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 2021

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 2021 (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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2. FINANCIAL HIGHLIGHTS

Item	January to June 2021	January to June 2020	Year-on-year change
Business performance (RMB' 000)			**Change (%)**
Net interest income(1)	**3,908,157**	3,991,212	(2.08)
Net non-interest income(1)	**1,418,893**	2,112,927	(32.85)
Operating income	**5,327,050**	6,104,139	(12.73)
Operating expenses	**(1,536,404)**	(1,456,874)	5.46
Credit impairment losses	**(1,650,058)**	(2,787,723)	(40.81)
Profit before taxation	**2,140,588**	1,859,542	15.11
Net profit	**1,832,972**	1,564,491	17.16
Net profit attributable to shareholders of the Bank	**1,797,590**	1,530,517	17.45
Per share (RMB/share)			**Change (%)**
Basic earnings per share(2)	**0.40**	0.34	17.65
Diluted earnings per share(2)	**0.40**	0.34	17.65

Item	30 June 2021	31 December 2020	Change from the end of last year
Scale indicators (RMB' 000)			**Change (%)**
Total assets(3)	**501,637,206**	459,827,605	9.09
Loans and advances to customers:			
Total loans to customers(3)	**234,915,965**	206,747,221	13.62
Add: Accrued interest	**800,878**	899,064	(10.92)
Less: Provision for impairment on loans and advances to customers measured at amortized cost	**(6,085,423)**	(5,287,801)	15.08
Loans and advances to customers	**229,631,420**	202,358,484	13.48
Provision for loan impairment	**(6,101,007)**	(5,302,582)	15.06
Of which: Impairment provision for loans and advances to customers at fair value through other comprehensive income	**(15,584)**	(14,781)	5.43
Total liabilities(3)	**469,347,081**	428,920,747	9.43
Deposits from customers:			
Total deposits from customers(3)	**295,610,962**	272,231,484	8.59
Add: Accrued interest	**3,696,667**	3,519,226	5.04
Deposits from customers	**299,307,629**	275,750,710	8.54

Item	**30 June 2021**	31 December 2020	**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	**31,633,059**	30,285,174	4.45
Equity attributable to shareholders	**32,290,125**	30,906,858	4.48
Net capital base	**45,488,628**	37,806,580	20.32
Of which: Net core tier-one capital	**23,724,687**	22,384,998	5.98
Other tier-one capital	**7,904,970**	7,909,292	(0.05)
Tier-two capital	**13,858,971**	7,512,290	84.48
Total risk-weighted assets	**286,145,148**	267,941,143	6.79
Per share (RMB/share)			**Change (%)**
Net assets per share attributable to ordinary shareholders of the Bank(4)	**5.27**	4.97	6.04

Item	**January to June 2021**	January to June 2020	**Year-on-year change**
Profitability indicators (%)			**Change**
Return on average total asset(5) (annualized)	**0.76**	0.77	(0.01)
Weighted average return on net assets(2) (annualized)	**15.38**	13.56	1.82
Net interest spread(6)(annualized)	**1.96**	2.15	(0.19)
Net interest margin(7)(annualized)	**1.90**	2.18	(0.28)
Net fee and commission income to operating income(1)	**14.46**	17.10	(2.64)
Cost-to-income ratio(8)	**27.51**	22.72	4.79

Item	**30 June 2021**	31 December 2020	**Change from the end of last year**
Asset quality indicators (%)			**Change**
Non-performing loan ratio	**1.49**	1.51	(0.02)
Provision coverage ratio	**174.53**	169.62	4.91
Loan provision ratio	**2.60**	2.56	0.04
Indicators of capital adequacy ratio (%)			**Change**
Core tier-one capital adequacy ratio(9)	**8.29**	8.35	(0.06)
Tier-one capital adequacy ratio(9)	**11.05**	11.31	(0.26)
Capital adequacy ratio(9)	**15.90**	14.11	1.79
Total equity to total assets ratio	**6.44**	6.72	(0.28)
Other indicators (%)			**Change**
Liquidity coverage ratio	**179.39**	152.42	26.97
Liquidity ratio	**73.80**	65.44	8.36

Notes:

(1) Pursuant to the relevant provisions of the "Notice on Strictly Implementing Accounting Standards, Strengthening the Annual Report of Enterprises in 2020" (Caikuai [2021] No. 2) (《關於嚴格執行企業會計準則切實加強企業2020年年報工作的通知》(財會[2021]2號))(the "**Caikuai [2021] No. 2 Document**") issued by the Ministry of Finance of the People's Republic of China, China Securities Regulatory Commission (the "**CSRC**"), State-owned Assets Supervision and Administration Commission of the State Council, and China Banking and Insurance Regulatory Commission (the "**CBIRC**") in January 2021, the Company reclassified the instalment income of credit cards for the corresponding period in 2020 from fee and commission income to interest income.

(2) 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".

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

(4) 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.

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

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

(7) Net interest margin = net interest income/average interest-earning assets.

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

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

3. MANAGEMENT DISCUSSION AND ANALYSIS

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

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

The Bank mainly offers several services and products such as corporate and personal deposits, loans, payment and settlement to its customers, and its development is driven by three major business segments including retail banking, corporate banking and financial markets, which have formed a strong customer base and shaped a new financial business model of distinctive and high-quality development. The Bank's business is based in Qingdao with a footprint extending to other regions of Shandong. As at the end of the Reporting Period, there were 15 branches and 156 branch offices in major cities of Shandong Province such as Jinan, Yantai and Weihai. The Bank has two subsidiaries. In February 2017, the Bank initiated the establishment of BQD Financial Leasing Company Limited ("**BQD Financial Leasing**"), which was owned as to 51% by the Bank. In September 2020, the Bank initiated the establishment of Qingyin Wealth Management Company Limited ("**Qingyin Wealth Management**"), which was wholly owned by the Bank. As at the end of the Reporting Period, the Bank had more than 4,000 employees.

As at the end of the Reporting Period, total assets of the Company amounted to RMB501.637 billion, total liabilities amounted to RMB469.347 billion, capital adequacy ratio was 15.90%, and non-performing loan ratio was 1.49%, down by 0.02 percentage point as compared with that at the end of the previous year. During the Reporting Period, the accumulated net profit was RMB1.833 billion, representing an increase of 17.16% over the same period of last year.

II. Analysis of the Core Competitiveness

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

1. **The high-quality and diversified shareholder structure and market-oriented management team have laid a solid foundation for corporate governance and business development.** After years of careful layout, the Bank has gradually formed a diversified shareholding structure covering private enterprises, overseas investors, professional institutional investors, state-owned legal entities and public shareholders, which is a typical representative of mixed ownership. The Bank's major shareholders have a balanced shareholding ratio and are all stable long-term investors who can act in a scientific and reasonable manner in accordance with the laws to support the Bank's long-term development. The senior management team of the Bank is hired through market-oriented recruitment and has a strong industry knowledge and market-oriented management philosophy.

2. **The dual-improvement strategy was implemented steadily and the management improvement was achieved in essence.** While introducing a dual-improvement plan for operation and management within the organization to foster business development, the Bank vigorously explored and launched a series of management reforms featuring technology-empowered development, business approval transformation, and operational management optimization. In order to enhance customer experience, the Bank achieved high-quality development of business management by optimizing system processes and increasing service efficiency.

3. **A new model of service experience 3.0 was created so as to enhance customer service value.** The Bank's service strategy of focusing on high-quality services forms its core competitiveness targets at offering an experience and process-oriented service experience, with "more interaction, well-established procedures and strong experience". Based on "data analysis, enhanced intelligence and improved management", it further optimized and adjusted its guiding principle towards service management, effectively strengthened the customer experience by making overall planning and coordination, taking the lead in implementation, clarifying responsibilities, and forming a joint force, consolidated the ability of "acquiring customers + activating customers" in the service value stage by expanding the connotation and extension of financial services, and expanded services value boundary by creating a new service experience 3.0 model.

4. **The quality and efficiency of the group's risk management was improved in order to establish a reliable risk management system.** Firmly sticking to the "prudent and steady" risk appetite, and centering around a group-based development pattern characteristic of "one body and two wings", the Bank adopted centralized credit management on a group level, and proceeded with the construction of a multi-level centralized credit granting system and a large amount risk exposure system covering all customers, all assets, and the entire organization. In light of the macro policies, the Bank established new development concepts, and continued to optimize the allocation of credit resources. It increased the technological empowerment in risk management, improved the risk management working mechanism and risk appetite management mechanism, and enhanced the effectiveness of risk management and the quality and effectiveness of serving the real economy. With proactive risk management thinking and professional risk management model, the Bank has ensured stable and sound asset quality. The non-performing loan ratio continued to be lower than the average in the country and Shandong, demonstrating strong risk resistance capability.

5. **Digital transformation was accelerated and independent innovation capabilities was strengthened.** The Bank fully implemented the strategy of technological innovation. Upholding the new financial concept of "finance + technology + scenario", it made more efforts in recruiting digitalization talents and the training inter-disciplinary talents, and accelerated the application of emerging technologies such as the big data, artificial intelligence, cloud computing, 5G and biometrics, etc., continued to strengthen business innovation, deepened the value transformation of technology in terms of risk control, operation, process and system, etc., strengthened technology-empowered business management capabilities, and paced up digital transformation.

3. Summary of Overall Operations

3.1 Status of Key Operational Indicators Achievements

(1) Total assets amounted to RMB501.637 billion, representing an increase of RMB41.810 billion or 9.09% as compared with that at the end of the previous year;

(2) Total loans to customers amounted to RMB234.916 billion, representing an increase of RMB28.169 billion or 13.62% as compared with that at the end of the previous year;

(3) Total deposits from customers amounted to RMB295.611 billion, representing an increase of RMB23.379 billion or 8.59% as compared with that at the end of the previous year, among them, personal deposits exceeded RMB100 billion;

(4) Net profit amounted to RMB1.833 billion, representing a year-on-year increase of RMB268 million or 17.16%; net profit attributable to shareholders of the parent company amounted to RMB1.798 billion, representing a year-on-year increase of RMB267 million or 17.45%;

(5) Non-performing loan ratio was 1.49%, representing a decrease of 0.02 percentage point as compared with that at the end of the previous year; provision coverage ratio was 174.53%, representing an increase of 4.91 percentage points as compared with that at the end of the previous year; capital adequacy ratio was 15.90%, representing an increase of 1.79 percentage points as compared with that at the end of the previous year;

(6) Return on average total assets was 0.76%, representing a year-on-year decrease of 0.01 percentage point;

(7) Basic earnings per share was RMB0.40, representing a year-on-year increase of RMB0.06; weighted average return on net assets was 15.38%, representing a year-on-year increase of 1.82 percentage points.

3.2 Major Tasks of Operation and Management

(1) The scale of operation reached a new level, and the group synergy was increased. During the Reporting Period, the Company achieved the milestone development goal of total assets reaching RMB500 billion, suggesting that the Company has stepped up to a new level in terms of business scale, officially becoming one mid-sized bank, and started a new stage of development. During the Reporting Period, the Company actively explored group management and operation. The coordinated business development between the parent bank and its subsidiaries has produced positive results. BQD Financial Leasing was gradually shifting the focus of its business to Shandong Province, and strengthened business coordination relying on the resources of the parent bank; Qingyin Wealth Management gave full play to its deposit derivation and pooling functions. As at the end of the Reporting Period, the balance of wealth management products increased by 26.26% as compared with the beginning of the year.

(2) The Company has initially established a centralized credit system and further improved its management in essence. In 2021, the Company will improve its management in practice and in essence. During the Reporting Period, the Company further strengthened the guidance of credit policies by conducting centralized approval of on-balance sheet and off-balance sheet credit business; and initially formed a risk management system featuring "centralized approval and unified credit approval" by promoting the unified credit management of group customers through system transformation. The operation lines commenced the construction of corporate account management upgrades and the pilot "reduction of high cubes (減高櫃)". The Company completed optimization of 95 system processes, and continued to improve business processing efficiency and customer experience.

(3) Digital transformation was accelerated, and independent innovation capabilities was strengthened. During the Reporting Period, the Company continued to strengthen the application of technology and accelerate digital transformation. The online loan approval system named "Xingyun Intelligent" (星雲智慧) credit platform, and the Internet personal loan product named "Easy loans for marine financing (海融易貸)" were successfully launched, and full-process digital processing of domestic letter of credit and other businesses were made available; the business scope of the online supply chain financial product named "Qingyin e-chain" (青銀e鏈) was expanded. The Bank obtained independent intellectual property rights for the "Eagle Eye 360 Intelligent Risk Monitoring Platform" (鷹眼360智能風控平台) and outpaced its peers in shifting to digital operations. The Company continued to expand its credit card scenario-based application by launching the "boundless credit card" and remote interview functions to break geographical restrictions and improve business processing efficiency.

(4) The retail strategy achieved remarkable results. Offering services to the countryside and the community has accumulated business. As at the end of the Reporting Period, the Company's retail deposit increased by RMB12.251 billion as compared with the end of the previous year, and its balance was more than RMB100 billion; the assets retained by retail customers in the Bank increased by RMB30.143 billion as compared with the end of the previous year due to sustained rapid growth; financial management business recorded IB service income of RMB127 million, representing a year-on-year increase of 16.52%; cumulative number of credit cards issued reached 2,415.6 thousand, representing a year-on-year increase of 35.42%. The rural banking business was upgraded from quantitative change to qualitative change. As at the end of the Reporting Period, there are 1,759 signitory outlets, and the balance of rural-aiding deposits amounted to RMB2.822 billion. As to the community finance, we created a new model of "Volunteer Service PLUS" and built the "Happy Neighborhood (幸福鄰里)" brand. Five community branches commenced operation. User experience has been enhanced with "friendliness, accessibility, and professionalism" and service experience management 3.0 has been launched.

(5) Both the quantity and quality of the wholesale customer base were increased thanks to the coordinated empowering of the financial market. During the Reporting Period, the Bank comprehensively proceeded with the "Six Generals (六總)" business model for strategic customers, further developed customer base in line with the "dual-base strategy", and saw growth of the percentage of newly acquired customers and the percentage of newly active acquired customers. As at the end of the Reporting Period, the channels for obtaining customers were expanded for inclusive business, and the Bank's outstanding loans for inclusive finance amounted to RMB21.066 billion, which more than satisfied the assessment requirements for "increases in both".

(6) The financial market business continued its transformation, and its comprehensive contribution continued to increase. During the Reporting Period, the Bank issued Tier-2 capital bonds of RMB6 billion, which effectively consolidated our capital base and enhanced our business development potential. The Bank's capability to generate gains from investment continued to improve, and the settled Interbank bonds amounted to RMB5.13 trillion, maintaining active transactions on the market; the amount of medium and long-term debt financing instruments underwritten by the Bank amounted to RMB7.975 billion, accounting for 9.81% of the market, and ranking first in Shandong Province; obtained the qualification for the inter-bank gold inquiry service of Shanghai Gold Exchange and the "Northbound" service qualification of Bond Connect, and continued to diversify its business qualifications.

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

4.1 Financial Performance Summary

During the Reporting Period, the Company's profit before tax amounted to RMB2.141 billion, representing a year-on-year increase of RMB281 million or 15.11%; net profit amounted to RMB1.833 billion, representing a year-on-year increase of RMB268 million or 17.16%; effective income tax rate was 14.37%, representing a year-on-year decrease of 1.50 percentage points, which was mainly due to the increase in tax-free income from the Company's central government bonds and local government bonds. 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 2021**	January to June 2020	**Change in amount**	**Change(%)**
Net interest income	**3,908,157**	3,991,212	(83,055)	(2.08)
Net fee and commission income	**770,325**	1,044,052	(273,727)	(26.22)
Net trading gains, net gains arising from investments and other net operating income	**648,568**	1,068,875	(420,307)	(39.32)
Operating expenses	**(1,536,404)**	(1,456,874)	(79,530)	5.46
Credit impairment losses	**(1,650,058)**	(2,787,723)	1,137,665	(40.81)
Profit before tax	**2,140,588**	1,859,542	281,046	15.11
Income tax	**(307,616)**	(295,051)	(12,565)	4.26
Net profit	**1,832,972**	1,564,491	268,481	17.16
Of which: Net profit attributable to shareholders of the parent	**1,797,590**	1,530,517	267,073	17.45
Net profit attributable to non-controlling interests	**35,382**	33,974	1,408	4.14

4.2 Operating Income

During the Reporting Period, the Company's operating income amounted to RMB5.327 billion, representing a year-on-year decrease of RMB777 million, or 12.73% mainly due to a drop in net interest margin and a slight drop in net interest income resulting from the Company's increased support to the real economy and reduced fees; a decrease in the total income from investment and gains and losses from fair value change, fee income from wealth management business due to the weak performance of bond market as compared with the same period of last year; reduction of exchange gains and losses from exchange rate fluctuations. Among the operating income, net interest income accounted for 73.36%, representing a year-on-year increase of 7.97 percentage points; net fee and commission income accounted for 14.46%, representing a year-on-year decrease of 2.64 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 2021**		January to June 2020		**Percentage changes (percentage point)**
	Amount	**Percentage (%)**	Amount	Percentage (%)	
Net interest income	**3,908,157**	**73.36**	3,991,212	65.39	7.97
Interest income	**8,881,975**	**166.73**	8,295,162	135.90	30.83
Of which: Interest income from loans and advances to customers	**5,613,418**	**105.38**	4,990,383	81.75	23.63
Interest income from financial investments	**2,616,902**	**49.12**	2,636,940	43.20	5.92
Interest income from deposits with banks and other financial institutions	**12,689**	**0.24**	3,733	0.06	0.18
Interest income from placements with banks and other financial institutions	**83**	**–**	74,377	1.22	(1.22)
Interest income from deposits with central bank	**191,341**	**3.59**	173,372	2.84	0.75
Interest income from financial assets held under resale agreements	**140,753**	**2.64**	105,924	1.74	0.90
Interest income from long-term receivables	**306,789**	**5.76**	310,433	5.09	0.67
Interest expense	**(4,973,818)**	**(93.37)**	(4,303,950)	(70.51)	(22.86)
Net non-interest income	**1,418,893**	**26.64**	2,112,927	34.61	(7.97)
Of which: Net fee and commission income	**770,325**	**14.46**	1,044,052	17.10	(2.64)
Other net non-interest income	**648,568**	**12.18**	1,068,875	17.51	(5.33)
Operating income	**5,327,050**	**100.00**	6,104,139	100.00	–

4.3 Net interest income

During the Reporting Period, the Company's net interest income amounted to RMB3.908 billion, representing a year-on-year decrease of RMB83 million or 2.08%, primarily due to a decrease in the net interest margin, and a slight drop in net interest income. 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 2021			January to June 2020		
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	**218,831,432**	**5,613,418**	**5.17%**	187,623,101	4,990,383	5.35%
Financial investment	**136,311,271**	**2,616,902**	**3.87%**	125,590,006	2,636,940	4.22%
Deposits and placements with banks and other financial institutions[1]	**19,485,557**	**153,525**	**1.59%**	20,736,264	184,034	1.78%
Deposits with central bank	**29,254,150**	**191,341**	**1.32%**	24,063,776	173,372	1.45%
Long-term receivables	**10,615,623**	**306,789**	**5.83%**	10,789,667	310,433	5.79%
Total	**414,498,033**	**8,881,975**	**4.32%**	368,802,814	8,295,162	4.52%
Interest-bearing liabilities						
Deposits from customers	**277,353,506**	**2,836,680**	**2.06%**	227,844,871	2,290,323	2.02%
Deposits and placements from banks and other financial institutions[2]	**49,536,339**	**617,796**	**2.51%**	49,013,154	571,345	2.34%
Debt securities issued	**85,839,314**	**1,376,898**	**3.23%**	82,268,328	1,349,986	3.30%
Borrowings form central bank	**13,060,794**	**142,444**	**2.20%**	6,374,878	92,296	2.91%
Total	**425,789,953**	**4,973,818**	**2.36%**	365,501,231	4,303,950	2.37%
Net interest income	**/**	**3,908,157**	**/**	/	3,991,212	/
Net interest spread	**/**	**/**	**1.96%**	/	/	2.15%
Net interest margin	**/**	**/**	**1.90%**	/	/	2.18%

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 RMB414.498 billion, representing a year-on-year increase of RMB45.695 billion or 12.39%, mainly due to the Company's business development and the increase in loan size. Net interest spread was 1.96%, representing a year-on-year decrease of 0.19 percentage point, net interest margin was 1.90%, representing a year-on-year decrease of 0.28 percentage point. During the Reporting Period, the Company increased its support to the real economy, leading to reduced fees and concessions, resulting in a decline in loan yields; and in response to the market conditions, and for the intensive use of capital, it appropriately increased low-risk financial investments.

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 2021 vs. January to June 2020		
Item	**Due to volume**	**Due to rate**	**Net increase (decrease)**
Assets			
Loans and advances to customers	790,508	(167,473)	623,035
Financial investment	197,938	(217,976)	(20,038)
Deposits and placements with banks and other financial institutions	(10,971)	(19,538)	(30,509)
Deposits with central bank	33,482	(15,513)	17,969
Long-term receivables	(5,784)	2,140	(3,644)
Interest income changes	**1,005,173**	**(418,360)**	**586,813**
Liabilities			
Deposits from customers	501,163	45,194	546,357
Deposits and placements from banks and other financial institutions	5,132	41,319	46,451
Debt securities issued	55,469	(28,557)	26,912
Borrowings form central bank	72,593	(22,445)	50,148
Interest expense changes	**634,357**	**35,511**	**669,868**
Net interest income changes	**370,816**	**(453,871)**	**(83,055)**

4.4 *Interest Income*

During the Reporting Period, the Company's interest income was RMB8.882 billion, representing a year-on-year increase of RMB587 million or 7.07%, mainly due to the expansion of the Company's assets and the increase in interest income from interest-earning assets. 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 RMB5.613 billion, representing a year-on-year increase of RMB623 million or 12.48%, mainly due to the Company's increased credit allocation to the real economy, deepening of risk management and control, adjusting of credit structure, and continued expansion of scale of loan placement. 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 2021			January to June 2020		
Item	**Average balance**	**Interest income**	**Average yield**	Average balance	Interest income	Average yield
Corporate loans	**146,230,658**	**3,748,150**	**5.17%**	124,338,087	3,317,073	5.36%
Personal loans	**59,206,436**	**1,658,178**	**5.65%**	55,237,222	1,545,390	5.63%
Discounted bills	**13,394,338**	**207,090**	**3.12%**	8,047,792	127,920	3.20%
Total	**218,831,432**	**5,613,418**	**5.17%**	187,623,101	4,990,383	5.35%

Interest income from financial investments

During the Reporting Period, the Company's interest income from financial investments was RMB2.617 billion, representing a year-on-year decrease of RMB20 million or a slight drop of 0.76%, mainly due to the prudent financial investment strategies adopted by the Company, continuous reduction in non-standard assets, and appropriate increase in low-risk investments such as government bonds according to the market conditions, maintaining steady growth of interest income from financial investment.

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

During the Reporting Period, the Company's interest income from deposits and placements with banks and other financial institutions amounted to RMB154 million, representing a year-on-year decrease of RMB31 million or 16.58%, mainly attributable to the Company's change of resource allocation and reduction of placements with banks appropriately according to the interbank market conditions.

4.5 Interest Expense

During the Reporting Period, the Company's interest expense amounted to RMB4.974 billion, representing a year-on-year increase of RMB670 million or 15.56%, mainly due to the rapid growth of interest expense as a result of the Company's expansion of debt scale. Interest expenses on deposits from customers and interest expenses on debt securities issued were major components of the interest expense of the Company.

Interest expense on deposits from customers

During the Reporting Period, the Company's interest expense on deposits from customers was RMB2.837 billion, representing a year-on-year increase of RMB546 million or 23.86%, mainly due to the rapid growth of interest expense on deposits as a result of the Company's expansion of deposit business. 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 2021			January to June 2020		
Item	**Average balance**	**Interest expense**	**Average cost rate**	Average balance	Interest expense	Average cost rate
Corporate deposits						
Demand	**102,436,858**	**461,799**	**0.91%**	82,887,495	340,811	0.83%
Time	**81,478,529**	**1,105,542**	**2.74%**	72,403,656	1,024,929	2.85%
Sub-total	**183,915,387**	**1,567,341**	**1.72%**	155,291,151	1,365,740	1.77%
Personal deposits						
Demand	**23,209,948**	**34,859**	**0.30%**	20,790,952	31,373	0.30%
Time	**70,228,171**	**1,234,480**	**3.54%**	51,762,768	893,210	3.47%
Sub-total	**93,438,119**	**1,269,339**	**2.74%**	72,553,720	924,583	2.56%
Total	**277,353,506**	**2,836,680**	**2.06%**	227,844,871	2,290,323	2.02%

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 RMB618 million, representing a year-on-year increase of RMB46 million or 8.13%, mainly due to the increases in interest expense on deposits and placements from banks and other financial institutions as a result of the rising repo interest rates on the money market.

Interest expense on debt securities issued

During the Reporting Period, the Company's interest expense on debt securities issued amounted to RMB1.377 billion, representing a year-on-year increase of RMB27 million or 1.99%, mainly due to the fact that the Company optimized the structure of active liabilities and issued Tier-2 capital bonds of RMB6 billion, allowing the interest expenses on debt securities issued basically stable.

4.6 Net Non-interest Income

During the Reporting Period, the Company's net non-interest income was RMB1.419 billion, representing a year-on-year decrease of RMB694 million, or 32.85%. This was mainly due to fact that bond market was weak as compared with that of the same period of last year, leading to a decrease in net gains arising from investments and a decrease in fee income from wealth management services; a decrease in exchange gains and losses due to exchange rate fluctuations. The following table sets forth the main components of the Company's net non-interest income for the periods indicated.

Unit: RMB'000

Item	**January to June 2021**	January to June 2020
Fee and commission income	**846,442**	1,108,169
Less: Fee and commission expense	**(76,117)**	(64,117)
Net fee and commission income	**770,325**	1,044,052
Net trading (losses)/gains, net gains arising from investments and other net operating income	**648,568**	1,068,875
Net non-interest income	**1,418,893**	2,112,927

4.7 Net Fee and Commission Income

During the Reporting Period, the Company's net fee and commission income amounted to RMB770 million, representing a year-on-year decrease of RMB274 million or 26.22%, mainly due to a decrease in the Company's fee income from wealth management service. The following table sets forth the components of the Company's net fee and commission income for the periods indicated.

Unit: RMB'000

Item	**January to June 2021**	January to June 2020
Fee and commission income	**846,442**	1,108,169
Of which: Wealth management service fees	**414,948**	672,692
Agency service fees	**235,461**	227,747
Custody and bank card service fees(1)	**102,985**	79,338
Financial leasing fees	**52,224**	92,729
Settlement fees	**34,305**	19,636
Others	**6,519**	16,027
Less: Fee and commission expense	**(76,117)**	(64,117)
Net fee and commission income	**770,325**	1,044,052

Note: According to the CaiKuai [2021] No. 2 Document promulgated by the Ministry of Finance of the People's Republic of China, CSRC, State-owned Assets Supervision and Administration Commission of the State Council and CBIRC in January 2021, the Company reclassified the credit card installment income in 2020 from fee and commission income to interest income.

During the Reporting Period, the wealth management service fee income amounted to RMB415 million, representing a year-on-year decrease of RMB258 million or 38.32%. The scale of wealth management products managed by the Company kept growing, and income from fixed management fees has steadily increased, but there were fewer spread trading opportunities as a result of the less volatile bond market in 2021 as compared with the same period of last year, decrease in excess income of wealth management business, and overall decrease in wealth management service fees. Custody and bank card service fees income amounted to RMB103 million, representing a year-on-year increase of RMB24 million or 29.81%, mainly due to the increase in credit card fee income; financial leasing fees income amounted to RMB52 million, representing a year-on-year decrease of RMB41 million or 43.68%, mainly due to reduced investment in leased assets; settlement fees income amounted to RMB34 million, representing a year-on-year increase of RMB15 million or 74.70%, mainly due to the increase in forfeiting fees income.

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

During the Reporting Period, the Company's net trading (losses)/gains, net gains arising from investments and other net operating income, amounted to RMB649 million, representing a year-on-year decrease of RMB420 million or 39.32%. This was mainly due to fact that bond market was weak as compared with that of the same period of last year, leading to a decrease in net gains arising from investments; a decrease in exchange gains and losses due to exchange rate fluctuations. The following table sets forth the components of the Company's net trading (losses)/gains, net gains arising from investments and other operating income, for the periods indicated.

Unit: RMB'000

Item	**January to June 2021**	January to June 2020
Net trading (losses)/gains	**(89,297)**	130,994
Net gains arising from investments	**728,170**	909,014
Other operating income	**9,695**	28,867
Total	**648,568**	1,068,875

4.9 *Operating expenses*

During the Reporting Period, the Company's operating expenses amounted to RMB1.536 billion, representing a year-on-year increase of RMB80 million or 5.46%. In particular, staff costs increased by RMB49 million or 6.01% on a year-on-year basis. The following table sets forth the components of the Company's operating expenses for the periods indicated.

Unit: RMB'000

Item	**January to June 2021**	January to June 2020
Staff costs	**858,594**	809,949
Property and equipment expenses	**318,893**	270,774
Tax and surcharges	**70,741**	69,765
Other general and administrative expenses	**288,176**	306,386
Operating expenses	**1,536,404**	1,456,874

4.10 Credit impairment losses

During the Reporting Period, the Company's credit impairment losses amounted to RMB1.650 billion, representing a year-on-year decrease of RMB1.138 billion or 40.81%, mainly due to the increase in the impairment provision made by the Company in the same period of last year in response to the COVID-19 pandemic and others while the provision for impairment was reduced because the impact of the pandemic gradually died down this year, and the Company continued to increase control over asset quality and devote more efforts on collection of non-performing asset, leading to improvement of the risk profile of assets. Credit impairment losses from loans and advances to customers constituted the largest component of the credit impairment losses. During the Reporting Period, credit impairment losses from loans and advances to customers amounted to RMB1.263 billion, representing a year-on-year decrease of RMB682 million or 35.07%. The following table sets forth the major components of the Company's credit impairment losses for the periods indicated.

Unit: RMB'000

Item	**January to June 2021**	January to June 2020
Deposits with banks and other financial institutions	**1,251**	210
Placements with banks and other financial institutions	**335**	(10,126)
Financial assets held under resale agreements	**6,028**	7,456
Loans and advances to customers	**1,262,812**	1,944,777
Financial investments measured at amortized cost	**(42,254)**	735,614
Financial investments at fair value through other comprehensive income	**343,563**	(28,239)
Long-term receivables	**53,731**	134,237
Credit commitment	**6,139**	(2,015)
Others	**18,453**	5,809
Credit impairment losses	**1,650,058**	2,787,723

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

5.1 Assets

As at the end of the Reporting Period, the Company's total assets amounted to RMB501.637 billion, representing an increase of RMB41.810 billion or 9.09% as compared with that at the end of the previous year. The following table sets forth the components of the Company's total assets as at the dates indicated.

Unit: RMB'000

Item	**30 June 2021**		31 December 2020		**Change from the end of last year**		31 December 2019	
	Amount	**% of total**	Amount	% of total	**Change in amount (%)**	**Change in % of total**	Amount	% of total
Loans and advances to customers	**229,631,420**	**45.78**	202,358,484	44.01	13.48	1.77	169,158,291	45.28
Financial investments measured at amortized cost	**66,408,636**	**13.24**	74,157,602	16.13	(10.45)	(2.89)	64,491,058	17.26
Financial investments at fair value through other comprehensive income	**76,647,978**	**15.27**	66,828,002	14.53	14.69	0.74	54,973,781	14.71
Financial investments at fair value through profit or loss	**49,193,456**	**9.81**	37,250,405	8.10	32.06	1.71	22,912,561	6.13
Cash and deposits with central bank	**46,937,324**	**9.36**	47,219,397	10.27	(0.60)	(0.91)	39,704,840	10.63
Deposits with banks and other financial institutions	**4,057,970**	**0.81**	2,568,919	0.56	57.96	0.25	1,312,468	0.35
Placements with banks and other financial institutions	**451,873**	**0.09**	–	–	N/A	0.09	3,313,603	0.89
Derivative financial assets	**226,390**	**0.05**	286,400	0.06	(20.95)	(0.01)	12,436	–
Financial assets held under resale agreements	**8,862,695**	**1.77**	9,726,476	2.12	(8.88)	(0.35)	2,325,771	0.62
Long-term receivables	**10,233,394**	**2.04**	11,001,178	2.39	(6.98)	(0.35)	9,037,819	2.42
Property and equipment	**3,258,291**	**0.65**	3,247,768	0.71	0.32	(0.06)	3,048,813	0.82
Right-of-use asset	**804,678**	**0.16**	826,821	0.18	(2.68)	(0.02)	818,928	0.22
Deferred tax assets	**2,570,590**	**0.51**	2,468,017	0.54	4.16	(0.03)	1,581,905	0.42
Other assets	**2,352,511**	**0.46**	1,888,136	0.40	24.59	0.06	929,876	0.25
Total assets	**501,637,206**	**100.00**	459,827,605	100.00	9.09	–	373,622,150	100.00

5.1.1 Loans and advances to customers

As at the end of the Reporting Period, the Company's loans and advances to customers amounted to RMB229.631 billion, representing an increase of RMB27.273 billion or 13.48% as compared with that at the end of the previous year; accounted for 45.78% of Company's total assets, up by 1.77 percentage points as compared with that at the end of the previous year. During the Reporting Period, the Company's various loans continued to grow rapidly by improving the quality and effectiveness of serving the real economy in line with China's macro policies, and optimizing the credit structure. 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 2021		31 December 2020		**Change from the end of last year**		31 December 2019	
Item	**Amount**	**% of total**	Amount	% of total	**Change in amount (%)**	**Change in % of total**	Amount	% of total
Corporate loans	**150,431,093**	**64.03**	138,776,966	67.12	8.40	(3.09)	112,036,804	64.83
Personal loans	**67,434,011**	**28.71**	60,755,096	29.39	10.99	(0.68)	54,508,817	31.55
Discounted bills	**17,050,861**	**7.26**	7,215,159	3.49	136.32	3.77	6,249,822	3.62
Total loans to customers	**234,915,965**	**100.00**	206,747,221	100.00	13.62	–	172,795,443	100.00
Add: Accrued interest	**800,878**	/	899,064	/	(10.92)	/	772,480	/
Less: Provision for impairment on loans and advances to customers measured at amortized cost	**(6,085,423)**	/	(5,287,801)	/	15.08	/	(4,409,632)	/
Loans and advances to customers	**229,631,420**	/	202,358,484	/	13.48	/	169,158,291	/

Corporate loans

As at the end of the Reporting Period, the Company's corporate loans amounted to RMB150.431 billion, representing an increase of RMB11.654 billion or 8.40% as compared with that at the end of the previous year; accounted for 64.03% of the total loans and advances to customers (excluding accrued interest, the same hereinafter), down by 3.09 percentage points as compared with that at the end of the previous year. During the Reporting Period, the Company continuously innovated products to cater to corporate customers, and increased credit support to them, gave strong support to the upgrading and transformation of traditional industries, the development of green industries and inclusive finance.

Personal loans

As at the end of the Reporting Period, the Company's individual loans amounted to RMB67.434 billion, representing an increase of RMB6.679 billion or 10.99% as compared with that at the end of the previous year; accounted for 28.71% of the total loans and advances to customers, down by 0.68 percentage point as compared with that at the end of the previous year. During the Reporting Period, the Company steadily developed housing mortgage loans subject to regulatory requirements being satisfied. Meanwhile, personal consumption loans saw rapid growth because the Company grasped the general trend of consumption upgrades to meet the needs of people for inclusive finance.

Discounted bills

As at the end of the Reporting Period, the Company's discounted bills amounted to RMB17.051 billion, representing an increase of RMB9.836 billion or 136.32% as compared with that at the end of the previous year; accounted for 7.26% of the total loans and advances to customers, up by 3.77 percentage points as compared with that at the end of the previous year. During the Reporting Period, the Company further strengthened marketing of bill business, and witnessed a record high in the scale of business. The bill business continued to play a great role in acquiring customers and reducing customer financing costs.

5.1.2 Financial investments

As at the end of the Reporting Period, the Company's carrying value of financial investments amounted to RMB192.250 billion, representing an increase of RMB14.014 billion or 7.86% 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 2021		31 December 2020	
Item	**Amount**	**% of total**	Amount	% of total
Financial investments measured at fair value through profit or loss	**49,193,456**	**25.59**	37,250,405	20.90
Financial investments measured at fair value through other comprehensive income	**76,647,978**	**39.87**	66,828,002	37.49
Financial investments measured at amortized cost	**66,408,636**	**34.54**	74,157,602	41.61
Financial investments	**192,250,070**	**100.00**	178,236,009	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 RMB49.193 billion, representing an increase of RMB11.943 billion or 32.06% as compared with that at the end of last year. The increase was mainly due to increased investment in public bond funds with high liquidity and tax-exempt advantages. 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 2021**	31 December 2020
Debt securities issued by banks and other financial institutions	**890,020**	704,792
Debt securities issued by corporate entities	**109,453**	178,160
Investment funds	**35,472,444**	24,363,870
Asset management plans	**11,148,719**	9,998,794
Trust fund plans	**1,572,820**	2,004,789
Financial investments measured at fair value through profit or loss	**49,193,456**	37,250,405

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 RMB76.648 billion, representing an increase of RMB9.820 billion or 14.69% as compared with that at the end of last year. The increase was mainly due to the fact that the Company carried out active risk management based on the bond market conditions, adjusted its investment structure, and moderately increase the scale of government bond investment with relatively low risk. 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 2021**	31 December 2020
Government bonds	**26,630,428**	15,330,316
Debt securities issued by policy banks	**2,275,354**	6,437,969
Debt securities issued by banks and other financial institutions	**14,274,980**	11,039,796
Debt securities issued by corporate entities	**26,607,255**	26,338,440
Asset management plans	**5,158,950**	5,680,647
Other investments	**703,251**	703,121
Equity investments	**23,250**	23,250
Add: Accrued interest	**974,510**	1,274,463
Financial investments measured at fair value through other comprehensive income	**76,647,978**	66,828,002

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 RMB66.409 billion, representing a decrease of RMB7.749 billion or 10.45% as compared with that at the end of last year. The decrease was mainly due to the fact that the Company reduced the scale of debt securities issued by banks and other financial institutions based on the management needs of liquidity. 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 2021**	31 December 2020
Government bonds	**28,231,883**	26,717,042
Debt securities issued by policy banks	**11,800,375**	11,799,924
Debt securities issued by banks and other financial institutions	**11,361,586**	18,552,129
Debt securities issued by corporate entities	**1,562,684**	1,823,781
Asset management plans	**5,426,670**	7,585,510
Trust fund plans	**2,030,700**	1,434,700
Other investments	**6,180,000**	6,150,000
Total financial investments measured at amortized cost	**66,593,898**	74,063,086
Add: Accrued interest	**869,004**	1,191,036
Less: Provision for impairment losses	**(1,054,266)**	(1,096,520)
Carrying value of financial investments measured at amortized cost	**66,408,636**	74,157,602

5.2 Liabilities

As at the end of the Reporting Period, the Company's total liabilities amounted to RMB469.347 billion, representing an increase of RMB40.426 billion or 9.43% as compared with that at the end of last year. The increase was mainly due to the increase in deposits from customers and issue of bonds of the Company. The following table sets forth the components of the Company's total liabilities as at the dates indicated.

Unit: RMB'000

	30 June 2021		31 December 2020		**Change from the end of last year**		31 December 2019	
Item	**Amount**	**% of total**	Amount	% of total	**Change in amount (%)**	**Change in % of total**	Amount	% of total
Deposits from customers	**299,307,629**	**63.77**	275,750,710	64.29	8.54	(0.52)	215,425,403	62.78
Deposits from banks and other financial institutions	**7,826,483**	**1.67**	17,024,732	3.97	(54.03)	(2.30)	16,462,527	4.80
Borrowings from central bank	**14,945,004**	**3.18**	11,207,069	2.61	33.35	0.57	5,536,650	1.61
Placements from banks and other financial institutions	**14,589,011**	**3.11**	12,947,575	3.02	12.68	0.09	9,916,257	2.89
Derivative financial liabilities	**226,436**	**0.05**	288,347	0.07	(21.47)	(0.02)	8,805	–
Financial assets sold under repurchase agreements	**31,591,305**	**6.73**	33,099,349	7.72	(4.56)	(0.99)	16,027,082	4.67
Income tax payable	**385,272**	**0.08**	431,921	0.10	(10.80)	(0.02)	187,027	0.05
Debt securities issued	**95,432,222**	**20.33**	72,834,508	16.98	31.03	3.35	76,858,899	22.40
Lease liabilities	**456,469**	**0.10**	453,671	0.11	0.62	(0.01)	427,429	0.12
Other liabilities	**4,587,250**	**0.98**	4,882,865	1.13	(6.05)	(0.15)	2,294,153	0.68
Total liabilities	**469,347,081**	**100.00**	428,920,747	100.00	9.43	–	343,144,232	100.00

5.2.1 Deposits from customers

As at the end of the Reporting Period, the Company's deposits from customers amounted to RMB299.308 billion, representing an increase of RMB23.557 billion or 8.54% as compared with that at the end of last year. During the Reporting Period, the Company strengthened the market development, while improving customer tiered marketing and product service models, promoting growth of deposits, continuously consolidating the fundamental position of deposits in the source of operating funds. 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 2021		31 December 2020		**Change from the end of last year**		31 December 2019	
Item	**Amount**	**% of total**	Amount	% of total	**Change in amount (%)**	**Change in % of total**	Amount	% of total
Corporate deposits	**194,842,236**	**65.91**	183,447,242	67.38	6.21	(1.47)	147,880,817	69.49
Demand deposits	**112,968,000**	**38.21**	111,491,369	40.95	1.32	(2.74)	92,593,934	43.51
Time deposits	**81,874,236**	**27.70**	71,955,873	26.43	13.78	1.27	55,286,883	25.98
Personal deposits	**100,589,848**	**34.03**	88,339,315	32.45	13.87	1.58	64,796,343	30.45
Demand deposits	**26,753,635**	**9.05**	22,899,499	8.41	16.83	0.64	20,622,060	9.69
Time deposits	**73,836,213**	**24.98**	65,439,816	24.04	12.83	0.94	44,174,283	20.76
Outward remittance and remittance payables	**152,597**	**0.05**	428,585	0.16	(64.40)	(0.11)	100,697	0.05
Fiscal deposits to be transferred	**26,281**	**0.01**	16,342	0.01	60.82	–	13,052	0.01
Total customer deposits	**295,610,962**	**100.00**	272,231,484	100.00	8.59	–	212,790,909	100.00
Add: Accrued interest	**3,696,667**	/	3,519,226	/	5.04	/	2,634,494	/
Deposits from customers	**299,307,629**	/	275,750,710	/	8.54	/	215,425,403	/

During the Reporting Period, the stability of deposits continued to increase. The Company's personal deposits accounted for 34.03% of the total deposits from customers (excluding accrued interest, the same hereinafter), representing an increase of 1.58 percentage points as compared with that at the end of last year; demand deposits accounted for 47.26% of the total deposits from customers, representing a decrease of 2.10 percentage points as compared with that at the end of last year; corporate demand deposits accounted for 57.98% of corporate deposits, representing a decrease of 2.80 percentage points as compared with that at the end of last year.

5.2.2 Deposits from banks and other financial institutions

As at the end of the Reporting Period, the Company's deposits from banks and other financial institutions amounted to RMB7.826 billion, representing a decrease of RMB9.198 billion or 54.03% as compared with that at the end of last year, mainly due to the Company's strengthened management on active interbank liability, optimization of and adjustment to the liability structure, and appropriate decrease in scale of deposits from banks while issue of bonds increased.

5.2.3 Borrowings from central bank

As at the end of the Reporting Period, the Company's borrowings from central bank amounted to RMB14.945 billion, representing an increase of RMB3.738 billion or 33.35% 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 the relending and rediscount to small and micro enterprises, increased the sources of credit funds for small and micro enterprises, and actively participated in medium-term lending facilities.

5.2.4 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 RMB31.591 billion, representing a decrease of RMB1.508 billion or 4.56% 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 decreasing the size of financial assets sold under repurchase agreements to balance the debt structure.

5.2.5 Debt securities issued

As at the end of the Reporting Period, the Company's debt securities issued amounted to RMB95.432 billion, representing an increase of RMB22.598 billion or 31.03% as compared with that at the end of last year, mainly due to the fact that the Company successfully issued tier-two capital bonds of RMB6.0 billion, and actively strengthened liability management based on the capital market conditions, moderately increased the size of certificates of interbank deposit. For details of the bonds, please refer to "Notes to the Unaudited Interim Financial Report – 32 Debt Securities Issued" of this results announcement.

5.3 Equity Attributable to Shareholders

As at the end of the Reporting Period, the shareholders' equity of the Company amounted to RMB32.290 billion, representing an increase of RMB1.383 billion or 4.48% as compared with that at the end of last year. Equity attributable to the shareholders of the Bank amounted to RMB31.633 billion, representing an increase of RMB1.348 billion or 4.45% 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 2021**	31 December 2020
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	**394,756**	32,717
Surplus reserve	**1,859,737**	1,859,737
General risk reserve	**5,072,217**	5,072,217
Retained earnings	**3,604,826**	2,618,980
Total equity attributable to equity shareholders of the Bank	**31,633,059**	30,285,174
Non-controlling interests	**657,066**	621,684
Total equity	**32,290,125**	30,906,858

6. Analysis of Cash Flows Statement

As at the end of the Reporting Period, net cash flows generated from operating activities of the Company was RMB-9.821 billion, representing a decrease of RMB29.546 billion as compared with the same period of the previous year, which was mainly due to a decrease in net increase in deposits from customers of RMB27.601 billion. Among which, cash outflows generated from operating assets decreased by RMB15.115 billion and cash inflows generated from operating liabilities decreased by RMB44.158 billion.

Net cash flows generated from investing activities was RMB-11.740 billion, representing an increase of RMB15.591 billion as compared with the same period of the previous year, which was mainly due to a decrease in cash payments on investments of RMB21.216 billion, while the above impact was partially offset by a decrease in proceeds from redemption of investments of RMB5.223 billion.

Net cash flows generated from financing activities was RMB20.349 billion, representing an increase of RMB18.827 billion as compared with the same period of the previous year, which was mainly due to an increase in cash received by the Company for issuance of debt securities of RMB22.917 billion, while the above impact was partially offset by an increase in cash paid for settlement of debt of RMB4.169 billion.

7. Segment Analysis

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

Unit: RMB'000

Item	**January to June 2021** Segment operating income	**January to June 2021** Ratio (%)	January to June 2020 Segment operating income	January to June 2020 Ratio (%)
Corporate banking	**2,827,449**	**53.08**	3,088,002	50.59
Retail banking	**1,063,614**	**19.97**	1,057,926	17.33
Financial market business	**1,253,422**	**23.53**	1,691,245	27.71
Un-allocated items and others	**182,565**	**3.42**	266,966	4.37
Total	**5,327,050**	**100.00**	6,104,139	100.00

Unit: RMB'000

Item	**January to June 2021** Segment profit before taxation	Ratio (%)	January to June 2020 Segment profit before taxation	Ratio (%)
Corporate banking	**841,195**	**39.30**	590,925	31.78
Retail banking	**439,117**	**20.51**	384,085	20.65
Financial market business	**759,888**	**35.50**	778,559	41.87
Un-allocated items and others	**100,388**	**4.69**	105,973	5.70
Total	**2,140,588**	**100.00**	1,859,542	100.00

8. Analysis of Assets and Liabilities

8.1 Major offshore assets

N/A.

8.2 Assets and Liabilities Measured at Fair Value

Unit: RMB'000

Main item	31 December 2020	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 2021
Financial investments measured at fair value through profit or loss	37,250,405	242,094	N/A	N/A	**49,193,456**
Loans and advances to customers measured at fair value through other comprehensive income	7,215,159	N/A	14,843	803	**17,050,861**
Financial investments measured at fair value through other comprehensive income	66,828,002	N/A	28,615	343,563	**76,647,978**
Derivative financial assets	286,400	(60,010)	N/A	N/A	**226,390**
Derivative financial liabilities	(288,347)	61,911	N/A	N/A	**(226,436)**

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

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

9. Analysis of Quality of Loans

During the Reporting Period, the Company 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 at the end of the Reporting Period, the total amount of loans of the Company (excluding accrued interest) was RMB234.916 billion; total non-performing loans amounted to RMB3.496 billion; non-performing loan ratio was 1.49%. For the purpose of discussion and analysis, unless otherwise specified, the amount of loans presented in the analysis below excludes accrued interest.

9.1 Distribution of Loans by Five Categories

Unit: RMB'000

Item	**30 June 2021** Amount	**30 June 2021** % of total	31 December 2020 Amount	31 December 2020 % of total
Normal loans	**228,882,093**	**97.43**	200,577,540	97.02
Special mention loans	**2,538,136**	**1.08**	3,043,568	1.47
Substandard loans	**2,074,266**	**0.88**	1,427,636	0.69
Doubtful loans	**1,036,218**	**0.44**	1,338,977	0.65
Loss loans	**385,252**	**0.17**	359,500	0.17
Total loans to customers	**234,915,965**	**100.00**	206,747,221	100.00
Total non-performing loans	**3,495,736**	**1.49**	3,126,113	1.51

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 1.49%, of which the proportion of substandard loans increased by 0.19 percentage point to 0.88%, the proportion of doubtful loans decreased by 0.21 percentage point to 0.44% and loss loans remained flat as compared with that at the end of last year.

9.2 Distribution of Loans by Product Type

Unit: RMB'000

Item	**30 June 2021** Amount of loans	% of Total	31 December 2020 Amount of loans	% of Total
Corporate loans	**167,481,954**	**71.29**	145,992,125	70.61
Working capital loans	**89,053,289**	**37.91**	83,070,680	40.18
Fixed asset loans	**57,184,756**	**24.34**	54,374,209	26.30
Import and export bills transactions	**4,193,048**	**1.78**	1,332,077	0.64
Discounted bills	**17,050,861**	**7.26**	7,215,159	3.49
Retail loans	**67,434,011**	**28.71**	60,755,096	29.39
Personal housing loans	**43,940,272**	**18.71**	40,588,284	19.63
Personal business loans	**11,036,878**	**4.70**	10,768,653	5.21
Personal consumption loans	**12,456,861**	**5.30**	9,398,159	4.55
Total loans to customers	**234,915,965**	**100.00**	206,747,221	100.00

9.3 Distribution of Loans by Industry

Unit: RMB'000

Item	30 June 2021 Amount of loans	% of Total	31 December 2020 Amount of loans	% of Total
Corporate loans	**167,481,954**	**71.29**	145,992,125	70.61
Manufacturing	**33,195,135**	**14.12**	27,657,606	13.37
Construction	**27,048,564**	**11.51**	24,704,927	11.95
Renting and business services	**23,676,010**	**10.08**	21,806,775	10.55
Real estate	**22,536,532**	**9.59**	20,970,449	10.14
Wholesale and retail trade	**21,601,677**	**9.20**	15,003,646	7.26
Water conservancy, environment and public utility management	**20,990,253**	**8.94**	19,600,238	9.48
Transportation, storage and postal services	**4,336,929**	**1.85**	3,082,904	1.49
Production and supply of electric and heating power, gas and water	**4,099,366**	**1.75**	3,797,074	1.84
Financial services	**3,036,970**	**1.29**	1,869,095	0.90
Scientific research and technical services	**2,236,480**	**0.95**	2,241,260	1.08
Others	**4,724,038**	**2.01**	5,258,151	2.55
Retail loans	**67,434,011**	**28.71**	60,755,096	29.39
Total loans to customers	**234,915,965**	**100.00**	206,747,221	100.00

9.4 Distribution of Loans by Region

Unit: RMB'000

Region	30 June 2021 Amount of loans	% of Total	31 December 2020 Amount of loans	% of Total
Shandong Province	**234,915,965**	**100.00**	206,747,221	100.00
Of which: Qingdao City	**130,532,051**	**55.57**	110,957,353	53.68

Qingdao City occupies a leading position in terms of total economic output among all municipal-level regions in Shandong Province. Leverage on its characteristic economy and advantageous industries, including marine economy, high-end manufacturing, foreign trade, etc., it enjoys obvious regional advantages, vibrant market and outstanding development prospects. The Company gives full play to the advantages of local legal entities to deepen its presence in Qingdao market. As at the end of the Reporting Period, the proportion of loans to customers in Qingdao increased by 1.89 percentage points to 55.57% as compared to that at the end of the previous year, and the non-performing loan ratio was 0.56%, which continued to remain at a relatively low level.

9.5 Distribution of Loans by Type of Collateral

Unit: RMB'000

Item	**30 June 2021** Amount of loans	**30 June 2021** % of Total	31 December 2020 Amount of loans	31 December 2020 % of Total
Unsecured loans	**45,799,403**	**19.50**	42,739,296	20.67
Guaranteed loans	**52,117,221**	**22.19**	50,477,538	24.41
Mortgage loans	**91,920,927**	**39.12**	84,180,163	40.72
Pledged loans	**45,078,414**	**19.19**	29,350,224	14.20
Total loans to customers	**234,915,965**	**100.00**	206,747,221	100.00

9.6 Loans to the Top Ten Single Borrowers

Unit: RMB'000

Top ten borrowers	**Industry**	**Amount of loans as at the end of the Reporting Period**	**Percentage in total loans %**
A	Manufacturing	3,423,853	1.46
B	Renting and business services	2,580,000	1.10
C	Renting and business services	2,250,000	0.96
D	Renting and business services	1,730,000	0.74
E	Transportation, storage and postal services	1,696,000	0.72
F	Water conservancy, environment and public utility management	1,500,000	0.64
G	Water conservancy, environment and public utility management	1,500,000	0.64
H	Water conservancy, environment and public utility management	1,433,900	0.61
I	Renting and business services	1,400,000	0.59
J	Renting and business services	1,400,000	0.59
Total	–	18,913,753	8.05

9.7 Distribution of Loans by Overdue Period

Unit: RMB'000

	30 June 2021		31 December 2020	
Overdue period	**Amount of loans**	**% of total**	Amount of loans	% of total
Overdue for 3 months (inclusive) or less	**987,149**	**0.42**	586,640	0.30
Overdue for over 3 months to 1 year (inclusive)	**804,490**	**0.34**	996,473	0.48
Overdue for over 1 year to 3 years (inclusive)	**1,059,074**	**0.45**	754,257	0.36
Overdue for over 3 years	**228,826**	**0.10**	196,363	0.09
Total overdue loans	**3,079,539**	**1.31**	2,533,733	1.23
Total loans to customers	**234,915,965**	**100.00**	206,747,221	100.00

As at the end of the Reporting Period, the overdue loans of the Company amounted to RMB3.080 billion, the overdue loans accounted for 1.31% of the total loans of the Company, representing an increase of 0.08 percentage point as compared with that at the beginning of the year. The Company had adopted a strict classification standard as to overdue loans, according to which loans overdue for more than 60 days were classified as non-performing loans.

9.8 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 RMB56.49 million with no provision for impairment, and the net amount of repossessed assets was RMB56.49 million.

9.9 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 expected credit losses for the future 12 months. 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 2021**	2020
Balance at the beginning of the period/year	**5,302,582**	4,422,549
Charge for the period/year	**1,262,812**	2,974,836
Write-offs for the period/year	**(799,557)**	(2,372,532)
Recovery of write-offs for the period/year	**345,763**	325,385
Other changes	**(10,593)**	(47,656)
Balance at the end of the period/year	**6,101,007**	5,302,582

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 RMB6.101 billion, representing an increase of RMB798 million or 15.06% as compared with that at the end of last year. The provision coverage ratio reached 174.53%, representing an increase of 4.91 percentage points as compared with that at the end of last year; the provision rate of loans stood at 2.60%, representing an increase of 0.04 percentage point as compared with that at the end of last year, both provision indicators satisfying regulatory requirements.

9.10 *Countermeasures Taken against Non-performing Assets*

During the Reporting Period, the Company was dedicated to strengthening the basic management of non-performing loans, strictly controlling new additions and accelerating the disposal of existing non-performing assets. The Company implemented policies on potential risks one by one, and performed early judgment, timely security, and expedited disposal. Through internal enhancement and external assistance, the Company strengthened the communication and coordination with government departments of various levels and debt committee organizations, in an attempt to tackle substantial risks. The Company improved its professional and intensive disposal capabilities with continuously optimized professional team building and incentive and restrictive mechanisms. On top of the basis of continuously strengthening self-collection, litigation collection and other traditional means, the Company made greater use of market-based debt transfer and other means to raise the efficiency of disposal and enhance the efficiency of assets revitalization. While leveraging on the means of writing-off to optimize the asset structure, the Company continued to strengthen the settlement effort of loans after written-off and achieved decent results.

9.11 *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, optimized the system control plan of credit extension to group customers, enhanced the control of the entire process of credit extension to group customers, and strived to improve the risk management for the credit granting business. Firstly, it established a complete management system of credit extension to group customers, continued to improve the management of the group's family tree and strictly implemented the unified credit extension system. Secondly, it strengthened the internal risk information sharing mechanism with core enterprises engaging in the principal activities of the group as the main subject, which consolidated and analyzed various credit risk information of group customers. Based on the extent of credit risk and risk tolerance, it enabled us to prudently determine the overall credit limit of group customers and subline limit of each member, and reasonably formulated and executed a unified credit extension proposal for group customers. Thirdly, it enhanced centralized management of group customers, with the prevention of large-sum credit extension risk as its focus. 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, optimizing the centralized management and control of customer groups continuously, as well as managing and controlling the credit granting risks for group customers in a practical and effective fashion. Fourthly, it improved the pre-warning mechanism of group customer risk, setting proper risk warning thresholds for group customers at the process node for pre-loan approval based on the industry where the group customers operate and their operating capability, which was a key reference for post-loan inspection, so as to proactively monitor and prevent risks, thereby ensuring the control of overall credit extension risk of group customers.

9.12 Rescheduled Loans

Unit: RMB'000

Item	30 June 2021 Amount of loans	% of total	31 December 2020 Amount of loans	% of total
Rescheduled loans	**395,765**	**0.17**	424,834	0.21
Total loans and advances to customers	**234,915,965**	**100.00**	206,747,221	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 0.17%, which decreased by 0.04 percentage point as compared to the end of the previous year.

10. Analysis of Capital Adequacy Ratio and Leverage Ratio

The capital management of the Company, while satisfying regulatory requirements, was targeted at constantly enhancing the ability to resist risk of capital and boosting 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.

10.1 Capital Adequacy Ratio

The Company calculates capital adequacy ratio in accordance with the "Regulation Governing Capital of Commercial Banks (Provisional)" (《商業銀行資本管理辦法(試行)》) issued by 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 15.90%, representing an increase of 1.79 percentage points as compared with that at the end of last year; the core tier-one capital adequacy ratio stood at 8.29%, representing a decrease of 0.06 percentage point as compared with that at the end of last year. During the Reporting Period, the Company expanded its credit support for the real economy and increased its risk-weighted assets, and improved risk resistance ability by the successful issuance of tier-two capital bonds of RMB6 billion and capitalised retained earnings.

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 2021**	31 December 2020
Core tier-one capital	**24,161,643**	22,846,168
Of which: Share capital	**4,509,690**	4,509,690
Qualifying portion of capital reserve	**8,337,869**	8,337,869
Other comprehensive income	**394,756**	32,717
Surplus reserve	**1,859,737**	1,859,737
General risk reserve	**5,072,217**	5,072,217
Retained earnings	**3,604,826**	2,618,980
Qualifying portion of non-controlling interests	**382,548**	414,958
Core tier-one capital deductions	**(436,956)**	(461,170)
Net core tier-one capital	**23,724,687**	22,384,998
Other tier-one capital	**7,904,970**	7,909,292
Net tier-one capital	**31,629,657**	30,294,290
Tier-two capital	**13,858,971**	7,512,290
Net capital base	**45,488,628**	37,806,580
Total risk-weighted assets	**286,145,148**	267,941,143
Of which: Total credit risk-weighted assets	**242,509,011**	228,433,976
Total market risk-weighted assets	**26,429,603**	22,300,633
Total operational risk-weighted assets	**17,206,534**	17,206,534
Core tier-one capital adequacy ratio	**8.29%**	8.35%
Tier-one capital adequacy ratio	**11.05%**	11.31%
Capital adequacy ratio	**15.90%**	14.11%

As at the end of the Reporting Period, at the level of the Bank, the capital adequacy ratio was 15.60%, representing an increase of 1.84 percentage points as compared with that at the end of last year; the core tier-one capital adequacy ratio stood at 7.81%, representing a decrease of 0.08 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 2021**	31 December 2020
Core tier-one capital	**23,570,003**	22,291,306
Of which: Share capital	**4,509,690**	4,509,690
Qualifying portion of capital reserve	**8,337,869**	8,337,869
Other comprehensive income	**394,756**	32,717
Surplus reserve	**1,859,737**	1,859,737
General risk reserve	**4,981,263**	4,981,263
Retained earnings	**3,486,688**	2,570,030
Core tier-one capital deductions	**(2,067,026)**	(2,061,374)
Net core tier-one capital	**21,502,977**	20,229,932
Other tier-one capital	**7,853,964**	7,853,964
Net tier-one capital	**29,356,941**	28,083,896
Tier-two capital	**13,605,271**	7,176,469
Net capital base	**42,962,212**	35,260,365
Total risk-weighted assets	**275,468,320**	256,336,451
Of which: Total credit risk-weighted assets	**232,431,133**	217,428,234
Total market risk-weighted assets	**26,429,603**	22,300,633
Total operational risk-weighted assets	**16,607,584**	16,607,584
Core tier-one capital adequacy ratio	**7.81%**	7.89%
Tier-one capital adequacy ratio	**10.66%**	10.96%
Capital adequacy ratio	**15.60%**	13.76%

10.2 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 5.89% 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 0.25 percentage point as compared with that at the end of last year, mainly due to the development of business, increase in the size of the Company's assets and the increased total consolidated assets.

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 2021	31 December 2020
1	Total consolidated assets	**501,637,206**	459,827,605
2	Consolidated adjustments	**–**	–
3	Customer assets adjustments	**–**	–
4	Derivative adjustments	**2,570,181**	2,667,000
5	Securities financing transactions adjustments	**–**	–
6	Off-balance sheet items adjustments	**33,194,350**	31,328,289
7	Other adjustments	**(436,957)**	(461,170)
8	Balance of assets on and off balance sheet after adjustments	**536,964,780**	493,361,724

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 2021**	31 December 2020
1	Assets on the balance sheet (excluding derivatives and securities financing transactions)	**492,548,121**	449,814,729
2	Less: Tier-one capital deductions	**(436,957)**	(461,170)
3	The balance of assets on the balance sheet after adjustments (excluding derivatives and securities financing transactions)	**492,111,164**	449,353,559
4	Replacement cost of various types of derivatives (net of qualified margins)	**226,390**	286,400
5	Potential risk exposure in various types of derivatives	**2,570,181**	2,667,000
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	**–**	–
10	Less: The balance of sold credit derivatives assets which can be deducted	**–**	–
11	The balance of derivatives assets	**2,796,571**	2,953,400
12	The balance of accounting assets for securities financing transactions	**8,862,695**	9,726,476
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	**8,862,695**	9,726,476
17	The balance of items off balance sheet	**33,194,350**	31,328,289
18	Less: The balance of items off balance sheet reduced due to credit conversion	**–**	–
19	The balance of items off balance sheet after adjustments	**33,194,350**	31,328,289
20	Net tier-one capital	**31,629,657**	30,294,290
21	The balance of assets on and off balance sheet after adjustments	**536,964,780**	493,361,724
22	Leverage ratio	**5.89%**	6.14%

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 2021**	31 March 2021	31 December 2020	30 September 2020
Leverage ratio (%)	**5.89**	6.17	6.14	6.22
Net tier-one capital	**31,629,657**	31,120,547	30,294,290	30,128,413
The balance of assets on and off balance sheet after adjustments	**536,964,780**	504,257,463	493,361,724	484,692,986

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 Bank at http://www.qdccb.com/.

11. Investment Analysis

11.1 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 5.1.2 Financial Investments" and "14. Analysis of Main Shares Holding Companies and Joint Stock Companies" of this results announcement.

11.2 Significant Equity Investments Made during the Reporting Period

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

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

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

11.4 Investment in Securities

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

Unit: RMB' 000

Type of security	**Investment amount in securities**	**% of total investment in securities**
Government bonds	54,862,311	44.34 %
Debt securities issued by policy banks	14,075,729	11.37%
Debt securities issued by banks and other financial institutions	26,526,586	21.44%
Debt securities issued by corporate entities	28,279,392	22.85%
Total	123,752,034	100.00%

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

Unit: RMB' 000

Name of security	**Nominal value**	**Interest rates (%)**	**Maturity date**	**Impairment provision**
Bond 1	5,170,000	3.39	2050-03	152.71
Bond 2	4,270,000	3.80	2036-01	429.67
Bond 3	3,060,000	2.43	2022-01	92.72
Bond 4	2,740,000	3.18	2026-09	277.59
Bond 5	2,650,000	3.07	2030-03	268.31
Bond 6	2,630,000	2.68	2030-05	78.10
Bond 7	2,250,000	3.55	2040-05	406.68
Bond 8	2,230,000	3.12	2026-12	70.16
Bond 9	2,000,000	3.23	2030-03	204.14
Bond 10	1,950,000	3.13	2029-11	60.95

11.5 Derivative Investments

Unit: RMB' 000

Item	30 June 2021 Nominal amount	Fair value of assets	Fair value of liabilities	31 December 2020 Nominal amount	Fair value of assets	Fair value of liabilities
Interest rate swaps and others	**51,196,841**	**226,390**	**(226,436)**	76,567,494	286,400	(288,347)

Notes:

(1) Within the risk appetite established by the Board and the risk framework of its own derivatives market, the Bank followed the limit requirements and actively carried out various derivatives transactions. As of 30 June 2021, derivative financial instruments held by the Bank included interest rate swaps and others.

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

12. Material Disposal of Assets and Equity Interest

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

13. Other Financial Information

13.1 Analysis of Off-balance Sheet Items

The Company's off-balance sheet items include credit commitments and capital commitments, etc. Credit commitments are the most important parts. As at the end of the Reporting Period, the balance of credit commitments reached RMB42.752 billion. For details, please refer to "Notes to the Unaudited Interim Financial Report – 44 Commitments and Contingencies" of this results announcement.

13.2 Overdue and Outstanding Debts

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

13.3 Pledge of Assets

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

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

Unit: RMB'000

Item	January to June 2021	January to June 2020	Changes (%)	Main reasons
Net trading (losses)/gains	**(89,297)**	130,994	(168.17)	Decrease in foreign exchange gains and losses as a result of exchange rate fluctuation
Other operating income, net	**9,695**	28,867	(66.41)	Decrease in government grants received
Credit impairment losses	**(1,650,058)**	(2,787,723)	(40.81)	Increase in the provision for impairment in response to the COVID-19 and other situations for the same period of last year and steady improvement in the asset risk situation, and corresponding decrease in the impairment provision due to the gradual mitigation of impact of the pandemic, and stronger asset quality control and more efforts in non-performing asset collection made by the Company
Other comprehensive income, net of tax	**362,039**	(215,321)	268.14	Consistent increase in changes in fair value of financial assets measured at fair value through other comprehensive income and changes in impairment provision

Unit: RMB'000

Item	30 June 2021	31 December 2020	Changes (%)	Main reasons
Deposits with banks and other financial institutions	**4,057,970**	2,568,919	57.96	Increase in deposits with banks for settlement at the end of the period
Placements with banks and other financial institutions	**451,873**	–	N/A	Increase in interbank borrowings
Financial investments measured at fair value through profit or loss	**49,193,456**	37,250,405	32.06	Mainly due to the increased investment in public bond funds with high liquidity and tax-exempt advantages

Item	30 June 2021	31 December 2020	Changes (%)	Main reasons
Borrowings from central bank	**14,945,004**	11,207,069	33.35	Active application for the relending to small and micro enterprises, increase in the sources of credit funds for small and micro enterprises, and active participation in the medium-term lending facility
Deposits from banks and other financial institutions	**7,826,483**	17,024,732	(54.03)	Strengthening of the management on active interbank liability, optimization and adjustment to the liability structure, increasing the issue of bonds, while appropriately reducing the scale of deposits from banks by the Company
Issued bonds	**95,432,222**	72,834,508	31.03	Successful issue of RMB6 billion of tier-two capital bonds by the Company, and strengthening of active liability management, and appropriately increasing the scale of deposits from banks based on the capital market situation
Other comprehensive income	**394,756**	32,717	1,106.58	Increase in credit losses of financial assets measured at fair value through other comprehensive income
Retained earnings	**3,604,826**	2,618,980	37.64	Increase in the profit for the period

13.5 Changes in Interest Receivables

Unit: RMB'000

Item	31 December 2020	Increase during the period	Decrease during the period	**30 June 2021**
Loans and advances to customers	18,042	182,923	(132,161)	**68,804**
Long-term receivables	633	17,830	(6,136)	**12,327**
Total	18,675	200,753	(138,297)	**81,131**

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

13.6 Provision for Bad Debts

Unit: RMB'000

Item	**30 June 2021**	31 December 2020	**Changes**
Other receivables	**224,577**	389,641	(165,064)
Interest receivables	**81,131**	18,675	62,456
Less: Bad debt provision	**(26,786)**	(10,013)	(16,773)

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

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

Unit: RMB in 100 million

Name of company	Type of company	Main business	Registered capital	Total assets	Net assets	Operating income	Profit before tax	Net profit
Qingyin Wealth Management Company Limited	Wholly – owned subsidiary	Public offering of wealth management products to the general public, investment and management of properties entrusted by investors; private placement of wealth management products to qualified investors, investment and management of properties entrusted by investors; advisory service on asset and wealth management; and other business approved by CBIRC	10.00	10.53	10.35	0.74	0.43	0.32
BQD Financial Leasing Company Limited	Subsidiary	Finance leasing business; transferring in and out assets under a finance lease; fixed income securities investment business; accepting guaranteed deposit of the lessee; absorbing fixed deposits over 3 months (inclusive) from non-bank shareholders; interbank lending and borrowing; obtaining loans from financial institutions; lending loans to offshore borrowers; disposal of and dealing with leased articles; economic consulting, etc.	10.00	107.23	13.41	1.79	0.95	0.72

14.2 Acquisition and Disposal of Subsidiaries during the Reporting Period

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

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

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

BQD Financial Leasing was established on 15 February 2017, with a registered capital of RMB1.00 billion. It was registered in Qingdao, and was initiated and established by the Bank. The Bank holds 51% of the share capital of BQD Financial Leasing. Under the guidance of the national industrial policy, BQD Financial Leasing was committed to realizing the original intent of leasing and serving the real economy. BQD Financial Leasing focused 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 adhered to the business philosophy of "specialization, differentiation and marketization" to satisfy the specific needs of leasee in equipment purchase, sales boosting, assets revitalization, tax burden balancing, and the improvement of financial structure, etc., and to provide new financial lease services such as financing, asset management and economic consulting.

15. Overview of Business Development

15.1 Retail banking

During the Reporting Period, for retail banking, with customer base construction as the core, the Bank insisted on operating retail business offline using a wholesale approach and obtained customers in batches through "three agencies and one cloud", which focused on urban community finance and county rural finance, to create new ways of achieving business growth. The Bank aggressively developed online business, 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 expanded 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. During the Reporting Period, the Company recorded the operating income of RMB1.064 billion in respect of retail banking, accounting for 19.97% 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 customers of the Bank reached 6,893.7 thousand, representing an increase of 569.2 thousand or 9.00% as compared with that at the end of the previous year. The assets retained by retail customers in the Bank reached a record high of RMB232.942 billion, representing an increase of RMB30.143 billion or 14.86% as compared with that at the end of the previous year and suggesting double-digit growth for two consecutive years. Among them, the number of customers with financial assets of more than RMB200,000 reached 275.3 thousand, representing an increase of 28.7 thousand as compared with that at the end of the previous year, who retain assets in the Bank amounting to RMB201.392 billion, accounting for 86.46% of all retail customers' assets, representing an increase of 0.89 percentage point as compared with that at the end of the previous year.

The business volume of the Bank's retail customers maintained its rapid growth. Through the increased development of rural finance and community finance, the Bank insisted on operating retail business using a wholesale approach. In the first half of the year, more than 1,800 new customers were acquired in agency payroll payment, reaching the targeted number of new customers throughout the year; centering on the goal of "promoting activity and expanding assets", the Bank adopted the approach of digitalized management, realized precise operations of basic customer base, increased the contribution of new and existing customers.

Retail deposits exceeded the landmark of RMB100 billion. As at the end of the Reporting Period, balance of the Bank's retail deposits amounted to RMB100.590 billion, representing an increase of RMB12.251 billion or 13.87% as compared with that at the end of the previous year, accounting for 34.03% of total customer deposits, representing an increase of 1.58 percentage points as compared with that at the end of the previous year. Among them, demand deposits amounted to RMB26.753 billion, representing an increase of RMB3.854 billion or 16.83% as compared with that at the end of the previous year.

Smart outlet projects were generally implemented. During the Reporting Period, the smart outlet projects basically reached the construction goal of "mobile services, scenario-based transactions, and intelligent processes and non-coercion in marketing". 140 branches of the Bank have deployed the smart outlet service model with a promotion rate of 95%. The Bank rationalized the high-efficiency hall service marketing process, and integrated business handling, service marketing and customer maintenance, speeding up basic business handling by 75% on average. The success rate of cross-selling was greatly improved.

The smart marketing project was put into use. During the Reporting Period, the Bank proactively built a retail marketing center. According to basic characteristics and transaction behaviors of customers, we summarized more than 400 customer characteristic tags, and established data models such as "loss warning" and "new customer growth" through the big data algorithm for the first time, and did a solid work in customer operation and management and laid a foundation for digital transformation for the Bank's retail business. At the same time, in order to improve the use experience of the staff, the Bank independently developed the first "Marketing Link" APP on top of traditional computer terminals, which allowed "viewing data on a mobile phone, and marketing anywhere" and facilitated the operation and management of customers by different employees of branches anytime and anywhere.

2. *Retail loans*

As at the end of the Reporting Period, balance of the Bank's retail loans amounted to RMB67.434 billion, representing an increase of RMB6.679 billion or 10.99% as compared with that at the end of the previous year, accounting for 28.71% of the balance of total loans. During the Reporting Period, the Bank increased the comprehensive income of retail loan business by improving comprehensive capabilities, namely adjusting the structure and operating its customer base while expanding the scale of business.

The overall asset quality of personal loans remained stable. The Bank attaches great importance to risk management of retail loans, and asset quality has remained stable for a long time. During the Reporting Period, the loan approval system named "Xingyun Wisdom" credit platform created by the Bank was launched online, which effectively enhanced the Bank's IT system's support to the full-process approval online of personal loan business, real-time quantitative risk control strategies, and online customer operation management. As at the end of the Reporting Period, the balance of non-performing loans of retail customers amounted to RMB411 million, and the non-performing loan ratio of retail customers was 0.61%, representing an increase of 0.07 percentage point as compared with that at the end of the previous year. Among the newly generated retail non-performing loans, the balance of mortgaged loans and loans to be settled by cooperative partners accounted for 86.59%, and the collateral was sufficient and the final loss of the loan was controllable.

The personal housing loan business maintained steady development. Subject to compliance with regulatory requirements, the Bank's personal housing loan business actively carried out structural adjustments in favor of quality projects. The Bank paid attention to the comprehensive operation of and cross-selling to customers of personal housing loans, and provides such customers with comprehensive financial services. As at the end of the Reporting Period, balance of the Bank's personal housing loan amounted to RMB43.940 billion, representing an increase of RMB3.352 billion or 8.26% as compared with that at the end of the previous year; number of customers is 74.6 thousand, representing an increase of 3,700 as compared with that at the end of the previous year.

The Bank continuously expanded the variety and scale of Internet online loans. During the Reporting Period, the Bank launched the self-operated personal Internet credit loan product "Hairong Yidai". The core functions of this product, such as acceptance of service requests, risk assessment, and granting of loans, were independently designed and developed by the Bank, and the entire process can be completed online. At the same time, the Bank adhered to the business positioning of "serving the real economy and practicing inclusive finance". It entered into business cooperation with well-known domestic Internet platforms, concentrating the personal Internet loan business on the areas of small and micro business loans and small consumer loans. During the Reporting Period, a total of 930,300 loans amounting to RMB10.021 billion were issued, and the balance of loans as at the end of the Reporting Period was RMB12.518 billion, representing an increase of 19.40% as compared with that at the end of the previous year.

3. Credit card business

At the end of the Reporting Period, the total cumulative number of credit cards issued by the Bank reached 2,415,600, with a cumulative transaction amount of RMB23,621 million during the Reporting Period, representing a year-on-year increase of 47.03%, and an overdraft balance of RMB6,760 million at the end of the Reporting Period, representing an increase of 25.44% as compared with that at the end of the previous year.

Continued to consolidate the customer base and focus on active customer growth. Firstly, the Bank focused on online customer acquisition and accelerated offline issue of cards. During the Reporting Period, the Bank's online issue of cards remained stable, while offline issue of cards was beginning to bear fruit, with the number of new offline cards issued increasing by 25% year-on-year. Secondly, the Bank launched the "Boundless Card" product to enrich new customer acquisition scenarios for credit card business and further expand the young customer base. Thirdly, the Bank used mobile payment as a fulcrum to optimize the credit card activation and card-binding process and focus on active customer growth, with average monthly active customers increasing by 20% year-on-year during the Reporting Period.

Steady promotion of risk strategy and high revenue growth. Firstly, asset quality was stable and controllable and risk management strategies were steadily promoted, with the growth of non-performing assets in credit card business slowing down significantly and at a low level in the industry. Secondly, a good business cycle was formed whereby active customers drove the use of cards for transactions and the use of cards for transactions drove the sales of interest-bearing products, resulting in significant growth in related business revenue.

4. Wealth management and private banking business

As at the end of the Reporting Period, the Bank’s retail customers with assets under management of over RMB2.00 million reached 14,300, representing an increase of 2,500 or 21.37% as compared to the end of last year, and the assets retained in the Bank amounted to RMB63.584 billion, representing an increase of RMB12.999 billion or 25.70% as compared to the end of last year.

During the Reporting Period, the Bank realized wealth management fee and commission income of RMB127 million, representing a year-on-year increase of 16.52%. Of which, RMB75 million was realized from the sales of agency trust products, RMB23 million from agency sales of insurance business and RMB29 million from agency sales of fund business. The cumulative sales agency amount of trust products reached RMB4.591 billion, agency sales of insurance premiums were RMB153 million and agency sales of open-ended funds amounted to RMB3.031 billion.

The wealth management and private banking business of the Bank maintained the focus of strategies and 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. On the basis of established multi-level product system, the Bank continued to optimize the product supply strategy; continuously improve customer service capabilities on remote lines; further implement customer segmentation operations, build a team of VIP financial managers and supporting service processes; and promote the steady increase in the number of customers, asset scale and business income.

5. *Customer service management*

During the Reporting Period, the Bank's service management was closely aligned with the theme of retail business development, further consolidating the service value and the ability to "obtain customers + vitalize customers", creatively formulating a new model of service experience 3.0 and building a highly adaptable and open and integrated marketing in halls "customer base" system. The Bank improved the efficiency and effectiveness of service cross-selling with user experience as the guide, and expanded the boundaries of service value.

The Bank continued to deepen its service exploration project. With focusing on retail customer base indicators, the Banks deepened its integrated service marketing capabilities at lobbies; transformed the service marketing by managers at lobbies, and collaborated with the integrated marketing at lobbies, achieving new breakthroughs in customer acquisition, deposit collection and other indicators. The Bank applied new standards, methods and models of “friendliness, accessibility and professionalism” to launch the service experience 3.0, so as to extend the brand value. The Bank transformed from service quality management to service experience management with the customer satisfaction research as a breakthrough to enhance user experience from the customer’s perspective, and combined product innovation and process reengineering to further highlight the maturity and reliability of service experience management. The Bank promoted the transformation from consultative customer service to expert customer service, and steadily improved the service capacity of intelligent customer service robots. Technology empowerment gradually enhanced the service efficiency and boundaries to achieve a comprehensive upgrade of online customer service experience.

The Bank was selected as one of the “China’s 500 Most Valuable Brands” in 2021, the only financial enterprise in Shandong Province to be selected for the third consecutive year, proving that our service brand was recognised again.

15.2 Corporate banking

During the Reporting Period, in terms of corporate banking, the Bank strengthened its foothold in public finance, focusing on the public projects of local government. The Bank strengthened special finance, seized policy opportunities, enriched green finance and blue finance products, and practiced a new financial model for sustainable development; comprehensively promoted the "Six General" business model for strategic customers, and cultivated our customer base around the "dual-base strategy". The Bank continued to promote inclusive finance, improve supply chain finance, promote business upgrades, develop inclusive finance customers in bulk, and promote steady growth in inclusive finance business. During the Reporting Period, the Company's corporate banking business achieved operating income of RMB2.827 billion, accounting for 53.08% of the Company's operating income.

1. Corporate deposits

During the Reporting Period, the Bank achieved sustained and stable growth in corporate deposits by strengthening its customer base and optimizing its liability structure. As at the end of the Reporting Period, the balance of corporate deposits (excluding accrued interest) reached RMB194.842 billion, representing an increase of RMB11.395 billion or 6.21% as compared with that at the end of the previous year, accounting for 65.91% of the balance of various deposits (excluding accrued interest). The corporate demand deposit amounted to RMB112.968 billion, representing an increase of RMB1.477 billion or 1.32% as compared with that at the end of the previous year. Corporate time deposit amounted to RMB81.874 billion, representing an increase of RMB9.918 billion or 13.78% as compared with that at the end of the previous year.

The Bank closely followed the process of government non-tax revenue reform and continued to strengthen the marketing of public finance, consolidating the corporate deposit base. At the same time, the Bank adjusted the sources of liabilities for corporate banking business and transformed from active liabilities to transactional liabilities to reduce the interest cost of corporate deposits. At the end of the Reporting Period, the average cost ratio of corporate deposits was 1.72%, representing a decrease of 0.05 percentage point as compared with the same period of previous year. Through increasing the volume of international settlement business, strengthening domestic letters of credit, opening domestic financial guarantees and other trade finance businesses, the Bank increased cash flow from transactional businesses and enhanced the deposit contribution from customers while increasing their adherence.

2. Corporate loans

As at the end of the Reporting Period, the Bank's balance of corporate loans (including discounted bills and excluding accrued interest) amounted to RMB167.482 billion, representing an increase of RMB21.490 billion as compared with that at the end of the previous year, representing an increase of 14.72%, accounting for 71.29% of the total loans (excluding accrued interest). In particular, the balance of the loans of private enterprises was RMB79.084 billion, representing an increase of RMB11.627 billion or 17.24% as compared with that at the beginning of the year, accounting for 47.22% of the total corporate loans. The balance of green credit was RMB17.483 billion, representing an increase of RMB2.250 billion or 14.77% as compared with that at the beginning of the year, accounting for 10.44% of the total corporate loans.

During the Reporting Period, the Bank focused on national macro policies and further increased credit investment in new infrastructure, marine strategic emerging industries, high-end manufacturing, people's livelihood protection, inclusive finance and other aspects. Also, the Bank paid attention to industrial actions under the target node of "carbon peak and carbon neutrality", actively linked and served green industry enterprises and projects, continuously improved financial support for private and small and micro enterprises, optimized the credit structure and continued to improve the quality and efficiency of serving the real economy. At the same time, the Bank actively supported the construction of rural public infrastructure, satisfied the financial service needs of the entire industrial chain of modern agriculture, and continued to improve the ability and level of financial services for rural revitalization.

3. Corporate customers

As at the end of the Reporting Period, the Bank had 216.4 thousand corporate customers, representing an increase of 18.2 thousand or 9.18% as compared with that at the end of the previous year, of which the number of corporate customers with an average daily deposit of RMB10 million or more reached 1,875.

The Bank comprehensively promoted the "six-heads" business model for strategic customers. During the Reporting Period, the Bank has established a family tree of strategic customer groups, equipped with a comprehensive development service team, mobilized the resources of the whole bank, and thoroughly conducted various strategic customer businesses. As at the end of the Reporting Period, the Bank had 620 strategic customers, representing an increase of 48 as compared with that at the beginning of the year, while the total annual average deposit amounted to RMB139.183 billion, representing an increase of RMB12.952 billion or 10.26% as compared with that at the beginning of the year.

The number of transaction banking customers and business volume of the Bank grew steadily. During the Reporting Period, the Bank continued to enhance its cash management, supply chain finance, and trade financing businesses, integrate cash management products, and create integrated supply chain financing services. As at the end of the Reporting Period, there were 256 new international settlement business customers of the Bank, representing an increase of 12.78% year on year, with accumulated international settlement of USD4.572 billion, representing an increase of 47.39% year on year. There were 29 new customers who entered into contracts for the new generation of electronic payment system for customs duties, with an addition of transaction volume of customs duties by RMB275 million. The Bank expanded 20 core customer groups for the online supply chain financing business, retained 555 upstream and downstream customers at the end of the Reporting Period, and granted loans with a total of amount of RMB1.120 billion during the Reporting Period.

For inclusive finance, the Bank expanded the channels for obtaining customers and expanded the basic customer base in batches. During the Reporting Period, the Bank expanded the channels for obtaining customers, comprehensive made use of technology loans, government procurement loans and other inclusive loan products to continuously improve the financing service methods and models for Small and Micro Enterprises. As at the end of the Reporting Period, the balance of inclusive loans to small and micro enterprises of the Bank[1] was RMB21.066 billion, representing an increase of RMB2.901 billion or 15.97% as compared with that at the beginning of the year. The average interest rate of the inclusive loans to small and micro enterprises was 5.08%, and the number of loans to inclusive small and micro enterprises reached 35.5 thousand, representing an increase of 1.7 thousand as compared with that at the beginning of the year, and featured branches serving small and micro enterprises totaled 13.

4. *Corporate products*

During the Reporting Period, the Bank optimized and improved the Company's product system in an all-round way under the guidance of the "dual-base strategy". The Bank innovatively launched "Qinghuiying" (青匯盈), "Cross-border Capital Pool" (跨境資金池) and other products, enriched and improved the product types of international business customers; developed payment collection products such as "Qing e Payment" (青e繳) and Shouyinbao (收銀寶), expanded the customer base of cash management; launched the "Tan Dai Tong" (碳貸通) business product, financially supported "Carbon cap, carbon neutralization", shaped a distinctive "blue finance" brand; innovated "Cheng Fu Tong" (承付通), an acceptance one-key invoicing function, improved the business system support, and enhanced the efficiency of invoicing and customer experience.

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

During the Reporting Period, the first "Carbon neutralization" loan in Shandong Province, the first supply chain bill financing business in the province and the first online forfaiting transaction business in the province of the Bank had gone into operation. The Bank also launched the first green supply chain financial product of a bank corporation in the province, namely "Carbon E-Link" (碳E鏈), and signed a blue bond investment commitment agreement with International Finance Corporate (IFC) of World Bank Group.

15.3 Financial Market Business

During the Reporting Period, in terms of financial market business, the Bank optimized asset structure, improved investment quality and reduced management costs. 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. While continuously strengthening the comprehensive strength of wealth management business, the Bank explored the research and development of characteristic wealth management products to expand the customer coverage. The Bank actively promoted asset securitization and issuance of tier-two capital bonds, providing strong support for business development. During the Reporting Period, the Company's financial market business realized operating income of RMB1.253 billion, accounting for 23.53% of the Company's operating income.

1. *Proprietary investment*

As at the end of the Reporting Period, the Bank's proprietary investment (excluding accrued interest) reached RMB186.344 billion, representing an increase of RMB18.541 billion or 11.05% as compared with that at the end of last year. Among them, the scope of bond investment reached RMB123.736 billion, representing an increase of RMB4.825 billion or 4.06% as compared with that at the end of last year, which was mainly attributable to the increase in investment in central government bonds and local government bonds. The scope of investment in public bond fund products reached RMB35.472 billion, representing an increase of RMB11.109 billion or 45.59% as compared with that at the end of last year, which was mainly attributable to the increased investment in public bond fund products and monetary fund products.

During the Reporting Period, the Bank responded to regulatory guidance, paid attention to market changes, continued to improve the investment portfolio, and improve the liquidity of assets while increasing the total amount of assets. First, management costs dropped significantly with the management of non-underlying assets and non-standardized investment, as well as the transition of asset investment from entrusted management to independent management; the safety and liquidity of assets were improved with the transition from non-standardized assets to standardized bonds. Second, in terms of saving capital appropriation, the Bank achieved a steady increase in total investment and investment returns, while maintaining the ratio of the financial investment risk weighted assets at a lower level, resulting in an increase in the revenue-generating efficiency per unit risk asset. Third, the liquidity of assets increased. During the Reporting Period, the incremental business of proprietary investment mainly focused on highly liquid assets (such as central government bonds and local government bonds) and open public funds. In the background of the simultaneous growth of assets and liabilities, the Bank has maintained sufficient liquidity, while the market hedging ability of proprietary investment and the flexibility of structural adjustment have been strengthened.

2. *Interbank business*

The structure of the Bank's interbank liabilities is stable with good liquidity. During the Reporting Period, the balance of interbank deposits (excluding accrued interest) was RMB8.462 billion; the balance of interbank deposit certificates issued amounted to RMB67.083 billion, representing an increase of 34.14% as compared with that at the end of the previous year, and accounting for 14.56% of the Bank's total liabilities. During the Reporting Period, the Bank issued the first foreign currency interbank deposit certificate on the inter-bank market in Shandong Province, with an issue size of USD10 million, a term of 3 months and an interest rate of 0.30%. This issue of deposit certificate realized the diversified fundraising of market-oriented funds, and diversified the original financing channels, providing investors with new foreign currency investment varieties.

The Bank actively carried out market trade and derivative transaction, constantly increasing the transaction volume. During the Reporting Period, the Bank was qualified as the bond market maker in the bond market, becoming the first city commercial bank that acts as bond market maker in Shandong Province. It also launched FDR benchmark interest rate swaption and interest rate collar option business, enriching the varieties of local currency tradable derivatives of the Bank. The Bank's Bond Connect transaction comprehensively ranked 19th in the market and second in the category of "City Commercial Banks/Rural Commercial Banks". The Bank was granted the titles of "Core Dealer", "Outstanding Currency Market Dealer" and the "Innovative Trading Mechanism (X-Repo)" awards issued by the National Interbank Funding Center, as well as the title of "Outstanding Dealer", and the "Best Progressive Agency for Local Bond Banking Underwriters" award issued by China Central Depository & Clearing Co., Ltd.

3. *Asset management*

Guided by the new asset management regulations, the Company achieved a series of work results in the characteristic development of wealth management business and the net-worth transformation of products under the premise that risks could be controlled.

As at the end of the Reporting Period, wealth management products of the Company reached 915, with a balance of RMB156.719 billion, and the scale of wealth management products increased by 26.26% as compared with that at the end of the previous year. During the Reporting Period, wealth management products issued by the Company reached 724, raising a total amount of RMB333.569 billion, all of which were non-principal-guaranteed wealth management products, representing an increase of 32.63% as compared to the same period of the previous year. During the Reporting Period, the bond market experienced low fluctuation, with staged opportunities for transaction weaker than the same period of last year, and the service fee and commission income from wealth management products reached RMB415 million.

As at the end of the Reporting Period, the balance of the Company's wealth management investment products amounted to RMB185.160 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 RMB164.547 billion, accounting for 88.87%; non-standard debt assets amounted to RMB14.541 billion, accounting for 7.85%; public funds amounted to RMB3.253 billion, accounting for 1.76%; and capital market assets amounted to RMB2.819 billion, accounting for 1.52%.

The Bank, in strict accordance with the new regulations and requirements on asset management and their supporting policies, continued to promote the net-worth transformation of wealth management products and further consolidated its market position. As at the end of the Reporting Period, the balance of net-worth wealth management products of the Company was RMB149.088 billion, representing an increase of 33.29% as compared to that at the end of the previous year, accounting for 95.13% of the balance of wealth management products, representing an increase of 5.01 percentage points as compared to that at the end of the previous year. During the Reporting Period, according to the Bank Wealth Management Capabilities Ranking Report (1Q 2021) published by PY Standard, the Company ranked 5th in comprehensive capabilities of wealth management business among city commercial banks. During the Reporting Period, the Company provided full support to its wealth management subsidiaries to advance various tasks. Qingyin Wealth Management stayed committed to the strategic policy of driving product design with strong investment research capabilities and driving customer base expansion with excellent product design. Leverage on professional and characteristic services, Qingyin Wealth Management adopted the market strategy featuring leadership in direct marketing and competition with sales agency, making the "Bright Life (璀璨人生)" series of wealth management products reach to more customers through more diverse channels. Meanwhile, Qingyin Wealth Management continued to pay attention to policies and people's livelihood hotspots, promote investment in social impact, create featured products such as carbon neutrality, ESG, charity, and blue finance, and fulfill corporate social responsibilities. As at the end of the Reporting Period, the balance of products of Qingyin Wealth Management reached RMB48.865 billion, representing an increase of 31.79 times as compared to the end of the previous year.

4. *Investment banking*

During the Reporting Period, the Bank underwrote the issue of 29 debt-related projects, with a total issue size of RMB17.930 billion, and the underwriting amount of the Bank was RMB12.055 billion. The issue amount increased by RMB1.650 billion or 10.14%, and the underwriting amount increased by RMB1.012 billion or 9.16%, as compared with the same period last year. The Bank issued tier-two capital bonds with a total amount of RMB6 billion in two phases for the purpose of supplementing the tier-two capital of the Bank and consolidating its capital base; and issued residential mortgage-backed securities with a total amount of RMB1.766 billion to expand the limit of credit and loan granted.

As the only financial institution corporation in Shandong Province with the independent underwriting qualification of Type B lead underwriter, the Bank focused on grasping market dynamics, made innovations in market tools, continuously improved the competitive advantage in the financial market, and built the Bank's service brand in the debt capital market, providing comprehensive financing solutions for high-quality enterprises in Shandong Province.

The Bank insisted on leveraging characteristic service advantages of its investment banking business, and took innovative products as a starting point to promote sustained business growth. During the Reporting Period, the Bank underwrote the issue of first carbon-neutral bond in Shandong Province, the first public offering project income notes in Shandong Province, and the first equity contribution note in Qingdao City, to meet the financing needs of different customers with diversified product mix.

15.4 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 156 business outlets including 15 branches in 15 cities in Shandong Province, including Qingdao, Jinan, Dongying, Weihai, Zibo, Dezhou, Zaozhuang, Yantai, Binzhou, Weifang, Laiwu, Linyi, Jining, Tai'an and Heze. The Bank had its head office, a branch and 88 sub-branches located in the vicinity of Qingdao. The headquarters of BQD Financial Leasing, the controlling subsidiary of the Bank, and Qingyin Wealth Management, the wholly-owned subsidiary of the Bank, are both located in Qingdao.

2. *Self-service banking channels*

   As at the end of the Reporting Period, the Bank had 104 in-bank self-service banks and 405 self-service devices including 31 self-service ATMs, 255 self-service Cash Deposit and Teller machines (CTM), and 119 self-service terminals. These units provided services such as withdrawal, deposit, transfer, account enquiry, and payment. As at the end of the Reporting Period, the Bank had recorded 3,097.3 thousand transactions through self-service banks with a total transaction amount of RMB9.863 billion.

3. *Electronic banking channels*

   The Bank has been regarding electronic banking as a significant breakthrough in innovation and development, taking project construction as the starting point, and putting customer experience at the top of its work. The Bank also enhanced its comprehensive channel service capabilities through application of advanced financial technology, and continuous improvement and optimization of online service channels such as mobile banking and online banking, thus improving the advantages of electronic channel services.

   (1) Mobile finance

   During the Reporting Period, the number of users of the Bank's mobile banking service and the volume of mobile banking transactions were in constant and rapid growth. The number of existing mobile banking users reached 3,395.8 thousand, representing an increase of 12.60% as compared with that at the end of the previous year; 40.9576 million transactions, representing an increase of 34.12% as compared with that in the same period of the previous year; a transaction amount of RMB216.137 billion, representing an increase of 16.35% as compared with that in the same period of the previous year.

During the Reporting Period, the sales volume of wealth management products on the mobile banking channel continued to rise. The total sales of wealth management products were RMB211.476 billion, representing an increase of 25.91% as compared with that at the end of the previous year. The proportion of mobile banking sales to that in the whole channel reached 89.38%, representing an increase of 3.42 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 149.0 thousand online corporate banking customers, representing an increase of 10.45% as compared with that at the end of the previous year. During the Reporting Period, the Bank's accumulated number of transactions totaled 9,166.7 thousand, representing an increase of 18.11% as compared with that at the end of the previous year, while the value of total transaction amounted to RMB916.643 billion, representing an increase of 7.50% as compared with that in the same period of the previous year. The number of online retail banking customers totaled 738.8 thousand, representing an increase of 0.19% as compared with that at the end of the previous year, and accumulated a total of 16,522.9 thousand transactions, representing a decrease of 21.08% as compared with that in the same period of the previous year. Total transaction amounted to RMB118.339 billion, representing a decrease of 5.66% as compared with that in the same period of the previous year. During the Reporting Period, the Bank continued to develop mobile finance. Our customers were placing greater reliance on mobile banking, and online personal banking transactions were continuously decreasing.

15.5 Information technology

During the Reporting Period, guided by the concept of "digital transformation", the Bank continued to promote its technological innovation strategy, deepen the practical application of new technologies such as big data, artificial intelligence, cloud computing, 5G technologies and biometrics, and accelerated the implementation and innovation of key projects. Also, the Bank was committed to exploring new business models and characteristic products and services, and promoting the innovative integration of finance and technology in ways that contributed to the achievement of various strategic goals of the Bank.

1. *Intensified efforts in the construction of technology projects, and continued to improve technology-empowered capability*

During the Reporting Period, the Bank launched 38 new IT projects, successfully completed the third phase of smart outlets, retail smart marketing, issue of digital credit card, and put 18 projects including cloud smart credit platform (星雲智慧信貸平台) into use. The Bank focused on corporate finance, retail finance, and inclusive finance, vigorously enhanced mobile, online and digital technologies, and actively utilized cutting-edge financial technology to improve quality and efficiency.

In terms of corporate finance, the Bank continued to diversify its corporate business channels and products, and promoted the digital transformation and healthy development of the business. For corporate smart CRM project, the Bank created a one-stop, Internet-based knowledge retrieval and display platform for corporate customers, realizing the dynamic and refined management of customer base and customer relationships, and providing powerful support for the targeted marketing to the customer base of the Company. The account management process optimization project of the Company effectively improved service efficiency and strengthened process risk control.

In terms of retail finance, the Bank continued to advance the new strategy of mobile finance, and strengthen the construction of mobile finance channels, thus achieving digitization of the whole online process. The rapid issue of digital credit card has realized the digitization of the whole process from application for credit card, receipt of card to payment with card, which broke geographical restrictions, deepened online scenarios and improved business efficiency, thus increasing the number of credit card issued. The remote interview function of credit card helped further expand service channels, increase activation rate of credit cards, and optimize customer experience.

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

   The Bank continued to strengthen network information security management, improved the emergency response mechanism for server room infrastructure, and enhanced the business continuity level and network security defense capabilities of the Bank to ensure the reliable, stable, continuous and efficient operation of information system. During the Reporting Period, the Bank's projects, including operation of remote cloud center, relocation and expansion of network equipment for disaster recovery server room, and upgrade of mPaaS platform system, contributed to improving the basic technology-empowered capability.

16. Structured Entities Controlled by the Company

Structured entities controlled by the Company are mainly the asset-backed securities sponsored by the Company. Please refer to "3. Management Discussion and Analysis – 15.3 Financial Market Business" of this results announcement.

17. Risk Management

17.1 Credit Risk Management

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

The Company is committed to the establishment of a credit risk management system with comprehensive functions, controlled and balanced risks, a streamlined structure and high efficiency as well as well-delegated authority and duties. The risk management procedures and methods are constantly being improved and the credit system is being optimized. The credit approval procedures have been reshaped and optimized while risk screening on regular areas and key business is conducted to pre-assess risk trends. Asset quality and quantity are further controlled and monitored to strengthen the management of maturing loans and overdue loans and 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 on 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. Continued to optimise credit asset quality control, implemented dynamic refined management, strengthened the pre-assessment and analyses of the trends of risk migrations and changes, actively controlled and monitored the trends of risk changes, strengthened the dynamic monitoring of the regional distribution and industry distribution of non-performing loans, enhanced preprocessing capabilities for risk signals, strengthened the management of maturing loans and overdue loans, enhanced the disposal of risky loans, stepped up efforts in increasing cash collection and cancellation of non-performing loans, making efforts to resolve the stock of non-performing assets. The loans that were overdue more than 60 days continued to be managed as non-performing loans to maintain a downward trend and achieved the control target.

3. Focused on macro policies to optimise credit resource allocation, taking credit policies as a grip to focus on the newly developed concept, actively focusing on industrial low-carbon actions and green manufacturing projects under the target point of "carbon peaking and carbon neutral", issuing "Ten Measures of Bank of Qingdao on Promoting Green Financial Construction and Supporting the Development of Carbon Emission Reduction", and has actively provided services to enterprises and projects in green industries, and increased the scale of green credit. Continued to increase support for key areas such as advanced manufacturing industries, green and low-carbon industries, and technological innovation enterprises and listed enterprises; formulated the "Bank of Qingdao Credit Guidelines for Financial Services for Rural Revitalisation" and the "White List Guidelines for Credit-granting Customers in County Livelihood Industries", leading operating institutions to gradually sink the focus of financial inclusion to the county, cultivating the local areas, adapting to local conditions, and actively striving to become the host bank for customers in livelihood industries. The Bank will continue to enhance its ability and level of financial services for rural revitalization.

4. By continuously and comprehensively improving the credit management system, 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, strengthening the risk supervision on key areas and key customers, as well as tracking and rectifying the problems found. 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. Improved intelligent risk control capabilities of credit risk, explored the establishment of a credit customer risk early warning platform, enriched internal data such as basic enterprise information, product business and transaction settlement, integrated access to external data such as industry and commerce, justice and customs, set thresholds for various types of early warning signals and early warning rules, building early warning models with the help of big data algorithms, integrating risk status monitoring, early warning push, early warning processing work monitoring and early warning reports, etc. The Bank integrated management tools to improve the timeliness and accuracy of post-loan risk warnings and credit execution capabilities through data empowerment and efficiency enhancement and increased 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.

17.2 Liquidity Risk Management

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

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

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

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

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

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

1. Forwarding the growth of customers' 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;

2. Managing the liquidity risk indicators with a forward-looking manner, regulating the allocation of assets and liabilities dynamically to ensure that all indicators continue to meet regulatory requirements;

3. Managing the matching of asset and liability growth, regulating the allocation of credit assets dynamically to achieve smooth operation of assets and liabilities;

4. Increasing supervision and control in qualified and high-quality bonds, ensure the adequacy of liquidity reserves, and improving liquidity risk buffer capacity continuously;

5. Promoting the construction of a new generation asset liability management system project to continuously improve the Bank's liquidity risk identification, measurement and monitoring capabilities.

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 2021**	31 December 2020
Qualified and high-quality current assets	**100,034,369**	84,342,175
Net cash outflows in next 30 days	**55,764,766**	55,334,625
Liquidity coverage ratio	**179.39%**	152.42%

Notes: Pursuant to the requirements under the Administrative Measures for Liquidity Risk Management of Commercial Banks, a minimum liquidity coverage ratio of 100% is required for commercial banks.

Net stable funding ratio (RMB' 000)	**30 June 2021**		31 March 2021	
	The Company	**The Bank**	The Company	The Bank
Available stable funding	**281,845,319**	**279,531,896**	267,019,602	264,531,122
Required stable funding	**266,484,323**	**257,797,247**	253,379,478	247,521,142
Net stable funding ratio	**105.76%**	**108.43%**	105.38%	106.87%

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

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.

17.3 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.

17.3.1 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 ensured that the interest rate risk as a whole was within the control by proactively adjusting business pricing and structure strategies of its asset and liability.

17.3.2 Analysis of interest rate sensitivity

The Company uses sensitivity analysis to measure the potential impact of changes in interest rates on the Company's net interest income. The following table sets forth the results of the interest rate sensitivity analysis based on the current assets and liabilities on 30 June 2021 and 31 December 2020.

Unit: RMB'000

Item	**30 June 2021 (Decrease)/ Increase**	31 December 2020 (Decrease)/ Increase
Change in annualized net interest income		
Interest rate increase by 100 bps	**(598,670)**	(640,745)
Interest rate decrease by 100 bps	**598,670**	640,745

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.

17.3.3 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.

17.3.4 Analysis of exchange rate sensitivity

The following table sets forth the results of the analysis of exchange rate sensitivity based on the current assets and liabilities on 30 June 2021 and 31 December 2020.

Unit: RMB'000

Item	**30 June 2021 Increase/ (Decrease)**	31 December 2020 Increase/ (Decrease)
Change in annualized net profit		
Foreign exchange rate increase by 100 bps	**10,007**	9,953
Foreign exchange rate decrease by 100 bps	**(10,007)**	(9,953)

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.

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

2. Strengthening operational risk control in key areas and strictly controlling the occurrence of operational risks. The online electronic process for the approval of printing is in place and promoting the use of electronic seals; the risk identification and rectification on key businesses and key areas within the Bank is conducted, with the focus of supervision and inspection combined, and the problems rectified through a self-knowledge and self-governance process, as well as the loopholes in operation and management plugged, and nipped the risks in the bud.

3. Upgrading the operational risk management tools and strengthening risk monitoring and assessment. The Company will make comprehensive use of system monitoring, risk screening, internal inspection, and line supervision to monitor operational risks in all aspects, collect and analyse key operational risk indicators and loss data and provide early warning, capture potential risks and identify control defects, improve internal process construction and block operational risks in all aspects.

4. Optimising business continuity management to ensure the normal operation of the businesses. Promoting the business continuity management continuously, 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.

5. Strengthening outsourcing business management to prevent potential outsourcing risks. Improving the outsourcing risk management system, strictly examining the entry of outsourcing projects and service providers, increasing the control of outsourcing personnel, controlling the daily operation of outsourcing services strictly, and controlling and preventing the occurrence of outsourcing risks from the source.

18. Development Plan in the Second Half of 2021

18.1 Operating Situation Analysis for the Second Half of the Year

In the second half of 2021, the global economic recovery will further accelerate, and the economy in China has shown strong resilience and will continue to maintain a stable recovery in the future. Active fiscal policy will continue to emphasise quality and efficiency, while monetary policy will continue to emphasise flexibility, precision and reasonable moderation. The continued macroeconomic recovery, coupled with targeted policy support in strategic areas of the country, will bring more development opportunities for the banking industry's operations.

18.2 Development Guiding Ideology for the Second Half of the Year

In the second half of 2021, the Bank will continue to adhere to the basic operating guideline of "strengthening the foundation, serving the entity, preventing risks and improving the overall situation", expand the breadth and depth of improvement on the basis of continuous promotion of business management, explore the path of development with special features and ensure high-quality completion of the 14th Five-Year Plan.

18.3 Major Work Measures in the Second Half of the Year

(1) Strengthening the Company's customer base and increase assets and liabilities simultaneously;

(2) Continuing to develop retail customer base and exploring and cultivating new growth points;

(3) Innovating and increasing efficiency in financial markets and strengthening marketing for investment banking;

(4) Improving business management and enhancing synergies with the group;

(5) Ensuring stable asset quality and improving the credit approval system;

(6) Comprehensively promoting digital transformation and continuously optimising business processes;

(7) Implementing institution building plans and optimising and improving virtual channels;

(8) Strengthening the learning and education of Party's history to achieve overall enhancement of work.

4. OTHER EVENTS

4.1 Earnings and Dividends

The profit of the Company for the six months ended 30 June 2021 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 2020 annual general meeting of the Bank on 11 May 2021, the Bank had distributed 2020 cash dividends on 28 May 2021 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 RMB0.18 per share (tax inclusive).

No ordinary dividend distribution and no transfer from capital reserve to share capital were made by the Bank in 2021 during the interim period.

4.2 Use of Proceeds Raised

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

After deducting the issuance expenses, the proceeds from issuance of offshore preference shares of the Bank 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
HAO Xianjing	External supervisor	Newly elected	11 May 2021	–
JIANG Shenglu	External supervisor	Newly elected	11 May 2021	–
LU Kun	External supervisor	Newly elected	11 May 2021	–
FU Changxiang	Former external supervisor	Resigned	11 May 2021	The term of office will expire after six years and will not be renewed in accordance with regulatory requirements
HU Yanjing	Former external supervisor	Resigned	11 May 2021	The term of office will expire after six years and will not be renewed in accordance with regulatory requirements
LIU Peng	Executive director	Newly elected	2 July 2021	–
XING Lecheng	Independent director	Newly elected	2 July 2021	–
ZHANG Xu	Independent director	Newly elected	2 July 2021	–
CHEN Hua	Former independent director	Resigned	2 July 2021	The term of office will expire after six years and will not be renewed in accordance with regulatory requirements
DAI Shuping	Former independent director	Resigned	2 July 2021	The term of office will expire after six years and will not be renewed in accordance with regulatory requirements

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 to the Hong Kong Listing Rules, and, where appropriate, adopted the recommended best practices therein.

4.6 Audit Committee

The audit committee of the Board has reviewed the accounting standards and practices adopted by the Bank with the management and has reviewed the Interim Results for the six months ended 30 June 2021.

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 85 to 165 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 2021 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 2021 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

30 August 2021

6. UNAUDITED INTERIM FINANCIAL REPORT

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	**Six months ended 30 June** **2021** **(unaudited)**	2020 (unaudited)
Interest income		**8,881,975**	8,295,162
Interest expense		**(4,973,818)**	(4,303,950)
Net interest income	*3*	**3,908,157**	3,991,212
Fee and commission income		**846,442**	1,108,169
Fee and commission expense		**(76,117)**	(64,117)
Net fee and commission income	*4*	**770,325**	1,044,052
Net trading (losses)/gains	*5*	**(89,297)**	130,994
Net gains arising from investments	*6*	**728,170**	909,014
Other operating income	*7*	**9,695**	28,867
Operating income		**5,327,050**	6,104,139
Operating expenses	*8*	**(1,536,404)**	(1,456,874)
Credit losses	*9*	**(1,650,058)**	(2,787,723)
Profit before taxation		**2,140,588**	1,859,542
Income tax expense	*10*	**(307,616)**	(295,051)
Net profit for the period		**1,832,972**	1,564,491
Profit attributable to:			
Equity shareholders of the Bank		**1,797,590**	1,530,517
Non-controlling interests		**35,382**	33,974
Basic and diluted earnings per share (in RMB)	*11*	**0.40**	0.34

The notes on pages 94 to 165 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 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	**Six months ended 30 June 2021 (unaudited)**	Six months ended 30 June 2020 (unaudited)
Net profit for the period		**1,832,972**	1,564,491
Other comprehensive income:			
Item that will not be reclassified to profit or loss			
– Remeasurement of defined benefit liability		**(68)**	(8)
Items that may be reclassified subsequently to profit or loss			
– Changes in fair value of financial assets measured at fair value through other comprehensive income	*37(4)*	**103,832**	(195,645)
– Credit losses of financial assets measured at fair value through other comprehensive income	*37(4)*	**258,275**	(19,668)
Other comprehensive income, net of tax		**362,039**	(215,321)
Total comprehensive income		**2,195,011**	1,349,170
Total comprehensive income attributable to:			
Equity shareholders of the Bank		**2,159,629**	1,315,196
Non-controlling interests		**35,382**	33,974

The notes on pages 94 to 165 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	**30 June 2021 (unaudited)**	31 December 2020 (audited)
Assets			
Cash and deposits with central bank	*12*	**46,937,324**	47,219,397
Deposits with banks and other financial institutions	*13*	**4,057,970**	2,568,919
Placements with banks and other financial institutions	*14*	**451,873**	–
Derivative financial assets	*15*	**226,390**	286,400
Financial assets held under resale agreements	*16*	**8,862,695**	9,726,476
Loans and advances to customers	*17*	**229,631,420**	202,358,484
Financial investments:			
– Financial investments measured at fair value through profit or loss	*18*	**49,193,456**	37,250,405
– Financial investments measured at fair value through other comprehensive income	*19*	**76,647,978**	66,828,002
– Financial investments measured at amortised cost	*20*	**66,408,636**	74,157,602
Long-term receivables	*22*	**10,233,394**	11,001,178
Property and equipment	*23*	**3,258,291**	3,247,768
Right-of-use assets	*24*	**804,678**	826,821
Deferred tax assets	*25*	**2,570,590**	2,468,017
Other assets	*26*	**2,352,511**	1,888,136
Total assets		**501,637,206**	459,827,605
Liabilities			
Borrowings from central bank	*27*	**14,945,004**	11,207,069
Deposits from banks and other financial institutions	*28*	**7,826,483**	17,024,732
Placements from banks and other financial institutions	*29*	**14,589,011**	12,947,575
Derivative financial liabilities	*15*	**226,436**	288,347
Financial assets sold under repurchase agreements	*30*	**31,591,305**	33,099,349
Deposits from customers	*31*	**299,307,629**	275,750,710
Income tax payable		**385,272**	431,921
Debt securities issued	*32*	**95,432,222**	72,834,508
Lease liabilities	*33*	**456,469**	453,671
Other liabilities	*34*	**4,587,250**	4,882,865
Total liabilities		**469,347,081**	428,920,747

The notes on pages 94 to 165 form part of this interim financial report.

	Note	**30 June 2021 (unaudited)**	31 December 2020 (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)*	**1,859,737**	1,859,737
General reserve	*37(3)*	**5,072,217**	5,072,217
Other comprehensive income	*37(4)*	**394,756**	32,717
Retained earnings	*38*	**3,604,826**	2,618,980
Total equity attributable to equity shareholders of the Bank		**31,633,059**	30,285,174
Non-controlling interests		**657,066**	621,684
Total equity		**32,290,125**	30,906,858
Total liabilities and equity		**501,637,206**	459,827,605

Approved and authorised for issue by the board of directors on 30 August 2021.

Guo Shaoquan	**Wang Lin**	**Meng Dageng**	(Company Stamp)
Legal Representative (Chairman)	*President*	*Chief Financial Officer*	

The notes on pages 94 to 165 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

(Expressed in thousands of Renminbi, unless otherwise stated)

For the six months ended 30 June 2021

		Attributable to equity shareholders of the Bank									
	Note	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Total	Non-controlling interests	Total equity
				Note 37(1)	*Note 37(2)*	*Note 37(3)*	*Note 37(4)*				
Balance at 1 January 2021		4,509,690	7,853,964	8,337,869	1,859,737	5,072,217	32,717	2,618,980	30,285,174	621,684	30,906,858
Profit for the period		-	-	-	-	-	-	1,797,590	1,797,590	35,382	1,832,972
Other comprehensive income	*37(4)*	-	-	-	-	-	362,039	-	362,039	-	362,039
Total comprehensive income		-	-	-	-	-	362,039	1,797,590	2,159,629	35,382	2,195,011
Appropriation of profit:											
– Dividends	*38*	-	-	-	-	-	-	(811,744)	(811,744)	-	(811,744)
Balance at 30 June 2021 (unaudited)		4,509,690	7,853,964	8,337,869	1,859,737	5,072,217	394,756	3,604,826	31,633,059	657,066	32,290,125

For the six months ended 30 June 2020

		Attributable to equity shareholders of the Bank									
	Note	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Total	Non-controlling interests	Total equity
				Note 37(1)	*Note 37(2)*	*Note 37(3)*	*Note 37(4)*				
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

The notes on pages 94 to 165 form part of this interim financial report.

For the year ended 31 December 2020

	Note	Attributable to equity shareholders of the Bank								Non-controlling interests	Total equity
		Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Total		
				Note 37(1)	*Note 37(2)*	*Note 37(3)*	*Note 37(4)*				
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 year		–	–	–	–	–	–	2,394,072	2,394,072	59,226	2,453,298
Other comprehensive income	*37(4)*	–	–	–	–	–	(625,513)	–	(625,513)	–	(625,513)
Total comprehensive income		–	–	–	–	–	(625,513)	2,394,072	1,768,559	59,226	1,827,785
Appropriation of profit:											
– Appropriation to surplus reserve	*38*	–	–	–	233,075	–	–	(233,075)	–	–	–
– Appropriation to general reserve	*38*	–	–	–	–	671,959	–	(671,959)	–	–	–
– Dividends	*38*	–	–	–	–	–	–	(1,398,845)	(1,398,845)	–	(1,398,845)
Balance at 31 December 2020 (audited)		4,509,690	7,853,964	8,337,869	1,859,737	5,072,217	32,717	2,618,980	30,285,174	621,684	30,906,858

UNAUDITED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2021
(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
Cash flows from operating activities		
Profit before taxation	**2,140,588**	1,859,542
Adjustments for:		
Credit losses	**1,650,058**	2,787,723
Depreciation and amortisation	**237,321**	208,199
Unrealised foreign exchange losses/(gains)	**83,708**	(129,742)
Net losses on disposal of property and equipment, intangible assets and other assets	**408**	388
(Gains)/Losses from changes in fair value	**(243,160)**	194,103
Net gains arising from investment	**(486,076)**	(1,098,437)
Interest expense on debt securities issued	**1,376,898**	1,349,986
Interest income from financial investment	**(2,616,902)**	(2,636,940)
Others	**(10,593)**	(22,460)
	2,132,250	2,512,362
Changes in operating assets		
Net increase in deposits with central bank	**(1,506,275)**	(1,151,640)
Net increase in deposits with banks and other financial institutions	**(400,000)**	(100,000)
Net decrease in placements with banks and other financial institutions	**–**	1,700,000
Net increase in loans and advances to customers	**(28,786,942)**	(31,012,452)
Net decrease/(increase) in financial assets held under resale agreements	**859,324**	(11,289,851)
Net decrease/(increase) in long-term receivables	**706,601**	(2,077,350)
Net decrease/(increase) in other operating assets	**150,607**	(160,372)
	(28,976,685)	(44,091,665)

The notes on pages 94 to 165 form part of this interim financial report.

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
Changes in operating liabilities		
Net increase in borrowings from central bank	**3,731,423**	2,591,685
Net decrease in deposits from banks and other financial institutions	**(9,172,293)**	(4,827,783)
Net increase in placements from banks and other financial institutions	**1,612,808**	2,516,394
Net (decrease)/increase in financial assets sold under repurchase agreements	**(1,506,628)**	9,782,953
Net increase in deposits from customers	**23,379,478**	50,980,065
Net (decrease)/increase in other operating liabilities	**(429,842)**	729,528
	17,614,946	61,772,842
Income tax paid	**(591,560)**	(468,198)
Net cash flows (used in)/generated from operating activities	**(9,821,049)**	19,725,341
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	**35,459,562**	40,682,817
Cash received from investment gains and interest	**3,728,016**	3,973,515
Proceeds from disposal of property and equipment, intangible assets and other assets	**1,152**	159
Payments on acquisition of investments	**(50,670,542)**	(71,886,434)
Payments on acquisition of property and equipment, intangible assets and other assets	**(257,877)**	(100,854)
Net cash flows used in from investing activities	**(11,739,689)**	(27,330,797)
Cash flows from financing activities		
Net proceeds from debt securities issued	**55,072,378**	32,155,562
Repayment of debt securities issued	**(32,745,332)**	(28,576,432)
Interest paid on debt securities issued	**(1,106,230)**	(1,343,648)
Dividends paid	**(810,994)**	(645,216)
Payment of lease liabilities	**(61,009)**	(68,141)
Net cash flows generated from financing activities	**20,348,813**	1,522,125

The notes on pages 94 to 165 form part of this interim financial report.

	Note	Six months ended 30 June 2021 (unaudited)	2020 (unaudited)
Effect of foreign exchange rate changes on cash and cash equivalents		**(17,771)**	8,941
Net decrease in cash and cash equivalents		**(1,229,696)**	(6,074,390)
Cash and cash equivalents as at 1 January		**29,279,481**	22,500,749
Cash and cash equivalents as at 30 June	*39*	**28,049,785**	16,426,359
Net cash flows generated from operating activities include:			
Interest received		**6,855,467**	5,918,058
Interest paid		**(3,433,999)**	(2,623,362)

The notes on pages 94 to 165 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 (now the Main Board) of Shenzhen Stock Exchange (Stock code: 002948). The share capital of the Bank is RMB4.510 billion as at 30 June 2021.

The Bank has 15 branches in Jinan, Dongying, Weihai, Zibo, Dezhou, Zaozhuang, Yantai, Binzhou, Weifang, Qingdao Westcoast, Laiwu, Linyi, Jining, Taian and Heze as at 30 June 2021. 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, wealth management 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 30 August 2021.

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 2020.

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 2020.

(3) Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period.

– *Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

The above development does not have a material effect on the group's financial position and financial performance. The Group has not applied any new standard or interpretation that is not yet effective for the accounting period ended 30 June 2021.

3 NET INTEREST INCOME

	Six months ended 30 June	
	2021	2020
Interest income arising from		
Deposits with central bank	**191,341**	173,372
Deposits with banks and other financial institutions	**12,689**	3,733
Placements with banks and other financial institutions	**83**	74,377
Loans and advances to customers		
– Corporate loans and advances	**3,748,150**	3,317,073
– Personal loans and advances	**1,658,178**	1,545,390
– Discounted bills	**207,090**	127,920
Financial assets held under resale agreements	**140,753**	105,924
Financial investments	**2,616,902**	2,636,940
Long-term receivables	**306,789**	310,433
Sub-total	**8,881,975**	8,295,162
Interest expense arising from		
Borrowings from central bank	**(142,444)**	(92,296)
Deposits from banks and other financial institutions	**(125,018)**	(172,453)
Placements from banks and other financial institutions	**(226,438)**	(204,397)
Deposits from customers	**(2,836,680)**	(2,290,323)
Financial assets sold under repurchase agreements	**(266,340)**	(194,495)
Debt securities issued	**(1,376,898)**	(1,349,986)
Sub-total	**(4,973,818)**	(4,303,950)
Net interest income	**3,908,157**	3,991,212

4 NET FEE AND COMMISSION INCOME

	Note	Six months ended 30 June 2021	2020
Fee and commission income			
Wealth management service fees		**414,948**	672,692
Agency service fees		**235,461**	227,747
Custody and bank card service fees	*(i)*	**102,985**	79,338
Financial leasing service fees		**52,224**	92,729
Settlement fees		**34,305**	19,636
Others		**6,519**	16,027
Sub-total		**846,442**	1,108,169
Fee and commission expense		**(76,117)**	(64,117)
Net fee and commission income		**770,325**	1,044,052

Note:

(i) Pursuant to the relevant provisions of the Notice on Strictly Implementing Accounting Standards, Strengthening the Annual Report of Enterprises in 2020 (Caikuai [2021] No. 2) issued by the Ministry of Finance of the People's Republic of China (the "MOF"), China Securities Regulatory Commission (the "CSRC"), State-owned Assets Supervision and Administration Commission of the State Council, and China Banking and Insurance Regulatory Commission (the "CBIRC") in January 2021, the Group reclassified the instalment income of credit cards for the six months ended 30 June 2020 from fee and commission income to interest income.

5 NET TRADING (LOSSES)/GAINS

	Note	Six months ended 30 June 2021	2020
Net (losses)/gains of foreign exchange and foreign exchange rate derivative financial instruments	*(i)*	**(70,619)**	140,203
Net (losses)/gains from debt securities	*(ii)*	**(10,856)**	1,002
Net losses from non-exchange derivative financial instruments		**(7,822)**	(10,211)
Total		**(89,297)**	130,994

Notes:

(i) Net (losses)/gains 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 (losses)/gains 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	
	2021	2020
Net gains on financial investments measured at fair value through profit or loss	**623,582**	341,379
Net gains on disposal of financial assets measured at fair value through other comprehensive income	**104,588**	567,635
Total	**728,170**	909,014

7 OTHER OPERATING INCOME

	Six months ended 30 June	
	2021	2020
Government grants	**13,340**	27,768
Rental income	**499**	277
Net losses on disposal of property and equipment, intangible assets and other assets	**(408)**	(388)
Others	**(3,736)**	1,210
Total	**9,695**	28,867

8 OPERATING EXPENSES

	Six months ended 30 June	
	2021	2020
Staff costs		
– Salaries, bonuses and allowances	**561,495**	618,315
– Social insurance and housing allowances	**70,215**	52,160
– Staff welfare expenses	**81,352**	50,183
– Staff education expenses	**14,577**	15,574
– Labor union expenses	**11,328**	12,459
– Post-employment benefits		
– Defined contribution plans	**108,407**	55,458
– Supplementary retirement benefits	**11,220**	5,800
Sub-total	**858,594**	809,949
Property and equipment expenses		
– Depreciation and amortisation	**237,321**	208,199
– Electronic equipment operating expenses	**42,874**	28,218
– Maintenance	**38,698**	34,357
Sub-total	**318,893**	270,774
Tax and surcharges	**70,741**	69,765
Other general and administrative expenses	**288,176**	306,386
Total	**1,536,404**	1,456,874

9 CREDIT LOSSES

	Six months ended 30 June	
	2021	2020
Loans and advances to customers	**1,262,812**	1,944,777
Deposits with banks and other financial institutions	**1,251**	210
Placements with banks and other financial institutions	**335**	(10,126)
Financial assets held under resale agreements	**6,028**	7,456
Financial investments measured at amortised cost	**(42,254)**	735,614
Financial investments measured at FVOCI		
– Debt instruments	**343,563**	(28,239)
Long-term receivables	**53,731**	134,237
Credit commitments	**6,139**	(2,015)
Others	**18,453**	5,809
Total	**1,650,058**	2,787,723

10 INCOME TAX EXPENSE

(1) Income tax for the reporting period

		Six months ended 30 June	
	Note	**2021**	2020
Current tax		**530,869**	935,781
Deferred tax	*25(2)*	**(223,253)**	(640,730)
Total		**307,616**	295,051

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

	Six months ended 30 June	
	2021	2020
Profit before taxation	**2,140,588**	1,859,542
Statutory tax rate	**25%**	25%
Income tax calculated at statutory tax rate	**535,147**	464,886
Tax effect of non-deductible expenses for tax purpose		
– Annuity	**4,166**	1,782
– Entertainment expenses	**1,627**	1,102
– Others	**12,621**	2,808
Sub-total	**18,414**	5,692
Tax effect of non-taxable income for tax purpose *(Note (i))*	**(245,945)**	(175,527)
Income tax	**307,616**	295,051

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	**2021**	2020
Weighted average number of ordinary shares (in thousands)	*11(1)*	**4,509,690**	4,509,690
Net profit attributable to equity shareholders of the Bank		**1,797,590**	1,530,517
Less: dividends on preference shares declared		**–**	–
Net profit attributable to ordinary shareholders of the Bank		**1,797,590**	1,530,517
Basic and diluted earnings per share (in RMB)		**0.40**	0.34

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 2021, 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 2021, the Bank did not consider the effects of dividends that may be distributed to shareholders of the overseas preference share in September 2021 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 2020 were RMB497 million).

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

	Six months ended 30 June	
	2021	2020
Number of ordinary shares as at 1 January	**4,509,690**	4,509,690
Increase in weighted average number of ordinary shares	**–**	–
Weighted average number of ordinary shares	**4,509,690**	4,509,690

12 CASH AND DEPOSITS WITH CENTRAL BANK

	Note	**30 June 2021**	31 December 2020
Cash on hand		**528,165**	565,606
Deposits with central bank			
– Statutory deposit reserves	*12(1)*	**23,320,530**	21,879,514
– Surplus deposit reserves	*12(2)*	**22,814,558**	24,566,884
– Fiscal deposits		**262,182**	196,923
Sub-total		**46,397,270**	46,643,321
Accrued interest		**11,889**	10,470
Total		**46,937,324**	47,219,397

(1) The Bank places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at 30 June 2021, the statutory deposit reserve ratios for RMB deposits applicable to the Bank were 8.0% (31 December 2020: 8.0%). As at 30 June 2021, the statutory deposit reserve ratios for foreign currency deposits applicable to the Bank were 7.0% (31 December 2020: 5.0%). The Bank's subsidiary places statutory deposit reserves with the PBOC in accordance with relevant regulations.

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

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

13 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2021	31 December 2020
In Mainland China		
– Banks	**2,882,257**	2,111,834
– Other financial institutions	**221,928**	74,540
Outside Mainland China		
– Banks	**953,104**	382,509
Accrued interest	**2,841**	945
Sub-total	**4,060,130**	2,569,828
Less: Provision for impairment losses	**(2,160)**	(909)
Total	**4,057,970**	2,568,919

14 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2021	31 December 2020
In Mainland China		
– Banks	**452,207**	–
Accrued interest	**1**	–
Sub-total	**452,208**	–
Less: Provision for impairment losses	**(335)**	–
Total	**451,873**	–

15 DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2021			31 December 2020		
	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	**51,196,841**	**226,390**	**(226,436)**	76,567,494	286,400	(288,347)
Total	**51,196,841**	**226,390**	**(226,436)**	76,567,494	286,400	(288,347)

16 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(1) Analysed by type and location of counterparty

	30 June 2021	31 December 2020
In Mainland China		
– Banks	**7,488,250**	8,934,700
– Other financial institutions	**1,387,006**	799,880
Accrued interest	**2,107**	536
Sub-total	**8,877,363**	9,735,116
Less: Provision for impairment losses	**(14,668)**	(8,640)
Total	**8,862,695**	9,726,476

(2) Analysed by type of security held

	30 June 2021	31 December 2020
Debt securities	**8,875,256**	9,734,580
Accrued interest	**2,107**	536
Sub-total	**8,877,363**	9,735,116
Less: Provision for impairment losses	**(14,668)**	(8,640)
Total	**8,862,695**	9,726,476

17 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by nature

	30 June 2021	31 December 2020
Measured at amortised cost:		
Corporate loans and advances		
– Corporate loans	**150,431,093**	138,776,966
Sub-total	**150,431,093**	138,776,966
Personal loans and advances		
– Residential mortgage	**43,940,272**	40,588,284
– Personal consumption loans	**12,456,861**	9,398,159
– Personal business loans	**11,036,878**	10,768,653
Sub-total	**67,434,011**	60,755,096
Accrued interest	**800,878**	899,064
Less: Provision for impairment losses of loans and advances to customers measured at amortised cost		
– 12-month expected credit loss (“ECL”)	**(2,270,681)**	(2,113,757)
– lifetime ECL		
– not credit-impaired loans	**(982,458)**	(923,214)
– credit-impaired loans	**(2,832,284)**	(2,250,830)
Total provision for impairment losses	**(6,085,423)**	(5,287,801)
Measured at FVOCI:		
Corporate loans and advances		
– Discounted bills	**17,050,861**	7,215,159
Net loans and advances to customers	**229,631,420**	202,358,484

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

	30 June 2021	31 December 2020
Unsecured loans	**45,799,403**	42,739,296
Guaranteed loans	**52,117,221**	50,477,538
Loans secured by mortgages	**91,920,927**	84,180,163
Pledged loans	**45,078,414**	29,350,224
Gross loans and advances to customers	**234,915,965**	206,747,221

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

	30 June 2021				
	Overdue within three months (inclusive)	**Overdue more than three months to one year (inclusive)**	**Overdue more than one year to three years (inclusive)**	**Overdue more than three years**	**Total**
Unsecured loans	**175,978**	**120,373**	**21,327**	**1,103**	**318,781**
Guaranteed loans	**599,902**	**496,613**	**916,903**	**88,351**	**2,101,769**
Loans secured by mortgages	**211,269**	**187,504**	**120,844**	**139,372**	**658,989**
Total	**987,149**	**804,490**	**1,059,074**	**228,826**	**3,079,539**
As a percentage of gross loans and advances to customers	**0.42%**	**0.34%**	**0.45%**	**0.10%**	**1.31%**

	31 December 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	138,236	72,263	6,458	416	217,373
Guaranteed loans	254,508	801,149	615,140	54,041	1,724,838
Loans secured by mortgages	193,896	123,061	132,659	141,906	591,522
Total	586,640	996,473	754,257	196,363	2,533,733
As a percentage of gross loans and advances to customers	0.30%	0.48%	0.36%	0.09%	1.23%

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 2021			
	12-month ECL	**Lifetime ECL – not credit-impaired**	**Lifetime ECL – credit-impaired** *(Note (i))*	**Total**
Gross loans and advances to customers measured at amortised cost (including accrued interest)	**212,377,227**	**2,720,271**	**3,568,484**	**218,665,982**
Less: Provision for impairment losses	**(2,270,681)**	**(982,458)**	**(2,832,284)**	**(6,085,423)**
Net loans and advances to customers measured at amortised cost	**210,106,546**	**1,737,813**	**736,200**	**212,580,559**

	31 December 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)	194,027,629	3,210,345	3,193,152	200,431,126
Less: Provision for impairment losses	(2,113,757)	(923,214)	(2,250,830)	(5,287,801)
Net loans and advances to customers measured at amortised cost	191,913,872	2,287,131	942,322	195,143,325

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

	30 June 2021			
	12-month ECL	**Lifetime ECL – not credit-impaired**	**Lifetime ECL – credit-impaired** *(Note (i))*	**Total**
Gross/net loans and advances to customers at FVOCI	**17,050,861**	**–**	**–**	**17,050,861**
Provision for impairment losses through other comprehensive income	**(15,584)**	**–**	**–**	**(15,584)**

	31 December 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	7,215,159	–	–	7,215,159
Provision for impairment losses through other comprehensive income	(14,781)	–	–	(14,781)

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 2021			
	12-month ECL	**Lifetime ECL – not credit-impaired**	**Lifetime ECL – credit-impaired**	**Total**
As at 1 January 2021	**2,113,757**	**923,214**	**2,250,830**	**5,287,801**
Transfer to				
– 12-month ECL	**6,153**	**(6,139)**	**(14)**	**–**
– Lifetime ECL				
– not credit-impaired loans	**(39,942)**	**46,475**	**(6,533)**	**–**
– credit-impaired loans	**(17,751)**	**(779,602)**	**797,353**	**–**
Charge for the period	**208,464**	**798,510**	**255,035**	**1,262,009**
Write-offs and transfer out	**–**	**–**	**(799,557)**	**(799,557)**
Recoveries of loans and advances written off	**–**	**–**	**345,763**	**345,763**
Other changes	**–**	**–**	**(10,593)**	**(10,593)**
As at 30 June 2021	**2,270,681**	**982,458**	**2,832,284**	**6,085,423**

	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	51,560	(43,574)	(7,986)	–
– Lifetime ECL				
– not credit-impaired loans	(19,830)	22,120	(2,290)	–
– credit-impaired loans	(21,223)	(1,294,564)	1,315,787	–
Charge for the year	580,227	1,061,857	1,330,888	2,972,972
Write-offs and transfer out	–	–	(2,372,532)	(2,372,532)
Recoveries of loans and advances written off	–	–	325,385	325,385
Other changes	–	–	(47,656)	(47,656)
As at 31 December 2020	2,113,757	923,214	2,250,830	5,287,801

(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 2021			
	12-month ECL	**Lifetime ECL – not credit-impaired**	**Lifetime ECL – credit-impaired**	**Total**
As at 1 January 2021	**14,781**	**–**	**–**	**14,781**
Charge for the period	**803**	**–**	**–**	**803**
As at 30 June 2021	**15,584**	**–**	**–**	**15,584**

	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 year	1,864	–	–	1,864
As at 31 December 2020	14,781	–	–	14,781

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 2021 and the year ended 31 December 2020, the Group transferred loans and advances to independent third parties with principal amount of RMB87 million and RMB134 million respectively.

18 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021	31 December 2020
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	**890,020**	704,792
– Corporate entities	**109,453**	178,160
Sub-total	**999,473**	882,952
Investment funds	**35,472,444**	24,363,870
Asset management plans	**11,148,719**	9,998,794
Trust fund plans	**1,572,820**	2,004,789
Total	**49,193,456**	37,250,405
Listed	**205,622**	260,796
Of which: listed outside Hong Kong	**205,622**	260,796
Unlisted	**48,987,834**	36,989,609
Total	**49,193,456**	37,250,405

19 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Note	**30 June 2021**	31 December 2020
Debt securities issued by the following institutions in Mainland China			
– Government		**26,630,428**	15,330,316
– Policy banks		**2,275,354**	6,437,969
– Banks and other financial institutions		**14,274,980**	11,039,796
– Corporate entities		**26,607,255**	26,338,440
Sub-total		**69,788,017**	59,146,521
Asset management plans		**5,158,950**	5,680,647
Other investments		**703,251**	703,121
Equity investments	*19(1)*	**23,250**	23,250
Accrued interest		**974,510**	1,274,463
Total		**76,647,978**	66,828,002
Listed	*19(2)*	**16,246,465**	26,027,905
Of which: listed outside Hong Kong		**16,246,465**	26,027,905
Unlisted		**60,401,513**	40,800,097
Total		**76,647,978**	66,828,002

(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 2021					
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**	**–**
Shandong City Commercial Bank Cooperation Alliance Co., Ltd.	**10,000**	**–**	**–**	**10,000**	**2.15**	**–**
Clearing Center for City Commercial Banks	**250**	**–**	**–**	**250**	**0.81**	**–**
Total	**23,250**	**–**	**–**	**23,250**		**–**

Investees	2020 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	1,800
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		1,800

For the six months ended 30 June 2021 and the year ended 31 December 2020, 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 2021			
	12-month ECL	**Lifetime ECL – not credit-impaired**	**Lifetime ECL – credit-impaired**	**Total**
As at 1 January 2021	**51,291**	**20,935**	**62,521**	**134,747**
Transfer to				
– 12-month ECL	**–**	**–**	**–**	**–**
– Lifetime ECL				
– not credit-impaired	**(541)**	**541**		
– credit-impaired	**(92)**	**(4,954)**	**5,046**	**–**
Charge/(Release) for the period	**6,485**	**170,788**	**166,290**	**343,563**
As at 30 June 2021	**57,143**	**187,310**	**233,857**	**478,310**

	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	16,615	(16,615)	–	–
– Lifetime ECL				
– credit-impaired	(41)	(4,984)	5,025	–
(Release)/Charge for the year	(152)	(13,538)	35,466	21,776
As at 31 December 2020	51,291	20,935	62,521	134,747

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 2021**	31 December 2020
Debt securities issued by the following institutions in Mainland China			
– Government		**28,231,883**	26,717,042
– Policy banks		**11,800,375**	11,799,924
– Banks and other financial institutions		**11,361,586**	18,552,129
– Corporate entities		**1,562,684**	1,823,781
Sub-total		**52,956,528**	58,892,876
Asset management plans		**5,426,670**	7,585,510
Trust fund plans		**2,030,700**	1,434,700
Other investments		**6,180,000**	6,150,000
Accrued interest		**869,004**	1,191,036
Less: Provision for impairment losses	*20(1)*	**(1,054,266)**	(1,096,520)
Total		**66,408,636**	74,157,602
Listed	*20(2)*	**699,559**	20,497,542
Of which: listed outside Hong Kong		**699,559**	20,497,542
Unlisted		**65,709,077**	53,660,060
Total		**66,408,636**	74,157,602

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

	Six months ended 30 June 2021			
	12-month ECL	**Lifetime ECL – not credit-impaired**	**Lifetime ECL – credit-impaired**	**Total**
As at 1 January 2021	**282,041**	**541,384**	**273,095**	**1,096,520**
Transfer to				
– Lifetime ECL				
– not credit-impaired	**–**	**–**	**–**	**–**
– credit-impaired	**–**	**(184,891)**	**184,891**	**–**
(Release)/Charge for the period	**(109,111)**	**(5,511)**	**72,368**	**(42,254)**
As at 30 June 2021	**172,930**	**350,982**	**530,354**	**1,054,266**

	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)	(59,300)	172,639	–
(Release)/Charge for the year	(9,334)	136,112	800,456	927,234
Others	–	–	(700,000)	(700,000)
As at 31 December 2020	282,041	541,384	273,095	1,096,520

(2) Only includes bonds traded on stock exchanges.

21 INVESTMENT IN SUBSIDIARY

	30 June 2021	31 December 2020
BQD Financial Leasing Company Limited	**510,000**	510,000
BQD Wealth Management Company Limited	**1,000,000**	1,000,000
Total	**1,510,000**	1,510,000

As at 30 June 2021 and 31 December 2020, 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 *(Note (i))*	51.00%	51.00%	1,000,000	510,000	Qingdao, China	Financial leasing
BQD Wealth Management Company Limited *(Note (ii))*	100.00%	100.00%	1,000,000	1,000,000	Qingdao, China	Wealth Management

Note:

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

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

22 LONG-TERM RECEIVABLES

	30 June 2021	31 December 2020
Minimum finance lease receivables	**11,297,283**	12,125,172
Less: Unearned finance lease income	**(808,791)**	(930,753)
Present value of finance lease receivables	**10,488,492**	11,194,419
Accrued interest	**86,891**	94,343
Sub-total	**10,575,383**	11,288,762
Less: Provision for impairment losses		
– 12-month ECL	**(205,674)**	(192,063)
– Lifetime ECL		
– not credit-impaired	**(12,554)**	(59,446)
– credit-impaired	**(123,761)**	(36,075)
Net balance	**10,233,394**	11,001,178

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

	Six months ended 30 June 2021			
	12-month ECL	**Lifetime ECL – not credit-impaired**	**Lifetime ECL – credit-impaired**	**Total**
As at 1 January 2021	**192,063**	**59,446**	**36,075**	**287,584**
Transfer to				
– Lifetime ECL				
– credit-impaired	**–**	**(22,956)**	**22,956**	**–**
Charge/(Release) for the period	**13,611**	**(23,936)**	**64,056**	**53,731**
Others	**–**	**–**	**674**	**674**
As at 30 June 2021	**205,674**	**12,554**	**123,761**	**341,989**

	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				
– not credit-impaired	(5,313)	5,313	–	–
– credit-impaired	(2,180)	(57,931)	60,111	–
Charge for the year	24,529	21,847	159,747	206,123
Others	–	–	(186,205)	(186,205)
As at 31 December 2020	192,063	59,446	36,075	287,584

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 2021			31 December 2020		
	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	**–**	**–**	**–**	29,679	(4,092)	25,587
Less than 1 year (inclusive)	**5,868,151**	**(489,802)**	**5,378,349**	5,842,581	(562,697)	5,279,884
1 year to 2 years (inclusive)	**3,552,142**	**(211,331)**	**3,340,811**	4,024,894	(265,342)	3,759,552
2 years to 3 years (inclusive)	**1,325,635**	**(56,699)**	**1,268,936**	1,842,646	(79,363)	1,763,283
3 years to 5 years (inclusive)	**301,227**	**(15,571)**	**285,656**	316,025	(12,653)	303,372
Indefinite	**250,128**	**(35,388)**	**214,740**	69,347	(6,606)	62,741
Total	**11,297,283**	**(808,791)**	**10,488,492**	12,125,172	(930,753)	11,194,419

23 PROPERTY AND EQUIPMENT

	Premises	**Electronic equipment**	**Vehicles**	**Machinery equipment and others**	**Construction in progress**	**Total**
Cost						
As at 1 January 2020	2,917,848	617,176	64,548	87,136	210,203	3,896,911
Increase	285,368	77,621	5,123	14,728	16,605	399,445
Decrease	(52,419)	(18,747)	(2,532)	(4,610)	–	(78,308)
As at 31 December 2020	3,150,797	676,050	67,139	97,254	226,808	4,218,048
Increase	5,156	30,201	8,007	7,304	39,935	90,603
Decrease	(93)	(16,883)	(3,737)	(1,531)	–	(22,244)
As at 30 June 2021	**3,155,860**	**689,368**	**71,409**	**103,027**	**266,743**	**4,286,407**
Accumulated depreciation						
As at 1 January 2020	(357,707)	(382,324)	(47,795)	(60,272)	–	(848,098)
Increase	(60,601)	(72,715)	(4,904)	(8,227)	–	(146,447)
Decrease	–	17,528	2,405	4,332	–	24,265
As at 31 December 2020	(418,308)	(437,511)	(50,294)	(64,167)	–	(970,280)
Increase	(35,414)	(35,360)	(2,736)	(5,011)	–	(78,521)
Decrease	–	15,978	3,550	1,157	–	20,685
As at 30 June 2021	**(453,722)**	**(456,893)**	**(49,480)**	**(68,021)**	**–**	**(1,028,116)**
Net book value						
As at 30 June 2021	**2,702,138**	**232,475**	**21,929**	**35,006**	**266,743**	**3,258,291**
As at 31 December 2020	2,732,489	238,539	16,845	33,087	226,808	3,247,768

As at 30 June 2021 and 31 December 2020, 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 2021 was RMB12 million (31 December 2020: 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 2021	31 December 2020
Held in Mainland China		
– Long-term leases (over 50 years)	**16,500**	16,695
– Medium-term leases (10 – 50 years)	**2,683,442**	2,713,504
– Short-term leases (less than 10 years)	**2,196**	2,290
Total	**2,702,138**	2,732,489

24 RIGHT-OF-USE ASSETS

	Premises	**Others**	**Total**
Cost			
As at 1 January 2020	939,004	4,114	943,118
Increase	162,455	–	162,455
Decrease	(19,803)	–	(19,803)
As at 31 December 2020	1,081,656	4,114	1,085,770
Increase	55,915	–	55,915
Decrease	(4,487)	–	(4,487)
As at 30 June 2021	**1,133,084**	**4,114**	**1,137,198**
Accumulated depreciation			
As at 1 January 2020	(123,539)	(651)	(124,190)
Increase	(140,550)	(651)	(141,201)
Decrease	6,442	–	6,442
As at 31 December 2020	(257,647)	(1,302)	(258,949)
Increase	(75,896)	(326)	(76,222)
Decrease	2,651	–	2,651
As at 30 June 2021	**(330,892)**	**(1,628)**	**(332,520)**
Net book value			
As at 30 June 2021	**802,192**	**2,486**	**804,678**
As at 31 December 2020	824,009	2,812	826,821

25 DEFERRED INCOME TAX ASSETS

(1) Analysed by nature

	30 June 2021		31 December 2020	
	Deductible/ (taxable) temporary differences	**Deferred Income tax assets/ (liabilities)**	Deductible/ (taxable) temporary differences	Deferred Income tax assets/ (liabilities)
Provision for impairment losses	**9,461,938**	**2,365,485**	8,866,008	2,216,502
Deferred interest income from discounted bills	**267,168**	**66,792**	100,848	25,212
Change in fair value	**150,950**	**37,737**	544,920	136,230
Others	**402,303**	**100,576**	360,292	90,073
Total	**10,282,359**	**2,570,590**	9,872,068	2,468,017

(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 2020	1,608,814	21,425	(137,255)	88,921	1,581,905
Recognised in profit or loss	613,598	3,787	59,270	952	677,607
Recognised in other comprehensive income	(5,910)	–	214,215	200	208,505
As at 31 December 2020	2,216,502	25,212	136,230	90,073	2,468,017
Recognised in profit or loss	235,074	41,580	(63,882)	10,481	223,253
Recognised in other comprehensive income	(86,091)	–	(34,611)	22	(120,680)
As at 30 June 2021	**2,365,485**	**66,792**	**37,737**	**100,576**	**2,570,590**

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 2021	31 December 2020
Continuously involved assets		**922,695**	583,720
Long-term deferred expense		**281,667**	256,939
Prepayments		**275,687**	221,964
Intangible assets	*26(1)*	**256,846**	252,518
Precious metals		**112,656**	112,656
Interest receivable *(Note (i))*	*26(2)*	**81,131**	18,675
Repossessed assets *(Note (ii))*		**56,490**	50,090
Deferred expense		**12,299**	2,355
Others		**379,826**	399,232
Sub-total		**2,379,297**	1,898,149
Less: Provision for impairment losses		**(26,786)**	(10,013)
Total		**2,352,511**	1,888,136

Notes:

(i) As at 30 June 2021 and 31 December 2020, the book value of the group's interest receivable after deducting the provision for impairment is RMB58.8602 million and RMB7,359.7 thousand, respectively.

(ii) Repossessed assets mainly included premises, etc. As at 30 June 2021 and 31 December 2020, there is no need to recognise provision for impairments losses of repossessed assets.

(1) Intangible assets

	Six months ended 30 June 2021	2020
Cost		
As at 1 January	**659,876**	518,914
Additions	**50,557**	152,982
Decrease	**–**	(12,020)
As at 30 June/31 December	**710,433**	659,876
Accumulated amortisation		
As at 1 January	**(407,358)**	(324,671)
Additions	**(46,229)**	(82,999)
Decrease	**–**	312
As at 30 June/31 December	**(453,587)**	(407,358)
Net value		
As at 30 June/31 December	**256,846**	252,518
As at 1 January	**252,518**	194,243

Intangible assets of the Group mainly include software.

(2) Interest receivable

	30 June 2021	31 December 2020
Interest receivable arising from:		
– Loans and advances to customers	**68,804**	18,042
– Long-term receivables	**12,327**	633
Total	**81,131**	18,675

27 BORROWINGS FROM CENTRAL BANK

	30 June 2021	31 December 2020
Borrowings	**11,141,591**	7,337,774
Re-discounted bills	**3,792,285**	3,864,679
Accrued interest	**11,128**	4,616
Total	**14,945,004**	11,207,069

28 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2021	31 December 2020
In Mainland China		
– Banks	**330,787**	313,382
– Other financial institutions	**7,433,733**	16,623,431
Accrued interest	**61,963**	87,919
Total	**7,826,483**	17,024,732

29 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2021	31 December 2020
In Mainland China		
– Banks	**13,623,601**	12,850,606
Outside Mainland China		
– Banks	**839,813**	–
Accrued interest	**125,597**	96,969
Total	**14,589,011**	12,947,575

30 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(1) Analysed by type and location of counterparty

	30 June 2021	31 December 2020
In Mainland China		
– Central Bank	**3,580,000**	17,810,000
– Banks	**28,006,811**	14,783,748
Outside Mainland China		
– Banks	**–**	499,691
Accrued interest	**4,494**	5,910
Total	**31,591,305**	33,099,349

(2) Analysed by types of collaterals

	30 June 2021	31 December 2020
Debt securities	**20,459,490**	31,618,091
Discounted bills	**11,127,321**	1,475,348
Accrued interest	**4,494**	5,910
Total	**31,591,305**	33,099,349

31 DEPOSITS FROM CUSTOMERS

	30 June 2021	31 December 2020
Demand deposits		
– Corporate deposits	**112,968,000**	111,491,369
– Personal deposits	**26,753,635**	22,899,499
Sub-total	**139,721,635**	134,390,868
Time deposits		
– Corporate deposits	**81,874,236**	71,955,873
– Personal deposits	**73,836,213**	65,439,816
Sub-total	**155,710,449**	137,395,689
Outward remittance and remittance payables	**152,597**	428,585
Fiscal deposits to be transferred	**26,281**	16,342
Accrued interest	**3,696,667**	3,519,226
Total	**299,307,629**	275,750,710
Including:		
Pledged deposits	**17,524,631**	11,767,939

32 DEBT SECURITIES ISSUED

	30 June 2021	31 December 2020
Debt securities issued *(Note (i))*	**27,985,099**	22,487,484
Certificates of interbank deposit issued *(Note (ii))*	**67,083,382**	50,009,437
Accrued interest	**363,741**	337,587
Total	**95,432,222**	72,834,508

Notes:

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

(a) 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 matured on 14 March 2021 with annual interest payments. As at 31 December 2020, the fair value of the debts was RMB0.501 billion.

(b) 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 2021, the fair value of the debts was RMB1.003 billion (31 December 2020: RMB1.002 billion).

(c) 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 2021, the fair value of the debts was RMB3.044 billion (31 December 2020: RMB2.964 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 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 2021, the fair value of the debts was RMB2.030 billion (31 December 2020: RMB1.976 billion).

(e) 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 2021, the fair value of the debts was RMB3.018 billion (31 December 2020: RMB3.009 billion).

(f) Five-year Financial Bonds were issued with an interest rate of 3.98% per annum and with a nominal amount of RMB1.0 billion in May 2019. The debts will mature on 22 May 2024 with annual interest payments. As at 30 June 2021, the fair value of the debts was RMB1.018 billion (31 December 2020: RMB1.010 billion).

(g) 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 2021, the fair value of the debts was RMB3.020 billion (31 December 2020: RMB3.011 billion).

(h) 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 2021, the fair value of the debts was RMB1.018 billion (31 December 2020: RMB1.010 billion).

(i) 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 2021, the fair value of the debts was RMB3.017 billion (31 December 2020: RMB2.997 billion).

(j) 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 2021, the fair value of the debts was RMB1.014 billion (31 December 2020: RMB1.004 billion).

(k) 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 2021, the fair value of the debts was RMB3.016 billion (31 December 2020: RMB2.995 billion).

(l) 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 2021, the fair value of the debts was RMB1.013 billion (31 December 2020: RMB1.002 billion).

(m) Ten-year tier-two capital bonds were issued with an interest rate of 4.80% per annum and with a nominal amount of RMB4.0 billion in March 2021. The debts will mature on 24 March 2031 with annual interest payments. The Group has an option to redeem the debts at the end of the fifth year at the nominal amount. As at 30 June 2021, the fair value of the debts was RMB4.080 billion.

(n) Ten-year tier-two capital bonds were issued with an interest rate of 4.34% per annum and with a nominal amount of RMB2.0 billion in May 2021. The debts will mature on 28 May 2031 with annual interest payments. The Group has an option to redeem the debts at the end of the fifth year at the nominal amount. As at 30 June 2021, the fair value of the debts was RMB1.999 billion.

(ii) The Group issued a number of certificates of interbank deposit with duration between 1 month and 1 year. As at 30 June 2021 and 31 December 2020, the fair value of outstanding certificates of interbank deposit was RMB67.145 billion and RMB50.023 billion, respectively.

33 LEASE LIABILITIES

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

	30 June 2021	31 December 2020
Less than 1 year (inclusive)	**133,736**	123,746
1 year to 2 years (inclusive)	**100,955**	102,486
2 years to 3 years (inclusive)	**84,761**	80,705
3 years to 5 years (inclusive)	**111,913**	121,661
Over 5 years	**74,530**	73,593
Total undiscounted cash flows of lease liabilities	**505,895**	502,191
Lease liabilities on statement of financial position	**456,469**	453,671

34 OTHER LIABILITIES

	Note	**30 June 2021**	31 December 2020
Payable arising from fiduciary activities		**1,257,751**	1,608,948
Continuously involved liabilities		**922,695**	583,720
Risk guarantee deposits for leasing business		**753,367**	728,835
Employee benefits payable	*34(1)*	**616,124**	864,886
Settlement payable		**449,624**	266,424
Taxes payable	*34(2)*	**181,650**	166,877
ECL on credit commitments	*34(3)*	**108,402**	102,263
Dividend payable		**18,516**	17,765
Others		**279,121**	543,147
Total		**4,587,250**	4,882,865

(1) Employee benefits payable

	30 June 2021	31 December 2020
Salaries, bonuses and allowances payable	**432,210**	675,187
Social insurance and housing allowances payable	**103**	103
Staff welfare expenses	**31,321**	58,920
Staff education expenses	**34,867**	20,709
Labor union expenses	**18,715**	17,179
Post-employment benefits-defined contribution plans	**10,678**	10,678
Supplementary retirement benefits *(note (i))*	**88,230**	82,110
Total	**616,124**	864,886

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 2021	31 December 2020
Value added tax payable	**151,114**	140,169
Urban construction tax and surcharges payable	**29,781**	25,205
Others	**755**	1,503
Total	**181,650**	166,877

(3) Expected credit loss on credit commitments

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

	Six months ended 30 June 2021			
	12-month ECL	**Lifetime ECL – not credit-impaired**	**Lifetime ECL – credit-impaired**	**Total**
As at 1 January 2021	**102,164**	**99**	**–**	**102,263**
Transfer to				
– 12-month ECL	**5**	**(5)**	**–**	**–**
– Lifetime ECL				
– not credit-impaired	**(1)**	**1**	**–**	**–**
Charge for the period	**5,600**	**539**	**–**	**6,139**
As at 30 June 2021	**107,768**	**634**	**–**	**108,402**

	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 year	4,852	(2,249)	(55)	2,548
As at 31 December 2020	102,164	99	–	102,263

35 SHARE CAPITAL

Authorised and issued share capital

	30 June 2021	31 December 2020
Number of shares authorised, issued and fully paid at nominal value (in thousands)	**4,509,690**	4,509,690

36 PREFERENCE SHARES

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

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

(2) Main Clauses

(a) Dividend

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

(b) Conditions to distribution of dividends

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

(c) Dividend stopper

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

(d) Order of distribution and liquidation method

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

(e) Mandatory conversion trigger events

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

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

(f) Redemption

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

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

(g) Dividend setting mechanism

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

(3) Changes in preference shares outstanding

1 January 2021		Increase during the period		30 June 2021	
Amount ***(in thousands of shares)***	**Book value** ***(in thousands of RMB)***	**Amount** ***(in thousands of shares)***	**Book value** ***(in thousands of RMB)***	**Amount** ***(in thousands of shares)***	**Book value** ***(in thousands of RMB)***
60,150	**7,853,964**	**–**	**–**	**60,150**	**7,853,964**

1 January 2020		Increase during the year		31 December 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

(4) Interests attribute to equity instruments' holders

Items	**30 June 2021**	31 December 2020
Total equity attribute to equity holders of the Bank	**31,633,059**	30,285,174
– Equity attribute to ordinary shareholders of the Bank	**23,779,095**	22,431,210
– Equity attribute to preference shareholders of the Bank	**7,853,964**	7,853,964
Total equity attribute to non-controlling interests	**657,066**	621,684
– Equity attribute to non-controlling interests of ordinary shares	**657,066**	621,684

37 RESERVES

(1) Capital reserve

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

(2) Surplus reserve

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

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

(3) General reserve

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

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

The Bank set aside a general reserve upon approval by the board of directors. The general reserve balance of the Bank as at 31 December 2020 amounted to RMB4.981 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 2021				
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	**(8,191)**	**(90)**	**–**	**22**	**(68)**	**(8,259)**
Items that may be reclassified to profit or loss						
Including: Changes in fair value from financial assets measured at FVOCI	**(71,238)**	**243,031**	**(104,588)**	**(34,611)**	**103,832**	**32,594**
Credit losses of financial assets measured at FVOCI	**112,146**	**380,757**	**(36,391)**	**(86,091)**	**258,275**	**370,421**
Total	**32,717**	**623,698**	**(140,979)**	**(120,680)**	**362,039**	**394,756**

Items	Balance at the beginning of the year	Before-tax amount	Less: Previously recognised amount transferred to profit or loss	Less: Income tax expense	Net-of-tax amount	Balance at the end of the year
	2020					
Items that will not be reclassified to profit or loss						
Including: Remeasurements of defined benefit plan	(7,591)	(800)	–	200	(600)	(8,191)
Items that may be reclassified to profit or loss						
Including: Changes in fair value from financial assets measured at FVOCI	571,405	(285,652)	(571,206)	214,215	(642,643)	(71,238)
Credit losses of financial assets measured at FVOCI	94,416	72,189	(48,549)	(5,910)	17,730	112,146
Total	658,230	(214,263)	(619,755)	208,505	(625,513)	32,717

38 PROFIT APPROPRIATION

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

– Appropriated RMB233 million to statutory surplus reserve;

– Appropriated RMB581 million to general reserve;

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

(2) At the Bank's board of directors meeting held on 28 August 2020. According to the terms of issuance of the offshore preference shares and related authorization, the chairman, the president and the secretary to the board of directors of the Bank jointly signed the Decision on Full Distribution of Dividends of the Third Year on Offshore Preference Shares of Bank of Qingdao Co., Ltd. for overseas preference shares to be distributed amounts to USD73.5167 million (including tax), calculated at the initial annual dividend rate of 5.50% (after tax) before the first reset date pursuant to the terms and conditions of overseas preference shares. The dividend payment date is 19 September 2020, and the amount of dividend is equivalent to approximately RMB497 million (including tax).

(3) 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).

39 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents:

	30 June 2021	30 June 2020
Cash	**528,165**	721,614
Surplus deposit reserves with central bank	**22,814,558**	13,663,443
Original maturity within three months:		
– Deposits with banks and other financial institutions	**3,657,289**	2,041,302
– Placements with banks and other financial institutions	**452,207**	–
– Certificates of interbank deposit issued	**597,566**	–
Total	**28,049,785**	16,426,359

40 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Relationship of related parties

(a) Major shareholders

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

Major shareholders' information

Company name	Number of ordinary shares of the Bank held by the Company *(in thousands)*	Proportion of ordinary shares of the Bank held by the Company: **30 June 2021**	Proportion of ordinary shares of the Bank held by the Company: 31 December 2020	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")	–	**–**	9.08%	Qingdao	Outbound investment	Limited liability company	ZHANG Ruimin
Qingdao Haier Industrial Development Co., Ltd. ("Haier Industrial")	409,693	**9.08%**	–	Qingdao	Business activities	Limited liability company	XIE Juzhi

Note:

(i) In June 2021, Haier Investment transferred all its shares of the Bank to Haier Industrial.

Changes in ordinary shares of the Bank held by major shareholders

	ISP		Qingdao Conson		Haier Investment		Haier Industrial	
	Number *(in thousands of shares)*	**Percentage**	**Number** *(in thousands of shares)*	**Percentage**	**Number** *(in thousands of shares)*	**Percentage**	**Number** *(in thousands of shares)*	**Percentage**
As at 1 January 2020	624,754	13.85%	503,556	11.17%	409,693	9.08%	–	–
Increase	–	–	–	–	–	–	–	–
As at 31 December 2020	624,754	13.85%	503,556	11.17%	409,693	9.08%	–	–
(Decrease)/Increase	–	–	–	–	(409,693)	(9.08%)	409,693	9.08%
As at 30 June 2021	**624,754**	**13.85%**	**503,556**	**11.17%**	**–**	**–**	**409,693**	**9.08%**

Changes in registered capital of major shareholders

	Currency	**30 June 2021**	31 December 2020
ISP	EUR	**10,084 Million**	10,084 Million
Qingdao Conson	RMB	**2,000 Million**	2,000 Million
Haier Industrial	RMB	**4,500 Million**	4,500 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) which members of the board of directors, the board of supervisors and senior management, and close family members of such individuals can control, jointly control or act as directors or senior managers in, etc.

(2) Related party transactions and balances

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

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

	ISP and its group	Qingdao Conson and its group	Haier Investment 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 2021							
On-balance sheet items:							
Loans and advances to customers *(Note (i))*	**–**	**–**	**345,252**	**–**	**14,381**	**359,633**	**0.15%**
Financial investments at FVTPL	**–**	**–**	**–**	**2,426,807**	**–**	**2,426,807**	**4.93%**
Long-term receivables *(Note(ii))*	**–**	**–**	**225,219**	**–**	**–**	**225,219**	**2.13%**
Deposits with banks and other financial institutions	**2,802**	**–**	**–**	**–**	**–**	**2,802**	**0.07%**
Deposits from customers	**240,451**	**127,781**	**595,558**	**2,083,936**	**91,042**	**3,138,768**	**1.05%**
Deposits from banks and other financial institutions	**–**	**–**	**511**	**60,437**	**–**	**60,948**	**0.78%**
Six months ended 30 June 2021							
Interest income	**–**	**–**	**21,104**	**–**	**245**	**21,349**	**0.24%**
Interest expense	**933**	**1,058**	**5,058**	**28,519**	**1,082**	**36,650**	**0.74%**
Fee and commission income	**–**	**–**	**–**	**16,046**	**–**	**16,046**	**1.90%**
Other operating losses	**–**	**–**	**–**	**6,300**	**–**	**6,300**	**64.98%**

	ISP and its group	Qingdao Conson and its group	Haier Investment and its group	Other corporate related parties	Other individual related parties	Total	Proportion to gross amount/ balance of similar transactions
As at 31 December 2020							
On-balance sheet items:							
Loans and advances to customers *(Note(i))*	–	–	372,511	–	11,886	384,397	0.19%
Financial investments at FVTPL	–	–	–	2,457,303	–	2,457,303	6.60%
Long-term receivables *(Note(ii))*	–	–	300,340	–	–	300,340	2.66%
Deposits with banks and other financial institutions	299	–	–	–	–	299	0.01%
Deposits from customers	160,743	291,355	559,099	1,612,746	87,888	2,711,831	0.98%
Deposits from banks and other financial institutions	–	–	508	28,813	–	29,321	0.17%
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	2.77%
Other operating losses	–	–	–	2,000	–	2,000	6.93%

Notes:

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

	30 June 2021	31 December 2020
Qingdao Haichen real estate development Co., Ltd.	**344,370**	371,600
Individuals	**14,358**	11,866
Total	**358,728**	383,466

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

	30 June 2021	31 December 2020
Qingdao Haier Global Innovation Model Research Co., Ltd.	**225,000**	300,000
Total	**225,000**	300,000

(b) Transactions with subsidiary

	30 June 2021	31 December 2020
Balances at the end of the period/year:		
On-balance sheet items:		
Deposits from banks and other financial institutions	**697,703**	280,450

	Six months ended 30 June	
	2021	2020
Transactions during the period:		
Interest income	**–**	3,712
Interest expense	**2,089**	1,117
Fee and commission income	**9**	10
Fee and commission expense	**59,954**	–
Other operating income	**1,014**	1,274

(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	
	2021	2020
Remuneration of key management personnel	**9,819**	7,576

As at 30 June 2021, the credit card overdraft balance of the Bank to the key management personnel amounted to RMB85.0 thousand (31 December 2020: RMB37.6 thousand), which have been included in loans and advances to related parties stated in Note 40(2).

(4) Plan and transaction of annuity

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

41 SEGMENT REPORTING

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

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

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

Corporate banking

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

Retail banking

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

Financial market business

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

Un-allocated items and others

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

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

	30 June 2021				
	Corporate banking	**Retail banking**	**Financial market business**	**Un-allocated items and others**	**Total**
Segment assets	**200,373,694**	**86,673,175**	**201,712,919**	**10,306,828**	**499,066,616**
Deferred tax assets					**2,570,590**
Total assets					**501,637,206**
Segment liabilities/ Total liabilities	**223,739,401**	**104,695,795**	**131,533,434**	**9,378,451**	**469,347,081**
Credit commitments	**32,209,772**	**10,542,581**	**–**	**–**	**42,752,353**

	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	668,786	812,263	147,781	3,991,212
Internal net interest income/(expense)	557,274	156,792	(714,066)	–	–
Net interest income	2,919,656	825,578	98,197	147,781	3,991,212
Net fee and commission income	100,941	203,585	648,804	90,722	1,044,052
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

	31 December 2020				
	Corporate banking	Retail banking	Financial market business	Un-allocated items and others	Total
Segment assets	176,838,852	76,223,628	192,141,453	12,155,655	457,359,588
Deferred tax assets					2,468,017
Total assets					459,827,605
Segment liabilities/ Total liabilities	199,348,948	92,056,367	127,234,526	10,280,906	428,920,747
Credit commitments	30,230,165	6,292,802	–	–	36,522,967

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. Credit risk management is under the unified leadership of the Risk Management Committee of the head office. Each business unit is required to implement credit policies and procedures, and is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval.

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

(b) Credit risk assessment method

Stage of financial instruments

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

The three risk stages are defined as follows:

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

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

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

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 financial assets measured at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

– significant financial difficulty of the borrower or issuer;

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

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

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

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

Measuring ECL – the parameters, assumptions and valuation techniques

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

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

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

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

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 2021, 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 regularly evaluates alternative macroeconomic indicators, from which the Group identified critical economic indicators that affect the credit risk and ECL of asset portfolios, including gross domestic product (GDP), consumer price index (CPI), monetary aggregates (M2) etc. The Group identified the relations between these economic indicators and the probability of default historically by conducting regression analysis, and identified the expected probability of default by predicting future economic indicators.

During the six months ended 30 June 2021, the Group has taken into account different macroeconomic scenarios, combined with the impact of other factors such as COVID-19 pandemic on economic development trends, and made forward-looking forecasts of key economic indicators, including the average forecasted year-on-year growth rate of GDP, used to estimate ECL, which is about 9.38% in the neutral scenario for 2021.

The Group has carried out sensitivity analysis of key economic variables, used in forward-looking measurement. As at 30 June 2021 and 31 December 2020, when the key economic indicators in the neutral scenario move up or down by 5%, the ECL will not change by more than 1.5%.

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.

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 2021	31 December 2020
Deposits with central bank	**46,409,159**	46,653,791
Deposits with banks and other financial institutions	**4,057,970**	2,568,919
Placements with banks and other financial institutions	**451,873**	–
Derivative financial assets	**226,390**	286,400
Financial assets held under resale agreements	**8,862,695**	9,726,476
Loans and advances to customers	**229,631,420**	202,358,484
Financial investments:		
– Financial investments measured at FVTPL	**13,721,012**	12,886,535
– Financial investments measured at FVOCI	**76,624,728**	66,804,752
– Financial investments measured at amortised cost	**66,408,636**	74,157,602
Long-term receivables	**10,233,394**	11,001,178
Others	**424,967**	398,303
Subtotal	**457,052,244**	426,842,440
Off-balance sheet credit commitments	**42,752,353**	36,522,967
Total maximum credit risk exposure	**499,804,597**	463,365,407

(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 2021		31 December 2020	
	Amount	**Percentage**	Amount	Percentage
Manufacturing	**33,195,135**	**14.12%**	27,657,606	13.37%
Construction	**27,048,564**	**11.51%**	24,704,927	11.95%
Renting and business activities	**23,676,010**	**10.08%**	21,806,775	10.55%
Real estate	**22,536,532**	**9.59%**	20,970,449	10.14%
Wholesale and retail trade	**21,601,677**	**9.20%**	15,003,646	7.26%
Water, environment and public utility management	**20,990,253**	**8.94%**	19,600,238	9.48%
Transportation, storage and postal services	**4,336,929**	**1.85%**	3,082,904	1.49%
Production and supply of electric and heating power, gas and water	**4,099,366**	**1.75%**	3,797,074	1.84%
Financial service	**3,036,970**	**1.29%**	1,869,095	0.90%
Scientific Research and Technical Services Industries	**2,236,480**	**0.95%**	2,241,260	1.08%
Others	**4,724,038**	**2.01%**	5,258,151	2.55%
Subtotal for corporate loans and advances	**167,481,954**	**71.29%**	145,992,125	70.61%
Personal loans and advances	**67,434,011**	**28.71%**	60,755,096	29.39%
Total for loans and advances to customers	**234,915,965**	**100.00%**	206,747,221	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 2021					
	Unrated	**AAA**	**AA**	**A**	**Below A**	**Total**
Debt securities (analysed by type of issuers):						
Government	**–**	**54,858,177**	**–**	**–**	**–**	**54,858,177**
Policy banks	**–**	**14,074,529**	**–**	**–**	**–**	**14,074,529**
Banks and other financial institutions	**–**	**24,654,527**	**1,394,813**	**–**	**475,575**	**26,524,915**
Corporate entities	**–**	**9,755,544**	**14,366,009**	**159,171**	**3,997,305**	**28,278,029**
Total	**–**	**103,342,777**	**15,760,822**	**159,171**	**4,472,880**	**123,735,650**

	31 December 2020					
	Unrated	AAA	AA	A	Below A	Total
Debt securities (analysed by type of issuers):						
Government	–	42,043,464	–	–	–	42,043,464
Policy banks	–	18,236,685	–	–	–	18,236,685
Banks and other financial institutions	–	28,848,403	1,024,690	–	418,859	30,291,952
Corporate entities	49,379	10,886,302	12,345,129	162,340	4,895,424	28,338,574
Total	49,379	100,014,854	13,369,819	162,340	5,314,283	118,910,675

(g) Analysis on the credit quality of financial instruments

As at 30 June 2021, the Group's credit risk stages of financial instruments are as follows:

	30 June 2021							
	Book balance				**Provision for expected credit losses**			
Financial assets measured at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Cash and balances with central banks	**46,937,324**	**–**	**–**	**46,937,324**	**–**	**–**	**–**	**–**
Deposits with banks and other financial institutions	**4,060,130**	**–**	**–**	**4,060,130**	**(2,160)**	**–**	**–**	**(2,160)**
Placements with banks and other financial institutions	**452,208**	**–**	**–**	**452,208**	**(335)**	**–**	**–**	**(335)**
Financial assets held under resale agreements	**8,877,363**	**–**	**–**	**8,877,363**	**(14,668)**	**–**	**–**	**(14,668)**
Loans and advances to customers								
– General corporate loans and advances	**145,472,999**	**2,438,464**	**3,157,021**	**151,068,484**	**(2,014,024)**	**(906,709)**	**(2,545,712)**	**(5,466,445)**
– Personal loans and advances	**66,904,228**	**281,807**	**411,463**	**67,597,498**	**(256,657)**	**(75,749)**	**(286,572)**	**(618,978)**
Financial investments	**65,561,404**	**1,126,798**	**774,700**	**67,462,902**	**(172,930)**	**(350,982)**	**(530,354)**	**(1,054,266)**
Long-term receivables	**10,309,286**	**50,270**	**215,827**	**10,575,383**	**(205,674)**	**(12,554)**	**(123,761)**	**(341,989)**
Total	**348,574,942**	**3,897,339**	**4,559,011**	**357,031,292**	**(2,666,448)**	**(1,345,994)**	**(3,486,399)**	**(7,498,841)**

	30 June 2021							
	Book balance				**Provision for expected credit losses**			
Financial assets measured at FVOCI	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers								
– Discounted bills	**17,050,861**	**–**	**–**	**17,050,861**	**(15,584)**	**–**	**–**	**(15,584)**
Financial investments	**74,943,134**	**1,370,246**	**311,348**	**76,624,728**	**(57,143)**	**(187,310)**	**(233,857)**	**(478,310)**
Total	**91,993,995**	**1,370,246**	**311,348**	**93,675,589**	**(72,727)**	**(187,310)**	**(233,857)**	**(493,894)**
Off-balance sheet credit commitments	**42,732,015**	**20,288**	**50**	**42,752,353**	**(107,768)**	**(634)**	**–**	**(108,402)**

	31 December 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	47,219,397	–	–	47,219,397	–	–	–	–
Deposits with banks and other financial institutions	2,569,828	–	–	2,569,828	(909)	–	–	(909)
Financial assets held under resale agreements	9,735,116	–	–	9,735,116	(8,640)	–	–	(8,640)
Loans and advances to customers								
– General corporate loans and advances	133,689,112	2,978,016	2,862,647	139,529,775	(1,861,218)	(862,231)	(2,021,614)	(4,745,063)
– Personal loans and advances	60,338,517	232,329	330,505	60,901,351	(252,539)	(60,983)	(229,216)	(542,738)
Financial investments	73,294,008	1,626,202	333,912	75,254,122	(282,041)	(541,384)	(273,095)	(1,096,520)
Long-term receivables	10,848,974	377,392	62,396	11,288,762	(192,063)	(59,446)	(36,075)	(287,584)
Total	337,694,952	5,213,939	3,589,460	346,498,351	(2,597,410)	(1,524,044)	(2,560,000)	(6,681,454)

	31 December 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	7,215,159	–	–	7,215,159	(14,781)	–	–	(14,781)
Financial investments	65,610,916	1,143,302	50,534	66,804,752	(51,291)	(20,935)	(62,521)	(134,747)
Total	72,826,075	1,143,302	50,534	74,019,911	(66,072)	(20,935)	(62,521)	(149,528)
Off-balance sheet credit commitments	36,514,860	8,057	50	36,522,967	(102,164)	(99)	–	(102,263)

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 2021					
	Total	**Non-interest bearing**	**Less than three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**
Assets						
Cash and deposits with central bank	**46,937,324**	**802,236**	**46,135,088**	**–**	**–**	**–**
Deposits with banks and other financial institutions	**4,057,970**	**2,841**	**3,655,291**	**399,838**	**–**	**–**
Placements with banks and other financial institutions	**451,873**	**1**	**451,872**	**–**	**–**	**–**
Financial assets held under resale agreements	**8,862,695**	**2,107**	**8,860,588**	**–**	**–**	**–**
Loans and advances to customers *(Note (i))*	**229,631,420**	**653,882**	**51,570,427**	**138,124,239**	**36,781,932**	**2,500,940**
Financial investments *(Note (ii))*	**192,250,070**	**1,864,511**	**30,299,216**	**29,616,158**	**61,267,894**	**69,202,291**
Long-term receivables	**10,233,394**	**84,510**	**1,529,229**	**5,499,231**	**3,120,424**	**–**
Others	**9,212,460**	**9,212,460**	**–**	**–**	**–**	**–**
Total assets	**501,637,206**	**12,622,548**	**142,501,711**	**173,639,466**	**101,170,250**	**71,703,231**
Liabilities						
Borrowings from central bank	**14,945,004**	**11,128**	**4,446,700**	**10,487,176**	**–**	**–**
Deposits from banks and other financial institutions	**7,826,483**	**61,963**	**4,115,520**	**3,649,000**	**–**	**–**
Placements from banks and other financial institutions	**14,589,011**	**125,597**	**4,330,000**	**10,133,414**	**–**	**–**
Financial assets sold under repurchase agreements	**31,591,305**	**4,494**	**31,586,811**	**–**	**–**	**–**
Deposits from customers	**299,307,629**	**3,875,545**	**178,532,280**	**42,528,879**	**74,217,167**	**153,758**
Debt securities issued	**95,432,222**	**363,741**	**15,294,606**	**58,787,080**	**9,995,052**	**10,991,743**
Others	**5,655,427**	**5,198,958**	**37,218**	**88,010**	**273,526**	**57,715**
Total liabilities	**469,347,081**	**9,641,426**	**238,343,135**	**125,673,559**	**84,485,745**	**11,203,216**
Asset-liability gap	**32,290,125**	**2,981,122**	**(95,841,424)**	**47,965,907**	**16,684,505**	**60,500,015**

	31 December 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	47,219,397	772,999	46,446,398	–	–	–
Deposits with banks and other financial institutions	2,568,919	945	2,567,974	–	–	–
Financial assets held under resale agreements	9,726,476	536	9,725,940	–	–	–
Loans and advances to customers *(Note (i))*	202,358,484	780,189	44,812,630	123,282,741	32,059,405	1,423,519
Financial investments *(Note (ii))*	178,236,009	2,433,932	28,892,907	23,985,340	57,862,325	65,061,505
Long-term receivables	11,001,178	92,202	4,618,966	2,749,007	3,541,003	–
Others	8,717,142	8,717,142	–	–	–	–
Total assets	459,827,605	12,797,945	137,064,815	150,017,088	93,462,733	66,485,024
Liabilities						
Borrowings from central bank	11,207,069	4,616	3,425,475	7,776,978	–	–
Deposits from banks and other financial institutions	17,024,732	87,919	11,974,813	4,962,000	–	–
Placements from banks and other financial institutions	12,947,575	96,969	6,087,107	6,763,499	–	–
Financial assets sold under repurchase agreements	33,099,349	5,910	33,093,439	–	–	–
Deposits from customers	275,750,710	3,964,154	168,676,139	44,435,723	58,477,093	197,601
Debt securities issued	72,834,508	337,587	14,850,629	36,658,605	15,992,125	4,995,562
Others	6,056,804	5,603,133	36,271	80,909	279,542	56,949
Total liabilities	428,920,747	10,100,288	238,143,873	100,677,714	74,748,760	5,250,112
Asset-liability gap	30,906,858	2,697,657	(101,079,058)	49,339,374	18,713,973	61,234,912

Notes:

(i) For the Group's loans and advances to customers, the category "Less than three months" as at 30 June 2021 includes overdue loans and advances (net of provision for impairment losses) of RMB914 million (31 December 2020: RMB837 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 2021 (Decrease)/ Increase**	31 December 2020 (Decrease)/ Increase
Interest rates increase by 100 bps	**(598,670)**	(640,745)
Interest rates decrease by 100 bps	**598,670**	640,745

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 2021			
	RMB	**USD** *(RMB Equivalent)*	**Others** *(RMB Equivalent)*	**Total** *(RMB Equivalent)*
Assets				
Cash and deposits with central bank	**46,523,872**	**409,086**	**4,366**	**46,937,324**
Deposits with banks and other financial institutions	**1,167,294**	**2,862,963**	**27,713**	**4,057,970**
Placements with banks and other financial institutions	**–**	**451,873**	**–**	**451,873**
Financial assets held under resale agreements	**8,862,695**	**–**	**–**	**8,862,695**
Loans and advances to customers	**224,912,608**	**4,718,812**	**–**	**229,631,420**
Financial investments *(Note (i))*	**182,444,008**	**9,806,062**	**–**	**192,250,070**
Long-term receivables	**10,233,394**	**–**	**–**	**10,233,394**
Others	**9,210,535**	**–**	**1,925**	**9,212,460**
Total assets	**483,354,406**	**18,248,796**	**34,004**	**501,637,206**
Liabilities				
Borrowings from central bank	**14,945,004**	**–**	**–**	**14,945,004**
Deposits from banks and other financial institutions	**7,826,478**	**5**	**–**	**7,826,483**
Placements from banks and other financial institutions	**11,083,258**	**3,505,753**	**–**	**14,589,011**
Financial assets sold under repurchase agreements	**31,591,305**	**–**	**–**	**31,591,305**
Deposits from customers	**293,277,565**	**6,008,764**	**21,300**	**299,307,629**
Debt securities issued	**95,367,627**	**64,595**	**–**	**95,432,222**
Others	**5,592,221**	**60,308**	**2,898**	**5,655,427**
Total liabilities	**459,683,458**	**9,639,425**	**24,198**	**469,347,081**
Net position	**23,670,948**	**8,609,371**	**9,806**	**32,290,125**
Off-balance sheet credit commitments	**42,133,045**	**485,424**	**133,884**	**42,752,353**

	31 December 2020			
	RMB	USD *(RMB Equivalent)*	Others *(RMB Equivalent)*	Total *(RMB Equivalent)*
Assets				
Cash and deposits with central bank	47,060,885	154,237	4,275	47,219,397
Deposits with banks and other financial institutions	2,095,761	444,813	28,345	2,568,919
Financial assets held under resale agreements	9,726,476	–	–	9,726,476
Loans and advances to customers	200,428,758	1,929,726	–	202,358,484
Financial investments *(Note (i))*	167,537,884	10,698,125	–	178,236,009
Long-term receivables	11,001,178	–	–	11,001,178
Others	8,714,915	2,227	–	8,717,142
Total assets	446,565,857	13,229,128	32,620	459,827,605
Liabilities				
Borrowings from central bank	11,207,069	–	–	11,207,069
Deposits from banks and other financial institutions	17,024,727	5	–	17,024,732
Placements from banks and other financial institutions	11,723,203	1,224,372	–	12,947,575
Financial assets sold under repurchase agreements	32,599,411	499,938	–	33,099,349
Deposits from customers	272,876,962	2,851,152	22,596	275,750,710
Debt securities issued	72,834,508	–	–	72,834,508
Others	6,052,421	4,383	–	6,056,804
Total liabilities	424,318,301	4,579,850	22,596	428,920,747
Net position	22,247,556	8,649,278	10,024	30,906,858
Off-balance sheet credit commitments	36,265,560	198,199	59,208	36,522,967

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 2021 Increase/ (Decrease)**	31 December 2020 Increase/ (Decrease)
Foreign exchange rate increase by 100 bps	**10,007**	9,953
Foreign exchange rate decrease by 100 bps	**(10,007)**	(9,953)

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 2021							
	Indefinite *(Note (ii))*	Repayable on demand *(Note (ii))*	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with central bank	23,582,712	23,354,612	–	–	–	–	–	46,937,324
Deposits with banks and other financial institutions	–	3,656,013	–	–	401,957	–	–	4,057,970
Placements with banks and other financial institutions	–	–	451,873	–	–	–	–	451,873
Financial assets held under resale agreements	–	–	8,862,695	–	–	–	–	8,862,695
Loans and advances to customers	836,590	232,978	12,692,807	12,356,556	64,168,321	77,615,543	61,728,625	229,631,420
Financial investments *(Note (i))*	574,704	830	25,202,135	3,996,162	27,146,101	64,756,215	70,573,923	192,250,070
Long-term receivables	92,066	–	416,295	1,096,175	3,838,059	4,790,799	–	10,233,394
Others	7,205,979	4,366	18,857	2,944	38,453	438,679	1,503,182	9,212,460
Total assets	32,292,051	27,248,799	47,644,662	17,451,837	95,592,891	147,601,236	133,805,730	501,637,206
Liabilities								
Borrowings from central bank	–	–	859,909	3,587,867	10,497,228	–	–	14,945,004
Deposits from banks and other financial institutions	–	3,367,635	306,353	461,821	3,690,674	–	–	7,826,483
Placements from banks and other financial institutions	–	–	1,559,851	2,849,991	10,179,169	–	–	14,589,011
Financial assets sold under repurchase agreements	–	–	31,591,305	–	–	–	–	31,591,305
Deposits from customers	–	140,395,557	21,282,499	17,604,135	43,662,252	76,208,516	154,670	299,307,629
Debt securities issued	–	–	3,173,809	12,217,235	59,054,383	9,995,052	10,991,743	95,432,222
Others	124,017	465,833	1,659,283	218,783	659,126	1,459,318	1,069,067	5,655,427
Total liabilities	124,017	144,229,025	60,433,009	36,939,832	127,742,832	87,662,886	12,215,480	469,347,081
Net position	32,168,034	(116,980,226)	(12,788,347)	(19,487,995)	(32,149,941)	59,938,350	121,590,250	32,290,125

	31 December 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	22,076,437	25,142,960	–	–	–	–	–	47,219,397
Deposits with banks and other financial institutions	–	2,568,919	–	–	–	–	–	2,568,919
Financial assets held under resale agreements	–	–	9,726,476	–	–	–	–	9,726,476
Loans and advances to customers	980,712	160,477	10,215,835	11,268,647	50,329,217	70,898,797	58,504,799	202,358,484
Financial investments *(Note (i))*	392,299	24,783	18,884,477	6,965,259	23,642,091	61,915,282	66,411,818	178,236,009
Long-term receivables	55,128	22,186	437,613	1,161,694	3,688,618	5,635,939	–	11,001,178
Others	6,965,783	154	20,381	2,592	72,763	446,753	1,208,716	8,717,142
Total assets	30,470,359	27,919,479	39,284,782	19,398,192	77,732,689	138,896,771	126,125,333	459,827,605
Liabilities								
Borrowings from central bank	–	–	758,662	2,671,429	7,776,978	–	–	11,207,069
Deposits from banks and other financial institutions	–	7,847,471	2,220,299	1,963,637	4,993,325	–	–	17,024,732
Placements from banks and other financial institutions	–	–	2,872,838	3,270,838	6,803,899	–	–	12,947,575
Financial assets sold under repurchase agreements	–	–	32,599,411	499,938	–	–	–	33,099,349
Deposits from customers	–	135,345,742	16,521,262	18,015,568	45,682,640	59,986,805	198,693	275,750,710
Debt securities issued	–	–	3,012,339	11,868,597	36,965,885	15,992,125	4,995,562	72,834,508
Others	116,849	307,271	1,964,668	153,995	831,206	1,960,036	722,779	6,056,804
Total liabilities	116,849	143,500,484	59,949,479	38,444,002	103,053,933	77,938,966	5,917,034	428,920,747
Net position	30,353,510	(115,581,005)	(20,664,697)	(19,045,810)	(25,321,244)	60,957,805	120,208,299	30,906,858

Notes:

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

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

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

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

	30 June 2021								
	Indefinite	**Repayable on demand**	**Within one month**	**Between one month and three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**	**Contractual undiscounted cash flow**	**Carrying Amount**
Borrowings from central bank	**–**	**–**	**860,624**	**3,646,627**	**10,599,908**	**–**	**–**	**15,107,159**	**14,945,004**
Deposits from banks and other financial institutions	**–**	**3,367,635**	**306,655**	**464,299**	**3,735,951**	**–**	**–**	**7,874,540**	**7,826,483**
Placements from banks and other financial institutions	**–**	**–**	**1,562,645**	**2,906,274**	**10,323,365**	**–**	**–**	**14,792,284**	**14,589,011**
Financial assets sold under repurchase agreements	**–**	**–**	**31,594,658**	**–**	**–**	**–**	**–**	**31,594,658**	**31,591,305**
Deposits from customers	**–**	**140,395,557**	**21,303,094**	**17,676,381**	**44,140,823**	**83,750,187**	**185,004**	**307,451,046**	**299,307,629**
Debt securities issued	**–**	**–**	**3,184,601**	**12,280,000**	**60,855,400**	**12,709,700**	**12,744,000**	**101,773,701**	**95,432,222**
Others	**124,017**	**465,833**	**1,660,258**	**216,139**	**656,951**	**1,269,340**	**1,085,883**	**5,478,421**	**5,428,991**
Total	**124,017**	**144,229,025**	**60,472,535**	**37,189,720**	**130,312,398**	**97,729,227**	**14,014,887**	**484,071,809**	**469,120,645**

	31 December 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	–	–	759,411	2,717,444	7,855,080	–	–	11,331,935	11,207,069
Deposits from banks and other financial institutions	–	7,847,471	2,223,114	1,971,487	5,082,140	–	–	17,124,212	17,024,732
Placements from banks and other financial institutions	–	–	2,876,667	3,308,604	6,954,249	–	–	13,139,520	12,947,575
Financial assets sold under repurchase agreements	–	–	32,606,741	500,563	–	–	–	33,107,304	33,099,349
Deposits from customers	–	135,345,742	16,536,469	18,101,525	46,360,362	66,111,333	237,474	282,692,905	275,750,710
Debt securities issued	–	–	3,023,542	11,964,083	38,135,975	17,894,600	5,500,000	76,518,200	72,834,508
Others	116,849	307,271	1,929,661	151,622	838,391	1,733,762	739,423	5,816,979	5,768,457
Total	116,849	143,500,484	59,955,605	38,715,328	105,226,197	85,739,695	6,476,897	439,731,055	428,632,400

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 2021							
	Indefinite	**Repayable on demand**	**Within one month**	**Between one month and three months**	**Between three months and one year**	**Between one year and five years**	**More than five years**	**Contractual undiscounted cash flow**
Derivative cash flows:								
Derivative financial instruments settled on net basis	**–**	**–**	**(402)**	**(2,597)**	**(3,950)**	**5,305**	**–**	**(1,644)**
Derivative financial instruments settled on gross basis								
Including: Cash inflow	**–**	**–**	**35,036**	**51,657**	**–**	**–**	**–**	**86,693**
Cash outflow	**–**	**–**	**(33,722)**	**(52,998)**	**–**	**–**	**–**	**(86,720)**
	–	**–**	**1,314**	**(1,341)**	**–**	**–**	**–**	**(27)**

	31 December 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	–	–	(276)	(620)	(4,316)	(685)	–	(5,897)
Derivative financial instruments settled on gross basis								
Including: Cash inflow	–	–	41,170	–	54,169	–	–	95,339
Cash outflow	–	–	(41,164)	–	(54,164)	–	–	(95,328)
	–	–	6	–	5	–	–	11

(4) Operational risk

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

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

(5) Capital management

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

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

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

As at 30 June 2021 and 31 December 2020, 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 2021	31 December 2020
Total core tier-one capital	**24,161,643**	22,846,168
– Share capital	**4,509,690**	4,509,690
– Qualifying portion of capital reserve	**8,337,869**	8,337,869
– Surplus reserve	**1,859,737**	1,859,737
– General reserve	**5,072,217**	5,072,217
– Retained earnings	**3,604,826**	2,618,980
– Other comprehensive income	**394,756**	32,717
– Qualifying portion of non-controlling interests	**382,548**	414,958
Core tier-one capital deductions	**(436,956)**	(461,170)
Net core tier-one capital	**23,724,687**	22,384,998
Other tier-one capital	**7,904,970**	7,909,292
– Additional tier 1 capital instruments and related premium	**7,853,964**	7,853,964
– Valid portion of minority interests	**51,006**	55,328
Net tier-one capital	**31,629,657**	30,294,290
Tier two capital	**13,858,971**	7,512,290
– Qualifying portions of tier-two capital instruments issued	**11,000,000**	5,000,000
– Surplus provision for loan impairment	**2,756,958**	2,401,634
– Qualifying portion of non-controlling interests	**102,013**	110,656
Net capital base	**45,488,628**	37,806,580
Total risk weighted assets	**286,145,148**	267,941,143
Core tier-one capital adequacy ratio	**8.29%**	8.35%
Tier-one capital adequacy ratio	**11.05%**	11.31%
Capital adequacy ratio	**15.90%**	14.11%

43 FAIR VALUE

(1) Methods and assumptions for measurement of fair value

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

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

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

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

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

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

(a) Debt securities investments

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

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

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

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

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

(d) Derivative financial instruments

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

(2) Financial instruments recorded at fair value

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

The Group

	30 June 2021			
	Level 1 *Note (i)*	**Level 2** *Note (i)*	**Level 3** *Note (i) ~ (ii)*	**Total**
Financial investments measured at FVTPL				
– Debt securities	**–**	**999,473**	**–**	**999,473**
– Asset management plans	**–**	**–**	**11,148,719**	**11,148,719**
– Trust fund plans	**–**	**–**	**1,572,820**	**1,572,820**
– Investment funds	**–**	**35,472,444**	**–**	**35,472,444**
Derivative financial assets	**–**	**226,390**	**–**	**226,390**
Financial investments measured at FVOCI				
– Debt securities	**–**	**70,620,933**	**–**	**70,620,933**
– Asset management plans	**–**	**5,294,303**	**–**	**5,294,303**
– Other investments	**–**	**–**	**709,492**	**709,492**
– Equity investments	**–**	**–**	**23,250**	**23,250**
Loans and advances to customers measured at FVOCI	**–**	**–**	**17,050,861**	**17,050,861**
Total financial assets	**–**	**112,613,543**	**30,505,142**	**143,118,685**
Derivative financial liabilities	**–**	**224,528**	**1,908**	**226,436**
Total financial liabilities	**–**	**224,528**	**1,908**	**226,436**

	31 December 2020			
	Level 1 *Note (i)*	Level 2 *Note (i)*	Level 3 *Note (i) ~ (ii)*	Total
Financial investments measured at FVTPL				
– Debt securities	–	882,952	–	882,952
– Asset management plans	–	–	9,998,794	9,998,794
– Trust fund plans	–	–	2,004,789	2,004,789
– Investment funds	–	24,313,480	50,390	24,363,870
Derivative financial assets	–	285,405	995	286,400
Financial investments measured at FVOCI				
– Debt securities	–	60,231,523	–	60,231,523
– Asset management plans	–	5,842,695	–	5,842,695
– Other investments	–	–	730,534	730,534
– Equity investments	–	–	23,250	23,250
Loans and advances to customers measured at FVOCI	–	–	7,215,159	7,215,159
Total financial assets	–	91,556,055	20,023,911	111,579,966
Derivative financial liabilities	–	286,621	1,726	288,347
Total financial liabilities	–	286,621	1,726	288,347

Notes:

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

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

The Group

				Total gains or losses for the period		Purchases, issues, disposals and settlements			
	As at 1 January 2021	**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 2021**
Financial investments measured at FVTPL									
– Asset management plans	**9,998,794**	**–**	**–**	**107,496**	**–**	**2,110,000**	**–**	**(1,067,571)**	**11,148,719**
– Trust fund plans	**2,004,789**	**–**	**–**	**8,030**	**–**	**–**	**–**	**(439,999)**	**1,572,820**
– Investment funds	**50,390**	**–**	**–**	**(390)**	**–**	**–**	**–**	**(50,000)**	**–**
Derivative financial assets	**995**	**–**	**–**	**(995)**	**–**	**–**	**–**	**–**	**–**
Financial investments measured at FVOCI									
– Other investments	**730,534**	**–**	**–**	**42,124**	**(21,167)**	**–**	**–**	**(41,999)**	**709,492**
– Equity investments	**23,250**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**23,250**
Loans and advances to customers measured at FVOCI	**7,215,159**	**–**	**–**	**207,350**	**20,048**	**24,957,535**	**–**	**(15,349,231)**	**17,050,861**
Total financial assets	**20,023,911**	**–**	**–**	**363,615**	**(1,119)**	**27,067,535**	**–**	**(16,948,800)**	**30,505,142**
Derivative financial liabilities	**1,726**	**–**	**–**	**182**	**–**	**–**	**–**	**–**	**1,908**
Total financial liabilities	**1,726**	**–**	**–**	**182**	**–**	**–**	**–**	**–**	**1,908**

				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 31 December 2020
Financial investments measured at FVTPL									
– Asset management plans	9,240,047	–	–	249,550	–	6,145,739	–	(5,636,542)	9,998,794
– Wealth management products	1,033,973	–	–	6,727	–	–	–	(1,040,700)	–
– Trust fund plans	2,829,424	–	–	(52,983)	–	2,000,000	–	(2,771,652)	2,004,789
– Investment funds	50,258	–	–	2,321	–	–	–	(2,189)	50,390
Derivative financial assets	5,588	–	–	(4,593)	–	–	–	–	995
Financial investments measured at FVOCI									
– Other investments	732,842	–	–	41,835	(2,143)	–	–	(42,000)	730,534
– Equity investments	23,250	–	–	–	–	–	–	–	23,250
Loans and advances to customers measured at FVOCI	6,249,822	–	–	(219,328)	11,679	30,832,820	–	(29,659,834)	7,215,159
Total financial assets	20,165,204	–	–	23,529	9,536	38,978,559	–	(39,152,917)	20,023,911
Derivative financial liabilities	2,015	–	–	(289)	–	–	–	–	1,726
Total financial liabilities	2,015	–	–	(289)	–	–	–	–	1,726

(3) Level 2 of the fair value hierarchy

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

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

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

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

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

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

(iii) Debt securities financial investments measured at amortised cost

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

(iv) Deposits from customers

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

(v) Debt securities issued

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

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

	30 June 2021				
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Financial investments measured at amortised cost (including accrued interest)					
– Debt securities	**53,618,921**	**52,920,432**	**–**	**52,822,029**	**98,403**
Total	**53,618,921**	**52,920,432**	**–**	**52,822,029**	**98,403**
Financial liabilities					
Securities issued (including accrued interest)					
– Debt securities	**28,348,840**	**28,653,461**	**–**	**28,653,461**	**–**
– Certificates of interbank deposit	**67,083,382**	**67,145,041**	**–**	**67,145,041**	**–**
Total	**95,432,222**	**95,798,502**	**–**	**95,798,502**	**–**

	31 December 2020				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost (including accrued interest)					
– Debt securities	59,794,985	59,230,899	–	59,149,398	81,501
Total	59,794,985	59,230,899	–	59,149,398	81,501
Financial liabilities					
Securities issued (including accrued interest)					
– Debt securities	22,825,071	22,816,947	–	22,816,947	–
– Certificates of interbank deposit	50,009,437	50,022,903	–	50,022,903	–
Total	72,834,508	72,839,850	–	72,839,850	–

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 2021	31 December 2020
Bank acceptances	**23,544,069**	23,968,377
Unused credit card commitments	**10,542,581**	6,292,802
Letters of credit	**7,414,712**	5,024,229
Letters of guarantees	**1,048,821**	1,035,389
Irrevocable loan commitments	**202,170**	202,170
Total	**42,752,353**	36,522,967

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 2021	31 December 2020
Credit risk-weighted amount of contingent liabilities and commitments	**10,523,429**	8,550,965

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 2021	31 December 2020
Contracted but not paid for	**62,323**	75,802
Authorised but not contracted for	**944**	–
Total	**63,267**	75,802

(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 2021 and 31 December 2020. 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 2021	31 December 2020
Bonds redemption obligations	**4,410,391**	4,565,939

(6) Pledged assets

	30 June 2021	31 December 2020
Investment securities	**35,374,082**	41,511,935
Discounted bills	**11,127,321**	1,475,348
Total	**46,501,403**	42,987,283

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 2021 and 31 December 2020, the Group did not have these discounted bills under resale agreements. As at 30 June 2021 and 31 December 2020, 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 2021 and 31 December 2020 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	30 June 2021				
	Financial investments measured at FVTPL	**Financial investments measured at FVOCI**	**Financial investments measured at amortised cost**	**Carrying amount**	**Maximum exposure**
Asset management plans	**11,148,719**	**5,294,303**	**5,341,878**	**21,784,900**	**21,784,900**
Trust fund plans	**1,572,820**	**–**	**1,137,041**	**2,709,861**	**2,709,861**
Asset-backed securities	**145,496**	**2,399,122**	**922,462**	**3,467,080**	**3,467,080**
Investment funds	**35,472,444**	**–**	**–**	**35,472,444**	**35,472,444**
Total	**48,339,479**	**7,693,425**	**7,401,381**	**63,434,285**	**63,434,285**

	31 December 2020				
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost	Carrying amount	Maximum exposure
Asset management plans	9,998,794	5,842,695	7,202,596	23,044,085	23,044,085
Trust fund plans	2,004,789	–	864,969	2,869,758	2,869,758
Asset-backed securities	202,415	1,366,797	583,637	2,152,849	2,152,849
Investment funds	24,363,870	–	–	24,363,870	24,363,870
Total	36,569,868	7,209,492	8,651,202	52,430,562	52,430,562

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

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

The types of unconsolidated structured entities sponsored by the Group mainly include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes fees charged by providing management services to these structured entities. As at 30 June 2021 and 31 December 2020, the carrying amounts of the management fee receivables being recognised are not material in the statement of financial position.

As at 30 June 2021, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products, which are sponsored by the Group, was RMB156.719 billion (31 December 2020: RMB124.123 billion).

In addition, the unconsolidated structured entities sponsored by the Group also include asset-backed securities held and initiated by the Group. As at 30 June 2021, the balances of these asset-backed securities was RMB0.085 billion (31 December 2020: RMB0.208 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 2021, the amount of fee and commission income recognised from the above mentioned structured entities by the Group was RMB5 million (six months ended 30 June 2020: RMB54 million).

During the six months ended 30 June 2021, the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January but matured before 30 June was RMB3.975 billion (six months ended 30 June 2020: RMB20.883 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**").

During the six months ended 30 June 2021, the Group transferred a portfolio of customer loans with a book value of RMB1.766 billion (2020: RMB8.393 billion) to an unconsolidated securitization vehicle managed by an independent trust company, which issued asset-backed securities to investors. As the consideration received was equivalent to the book value of the financial assets transferred, no gain or loss was recognised.

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

47 FIDUCIARY ACTIVITIES

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

As at 30 June 2021, the entrusted loans balance of the Group was RMB3.179 billion (31 December 2020: RMB2.773 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 to 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 PBOC, the MOF, the CBIRC, the CSRC 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 2021	As at 31 December 2020
Qualified and high-quality current assets	**100,034,369**	84,342,175
Net cash outflows in next 30 days	**55,764,766**	55,334,625
Liquidity coverage ratio (RMB and foreign currency)	**179.39%**	152.42%

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

(2) Leverage ratio

	As at 30 June 2021	As at 31 December 2020
Leverage ratio	**5.89%**	6.14%

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 2021	As at 31 March 2021
Available stable funding	**281,845,319**	267,019,602
Required stable funding	**266,484,323**	253,379,478
Net stable funding ratio	**105.76%**	105.38%

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 2021			
	US Dollars *(RMB equivalent)*	**HK Dollars** *(RMB equivalent)*	**Others** *(RMB equivalent)*	**Total**
Spot assets	**18,248,796**	**18,780**	**15,224**	**18,282,800**
Spot liabilities	**(9,639,425)**	**(12,337)**	**(11,861)**	**(9,663,623)**
Forward purchases	**42,257**	**–**	**–**	**42,257**
Forward sales	**106,858**	**–**	**–**	**106,858**
Net long position	**8,758,486**	**6,443**	**3,363**	**8,768,292**
Structural position	**(129,202)**	**–**	**–**	**(129,202)**

	31 December 2020			
	US Dollars *(RMB equivalent)*	HK Dollars *(RMB equivalent)*	Others *(RMB equivalent)*	Total
Spot assets	13,229,127	16,731	15,890	13,261,748
Spot liabilities	(4,579,850)	(10,194)	(12,402)	(4,602,446)
Forward purchases	52,656	–	–	52,656
Forward sales	127,692	–	–	127,692
Net long position	8,829,625	6,537	3,488	8,839,650
Structural position	(130,498)	–	–	(130,498)

3 INTERNATIONAL CLAIMS

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

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

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

	30 June 2021			
	Public sector entities	**Banks and other financial institutions**	**Non-bank private sector**	**Total**
– Asia Pacific	**407,943**	**8,030,946**	**8,834,038**	**17,272,927**
– of which attributed to Hong Kong	**–**	**5,162,454**	**–**	**5,162,454**
– North and South America	**–**	**934,851**	**–**	**934,851**
– Europe	**–**	**9,449**	**–**	**9,449**
	407,943	**8,975,246**	**8,834,038**	**18,217,227**

	31 December 2020			
	Public sector entities	Banks and other financial institutions	Non-bank private sector	Total
– Asia Pacific	151,757	5,831,539	6,822,701	12,805,997
– of which attributed to Hong Kong	–	5,191,831	–	5,191,831
– North and South America	–	367,640	–	367,640
– Europe	–	4,463	–	4,463
	151,757	6,203,642	6,822,701	13,178,100

4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES TO CUSTOMERS

	30 June 2021	31 December 2020
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	**294,363**	272,235
– between 6 months and 1 year (inclusive)	**510,127**	724,238
– over 1 year	**1,287,900**	950,620
Total	**2,092,390**	1,947,093
As a percentage of total gross loans and advances (excluding accrued interest)		
– between 3 and 6 months (inclusive)	**0.13%**	0.13%
– between 6 months and 1 year (inclusive)	**0.21%**	0.35%
– over 1 year	**0.55%**	0.45%
Total	**0.89%**	0.93%

7. RELEASE OF INTERIM RESULTS ANNOUNCEMENT AND 2021 INTERIM REPORT ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE BANK

This results announcement will be published on the HKEXnews website of the Hong Kong Stock Exchange (http://www.hkexnews.hk/) and the website of the Bank (http://www.qdccb.com/). The 2021 interim report containing all the information required by the Hong Kong Listing Rules will be dispatched to the shareholders of the Bank and published on the HKEXnews website of the Hong Kong Stock Exchange and the website of the Bank in due course.

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

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

Qingdao, Shandong Province, PRC, 30 August 2021

As at the date of this announcement, the Board of the Bank comprises Mr. Guo Shaoquan, Mr. Wang Lin, Mr. Liu Peng 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. Simon Cheung, Ms. Fang Qiaoling, Mr. Tingjie Zhang, Mr. Xing Lecheng and Mr. Zhang Xu as independent non-executive directors.

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