars *(RMB equivalent)*	**HK Dollars** *(RMB equivalent)*	**Others** *(RMB equivalent)*	**Total**
Spot assets	**13,536,526**	**23,521**	**37,342**	**13,597,389**
Spot liabilities	**(4,373,650)**	**(16,415)**	**(21,909)**	**(4,411,974)**
Net long position	**9,162,876**	**7,106**	**15,433**	**9,185,415**

	31 December 2019			
	US Dollars *(RMB equivalent)*	HK Dollars *(RMB equivalent)*	Others *(RMB equivalent)*	Total
Spot assets	13,425,717	30,125	29,524	13,485,366
Spot liabilities	(4,589,358)	(23,144)	(25,997)	(4,638,499)
Net long position	8,836,359	6,981	3,527	8,846,867

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 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 2020			
	Public sector entities	**Banks and other financial institutions**	**Non-bank private sector**	**Total**
– Asia Pacific	**114,883**	**6,704,288**	**6,346,259**	**13,165,430**
– of which attributed to Hong Kong	**–**	**5,457,145**	**–**	**5,457,145**
– North and South America	**–**	**388,548**	**–**	**388,548**
– Europe	**–**	**17,579**	**–**	**17,579**
	114,883	**7,110,415**	**6,346,259**	**13,571,557**

	31 December 2019			
	Public sector entities	Banks and other financial institutions	Non-bank private sector	Total
– Asia Pacific	96,805	6,099,621	6,930,484	13,126,910
– of which attributed to Hong Kong	–	3,882,939	–	3,882,939
– North and South America	–	314,471	–	314,471
– Europe	–	19,205	–	19,205
	96,805	6,433,297	6,930,484	13,460,586

4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES TO CUSTOMERS

	30 June 2020	31 December 2019
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	**875,699**	561,698
– between 6 months and 1 year (inclusive)	**605,263**	502,752
– over 1 year	**789,371**	723,309
Total	**2,270,333**	1,787,759
As a percentage of total gross loans and advances (excluding accrued interest)		
– between 3 and 6 months (inclusive)	**0.43%**	0.32%
– between 6 months and 1 year (inclusive)	**0.30%**	0.29%
– over 1 year	**0.39%**	0.42%
Total	**1.12%**	1.03%

7. RELEASE OF INTERIM RESULTS ANNOUNCEMENT AND 2020 INTERIM REPORT ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE BANK

This results announcement will be published on the website of The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") (http://www.hkexnews.hk/) and the website of the Bank (http://www.qdccb.com/). The 2020 results announcement containing all the information required by the Hong Kong Listing Rules will be dispatched to the shareholders of the Bank and published on the website of the Hong Kong Stock Exchange and the website of the Bank in due course.

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

By order of the Board
Bank of Qingdao Co., Ltd.*
GUO Shaoquan
Chairman

Qingdao, Shandong Province, PRC, 28 August 2020

As at the date of this announcement, the Board comprises Mr. Guo Shaoquan, Mr. Wang Lin and Ms. Lu Lan as executive directors; Mr. Zhou Yunjie, Mr. Rosario Strano, Ms. Tan Lixia, Mr. Marco Mussita, Mr. Deng Youcheng and Mr. Choi Chi Kin, Calvin as non-executive directors; Mr. Chen Hua, Ms. Dai Shuping, Mr. Simon Cheung, Ms. Fang Qiaoling and Mr. Tingjie Zhang as independent non-executive directors.

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