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WEIHAI BANK CO., LTD.*

威海銀行股份有限公司*

(formerly known as WEIHAI CITY COMMERCIAL BANK CO., LTD. 威海市商業銀行股份有限公司)

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

(Stock Code: 09677)

ANNOUNCEMENT OF 2024 ANNUAL RESULTS

The board of directors (the “**Board**”) of Weihai Bank Co., Ltd. (威海銀行股份有限公司) (formerly known as Weihai City Commercial Bank Co., Ltd. (威海市商業銀行股份有限公司), the “**Bank**”) hereby announces the audited annual results of the Bank and its subsidiary (the “**Group**”) for the year ended December 31, 2024 (the “**Annual Results**”). This announcement, containing the full text of the 2024 annual report of the Bank, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of annual results. The Board and its audit committee have reviewed and confirmed the Annual Results. This results announcement will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Bank's website (www.whccb.com). The Bank's 2024 annual report will be disseminated to the shareholders and published on the aforesaid websites in due course.

Weihai Bank Co., Ltd.*
Board of Directors

Weihai, China
March 28, 2025

As of the date of this announcement, the Board of the Bank comprises Mr. MENG Dongxiao, Mr. ZHANG Wenbin, Ms. TAO Zunjian, Mr. LU Jiliang and Mr. JIANG Yi as executive Directors; Mr. CHEN Xiaojun, Mr. ZHAO Bing, Mr. JIAO Weifeng, Mr. KANG Jian and Ms. LI Jie as non-executive Directors; Mr. FAN Chi Chiu, Mr. WANG Yong, Ms. SUN Zuying, Mr. YANG Yunhong and Mr. PENG Feng as independent non-executive Directors.

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

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IMPORTANT NOTICE

1. The Board of Directors, the Board of Supervisors, Directors, Supervisors and senior management of the Bank warrant that there are no false representations, misleading statements or material omissions contained in this report, and they jointly and severally accept responsibility for the truthfulness, accuracy and completeness of the information contained in this report.
2. The 2024 annual report of the Bank (the “Report”) was approved unanimously at the 3rd meeting of the ninth session of the Board of the Bank held on March 28, 2025, which was considered and approved by way of valid voting. 15 directors were eligible to attend the meeting, and 15 directors attended such meeting in person. Certain Supervisors of the Bank attended the meeting.
3. The 2024 annual financial report of the Group prepared in accordance with the China Accounting Standards for Business Enterprises has been audited by Zhongxinghua Certified Public Accountants LLP, which has issued a standard unqualified audit report. The 2024 annual financial report prepared in accordance with the International Financial Reporting Standards has been audited by BDO Limited, which has issued a standard unqualified audit report.
4. MENG Dongxiao, the Chairman, ZHANG Wenbin, the President, TAO Zunjian, the Vice President and Chief Accountant, and ZHAO Na (趙娜), the Head of the Finance Department of the Bank, warrant the truthfulness, accuracy and completeness of the financial report in the Report.
5. Forward-looking statements, including future plans, contained in the Report do not constitute any actual commitments of the Bank to investors. Investors and related persons are advised to maintain sufficient risk awareness and understand the difference between plans, forecasts and commitments.
6. During the Reporting Period, the Bank was not aware of any major risks that would adversely affect the Bank’s future development strategies and business objectives. The principal risks exposed by the Bank in its operation and management as well as the corresponding measures adopted by the Bank are detailed in the Report. For details, please refer to “Risk Management” and “Future Prospects” in the section headed “Management Discussion and Analysis” of the Report.
7. For the financial data and indicators set out in the Report, save as stated otherwise, the monetary unit is denominated in RMB. Certain amounts and percentage figures set out in the Report are subject to rounding adjustments. Any discrepancy between the totals and sum of the amounts in any tables is due to such rounding.
8. The Report has been prepared in both Chinese and English. In the event of any discrepancy, the Chinese version shall prevail.

DEFINITIONS

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

"Articles of Association"	the Bank's existing Articles of Association of Weihai Bank Co., Ltd.
"Bank", "our Bank" or "Weihai Bank"	Weihai Bank Co., Ltd. (formerly Weihai City Commercial Bank Co., Ltd.), a joint stock limited company established in the PRC in July 1997 in accordance with the relevant PRC laws and regulations, and, if the context requires, includes its predecessors, branches and sub-branches, excluding its subsidiary
"Central Bank" or "PBOC"	the People's Bank of China
"Company Law"	The Company Law of the People's Republic of China (《中華人民共和國公司法》)
"Corporate Governance Code"	Corporate Governance Code under Appendix C1 to the Listing Rules
"Group", "our Group", "we" or "us"	the Bank and its subsidiary and, where the context requires, includes its predecessors, branches and sub-branches
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRSs"	International Financial Reporting Standards, International Accounting Standards, the related standards, amendments and explanatory announcement, as issued by the International Accounting Standards Board
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"NFRA" or "CBIRC"	National Financial Regulatory Administration (國家金融監督管理總局), former China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
"Reporting Period"	the year ended December 31, 2024
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

Definitions

“Shandong Hi-Speed Group Company”	Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司)
“Shandong Hi-Speed”	Shandong Hi-Speed Company Limited (山東高速股份有限公司)
“Shandong SASAC”	State-owned Assets Supervision and Administration Commission of Shandong Provincial People’s Government (山東省人民政府國有資產監督管理委員會)
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Tongda Financial Leasing”	Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)

CORPORATE INFORMATION

BASIC INFORMATION

Legal Chinese Name

威海銀行股份有限公司

(Abbreviation “威海銀行”)

Legal English Name

Weihai Bank Co., Ltd.

(Abbreviation “Weihai Bank”)

Legal Representative

MENG Dongxiao (孟東曉)

Secretary to the Board

ZHANG Jia'en (張家恩)

Contact Number: (86) 631-5236187

Facsimile: (86) 631-5210210

E-mail: whccb@whccb.com

Joint Company Secretaries

LU Jiliang (盧繼梁), TAM Pak Yu, Vivien (譚栢如)

Registered Capital

RMB5,980,058,344

Registered Address and Office Address

No. 137A, Qingdao North Road, Weihai City,

Shandong Province, the PRC

Postcode: 264200

Customer Service Hotline: (86) 40000-96636

Complaint Hotline: (86) 631-5221290

Website: www.whccb.com

Principal Place of Business in Hong Kong

40th Floor, Dah Sing Financial Centre, 248 Queen's Road

East, Wanchai, Hong Kong

H Share Registrar

Computershare Hong Kong Investor Services Limited

Unified Social Credit Code

913700002671339534

Financial License Institution Number

B0176H337100001

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

The Stock Exchange of Hong Kong Limited

Stock Short Name: WEIHAI BANK

Stock Code: 09677

Annual Reports are Available at

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

Legal Adviser

Mainland China

Beijing Dentons Law Offices, LLP

16-21F, Tower B, ZT International Center, No.10

Chaoyangmen Nandajie, Chaoyang District, Beijing, China

(100020)

Hong Kong, China

Paul Hastings

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

Kong

Auditor

Mainland China Auditor

Zhongxinghua Certified Public Accountants LLP

19th Floor, Tower B, Leeza SOHO, Lize Road, Fengtai

District, Beijing, China

International Auditor

BDO Limited

25th Floor, Wing On Centre, 111 Connaught Road Central,

Sheung Wan, Hong Kong

The Bank 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.

COMPANY PROFILE

Established in 1997, the Bank is invested and controlled by Shandong Hi-Speed Group. The Bank currently has nearly 130 branches and sub-branches in Jinan, Tianjin, Qingdao, etc., and is the first local legal person bank in Shandong Province to achieve “full coverage of the province”. In 2016, the Bank became the first financial institution in Shandong Province to initiate the establishment of a financial leasing company. On October 12, 2020, the Bank was successfully listed on the Main Board of the Hong Kong Stock Exchange. On February 26, 2025, the Bank officially changed its name from Weihai City Commercial Bank to Weihai Bank. As of the end of 2024, Weihai Bank’s total assets reached RMB441.464 billion.

Since its establishment, Weihai Bank has always kept in mind its original intention and mission of serving the real economy, adhered to the market positioning of “serving urban and rural residents, serving small and medium enterprises, and serving the local economy”, actively participated in the regional economic and social construction, thus paving the way for a unique development path. With high-quality services and good performance, Weihai Bank has been highly recognized and well received by all sectors of the society. The Bank has been successively awarded the “Top 10 City Commercial Banks in China” (Chinese Financial Institution Gold Medal List – Golden Dragon Prize), “Most Competitive Small and Medium Banks”, “Top 10 Mobile Banking Innovation in China” (“全國十佳手機銀行創新獎”), “Leader” (“領跑者”) of Corporate Standards in Bank Outlet Service in China, Star Prize for “Brand Innovation Achievements of Enterprise Party Building in China” (“全國企業黨建品牌創新成果”), “Demonstration Unit for Corporate Culture Construction in China’s Financial Industry” (“中國金融行業企業文化建設示範單位”), “Socially Responsible Enterprise of Shandong” (“山東社會責任企業”), “ESG Level A Bank” in Shandong Banking industry (山東省銀行業“ESG A類單位”) and “First Batch of A-Grade Taxpaying Financial Institutions in Shandong Province” (“山東省首批A級納稅金融單位”). The brand reputation and social influence were significantly improved.

Development Vision:	To become a “first-class city commercial bank in China”
Service Philosophy:	Take root in Shandong Serve with sincerity
Values:	Altruism Integrity Agility Openness
Transformation direction:	Marketization Specialization Refinement Digitalization

SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

Unit: RMB million (except percentages)

	2024	2023	Current year compared to previous year	2022	2021	2020
Operating results			Change (%)			
Net interest income	6,999.9	6,623.5	5.68	6,450.5	6,047.5	4,658.3
Net fee and commission income	574.4	632.7	(9.21)	677.4	592.1	463.7
Net trading gains and losses, net gains and losses arising from investment securities and other net operating gains and losses	1,741.3	1,479.2	17.72	1,163.0	737.8	912.0
Operating income	9,315.6	8,735.4	6.64	8,290.9	7,377.4	6,034.0
Operating expenses	(2,237.6)	(1,950.3)	14.73	(1,898.9)	(1,592.9)	(1,577.7)
Impairment losses on assets	(4,571.6)	(4,493.3)	1.74	(4,170.0)	(3,569.6)	(2,505.0)
Profit before tax	2,506.4	2,291.8	9.36	2,222.0	2,214.9	1,951.3
Net profit	2,198.1	2,116.3	3.87	2,078.5	1,891.7	1,648.2
Including: Net profit attributable to equity shareholders of the Bank	1,991.7	1,933.8	2.99	1,906.4	1,745.4	1,509.5
Per share (RMB/share)						
Earnings per share attributable to equity shareholders of the Bank	0.30	0.29	3.45	0.28	0.26	0.26

	2024	2023	As at the end of current year compared to the end of previous year	2022	2021	2020
Key indicators of assets and liabilities			Change (%)			
Total assets	441,463.8	391,876.8	12.65	343,703.0	304,520.8	267,601.6
Including: Total loans	210,331.2	189,965.2	10.72	164,297.2	143,292.7	120,293.4
Add: Accrued interests	1,779.1	1,612.1	10.36	1,090.4	668.5	522.7
Less: Impairment allowances for loans and advances to customers measured at amortised costs	4,604.0	4,172.6	10.34	3,637.2	3,593.9	3,067.0
Loans and advances to customers	207,506.3	187,404.7	10.73	161,750.4	140,367.3	117,749.1
Total liabilities	410,666.3	363,868.9	12.86	317,970.4	280,350.6	245,927.9
Including: Total deposits	293,489.5	266,596.2	10.09	229,493.7	203,833.6	177,481.1
Add: Accrued interests	8,462.1	7,382.3	14.63	4,993.8	3,008.4	2,107.4
Deposits from customers	301,951.6	273,978.5	10.21	234,487.5	206,842.0	179,588.5
Total equity	30,797.5	28,007.9	9.96	25,732.6	24,170.2	21,673.7
Share capital	5,980.1	5,980.1	–	5,980.1	5,980.1	5,980.1
Total equity attributable to equity shareholders of the Bank	24,898.8	22,140.8	12.46	20,048.0	19,156.7	17,906.0
Per share (RMB/share)						
Net assets per share attributable to equity shareholders of the Bank	4.16	3.70	12.43	3.35	3.20	2.99

Summary of Accounting Data and Financial Indicators

	2024	2023	As at the end of current year compared to the end of previous year	2022	2021	2020
Profitability indicators (%)			Change			
Return on average total assets ⁽¹⁾	0.53	0.58	(0.05)	0.64	0.66	0.67
Weighted average return on net assets ⁽²⁾	7.55	8.15	(0.60)	8.63	8.55	8.42
Net interest spread ⁽³⁾	1.63	1.76	(0.13)	1.94	2.12	1.88
Net interest margin ⁽⁴⁾	1.77	1.89	(0.12)	2.07	2.24	1.99
Net fee and commission income to operating income ratio	6.17	7.24	(1.07)	8.17	8.03	7.69
Cost-to-income ratio ⁽⁵⁾	22.88	21.31	1.57	21.80	20.50	25.08
Asset quality indicators (%)						
Non-performing loan ratio ⁽⁶⁾	1.41	1.45	(0.04)	1.46	1.47	1.47
Provision coverage ratio ⁽⁷⁾	156.07	152.12	3.95	154.68	171.56	173.39
Allowance-to-borrowing ratio ⁽⁸⁾	2.20	2.21	(0.01)	2.26	2.53	2.56
Capital adequacy indicators (%)						
Core tier-one capital adequacy ratio	9.31	8.77	0.54	8.81	9.35	9.88
Tier-one capital adequacy ratio	10.82	10.41	0.41	10.61	11.33	11.53
Capital adequacy ratio	13.76	13.38	0.38	13.83	14.59	15.18
Total equity to total assets ratio	6.98	7.15	(0.17)	7.49	7.94	8.10
Other indicators (%)						
Liquidity ratio	115.27	86.52	28.75	79.09	63.22	52.61
Loan-to-deposit ratio ⁽⁹⁾	71.67	71.26	0.41	71.59	70.30	67.78

Notes:

- (1) Calculated by dividing net profit for the period by the average balance of total assets as at the beginning and the end of the period.
- (2) Calculated in accordance with the Regulation on the Preparation of Information Disclosures for Companies Issuing Public Shares No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision) (《公開發行證券的公司信息披露編報規則第9號 – 淨資產收益率和每股收益的計算及披露》(2010年修訂)).
- (3) Net interest spread = the average yield on total interest-earning assets – the average cost of total interest-bearing liabilities.
- (4) Net interest margin = net interest income/average balance of total interest-earning assets.
- (5) Cost-to-income ratio = (operating expenses less taxes and surcharges)/operating income.
- (6) Calculated by dividing total non-performing loans by total loans.
- (7) Calculated by dividing total impairment allowances for loans by total non-performing loans.
- (8) Calculated by dividing total impairment allowances for loans by total loans.
- (9) Calculated by dividing total loans by total deposits. Prior to October 1, 2015, commercial banks in the PRC were required to maintain a loan-to-deposit ratio of no more than 75%. Since October 1, 2015, the 75% maximum loan-to-deposit ratio requirement has been cancelled under the revised PRC Commercial Banking Law.

CHAIRMAN'S STATEMENT

2024 was a momentous and exciting year of rapid progress and fruitful harvest. The Third Plenary Session of the 20th Central Committee of the Communist Party of China sounded the clarion call for a new round of comprehensive deepening of reforms, and the Central Financial Work Conference outlined a grand blueprint for “accelerating the building of a nation with a strong financial sector”. Facing challenges and opportunities, Weihai Bank adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, united and strived, upheld integrity and innovation, seized opportunities, acted in line with the trend, wrote the chapter of dreams with efforts, and created brilliant achievements with perseverance, delivering an annual “answer sheet” of high-quality development.

This year, we upheld Party leadership as the guiding principle and reached “new” milestones. Weihai Bank always remembered that “we are a financial enterprise under the leadership of the Communist Party of China”, deeply understood the political and people-oriented nature of financial work, and demonstrated our responsibility in serving the broader agenda, leading high-quality development with high-quality Party building. We successfully completed the re-election, with the new leadership team working in unity, striving for progress, and leading the entire bank in overcoming challenges and achieving new successes. The bank’s total assets exceeded RMB440 billion, while key business indicators such as deposits, loans and profits maintained sound growth. Various quality indicators continued to improve, achieving coordinated development in scale, quality and efficiency.

This year, we deeply rooted ourselves in the real economy, reinforcing the foundation of “stability”. We actively fulfilled our financial responsibility to “serve, benefit and support the people”, adhering to the philosophy of “taking root in Shandong and serving with sincerity”. We prioritized the “five major articles” on the real economy as our focus, actively integrating into national strategies and proactively addressing people’s livelihood needs. In terms of green finance, we concentrated on in-depth industry research to promote sustainable development, with both the growth and proportion of green loans ranking among the top city commercial banks in Shandong Province. In terms of inclusive finance, we expanded service coverage by adopting a “scenario design + bulk customer acquisition” approach. In terms of technology finance, we explored and innovated a “investment-loan linkage” business model. In terms of digital finance, we launched the second phase of our digital transformation project to enhance digital marketing capabilities and intelligent risk control. In terms of pension finance, we focused on improving the service capacity for the elderly customer group, making our services more precise and effective.

This year, we intensified our reform and transformation efforts, stimulating momentum for “progress”. We adhered to the “marketization, specialization, refinement and digitization” transformation direction, continuously deepening reforms in organizational structure, institutional mechanisms, strategic planning, management processes, business development, human resources and performance evaluation. We built a market-oriented marketing team, completed pilot programs for integrated operations in county sub-branches, and advanced the construction of smart operation outlets. Additionally, we actively applied for various qualifications and licenses, continuously enhancing our professional capabilities and development potential.

This year, we strengthened our risk and compliance defenses, reinforcing the foundation of “quality”. We continuously enhanced our comprehensive risk management capabilities. We carried out the “Year of Resolute Compliance Efforts” initiative, fully leveraged the audit function as the “third line of defense”, improved the enforcement of rules, and established a mechanism of “managing people by rules and handling affairs by processes”. With unwavering commitment, we built a “compliance community” across the Bank, further solidifying the foundation for high-quality and sustainable development.

Chairman's Statement

This year, we strengthened our talent development efforts, harnessing the power of "expertise". We attached great importance to the construction of talent teams and always regarded talents as the core driving force for promoting the high-quality development of the Bank, ensuring that "professionals handle professional matters". We have optimized our talent acquisition mechanisms, enhanced the internal training system, and refined the incentive mechanism. Additionally, we established specialized teams in credit approval, financial markets, wealth management and technology, continuously improving their professional capabilities and overall competence.

This year, we actively cultivated a home culture and enhanced the "warmth" among people. We vigorously promoted the Chinese characteristics of financial culture, advocated the values of "altruism, integrity, agility and openness", and upheld the "customer-centric, market-oriented and striver-based" principle, fostering a clean, positive and entrepreneurial atmosphere.

Looking back at 2024, we forged ahead with a victorious spirit, undeterred by distance. Looking forward to 2025, we will ascend with the tide of opportunities, unbound by time. We will focus on the "marketization, specialization, refinement and digitization" transformation direction, actively integrate into the trend of the times, embrace changes, face challenges directly, interpret responsibilities, and strive to build a "first-class city commercial bank in China". Through high-quality financial services, we will empower the high-quality development of the economy and society, and create greater value for customers, employees, shareholders and society.

MENG Dongxiao

Chairman of Weihai Bank Co., Ltd.

March 2025

CHAPTER 1 MANAGEMENT DISCUSSION AND ANALYSIS

I. REVIEW OF ECONOMIC, FINANCIAL AND POLICY ENVIRONMENT

In 2024, global economic growth was stable yet slow. After experiencing multiple shocks such as geopolitical conflicts, inflation, and monetary policy tightening, the global economy demonstrated unexpected resilience. Global fiscal policies gradually returned to normalization, and global monetary policies may continue to remain accommodative. The Chinese economy operated steadily and made progress with high-quality development advanced in a solid manner, new-type productive forces developed steadily and the pace of green and low-carbon transformation accelerated. The economic structure had been optimized, and new drivers of growth emerged. All of these made Chinese path to modernization a further and new solid step. The economy of Shandong Province gained growth while maintaining steady development. Its GDP grew by 5.7%, 0.7 percentage points higher than the national average. It achieved new progress in building a strong modern socialist province in the new era.

In 2024, China strengthened its macro-economic regulation and control, moderately enhanced its proactive fiscal policy and made more quality-oriented and effective. Ultra-long special treasury bonds had been issued to support to implement “major national strategies and build up security capacity in key areas”, “upgrade equipment” and promote “consumer goods trade-in programs”. A variety of fiscal and tax policy tools had been coordinated and utilized, providing a solid guarantee for economic transformation, upgrading and high-quality development. The prudent monetary policy was implemented in a flexible, moderate, precise and effective way, strengthening counter-cyclical regulation and comprehensively using tools such as interest rates, reserve requirements, re-lending and treasury bond trading, so as to serve the high-quality development of the real economy. On September 26, the Political Bureau Meeting of the CPC Central Committee resolutely deployed a package of incremental policies, focusing on strengthening the counter-cyclical adjustment of macro policies, expanding domestic effective demand, increasing support for enterprises, promoting the real estate market to stop falling and stabilize, and boosting the capital market. These policies effectively boosted social confidence and significantly revived the economy.

II. SUMMARY OF OVERALL OPERATIONS

During the Reporting Period, in the face of the complicated macroeconomic and financial situation, we have always adhered to the general working principle of “making progress while maintaining stability”, and continuously innovated our service mode, increased credit supply and actively participated in economic and social development, thereby showing the following characteristics in various tasks:

II. SUMMARY OF OVERALL OPERATIONS (CONT'D)

Stable expansion of business scale. The total assets amounted to RMB441,464 million, representing an increase of RMB49,587 million or 12.65% as compared to the end of 2023; total deposit balances increased by RMB26,893 million or 10.09% as compared to the end of 2023; and total loan balances increased by RMB20,366 million or 10.72% as compared to the end of 2023.

Constantly increasing efficiency. Operating income for the year amounted to RMB9,316 million, representing a year-on-year increase of RMB582 million or 6.64%. Net profit for the year amounted to RMB2,198 million, representing a year-on-year increase of RMB82 million or 3.87%.

Steady improvement in quality. The Bank's non-performing loan ratio was 1.41%, representing a decrease of 0.04 percentage points as compared to the end of 2023; the capital adequacy ratio was 13.76%, representing an increase of 0.38 percentage points from the end of 2023; and the provision coverage ratio was 156.07%, representing an increase of 3.95 percentage points from the end of 2023, with continuous compliance with all regulatory indicators.

Steadily strengthened specialties. We vigorously promoted green finance through establishing the Green Finance Department at the head office level and green sub-branches at the branch level respectively, making full effort to build the brand of "Golden the Green". The balance of green loans amounted to RMB37,713 million, representing an increase of RMB11,692 million or 44.93% as compared to the beginning of the year. The proportion of green loans in all loans is 17.93%, with both the increment and the proportion ranking among the top of the city commercial banks in the province.

Enabling steady transformation. Adhering to the four transformation directions of "marketization, specialization, refinement and digitization", we reformed mechanism and system, and promoted the transformation of models. Thus, we completed the comprehensive operation pilot at the county-level sub-branches, promoted the construction of smart operation outlets, established a professional technical sequence, actively applied for various types of qualification licenses, and continuously advanced the transformation of the "three major models", i.e., the digital model, management and control model and business model. As a result, our professional capabilities and development potential had been continuously enhanced.

Steadily strengthened culture. Under the values of "altruism, integrity, agility and openness", we created a compliance culture atmosphere. With the campaign of the "Determined Compliance Year", various activities such as on-site compliance inspections, compliance lectures by top leaders, a series of monthly events on regulations, and soliciting suggestions for compliance, we had formed a mechanism of "managing people by rules and handling affairs by procedures", and we continuously strived to build a "compliance community" involving all employees.

Constant and efficient services. In line with the "five major articles" for serving the real economy, we established the "six management committees" and carried out "a series of themed-year" activities, such as the "Year of Promoting the Integration of Party Building and Business Operations", the "Year of Green Finance Branding", and the "Year of Inclusive Finance Growth Breakthrough". As a result, the precision of our services and the effectiveness of our management had been enhanced continuously.

Steadily enhanced influence. We have been rated as ESG "Level A Bank" for two consecutive years, the highest in the ESG assessment, and honored as a National Demonstration Unit for "Party-building and Corporate Culture Management" ("黨建+企業文化管理") and an "Outstanding Innovative Institution for ESG Financial Services in 2024". These achievements had continuously enhanced our brand influence and social reputation.

III. ANALYSIS OF INCOME STATEMENT

3.1 Financial Highlights

During the Reporting Period, our operating income amounted to RMB9,316 million, representing an increase of RMB580 million or 6.64% as compared to 2023; net profit amounted to RMB2,198 million, representing an increase of RMB82 million or 3.87% as compared to 2023, mainly due to the year-on-year increases in net interest income and net trading gains and losses.

Unit: RMB million (except percentages)

	2024	2023	Change	Rate of change (%)
Net interest income	6,999.9	6,623.5	376.4	5.68
Interest income	16,499.0	15,604.8	894.2	5.73
Interest expenses	(9,499.1)	(8,981.3)	(517.8)	5.77
Net fee and commission income	574.4	632.7	(58.3)	(9.21)
Fee and commission income	641.7	698.0	(56.3)	(8.07)
Fee and commission expenses	(67.3)	(65.3)	(2.0)	3.06
Net trading gains and losses, net gains and losses arising from investment securities and other net operating gains and losses	1,741.3	1,479.2	262.1	17.72
Operating income	9,315.6	8,735.4	580.2	6.64
Operating expenses	(2,237.6)	(1,950.3)	(287.3)	14.73
Impairment losses on assets	(4,571.6)	(4,493.3)	(78.3)	1.74
Profit before tax	2,506.4	2,291.8	214.6	9.36
Income tax expense	(308.3)	(175.5)	(132.8)	75.67
Net profit	2,198.1	2,116.3	81.8	3.87
Including: Net profit attributable to equity shareholders of the Bank	1,991.7	1,933.8	57.9	2.99
Net profit attributable to non-controlling interests	206.4	182.5	23.9	13.10

III. ANALYSIS OF INCOME STATEMENT (CONT'D)

3.2 Net Interest Income

Net interest income was the largest component of our operating income, representing 75.82% and 75.14% of our operating income in 2023 and 2024, respectively. In 2024, our net interest income amounted to RMB7,000 million, representing an increase of RMB376 million or 5.68% as compared to 2023. The following table sets forth the average balances of our interest-earning assets and interest-bearing liabilities, related interest income or expense and the average yields on related assets or the average costs of related liabilities for the periods indicated.

Unit: RMB million (except percentages)

	Average balance	2024 Interest income/expense	Average yield/cost (%) ⁽¹⁾	Average balance	2023 Interest income/expense	Average yield/cost (%) ⁽¹⁾
Interest-earning assets						
Loans and advances to customers	198,292.4	9,853.7	4.97	175,064.5	9,123.4	5.21
Financial investments	139,734.1	4,495.2	3.22	124,899.6	4,438.6	3.55
Deposits with the central bank ⁽²⁾	23,713.0	306.8	1.29	23,723.7	313.7	1.32
Deposits with banks and other financial institutions	900.5	5.5	0.61	968.1	3.4	0.35
Placements with banks	5,922.2	209.5	3.54	4,156.3	166.6	4.01
Finance lease receivables	24,827.3	1,593.2	6.42	21,716.4	1,554.8	7.16
Financial assets held under resale agreements	1,829.6	35.1	1.92	188.4	4.3	2.28
Total interest-earning assets	395,219.1	16,499.0	4.17	350,717.0	15,604.8	4.45
Interest-bearing liabilities						
Deposits from customers	275,436.4	6,834.8	2.48	245,179.4	6,595.0	2.69
Deposits from banks	5,977.1	155.4	2.60	4,739.3	118.7	2.50
Placements from banks and other financial institutions	26,041.2	929.9	3.57	22,041.2	776.2	3.52
Borrowings from the central bank	10,509.8	200.0	1.90	10,611.8	215.1	2.03
Financial assets sold under repurchase agreements	12,482.1	209.8	1.68	11,779.6	204.1	1.73
Discounted bills	398.4	9.1	2.28	720.3	17.2	2.39
Debt securities issued ⁽³⁾	43,635.0	1,160.1	2.66	38,309.8	1,055.0	2.75
Total interest-bearing liabilities	374,480.0	9,499.1	2.54	333,381.4	8,981.3	2.69
Net interest income		6,999.9			6,623.5	
Net interest spread			1.63			1.76
Net interest margin			1.77			1.89

Notes:

(1) Calculated as interest income/expenses divided by average balance.

(2) Consisted primarily of statutory deposit reserves and surplus deposit reserves.

(3) Consisted of certificates of interbank deposits, financial bonds and tier-two capital bonds issued by us.

III. ANALYSIS OF INCOME STATEMENT (CONT'D)

3.2 Net Interest Income (Cont'd)

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

Unit: RMB million (except percentages)

	2024 vs 2023		
	Increase/(decrease) due to Volume ⁽¹⁾	Rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
Assets			
Loans and advances to customers	1,154.3	(424.0)	730.3
Financial investments	477.2	(420.6)	56.6
Deposits with the Central Bank	(0.1)	(6.8)	(6.9)
Deposits with banks and other financial institutions	(0.4)	2.5	2.1
Placements with banks	62.5	(19.6)	42.9
Financial lease receivables	199.6	(161.2)	38.4
Financial assets held under resale agreements	31.5	(0.7)	30.8
Changes in interest income	1,924.6	(1,030.4)	894.2
Liabilities			
Deposits from customers	750.8	(511.0)	239.8
Deposits from banks	32.2	4.5	36.7
Placements from banks and other financial institutions	142.8	10.9	153.7
Borrowings from the central bank	(1.9)	(13.2)	(15.1)
Financial assets sold under repurchase agreements	11.8	(6.1)	5.7
Discounted bills	(7.4)	(0.7)	(8.1)
Debt securities issued	141.6	(36.5)	105.1
Changes in interest expenses	1,069.9	(552.1)	517.8
Changes in net interest income	854.7	(478.3)	376.4

Notes:

- (1) Represented the average balance for the year minus the average balance for the previous year, multiplied by the average yield/cost for the year.
- (2) Represented the average yield/cost for the year minus the average yield/cost for the previous year, multiplied by the average balance for the previous year.
- (3) Represented interest income/expense for the year minus interest income/expense for the previous year.

III. ANALYSIS OF INCOME STATEMENT (CONT'D)

3.3 Interest Income

During the Reporting Period, our interest income amounted to RMB16,499 million, representing an increase of RMB894 million or 5.73% as compared to 2023, primarily due to the steady expansion of our loan business, which led to a year-on-year increase in loan interest income. The increase in the average balance of interest-earning assets was primarily attributable to an increase in the average balance of loans and advances to customers and the average balance of financial investments.

The following table sets forth a breakdown of our interest income for the periods indicated.

Unit: RMB million (except percentages)

	2024		2023	
	Amount	% of total (%)	Amount	% of total (%)
Interest income				
Loans and advances to customers	9,853.7	59.72	9,123.4	58.47
Financial investments	4,495.2	27.25	4,438.6	28.44
Deposits with banks and other financial institutions	5.5	0.03	3.4	0.02
Placements with banks	209.5	1.27	166.6	1.07
Financial assets held under resale agreements	35.1	0.21	4.3	0.03
Finance lease receivables	1,593.2	9.66	1,554.8	9.96
Deposits with the central bank	306.8	1.86	313.7	2.01
Total interest income	16,499.0	100.00	15,604.8	100.00

Interest income from loans and advances to customers

Our interest income from loans and advances to customers accounted for 58.47% and 59.72% of our interest income in 2023 and 2024, respectively. Our interest income from loans and advances to customers amounted to RMB9,854 million in 2024, representing an increase of RMB730 million or 8.00% as compared to 2023, primarily due to our continued efforts to enhance credit support for the real economy, which drove a steady expansion in the scale of our loan business. The average balance of loans and advances increased by 13.27% from RMB175,065 million in 2023 to RMB198,292 million in 2024. Despite the impact of declining market interest rates, which led to a decrease in loan yield, the growth in scale contributed to a steady rise in loan interest income.

III. ANALYSIS OF INCOME STATEMENT (CONT'D)

3.3 Interest Income (Cont'd)

Interest income from financial investments

During the Reporting Period, our interest income from financial investments amounted to RMB4,495 million, representing an increase of RMB57 million or 1.28% as compared to 2023, primarily due to the steady expansion in the scale of our bond investments. The average balance of financial investments increased from RMB124,900 million in 2023 to RMB139,734 million in 2024, which offset the impact of declining market interest rates and contributed to the growth in interest income from financial investments.

Finance lease receivables

During the Reporting Period, our interest income from finance lease receivables amounted to RMB1,593 million, representing an increase of RMB38 million or 2.47% as compared to 2023, primarily due to the continued development of our finance lease business and the steady expansion of its scale, which contributed to the increase in interest income from finance lease receivables.

3.4 Interest Expenses

During the Reporting Period, our interest expenses amounted to RMB9,499 million, representing an increase of RMB518 million or 5.77% as compared to 2023, primarily due to the steady growth in the scale of our liability business. The following table sets forth a breakdown of our interest expenses for the periods indicated.

Unit: RMB million (except percentages)

	2024		2023	
	Amount	% of total (%)	Amount	% of total (%)
Interest expenses				
Deposits from customers	6,834.8	71.95	6,595.0	73.43
Deposits from banks	155.4	1.64	118.7	1.32
Placements from banks and other financial institutions	929.9	9.79	776.2	8.64
Borrowings from the central bank	200.0	2.11	215.1	2.39
Financial assets sold under repurchase agreements	209.8	2.21	204.1	2.27
Discounted bills	9.1	0.09	17.2	0.20
Debt securities issued	1,160.1	12.21	1,055.0	11.75
Total interest expenses	9,499.1	100.00	8,981.3	100.00

III. ANALYSIS OF INCOME STATEMENT (CONT'D)

3.4 Interest Expenses (Cont'd)

Interest expenses on deposits from customers

Deposits from customers were our primary source of funding. Interest expenses on deposits from customers represented 73.43% and 71.95% of our total interest expenses in 2023 and 2024, respectively. Our interest expenses on deposits from customers amounted to RMB6,835 million in 2024, representing an increase of RMB240 million or 3.64% as compared to 2023, primarily due to the steady growth in the scale of our deposit business, with the average balance of deposits from customers increasing by 12.34% from RMB245,179 million in 2023 to RMB275,436 million in 2024, which led to a year-on-year increase in deposit interest expenses. In 2024, we continued to optimize the structure of our deposit business, resulting in a decrease of 0.21 percentage points in the average deposit interest rate compared to 2023, partially offsetting the impact of deposit scale growth on interest expenses.

Interest expenses on deposits from banks

Interest expenses on deposits from banks accounted for 1.32% and 1.64% of our total interest expenses in 2023 and 2024, respectively. Our interest expenses on deposits from banks amounted to RMB155 million in 2024, representing an increase of RMB37 million or 30.92% as compared to 2023, primarily due to our adjustments to the liability structure in response to market interest rate fluctuations, which resulted in an appropriate expansion in the scale of deposits from banks.

Interest expenses on debt securities issued

Interest expenses on debt securities issued accounted for 11.75% and 12.21% of our total interest expenses in 2023 and 2024, respectively. Our interest expenses on debt securities issued amounted to RMB1,160 million in 2024, representing an increase of RMB105 million or 9.96% as compared to 2023, primarily because we issued RMB4 billion of finance bonds for small and micro enterprises in 2024, which resulted in an increase in the scale of bond issuance as compared to 2023.

III. ANALYSIS OF INCOME STATEMENT (CONT'D)

3.5 Net Fee and Commission Income

During the Reporting Period, our net fee and commission income amounted to RMB574 million, representing a decrease of RMB58 million or 9.21% as compared to 2023, primarily due to a year-on-year reduction in fee income from agency service and settlement business. The following table sets forth the principal components of our net fee and commission income for the periods indicated.

Unit: RMB million

	2024	2023
Fee and commission income		
Agency service fees	433.8	457.9
Settlement and clearing fees	46.3	79.5
Consultancy service fees	0.5	8.1
Bank card service fees	16.5	17.6
Acceptance and guarantee service fees	121.6	104.2
Finance leases service fees	6.3	14.6
Others ⁽¹⁾	16.7	16.1
Sub-total	641.7	698.0
Fee and commission expenses		
Settlement and clearing fees	(44.3)	(44.2)
Bank card service fees	(9.9)	(12.2)
Others ⁽²⁾	(13.1)	(8.9)
Sub-total	(67.3)	(65.3)
Net fee and commission income	574.4	632.7

Notes:

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

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

III. ANALYSIS OF INCOME STATEMENT (CONT'D)

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

During the Reporting Period, our net trading gains and losses, net gains and losses arising from investment securities and other net operating gains and losses amounted to RMB1,741 million, representing an increase of RMB262 million or 17.72% as compared to 2023. This growth was primarily driven by a year-on-year increase in net gains arising from investment securities and operating lease business income. The following table sets forth the details of our net trading gains and losses, net gains and losses arising from investment securities and other net operating income gains and losses for the periods indicated:

Unit: RMB million

	2024	2023
Net trading gains and losses	26.9	386.1
Net gains and losses arising from investment securities	1,356.4	918.6
Other net operating gains and losses	358.0	174.5
Total	1,741.3	1,479.2

3.7 Operating Expenses

During the Reporting Period, our operating expenses amounted to RMB2,238 million, representing an increase of RMB287 million or 14.73% as compared to 2023. This rise was primarily driven by higher staff costs due to business expansion and an increase in headcount, as well as a year-on-year increase in depreciation of operating lease assets accrued resulting from the steady growth in the scale of our operating lease business, which we have actively developed. The following table sets forth the principal components of our total operating expenses for the periods indicated.

Unit: RMB million (except percentages)

	2024	2023
Staff costs	1,061.5	999.0
Depreciation and amortisation	348.3	249.1
Taxes and surcharges	106.7	88.8
Rental and property management expenses	19.5	32.7
Interest expenses on lease liabilities	18.1	14.8
Other general and administrative expenses	683.5	565.9
Total operating expenses	2,237.6	1,950.3
Cost-to-income ratio	22.88%	21.31%

III. ANALYSIS OF INCOME STATEMENT (CONT'D)

3.8 Impairment Losses on Assets

During the Reporting Period, our impairment losses on assets amounted to RMB4,572 million, representing an increase of RMB78 million as compared to 2023, primarily due to the year-on-year increase in the asset impairment losses provisioned for loans and advances made as our business scale expanded. The table below sets forth the principal components of our impairment losses on assets for the periods indicated.

Unit: RMB million

	2024	2023
Financial assets held under resale agreements	0.5	—
Loans and advances to customers	3,325.0	3,147.6
Financial investments	834.2	833.4
Financial lease receivables	287.5	318.4
Credit commitments	(10.5)	(0.5)
Others	134.9	194.4
Total	4,571.6	4,493.3

3.9 Income Tax Expense

During the Reporting Period, our income tax expense was RMB308 million, representing an increase of RMB133 million or 75.67% as compared to 2023, primarily attributable to the growth in pre-tax profits and the decrease in tax-exempt business income. The following table sets forth the reconciliation between the income tax calculated at the statutory income tax rate applicable to our profit before tax and our actual income tax for the periods indicated.

Unit: RMB million

	2024	2023
Profit before tax	2,506.4	2,291.8
Income tax calculated at statutory tax rate	626.6	572.9
Non-deductible expenses	44.5	6.6
Non-taxable income ⁽¹⁾	(362.8)	(404.0)
Income tax expense	308.3	175.5

Note:

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

IV. ANALYSIS OF STATEMENT OF FINANCIAL POSITION

4.1 Assets

As of the end of the Reporting Period, our total assets amounted to RMB441,464 million, representing an increase of RMB49,587 million or 12.65% as compared to the end of 2023, primarily due to the steady growth of our business scale. Loans and advances made increased by RMB20,102 million or 10.73% compared with the end of 2023. Financial investments increased by RMB21,245 million or 14.56% compared with the end of 2023. In addition, in light of business needs, we appropriately increased deposits with banks and other assets. The following table sets forth the composition of our total assets as of the dates indicated.

Unit: RMB million (except percentages)

	December 31, 2024		December 31, 2023	
	Amount	% of total	Amount	% of total
Loans and advances to customers	207,506.3	47.00	187,404.7	47.82
Financial investments	167,137.4	37.86	145,892.9	37.23
Cash and deposits with the Central Bank	27,352.5	6.20	27,274.2	6.96
Financial assets held under resale agreements	962.3	0.22	—	—
Deposits with banks and other financial institutions	3,204.7	0.73	833.9	0.21
Placements with banks	71.8	0.02	56.6	0.01
Property and equipment	3,886.8	0.88	2,793.8	0.71
Right-of-use assets	464.1	0.11	370.7	0.09
Deferred tax assets	2,866.6	0.65	2,585.4	0.66
Other assets ⁽¹⁾	28,011.3	6.33	24,664.6	6.31
Total assets	441,463.8	100.00	391,876.8	100.00

Note:

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

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

4.1 Assets (Cont'd)

4.1.1 Loans and advances to customers

As of the end of the Reporting Period, the total loans and advances to customers amounted to RMB210,331 million, representing an increase of RMB20,366 million or 10.72% as compared to the end of 2023; among them, the balance of our corporate loans amounted to RMB150,518 million, representing an increase of RMB15,819 million or 11.74% as compared to the end of 2023; the balance of personal loans amounted to RMB43,304 million, representing a decrease of RMB1,101 million or 2.48% as compared to the end of 2023; discounted bills amounted to RMB16,509 million, representing an increase of RMB5,648 million or 52.00% as compared to the end of 2023.

Loans by business type

Unit: RMB million (except percentages)

	December 31, 2024		December 31, 2023	
	Amount	% of total	Amount	% of total
Corporate loans	150,518.0	71.56	134,698.7	70.91
Personal loans	43,303.8	20.59	44,405.2	23.38
Discounted bills	16,509.4	7.85	10,861.3	5.71
Total loans and advances to customers	210,331.2	100.00	189,965.2	100.00
Add: Interest accrued	1,779.1	—	1,612.1	—
Less: Provision for loans and advances to customers measured at amortised cost	4,604.0	—	4,172.6	—
Net loans and advances to customers	207,506.3	—	187,404.7	—

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

4.1 Assets (Cont'd)

4.1.1 Loans and advances to customers (Cont'd)

Corporate loans by industry

Unit: RMB million (except percentages)

	December 31, 2024		December 31, 2023	
	Amount	% of total	Amount	% of total
Industry:				
Leasing and business services	31,620.5	21.01	30,290.6	22.49
Water conservancy, environment and public facilities management	22,231.3	14.77	21,030.5	15.61
Manufacturing	21,114.9	14.03	18,676.9	13.87
Wholesale and retail	20,893.0	13.88	15,447.7	11.47
Construction	18,728.9	12.44	18,921.1	14.05
Electricity, heat, gas and water production and supply	7,877.7	5.23	6,881.2	5.11
Real estate	7,274.2	4.83	7,047.6	5.23
Agriculture, forestry, animal husbandry and fishery	3,923.9	2.61	2,936.2	2.18
Transportation, warehousing and postal services	2,826.3	1.88	3,441.1	2.55
Education	2,223.3	1.48	2,226.9	1.65
Hygiene and social welfare	932.5	0.62	988.1	0.73
Culture, sports and entertainment	720.2	0.48	633.5	0.47
Information transmission, software and information technology services	378.3	0.25	340.0	0.25
Others ⁽¹⁾	9,773.0	6.49	5,837.4	4.33
Total corporate loans	150,518.0	100.00	134,698.7	100.00

Note:

- (1) Others consist primarily of scientific research and technology services, accommodation and catering, mining and resident services, maintenance and other services.

As of the end of the Reporting Period, the top five industries to which we distributed loans were leasing and business services, water conservancy, environment and public facilities management, manufacturing, wholesale and retail and construction; loans to customers in these top five industries totaled RMB31,621 million, RMB22,231 million, RMB21,115 million, RMB20,893 million and RMB18,729 million, respectively, accounting for 21.01%, 14.77%, 14.03%, 13.88% and 12.44% of our total corporate loans, respectively.

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

4.1 Assets (Cont'd)

4.1.1 Loans and advances to customers (Cont'd)

Corporate loans by product type

Unit: RMB million (except percentages)

	December 31, 2024		December 31, 2023	
	Amount	% of total	Amount	% of total
Working capital loans	99,406.8	66.04	90,584.5	67.25
Fixed asset loans	41,113.7	27.32	37,696.7	27.99
Other loans ⁽¹⁾	9,997.5	6.64	6,417.5	4.76
Total corporate loans	150,518.0	100.00	134,698.7	100.00

Note:

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

Personal loans by product type

Unit: RMB million (except percentages)

	December 31, 2024		December 31, 2023	
	Amount	% of total	Amount	% of total
Residential mortgage loans	14,844.6	34.28	15,539.3	34.99
Personal consumption loans	14,585.0	33.68	12,059.7	27.16
Personal business loans	13,874.2	32.04	16,806.2	37.85
Total personal loans	43,303.8	100.00	44,405.2	100.00

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

4.1 Assets (Cont'd)

4.1.1 Loans and advances to customers (Cont'd)

Discounted bills

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

Unit: RMB million (except percentages)

	December 31, 2024		December 31, 2023	
	Amount	% of total	Amount	% of total
Bank acceptance bills	14,852.1	89.96	9,455.6	87.06
Commercial acceptance bills	1,657.3	10.04	1,405.7	12.94
Total discounted bills	16,509.4	100.00	10,861.3	100.00

Distribution of loans and advances to customers by collateral

Unit: RMB million (except percentages)

	December 31, 2024		December 31, 2023	
	Amount	% of total	Amount	% of total
Pledged loans	23,427.6	11.14	17,363.8	9.14
Collateralised loans	66,363.8	31.55	65,258.2	34.35
Guaranteed loans	72,428.2	34.44	69,487.2	36.58
Unsecured loans	31,602.2	15.02	26,994.7	14.21
Discounted bills	16,509.4	7.85	10,861.3	5.72
Gross loans and advances to customers	210,331.2	100.00	189,965.2	100.00

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

4.1 Assets (Cont'd)

4.1.1 Loans and advances to customers (Cont'd)

Distribution of loans and advances to customers by geographical region

Unit: RMB million (except percentages)

	December 31, 2024		December 31, 2023	
	Amount	% of total	Amount	% of total
Region:				
Weihai City	76,415.3	36.33	64,506.6	33.96
Outside Weihai City	133,915.9	63.67	125,458.6	66.04
Gross loans and advances to customers	210,331.2	100.00	189,965.2	100.00

4.1.2 Financial investments

As of the end of the Reporting Period, the carrying value of our financial investments was RMB167,137 million, representing an increase of RMB21,244 million or 14.56% as compared with that of the end of 2023. The following table sets forth the composition of our financial investment portfolio as of the dates indicated.

Classification of financial investments by business model and cash flow characteristics

Unit: RMB million (except percentages)

	December 31, 2024		December 31, 2023	
	Amount	% of total	Amount	% of total
Financial investments measured at amortised cost	76,739.4	45.91	82,122.8	56.29
Financial investments measured at fair value through other comprehensive income	82,862.5	49.58	55,669.5	38.16
Financial investments measured at fair value through profit or loss	7,535.5	4.51	8,100.6	5.55
Total financial investments	167,137.4	100.00	145,892.9	100.00

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

4.1 Assets (Cont'd)

4.1.2 Financial investments (Cont'd)

Financial investments measured at amortised cost

As of the end of the Reporting Period, the carrying value of our financial investments measured at amortised cost amounted to RMB76,739 million, representing a decrease of RMB5,384 million or 6.56% as compared with that of the end of 2023. In 2024, the decrease in such assets was mainly due to the timely adjustment of the scale of certain investment products in response to bond market changes.

Unit: RMB million

	December 31, 2024	December 31, 2023
Debt securities issued by the following institutions in mainland China		
Central government	9,247.7	8,882.5
Policy banks	21,303.8	21,581.4
Banks and other financial institutions	700.0	900.0
Corporates	15,360.9	19,247.3
Government-backed institutions	199.6	359.4
Local governments	25,916.6	24,889.5
Interests accrued	1,443.9	1,506.7
Sub-total	74,172.5	77,366.8
Investment management products	4,098.0	5,824.1
Asset-backed securities	818.2	827.6
Less: Provision for impairment losses	(2,349.3)	(1,895.7)
Total	76,739.4	82,122.8

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

4.1 Assets (Cont'd)

4.1.2 Financial investments (Cont'd)

Financial investments measured at fair value through other comprehensive income

As of the end of the Reporting Period, the carrying value of our financial investments measured at fair value through other comprehensive income amounted to RMB82,863 million, representing an increase of RMB27,193 million or 48.85% as compared with that of the end of 2023, mainly due to the expansion of investment scales in interest-rate bonds, bank and other financial institutions, as well as certificates of interbank deposits. The following table sets forth the components of our financial investments measured at fair value through other comprehensive income as of the dates indicated.

Unit: RMB million

	December 31, 2024	December 31, 2023
Debt securities issued by the following institutions in mainland China		
Central government	1,184.3	319.0
Policy banks	39,442.2	32,250.8
Banks and other financial institutions	10,871.5	6,862.2
Corporates	10,868.0	11,563.8
Government-backed institutions	–	252.7
Local governments	12,142.2	334.0
Interests accrued	1,099.8	960.2
Sub-total	75,608.0	52,542.7
Interbank deposits	6,461.2	2,631.7
Asset-backed securities	478.2	179.4
Equity investments	315.1	315.7
Total	82,862.5	55,669.5

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

4.1 Assets (Cont'd)

4.1.2 Financial investments (Cont'd)

Financial investments measured at fair value through profit or loss

As of the end of the Reporting Period, the carrying value of our financial investments measured at fair value through profit or loss amounted to RMB7,536 million, representing a decrease of RMB565 million or 6.98% as compared with that of the end of 2023, mainly due to the timely adjustment of the scale of certain investment products in response to bond market changes. The following table sets forth the components of our financial investments measured at fair value through profit or loss as of the dates indicated.

Unit: RMB million

	December 31, 2024	December 31, 2023
Debt securities issued by the following institutions in mainland China		
– Banks and other financial institutions	1,428.9	1,819.2
– Corporates	–	20.3
Sub-total	1,428.9	1,839.5
Asset-backed securities	–	413.7
Investment funds	4,919.9	4,916.2
Investment management products	947.0	724.7
Equity investments	239.7	206.5
Total	7,535.5	8,100.6

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

4.2 Liabilities

As of the end of the Reporting Period, our total liabilities amounted to RMB410,666 million, representing an increase of RMB46,797 million or 12.86% as compared to the end of 2023, mainly due to our continued efforts to enhance deposit marketing. Concurrently, in response to market interest rate fluctuations, we optimized our liability structure by appropriately increasing the issuance of low-cost bonds and certificates of interbank deposit. The following table sets forth the composition of our total liabilities as of the dates indicated.

Unit: RMB million (except percentages)

	December 31, 2024		December 31, 2023	
	Amount	% of total	Amount	% of total
Deposits from customers	301,951.6	73.53	273,978.5	75.30
Financial assets sold under repurchase agreements	12,101.7	2.95	11,351.2	3.12
Deposits from banks	5,313.5	1.29	5,519.0	1.52
Placements from banks and other financial institutions	27,470.5	6.69	22,579.5	6.21
Debt securities issued	49,717.7	12.11	37,446.2	10.29
Borrowing from the Central Bank	10,409.6	2.53	9,836.4	2.70
Income tax payable	478.4	0.12	125.2	0.03
Lease liabilities	453.3	0.11	349.9	0.10
Other liabilities ⁽¹⁾	2,770.0	0.67	2,683.0	0.73
Total liabilities	410,666.3	100.00	363,868.9	100.00

Note:

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

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

4.2 Liabilities (Cont'd)

4.2.1 Deposits from customers

Deposits from customers are our primary source of funding. As of the end of 2023 and 2024, our deposits from customers accounted for 75.30% and 73.53% of our total liabilities, respectively. As of the end of the Reporting Period, total deposits amounted to RMB293,490 million, representing an increase of RMB26,893 million or 10.09% as compared to the end of 2023, mainly due to our continued efforts to strengthen deposit marketing and customer acquisition, which resulted in the steady growth in our corporate deposits and personal deposits. The following table sets forth the composition of our deposits from customers as of the dates indicated.

Unit: RMB million (except percentages)

	December 31, 2024		December 31, 2023	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand deposits	57,361.0	19.54	48,611.8	18.23
Time deposits	94,022.7	32.04	91,296.0	34.25
Sub-total	151,383.7	51.58	139,907.8	52.48
Personal deposits				
Demand deposits	10,572.2	3.60	10,611.3	3.98
Time deposits	131,524.2	44.82	115,919.7	43.48
Sub-total	142,096.4	48.42	126,531.0	47.46
Inward and outward remittances	9.4	0.00	157.4	0.06
Total	293,489.5	100.00	266,596.2	100.0
Interests accrued	8,462.1		7,382.3	
Deposits from customers	301,951.6		273,978.5	

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

4.2 Liabilities (Cont'd)

4.2.2 Placements from banks and other financial institutions

As of the end of the Reporting Period, the balance of our placements from banks and other financial institutions amounted to RMB27,471 million, representing an increase of RMB4,891 million or 21.66% as compared to the end of 2023, mainly due to the continued increase in the scale of our finance lease business and the corresponding increase in the amount of placements from banks and other financial institutions.

4.2.3 Debt securities issued

Debt securities issued consisted primarily of certificates of interbank deposits, green financial bonds, financial bonds specialized for small and micro enterprises, and tier-two capital bonds issued by us. As of the end of the Reporting Period, the total scale of bonds issued by our Bank amounted to RMB49,718 million, representing an increase of RMB12,272 million or 32.77% as compared to the end of 2023, mainly due to our Bank's adjustments to the liability structure in response to market conditions during 2024, which included enhancing the utilization of low-interest market funds, issuing RMB4 billion in small and micro-enterprise financial bonds, and appropriately increasing the issuance scale of certificates of interbank deposit.

4.3 Shareholders' Equity

As of the end of the Reporting Period, our total equity amounted to RMB30,798 million, representing an increase of RMB2,790 million or 9.96% as compared to the end of 2023; our total equity attributable to shareholders amounted to RMB24,899 million, representing an increase of RMB2,758 million or 12.46% as compared to the end of 2023, primarily due to an increase in retained earnings and investment revaluation reserves. The following table sets forth the composition of our shareholders' equity as of the dates indicated.

Unit: RMB million (except percentages)

	December 31, 2024		December 31, 2023	
	Amount	% of total	Amount	% of total
Share capital	5,980.1	19.42	5,980.1	21.35
Capital reserve	4,925.1	15.99	4,925.5	17.59
Surplus reserve	1,904.0	6.18	1,720.6	6.14
General reserve	4,144.8	13.46	3,690.6	13.18
Fair value reserve	1,794.1	5.83	211.1	0.75
Impairment reserve	30.3	0.10	33.8	0.12
Retained earnings	6,120.4	19.87	5,579.1	19.92
Total equity attributable to equity shareholders of the Bank	24,898.8	80.85	22,140.8	79.05
Perpetual bonds	3,999.3	12.99	4,099.2	14.64
Non-controlling interests	1,899.4	6.16	1,767.9	6.31
Total equity	30,797.5	100.00	28,007.9	100.00

V. OFF-BALANCE SHEET ITEMS

Our off-balance sheet items particularly include credit commitment and capital commitment. Credit commitment is the most important component, and as of the end of the Reporting Period, the balance of credit commitment amounted to RMB69,899 million. For details, please refer to note 48(a) to the financial statements in this report.

For details of pledges as collateral for liabilities, please refer to Note 28(a) to the financial statements in this report.

VI. ANALYSIS OF LOAN QUALITY

During the Reporting Period, we continued to strengthen the management and control of the quality of credit assets, and the quality of credit assets remained stable. As of the end of the Reporting Period, our total loans (excluding accrued interest) amounted to RMB210,331 million, representing an increase of RMB20,366 million or 10.72% as compared with the end of 2023; total non-performing loans amounted to RMB2,960 million, representing an increase of RMB200 million or 7.25% as compared with the end of 2023.

6.1 Distribution of Loans by Five-category Classification

Unit: RMB million (except percentages)

	December 31, 2024		December 31, 2023	
	Amount	% of total	Amount	% of total
Normal loans	201,596.2	95.85	182,855.1	96.26
Special-mentioned loans	5,774.9	2.74	4,350.1	2.29
Sub-total of normal loans	207,371.1	98.59	187,205.2	98.55
Substandard loans	1,221.7	0.58	1,543.8	0.81
Doubtful loans	1,476.1	0.70	1,136.6	0.60
Loss loans	262.3	0.13	79.6	0.04
Sub-total of non-performing loans	2,960.1	1.41	2,760.0	1.45

Under the five-category loan classification system, our non-performing loans include substandard, doubtful and loss loans. As of the end of the Reporting Period, our non-performing loan ratio decreased by 0.04 percentage points to 1.41% as compared to the end of 2023. In particular, the proportion of substandard loans decreased by 0.23 percentage points to 0.58% as compared to the end of 2023, while the proportion of doubtful loans increased by 0.10 percentage point to 0.70% as compared to the end of 2023, and the proportion of loss loans increased by 0.09 percentage points to 0.13% compared to the end of 2023.

VI. ANALYSIS OF LOAN QUALITY (CONT'D)

6.2 Distribution of Non-performing Corporate Loans by Industry

Unit: RMB million (except percentages)

	December 31, 2024			December 31, 2023		
	Amount of non-performing loans	% of total	Non-performing loan ratio (%)	Amount of non-performing loans	% of total	Non-performing loan ratio (%)
Real estate	395.4	55.03%	5.44%	277.5	23.01%	3.94%
Wholesale and retail	151.5	21.08%	0.72%	231.1	19.16%	1.50%
Manufacturing	95.9	13.35%	0.45%	242.6	20.12%	1.30%
Agriculture, forestry, animal husbandry and fishery	24.1	3.35%	0.61%	27.0	2.24%	0.92%
Construction	20.8	2.90%	0.11%	220.0	18.24%	1.16%
Water conservancy, environment and public facilities management	1.6	0.22%	0.01%	0.1	0.01%	0.00%
Electricity, heat, gas and water production and supply	1.5	0.20%	0.02%	81.4	6.75%	1.18%
Culture, sports and entertainment	0.2	0.03%	0.03%	90.0	7.46%	14.20%
Others ⁽¹⁾	27.5	3.84%	0.07%	36.3	3.01%	0.08%
Total	718.5	100%	0.49%	1,206.0	100.00%	0.90%

Note:

- (1) Others consist primarily of mining; transportation, warehousing and postal services; resident services, maintenance and other services; leasing and business services; information transmission, software and information technology services; scientific research and technology services; accommodation and catering; and education etc.

VI. ANALYSIS OF LOAN QUALITY (CONT'D)

6.3 Distribution of Non-performing Loans by Geographical Region

Unit: RMB million (except percentages)

	December 31, 2024			December 31, 2023		
	Amount	% of total	Non-performing loan ratio (%)	Amount	% of total	Non-performing loan ratio (%)
Weihai City	631.8	21.34	0.83	243.1	8.81	0.38
Outside Weihai City	2,328.3	78.66	1.74	2,516.9	91.19	2.01
Total non-performing loans	2,960.1	100.00	1.41	2,760.0	100.00	1.45

6.4 Concentration of Borrowers

Pursuant to the Administrative Measures for the Large Risk Exposure of Commercial Banks and the Core Indicators for Risk Supervision of Commercial Banks (Provisional), loans to a single borrower by a commercial bank shall not exceed 10% of its net capital. As of the end of the Reporting Period, the amount of loans to our largest single customer accounted for 5.19% of our net capital, which was in compliance with regulatory requirements.

Loans to the top ten single borrowers

Unit: RMB million (except percentages)

	Industry	Loan amount as of the end of the Reporting Period	% of		Five-category classification
			total loans	net capital	
Borrower A	Leasing and business services	1,953.8	0.93	5.19	Normal
Borrower B	Water conservancy, environment and public facilities management	1,922.1	0.90	5.11	Normal
Borrower C	Manufacturing	1,768.0	0.84	4.70	Normal
Borrower D	Real estate, leasing and business services	1,630.0	0.77	4.33	Normal
Borrower E	Water conservancy, environment and public facilities management	1,445.2	0.69	3.84	Normal
Borrower F	Leasing and business services	1,400.0	0.66	3.72	Normal
Borrower G	Leasing and business services, water conservancy, environment and public facilities management	1,325.6	0.63	3.52	Normal
Borrower H	Wholesale and retail	1,191.3	0.57	3.16	Normal
Borrower I	Leasing and business services	1,190.0	0.57	3.16	Normal
Borrower J	Construction	1,139.7	0.54	3.03	Normal
Total		14,965.7	7.10	39.76	

VII. SEGMENT REPORTING

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

Unit: RMB million (except percentages)

	December 31, 2024		December 31, 2023	
	Operating income of the segment	% of total	Operating income of the segment	% of total
Corporate banking	5,817.5	62.45	5,094.1	58.32
Retail banking	1,691.7	18.16	1,770.7	20.27
Financial market business	1,803.1	19.36	1,860.1	21.29
Others	3.3	0.03	10.5	0.12
Total	9,315.6	100.00	8,735.4	100.00

VIII. BUSINESS DEVELOPMENT

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

8.1 Corporate Banking

The Bank's corporate banking business fully relied on the advantages of its shareholders, business scale and network, improved comprehensive service capability, focused on local characteristic industries, fully integrated with the local regional development plan, always adhered to the market positioning of "serving urban and rural residents, serving small and micro enterprises, and serving the local economy", and always adhered to the path of differentiation, retailing and integrated innovative characteristic development to form a characteristic operation. The Bank drove the steady growth of the business scale and efficiency through managing clients based on lists, marketing to cover the entire chain and promoting technology empowerment; implemented the visitor system, strengthened the coordinated marketing mechanism, strengthened the interaction between lines and lines and the overall synergy, and identified the points of linkage, strength and growth, so as to improve the accuracy and efficiency of docking to the real economy, and to provide strong financial support for the development of the regional economy.

(1) Corporate customers

The Bank has established a vast and stable corporate customer base in Shandong Province and Tianjin Municipality. The corporate banking customers of the Bank primarily comprise the governmental agencies, state-owned enterprises, business units, and industrial and commercial enterprises in Shandong Province and Tianjin Municipality. As of the end of the Reporting Period, there were 70,746 corporate customers, representing an increase of 3,765 customers as compared with that as of the end of last year. The marketing focus of the Bank's corporate customers was firstly, to expand the scale and speed advantages of the Bank, and form a group of high quality customers in the livelihood, green finance, technology and trade finance categories with platform building and selected customers as the starting point; secondly, to carry out chain marketing, rely on core customers, integrate core customer resources, make full use of supply chain products, explore upstream and downstream industrial chains, marketed high-quality supply chain financial customers, gain in-depth linkage and explore the potential of customer resources; thirdly, to take channel visitors as the entry point, play the role of the main position of the branch, fully discuss the regional characteristics, industry characteristics and industrial clusters of the jurisdiction, establish parks, associations, streets and other specific channel lists, enrich the channel construction and association mode, conduct channel referrals relying on the channel carriers, and stimulate new momentum for the growth of the customer base.

(2) Corporate deposits

During the Reporting Period, the Bank relied on list-based visitors, especially channel visitors, to expand customer base and promote growth with visitors; strengthened the linkage mechanism, continuously innovated and deepened business linkage scenarios to enhance the level of refined marketing; strengthened technological empowerment to help business opportunity acquisition and marketing promotion, enhanced the accuracy and effectiveness of customer marketing, enabling a stable increase in the scale of corporate deposits.

As of the end of the Reporting Period, the balance of corporate deposits amounted to RMB151,384 million, representing an increase of RMB11,476 million or 8.20% as compared with the end of 2023, accounting for 51.58% of the balance of all deposits. In particular, corporate demand deposits amounted to RMB57,361 million, accounting for 37.89% of corporate deposits; and corporate time deposits amounted to RMB94,023 million, accounting for 62.11% of corporate deposits.

VIII. BUSINESS DEVELOPMENT (CONT'D)

8.1 Corporate Banking (Cont'd)

(3) Corporate loans

As of the end of the Reporting Period, the balance of corporate loans was RMB150,518 million, representing an increase of RMB15,819 million or 11.74% as compared with the end of 2023, of which the balance of working capital loans was RMB99,407 million, accounting for 66.04% of total corporate loans; the balance of fixed asset loans was RMB41,114 million, accounting for 27.32% of total corporate loans; and the balance of other loans was RMB9,997 million, accounting for 6.64% of total corporate loans.

Loans to large and medium enterprises

During the Reporting Period, the Bank actively implemented the guiding spirits of national policies and regulatory requirements, vigorously supported the development of the real economy, and focused on key industries and fields supported by national policies, including green finance, inclusive finance, specialized and sophisticated enterprises that produce new and unique products, strategic emerging industries and advanced manufacturing, supply chain and industrial chain industries, private enterprises, rural revitalization, and people's livelihood industries. Meantime, the Bank increased the credit support for traditional enterprises in industrial upgrading, technological transformation and energy conservation and environmental protection projects, and continued to optimize the credit business environment and improve credit services. As of the end of the Reporting Period, the balance of loans to large enterprises was RMB20,294 million, and the balance of loans to medium enterprises was RMB37,616 million.

Loans to small and micro enterprises

During the Reporting Period, the Bank constantly focused on platform-based and batch marketing, and was committed to carrying out the inclusive finance scenario competition and the "Thousands of Visits" campaign. As of the end of the Reporting Period, the balance of the Bank's inclusive small and micro loans (including loans to small and micro enterprises with credit lines for single account less than RMB10 million (inclusive), loans to individual industrial and commercial households, and loans to owners of small and micro enterprises (exclusive of discount)) amounted to RMB31,771 million. The average loan interest rate for inclusive small and micro enterprises was 4.51%, and the number of customers of inclusive small and micro-enterprise loans was approximately 73,300. The Bank effectively supported the capital demands from inclusive small and micro enterprises.

VIII. BUSINESS DEVELOPMENT (CONT'D)

8.1 Corporate Banking (Cont'd)

(3) *Corporate loans (Cont'd)*

During the Reporting Period, the Bank continued to promote the construction of the inclusive financial service platform based on its unique and differentiated positioning, adhered to the development concept of “product+platform+online”, and launched inclusive finance’s six-matrix product system of benefiting merchants, strengthening enterprises, revitalizing science and technology, supporting green development, prospering agriculture and alleviating poverty, as well as sub-series of products, so as to enhance the brand image of inclusive finance. The “Innovation Case on Easy Loan for Technology Driving New Productivity” was honored as an “Excellent Case on Science and Technology Financial Innovation of the Year”. The “Innovation Case on Building a Digital Inclusive Platform and Empowering High-Quality Development of Inclusive Finance” was honored as an “Excellent Case on Inclusive Financial Innovation of the Year”. The “Creating Digital Inclusive Finance and Boosting the High-Quality Development of the Real Economy” was honored as a “New China Credit Inclusive Benchmark Case on Digital Inclusive Innovation Service”.

During the Reporting Period, capitalizing on policy dividends, the Bank proactively applied for re-loans for supporting small and medium enterprises of the People’s Bank of China, and on-lending capitals from the China Development Bank and The Export-Import Bank of China, successfully issued RMB4 billion of special financial bonds for loans to small and micro enterprise, made full use of inclusive SME loans supporting tools of the People’s Bank of China, and continued to increase inclusive SME loans.

(4) *Supply chain financing business*

During the Reporting Period, the Bank actively implemented its work plan of supply chain transformation, pooled its efforts to broaden horizon and reached consensus at the top-level design, and managed its customers with supply chain thinking, thus forming a strong driving force to promote the sound development of supply chain business. Within the Bank, we created scenarios relying on its products. The Bank focused on key customers to carry out chain marketing, continuously reached high-quality core enterprises, conducted targeted marketing activities and provided customized supply chain service design and solutions for large central and state-owned enterprises, listed companies, top 100 companies, industry leaders, regional leaders and other high-quality core enterprises, with a view to meeting the all-round, multi-level comprehensive financial service needs of a single enterprise or different enterprises. Outside the Bank, we worked with platforms to attract customer traffic and acquire customers. Meantime, the Bank strengthened the expansion of channels, launched a number of scenarios, continuously worked with high-quality external platforms, explored more scenario-based cooperation opportunities, and promoted industries and models in line with credit policies of the Bank, therefore further expanding scenarios for customer acquisition and promoting the digital transformation of supply chain business. As of the end of the Reporting Period, the Bank’s balance of supply chain financing business was RMB8,741 million.

(5) *Trade finance business*

The Bank provides a wide range of financial products and services to corporate customers involving cross-border transactions and domestic trade. Our international settlement services primarily include remittance, collection, letters of credit, letters of guarantee and cross-border RMB settlement. As of the end of the Reporting Period, the Bank had 24 branches and sub-branches providing international settlement services and had established agency relationship with over 200 banks, covering the countries (regions) including mainland China, Hong Kong, Germany and the United States. The Bank has continued to strengthen its marketing efforts based on its trading and financial customer list to enhance its business scale. During the Reporting Period, the trading and financial services transaction volume amounted to US\$8,478 million.

VIII. BUSINESS DEVELOPMENT (CONT'D)

8.2 Retail Banking Business

During the Reporting Period, under the general environment of “digital” transformation, the Bank clarified the strategic positioning of “focusing on retail”, adhered to the reform and transformation for development, and achieved high-quality and rapid development of its retail business by strengthening technology investment, reinforcing technology empowerment, accelerating digital transformation, enhancing online marketing capabilities and improving online product functions and service.

(1) *Retail customers*

The Bank adhered to digital transformation for development, deepened reforms, continued to optimize the management of retail customers by classification, layers and groups to precisely invigorate core retail customer groups such as payroll, mid-to-high-end, and consumer finance; optimized the product structure, improved the retail product system, built diversified marketing models, strengthened the digital management of customer groups, and formed a precise marketing on customer group. At the same time, the Bank strengthened the construction of the platform, attached importance to scene batch operation, built a comprehensive eco-financial system by enriching the application scenarios in the fields of public transportation, social security cards and other people’s livelihood services, and strengthened the linkage around the scenes such as payroll payment and residents’ payment to constantly optimize the process, card ecology and equity system of credit cards and debit cards, so as to build up a distinctive financial service system, continuously improving the core competitiveness and digital marketing management capabilities of credit cards and debit card of the Bank, and expending and strengthening its retail customers.

The Bank has a wide range of retail banking customers in Shandong Province and Tianjin. As of the end of the Reporting Period, the assets retained by retail customers in the Bank amounted to RMB181,622 million, representing an increase of 10.27% as compared with the end of 2023. As the wealth management of the Bank gradually improves, the number of mid-to-high-end customers continues to grow. As of the end of the Reporting Period, the financial assets retained in the Bank by customers with personal financial assets of over RMB200,000 amounted to RMB153,744 million, accounting for 84.65% of the Bank’s personal financial assets.

During the Reporting Period, the Bank continued to optimize benefits platform based on customer experience, developed a platform for mass marketing to actively promote the consignment of wealth management products, funds, insurance and precious metals and other businesses, so as to achieve the comprehensive and complementary development through marketing diversified product portfolios. Meantime, the Bank continued to optimize a smart marketing platform to provide a basic and long-term support for the maintenance of customer marketing and the management of internal marketing.

(2) *Personal deposit business*

During the Reporting Period, the Bank’s total personal deposits increased continuously. As of the end of the Reporting Period, the balance of the Bank’s personal deposits reached RMB142,096 million, representing an increase of RMB15,565 million or 12.30% as compared with the end of 2023.

VIII. BUSINESS DEVELOPMENT (CONT'D)

8.2 Retail Banking Business (Cont'd)

(3) *Personal loan business*

The Bank provides residential mortgage loans, personal business loans and personal consumption loans to retail banking customers.

Personal consumption loans

Following the policy direction of expending domestic demand and boosting consumption, the Bank vigorously promoted a series of personal consumption loans under the brand name of “Happy Consumption Loan” and featured revolving online personal loan product “Quick e-Loan”, which were continuously optimized and iterated based on personal and family consumption needs. During the Reporting Period, under the premise of effective risk management and control, the Bank actively promoted the online process of its personal consumption loan business to steadily improve the scale of consumption loans. As of the end of the Reporting Period, the balance of personal consumption loans of the Bank amounted to RMB14,585 million, representing an increase of RMB2,525 million or 20.94% as compared with the end of 2023.

Residential mortgage loans

During the Reporting Period, the Bank promoted the interest rate adjustment in outstanding mortgage, the adjustment in repricing cycle and the adjustment in down-payment ratio in accordance with the requirements of national policies to support residents’ reasonable housing needs and steadily develop individual residential mortgage loans. The Bank strengthened the risk prevention and control of mortgage business, and focused on marketing high-quality developers, high-quality properties and high-quality customers to promote the growth of residential mortgage business. As at the end of the Reporting Period, the balance of our residential mortgage loans amounted to RMB14,845 million.

Personal business loans

During the Reporting Period, the Bank continued to promote a number of online products such as electronic warehouse receipt pledge loans, greenhouse loans and farming loans, leveraged on government and bank preferential policies to promote “Preferential Agricultural Loan (惠農貸)”, and constantly diversified the digital inclusive financial platform, so as to effectively meet the financial needs of individual industrial and commercial households, rural revitalization and other market entities in key areas. As of the end of the Reporting Period, the Bank’s balance of personal business loans was RMB13,874 million.

VIII. BUSINESS DEVELOPMENT (CONT'D)

8.2 Retail Banking Business (Cont'd)

(4) *Personal wealth management business*

During the Reporting Period, the Bank provided customers with a series of products including “Steady Growth (穩健成長)” and “Happy Share of Earnings (快樂享盈)”. As of the end of the Reporting Period, the scale of the Bank’s personal wealth management business reached RMB33,405 million, all of which were net-worth wealth management.

(5) *Bank card business*

Debit card business: During the Reporting Period, the Bank further enriched the rights and interests of cardholders and improved the user experience. The number of debit cards issued achieved a steady growth. As of the end of the Reporting Period, the Bank issued a total of approximately 5,038,600 debit cards, representing an increase of approximately 191,400 cards or 3.95% as compared with the end of 2023. During the Reporting Period, the total transaction volume of consumption through the Bank’s debit cards was RMB4,464 million.

Credit card business: The Bank provides different services to various target customer groups and provides three types of credit cards, namely, general cards, gold cards and platinum cards, based on the credit rating of the applicants. The holder of each type of credit card is entitled to receive and enjoy specific services and benefits tailored for the corresponding type of credit card. The Bank’s credit cards provide cardholders with a variety of installment products and convenient installment repayment services, including the purchase of automobiles and consumer products in addition to the ordinary functions of other credit cards. Under the premise of strict risk management, the Bank actively expanded the market, and the credit card business formed a good trend of stable development, deep exploration of potential and strong management, and realized the simultaneous improvement of business scale and quality. As of the end of the Reporting Period, the Bank had issued a total of approximately 195,700 credit cards.

VIII. BUSINESS DEVELOPMENT (CONT'D)

8.3 Financial Market Business

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

(1) *Proprietary investment*

The Bank continued to optimize investment structure, reduced the proportion of investment and SPV investment, improved asset liquidity and supported the development of the real economy. As of the end of the Reporting Period, the Bank had financial investments with a carrying amount of RMB167,137 million, representing an increase of RMB21,244 million or 14.56% as compared to the end of 2023. In 2024, the increase in such assets was mainly due to the following reasons: firstly, our active risk management and adjustment of investment structure by moderately increasing the investment in low-risk policy bank bonds and government bonds according to the situation of bond markets; and secondly, the increase in holding of policy bank bonds, interbank deposits, bank and other financial institution bonds for the purpose of both liquidity and efficiency.

(2) *Interbank business*

The Bank actively utilized different types of interbank liabilities and reasonably matched their maturity structure, which effectively reduced the cost of interbank liabilities and also met the Bank's needs for liquidity management. Meanwhile, the Bank responded to regulatory guidance, paid attention to market movements and actively participated in market transactions. During the Reporting Period, the Bank's transaction volume in the national interbank market reached RMB5.29 trillion.

(3) *Investment banking business*

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

During the Reporting Period, the Bank became an underwriter of non-financial corporate bond financing instruments upon the approval from the National Association of Financial Market Institutional Investors.

VIII. BUSINESS DEVELOPMENT (CONT'D)

8.3 Financial Market Business (Cont'd)

(4) *Wealth management*

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

During the Reporting Period, proceeds of RMB52,395 million were raised from the wealth management business (all of which were open-end wealth management products). Proceed from open-end products subject to redemption of principal amounted to RMB54,662 million in aggregate. The balance of the wealth management products as of the end of the Reporting Period was RMB34,696 million.

8.4 Internet Finance

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

(1) *Self-service banking*

The Bank's self-service banking facilities include ATMs, self-service deposit and withdrawal machines, smart teller machines, Smart Terminals (智能终端), Smart Self-Service Receipt Machines (智能回單機) and automatic inquiry machines. These facilities provide customers with convenient banking services while allowing the Bank to reduce operating costs. Services provided through these facilities include balance inquiry, cash deposit and withdrawal, fund transfer, and payment of public utility bills. As of the end of the Reporting Period, the Bank had 498 self-service banking facilities.

In addition, the Bank actively upgrades its self-service banking facilities and uses innovative applied technology on them in order to provide better services and experiences to customers. For instance, the Bank had rolled out facial recognition systems on smart devices. Smart devices offer similar functions as traditional bank tellers and operate only on touch-screen systems, which reduces the communication and inquiry time with bank tellers and improves the efficiency of business processing through intuitive function display. As of the end of the Reporting Period, the Bank had 239 smart devices.

VIII. BUSINESS DEVELOPMENT (CONT'D)

8.4 Internet Finance (Cont'd)

(2) *Electronic banking channels*

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

Online banking

The Bank's online banking platform, accessible via its website www.whccb.com, offers a broad range of financial products and services to both corporate banking and retail banking customers. For corporate banking customers, it provides various services, primarily including account inquiry and management, payment and settlement, payroll services, money transfer and remittance. For retail banking customers, it offers account inquiry and management, money transfer and remittances, wealth management products, bill payment and personal loans. As of the end of the Reporting Period, the Bank had a total of approximately 697,700 online banking customers, including approximately 63,600 corporate banking customers and approximately 634,100 retail banking customers. During the Reporting Period, an aggregate transaction amount of RMB1,326,434 million was processed through the Bank's online banking platform.

Mobile banking

The Bank began offering mobile banking services through its client terminal in 2014. Relying on secure identity authentication and network communication technology, the Bank provides customers with 24/7 constant mobile financial services such as account information inquiry, transfer and remittance, top-up and payment, investment and wealth management, fund collection, withdrawal via mobile phone, outlet inquiry and personal settings. To better secure the transactions of our customers, we provide the customers with short message services (SMS) notification service, whereby we send them SMS notifications relating to bank account transactions, account safety verification and risk alerts. As of the end of the Reporting Period, the Bank had approximately 3.80 million mobile banking users, representing an increase of 19.22% as compared with the end of 2023. During the Reporting Period, an aggregate transaction amount of RMB209,365 million was processed through the Bank's mobile banking platform.

In addition, the Bank opened its official WeChat account in 2014, which serves as an important hub for our communications with the customers. By following this account, the Bank's customers can enjoy a variety of services, including checking bank account information, conversion of time and demand deposits, application for personal loans, application for credit cards, management of credit cards, payment of public utility bills, outlet inquiry, interest rate inquiry, appointment for outlet business and handling of video banking business. As of the end of the Reporting Period, the Bank's official WeChat account had approximately 471,900 subscribers.

VIII. BUSINESS DEVELOPMENT (CONT'D)

8.4 Internet Finance (Cont'd)

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

Video banking

During the Reporting Period, the Bank continued to enhance its customer service so as to improve customer experience. Through the video banking remote online customer service channels, the Bank broke the time and space constraints to provide customers with more convenient service. Two new business scenarios, namely, inactive personal accounts and bank-enterprise reconciliation, were added to extend the service hours to further enhance the customer experience and achieve a high-quality balance of experience, efficiency and risk; the management mechanism was continuously optimized to safeguard the efficient operation of the video banking business in terms of personnel and systems; a comprehensive training system was built to organize timely and special training for the newly launched financial products to ensure that the customer service staff introduced them to the customers comprehensively and accurately; video business training was organized within the Bank to allow outlet staff to be more familiar and skillful with the video business and promotional activities were carried out continuously to encourage staff to actively recommend video banking to customers, thus expediting the movement of business from offline to online.

Online loans

In order to improve the convenience of services, the Bank launched the online "Quick e-Loan" (快e贷) product by using technology means. It applies identification technologies such as device fingerprint, biological probes, simulator identification and network connections, and is equipped with the digital inclusive financial service capabilities of full online process, full real-time approval, and full customer group opening, so as to support the standardized, bulk and intelligent retail credit operations in accordance with the models of "one second for scanning code", "one minute for customer input", "one minute for system approval" and "lifetime cloud authorization". As of the end of the Reporting Period, the balance of Quick e-Loan was RMB13,347 million, representing an increase of 41.63% as compared with the end of 2023.

VIII. BUSINESS DEVELOPMENT (CONT'D)

8.5 Digital Development

During the Reporting Period, the Bank closely followed the strategic digital transformation principle of “data standardization, standardized online services and online intellectualization”, paid attention to financial policies, focused on the development of financial technology, adhered to a “data + technology” dual-wheel drive model, so as to support the high-quality development of its business and promote the construction of an intelligent and digital bank. In 2024, total amount of the investment in information technology was RMB175.2555 million, representing 1.88% of our operating income.

Data drive was enhanced steadily. The Bank built integrated lake-warehouse and data mart base, constructed a data governance system that runs through the entire life cycle, and possessed complete data service capabilities such as indicators, labels, and data models, and has successfully obtained the Data Management Capability Maturity Assessment Mode (DCMM) Steady Level (Level 3) certification. Through the vertical domain data management model, the Bank continuously improved the efficiency and quality of data services and unlocked the value of data in risk management, business operation, internal control and other aspects.

Technological empowerment continued to improve efficiency. The mid-office service-oriented application system, which contains the business mid-platform, data mid-platform, technology mid-platform and the financial cloud platform, continued to function, greatly enhancing the financial technology service level, innovation capabilities, operation and maintenance management, and security control and other aspects. The Bank continuously improved its agility technology development and organization model, boosted the overall delivery efficiency and development quality and fostered innovation, achieving technological empowerment in financial services.

The integration of industry and technology was accelerating. Benchmarking against industry leaders and setting high standards, we focused on the goal of building a “first-class city commercial bank in China”, strengthened the integration of industry and technology to coalesce the collective synergy, enhanced the service quality and efficiency through strict demand control, and strengthened the construction of projects to promote business growth. The technology line interlocked with the objectives of the business sector and led the industry-technology integration team through dispatch, and was fully responsible for the digital construction and enhancement of the business line and promoted the implementation of industry-technology integration in depth.

VIII. BUSINESS DEVELOPMENT (CONT'D)

8.6 Analysis of Subsidiary

Shandong Tongda Financial Leasing Co., Ltd. was established in June 2016, and was the first commercial bank in Shandong Province to initiate the establishment of a financial leasing company. The strong synergy between the businesses of Tongda Financial Leasing and the Bank has notably improved its ability to provide comprehensive financial services to customers. It has become one of the important forces of our “Broad Corporate Banking (大公司)” business segment. During the Reporting Period, Tongda Financial Leasing strived to support the development of the real economy, strengthen internal control and compliance management, and served customers in 23 provinces and cities across China, with its business covering public facilities management, urban public utilities, transportation and logistics, energy conservation and environmental protection, culture, tourism and education, medical and health care, and business services. In 2024, Tongda Financial Leasing was awarded the honorary titles of “Green Leasing Leading Enterprise” and “Most Promising Financial Leasing Company” by the Global Leasing Industry Competitiveness Forum.

As of the end of the Reporting Period, the registered capital of Tongda Financial Leasing was RMB1,650 million and it was registered in Jinan, Shandong. We held 54.55% equity interest in Tongda Financial Leasing, which is principally engaged in the provision of financial leasing solutions to customers, including direct lease and sale-and-leaseback. As of the end of 2024, the amount of loan business issued by Tongda Financial Leasing exceeded RMB14.0 billion, and the assets exceeded RMB30.0 billion. During the Reporting Period, the operating income of Tongda Financial Leasing was RMB1,112 million, representing an increase of 17.14% as compared to 2023; net profit amounted to RMB454 million, representing an increase of RMB53 million as compared to 2023.

IX. CAPITAL MANAGEMENT

9.1 Capital Adequacy Ratio

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

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

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

The following table sets forth, as of the dates indicated, information relating to our capital adequacy ratios calculated in accordance with the Measures for Administration of Capital of Commercial Banks (《商業銀行資本管理辦法》) and PRC GAAP.

Unit: RMB million (except percentages)

Basis of the Group	December 31, 2024	December 31, 2023
Core tier-one capital		
Share capital	5,980.1	5,980.1
Qualifying portion of capital reserve	4,925.1	4,925.5
Surplus reserve	1,904.0	1,720.6
General reserve	4,144.8	3,690.6
Other comprehensive income	1,824.4	244.9
Retained earnings	6,120.4	5,579.1
Qualifying portions of non-controlling interests	1,032.9	882.2
Total core tier-one capital	25,931.7	23,023.0
Core tier-one capital deductions	(447.0)	(395.6)
Net core tier-one capital	25,484.7	22,627.4
Other tier-one capital	4,136.9	4,216.8
Net tier-one capital	29,621.6	26,844.2
Tier-two capital	8,024.2	7,664.6
Total capital, net	37,645.8	34,508.8
Total risk-weighted assets	273,670.3	257,975.7
Including: Total credit risk-weighted assets	257,157.2	242,695.7
Total market risk-weighted assets	1,861.1	1,219.1
Total operational risk-weighted assets	14,652.0	14,060.9
Core tier-one capital adequacy ratio	9.31%	8.77%
Tier-one capital adequacy ratio	10.82%	10.41%
Capital adequacy ratio	13.76%	13.38%

IX. CAPITAL MANAGEMENT (CONT'D)

9.1 Capital Adequacy Ratio (Cont'd)

Unit: RMB million (except percentages)

Basis of the Bank	December 31, 2024	December 31, 2023
Core tier-one capital		
Share capital	5,980.1	5,980.1
Qualifying portion of capital reserve	4,954.9	4,955.2
Surplus reserve	1,904.0	1,720.6
General reserve	3,934.2	3,496.2
Other comprehensive income	1,824.4	244.9
Retained earnings	5,069.5	4,669.8
Qualifying portions of non-controlling interests	N/A	N/A
Total core tier-one capital	23,667.1	21,066.8
Core tier-one capital deductions	(1,604.8)	(1,592.2)
Net core tier-one capital	22,062.3	19,474.6
Other tier-one capital	3,999.3	4,099.2
Net tier-one capital	26,061.6	23,573.8
Tier-two capital	7,359.6	7,138.2
Total capital, net	33,421.2	30,712.0
Total risk-weighted assets	245,666.6	234,052.0
Including: Total credit risk-weighted assets	230,889.5	220,370.5
Total market risk-weighted assets	1,861.1	1,219.1
Total operational risk-weighted assets	12,916.0	12,462.4
Core tier-one capital adequacy ratio	8.98%	8.32%
Tier-one capital adequacy ratio	10.61%	10.07%
Capital adequacy ratio	13.60%	13.12%

IX. CAPITAL MANAGEMENT (CONT'D)

9.2 Leverage Ratio Analysis

Pursuant to the Administrative Measures for the Capital of Commercial Banks (《商業銀行資本管理辦法》), a minimum leverage ratio of 4% is required for commercial banks. As of the end of the Reporting Period, our leverage ratio was 5.93%, which was higher than the regulatory requirements.

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

Unit: RMB million (except percentages)

	December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024
Leverage ratio	5.93%	5.88%	5.89%	5.97%
Net tier-one capital	29,621.6	28,519.8	28,294.8	28,001.6
Balance of on-and off-balance sheet assets after adjustment	499,554.0	485,383.9	480,659.0	468,841.2

X. RISK MANAGEMENT

10.1 Organizational Structure and Management Functions of Risk Management System

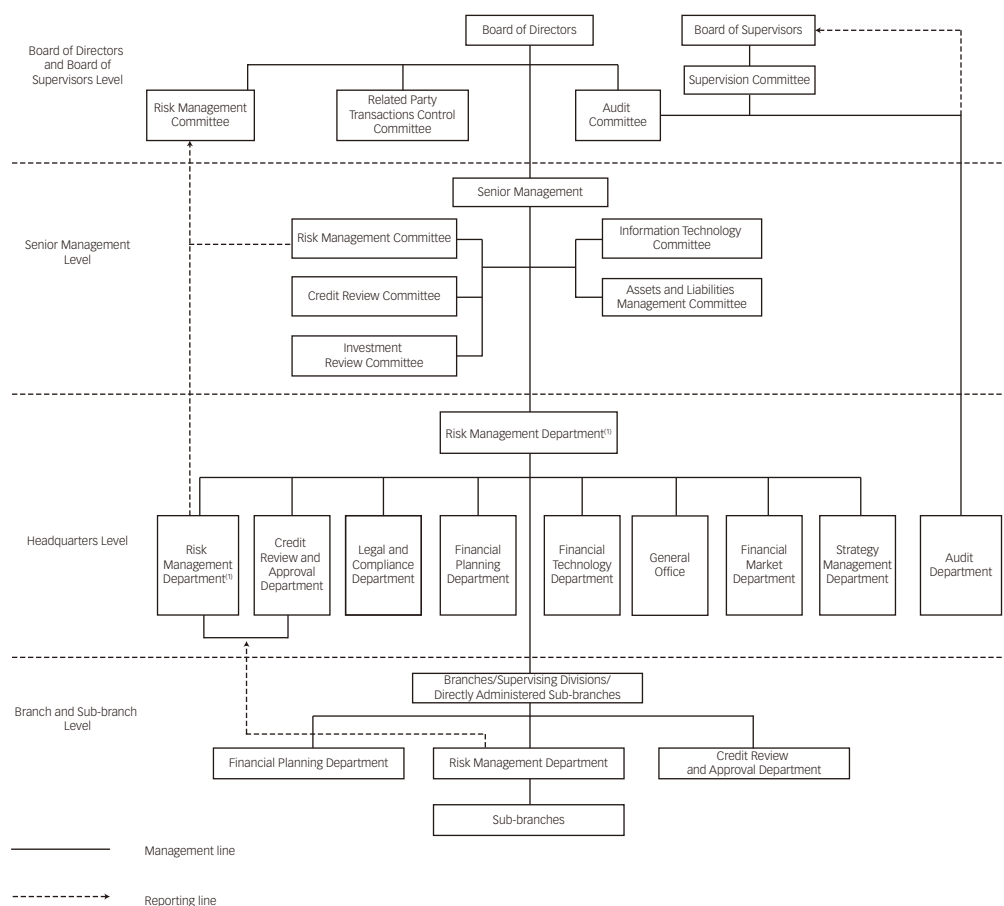
The Bank's risk management is aimed to establish and maintain a centralized and vertical risk management system, to regulate the interactions among the front, middle and back offices, further develop a comprehensive risk management system covering various risks as a commercial bank and subsidiary, and promote the sustainable and healthy development of the Bank's business.

The Bank's risk management follows the principles of comprehensive risk management, vertical management, linkage and checks and balances, professional management, and correlation between authority, responsibilities and rights to ensure the effectiveness of risk management.

X. RISK MANAGEMENT (CONT'D)

10.1 Organizational Structure and Management Functions of Risk Management System (Cont'd)

The structure of the Bank's risk management system is as follows:



Note:

- (1) The Risk Management Department takes the lead in the overall risk management and is primarily responsible for the management of credit risks, market risks and information technology risks.

X. RISK MANAGEMENT (CONT'D)

10.1 Organizational Structure and Management Functions of Risk Management System (Cont'd)

The Board of Directors, the Board of Supervisors, the senior management and their respective special committees, the main risk management departments of the headquarters and the risk management departments of the branches, constitute the basic organizational structure of the Bank's risk management.

- *Board of Directors and its special committees*

The Board of Directors performs risk management duties in accordance with the Articles of Association and relevant regulatory guidelines, mainly including formulating or approving the Bank's risk management policies and basic risk management systems, and supervising the implementation of such systems.

The Risk Management Committee, the Related Party Transactions Control Committee and the Audit Committee under the Board are the three most important special committees of the Board in terms of risk management.

- *Board of Supervisors and its special committees*

The Board of Supervisors performs risk management duties in accordance with the Articles of Association and relevant regulatory guidelines, mainly including supervising the performance of duties by the Board and senior management, and inspecting and supervising risk management.

- *Senior management and its special committees*

The senior management of the Bank is primarily responsible for implementing the risk management policies formulated by the Board of Directors, formulating risk management systems, processes and procedures, and managing the risks of various businesses.

The Risk Management Committee, the Credit Review Committee, the Assets and Liabilities Management Committee, the Information Technology Committee and the Investment Review Committee under the senior management are the five most important special committees of the senior management in terms of risk management.

- *Main risk management departments of the headquarters*

The risk management departments mainly include the Risk Management Department, the Legal and Compliance Department, the Credit Review and Approval Department, the Financial Planning Department, the Financial Technology Department, the General Office, the Audit Department and other departments of the headquarters.

- *Risk management of branches*

The president of each of our branches supervises risk management with the support of the risk management department established by the branches, and the risk management department of each branch is responsible for implementing the policies and procedures promulgated by the headquarters and submitting risk management reports to the relevant departments at our headquarters in accordance with internal procedures.

X. RISK MANAGEMENT (CONT'D)

10.2 Credit Risk

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

- Credit risk management objectives: under the premise of meeting the requirements of regulatory authorities, depositors and other stakeholders for the stable operation of the Bank, the Bank will ensure the steady development of credit business and the safety of asset quality, properly assume credit risk and obtain risk returns corresponding to the level of risk commitment, so as to achieve the balance between risk and return.
- Credit risk management policies and procedures: the Bank has established and continuously improved its system of credit risk management policies and regulations, which comprise a broad range of basic policies, systems and methods and are prepared with clear categorization, in a scientific way and with comprehensive coverage. Its credit risk policy management system comprises policies it developed in line with its development strategy and risk appetite, including policies in respect of credit, industries, regions, customers and products. It has formulated credit risk management rules and regulations, including credit approval, limit management, internal rating, credit authorization, credit management, collateral management, post-disbursement management, and disposal and written-off, to ensure that all risk management activities are carried out in accordance with relevant rules and regulations. During the Reporting Period, the Bank, firstly, continued to revise its credit risk policies, regulate its management systems and requirements and improve its credit policies to ensure continuous compliance with regulatory and internal management requirements. The Bank established reasonable unified credit limits based on customers' overall debt capacity and implemented limit control measures on credit concentration and customer concentration to mitigate the risk of excessive credit exposure. Secondly, the Bank developed credit policy guidelines to clarify the development direction of credit business and achieve accurate launch of credit products with reference to the national and industrial financial policies. The Bank established management mechanisms such as differentiated authorization and professional approvers, improved differentiated credit access policies, set up a long-term management mechanism for orderly entry and exit, and strengthened the rigid constraints of the system. Thirdly, the Bank strengthened the empowerment of the headquarters through continuous and in-depth transformation of its management model, intensified the vertical management of the headquarters, give full play to the three-in-one "Iron Triangle" risk control structure of "customer manager-risk manager-professional approver", thus moving ahead thresholds of risk control and promoting effective management and growth. Fourthly, the Bank strengthened the technology empowerment through digital transformation, continued to promote the construction of digital transformation, continuously optimized risk tools such as post-loan management platform and new generation credit mid-office, and strengthened technological empowerment, so as to enhance the support of systems for the whole process of credit risk management and improve the timely and effective credit management.

Based on the scale, complexity and risk characteristics of different businesses, the basic processes of "marketing, acceptance, investigation, review, consideration, approval by authorized persons, disbursement, post-disbursement management and disposal of nonperforming loans" are designed and implemented by the Bank in accordance with the basic principles of "separation of due diligence and approval, restriction of authority, clear and efficient division of authority and responsibility". By strengthening credit risk management and control, the Bank will ensure the sustainable and steady development of business and the safety of asset quality, so as to achieve the balance between risk and return.

X. RISK MANAGEMENT (CONT'D)

10.3 Market Risk

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

- The goal of the market risk management: to maximize the risk-adjusted returns by controlling the market risk to a tolerable and reasonable level. Our market risk management is in compliance with the principle of prudence and independence.
- The policies and procedures of market risk management: the Bank has established a full-process management system involving the identification, measuring, monitoring, control and reporting of such risks to ensure safe and stable operations at a reasonable market risk level; has established the classification standard, management requirements and adjustment procedures for bank accounts and trading accounts, and has adopted various methods for identification, measuring, control and monitoring of market risks according to the nature and characteristics of different accounts; uses the methods of duration analysis, foreign exchange exposure analysis, sensitivity analysis and value at risk analysis to measure different types of market risks in bank accounts and trading accounts; and implements limit management for market risks, formulates limit approval procedures and operating procedures, and sets and updates limits based on the nature, scale, complexity and risk tolerance of the business. In terms of market risk monitoring, the Bank has established and improved corresponding management procedures, to continuously monitor the risk position in overall market, risk level, profit or loss status, and the implementation of market risk limits. The market risk reporting system of the Bank defines the reporting scope, procedure and frequency of market risk reporting to be followed, and meets the diversified demand for market risk conditions by preparing different levels and types of market risk reports.

In respect of the specific management and control of market risks, firstly, the Bank has formulated and implemented relevant interest rate management policies, set the pricing of its deposit and loan products in accordance with relevant laws and regulations, used the PBOC benchmark interest rates, funding costs, asset risks and other indicators as the basis for pricing, and determined the prices of its products by considering the demand of customers and business operations, the industry in which its customers operate and the prices of its competitors' similar products as well as the business relationship between customers and the Bank; constantly followed the latest development of government economic policies, and continuously monitored and conducted in-depth research on the financial market conditions and macroeconomic conditions; made dynamic adjustments to the size and structure of assets so that the maturities of its assets and liabilities can match. Secondly, given the small size of the Bank's foreign exchange business, the Bank is exposed to limited exchange rate risks and has developed appropriate policies and operational procedures regarding its foreign exchange businesses, such as foreign currency settlement, sales and payment and foreign currency trading.

As of the end of the Reporting Period, no market risk indicator of the Bank exceeded the market risk limits for 2024 as determined by the Board, so that the market risk assumed by the Bank could be controlled within a tolerable and reasonable range.

X. RISK MANAGEMENT (CONT'D)

10.4 Operational Risk

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

- The goal of operational risk management: to continuously improve the operational risk management system, strengthen operational risk management, strengthen the identification, evaluation, monitoring, controlling, mitigating and reporting of operational risks, and ensure that there are no material events and cases on operational risk.
- The policies and procedures of operational risk management: the Bank has established the operational risk management procedures that are compatible with the bank-wide business scale and management and control requirements and has built a scientific operational risk management and control system. The “Operational Risk Management Policy” of the Bank defines the preference, organizational structure and management strategy of operational risks, and establishes the tone and direction for the implementation of bank-wide operational risk management; the “Operational Risk Management Procedures” regulates the management procedures such as operational risk identification and assessment, key risk indicator monitoring, and operational risk reporting, which has laid a foundation for the process to effectively identify, assess, monitor, control, mitigate and report the operational risks.

During the Reporting Period, the Bank fully implemented the regulatory requirements on operational risk prevention and improved the operational risk management system to ensure safe and stable operations. Firstly, the Bank improved operational risk management and control system. Based on new regulatory requirements, the Bank revised and issued “Operational Risk Management Policy” and “Operational Risk Management Procedures” to ensure applicability of the control systems and the effectiveness of the control measures. Secondly, the Bank strengthened the monitoring, analysis, assessment and reporting of operational risk. The Bank paid attention to the dynamic changes in key risk indicators, and rigorously conducted quarterly monitoring and analysis of operational risk, as well as annual process reviews, and operational risk and control self-assessments (RCSA). The Bank identified and evaluated the vulnerabilities in the management of operational risk, and made timely rectification and optimization. Thirdly, the Bank intensified the prevention and control of operational risk in key areas. While developing new products and businesses and promoting process transformation, the Bank collected, tracked and analyzed information related to operational risk in a systematic manner to strengthen the prevention and control of operational risk in key areas. Fourthly, the Bank continuously improved its capabilities in the management and control of operational risk. In order to strengthen the management of employee behavior, the Bank organized monthly tests on case prevention knowledge, carried out case risk warnings and reports of case prevention on a regular basis, and organized a series of trainings to continuously enhance the compliance performance ability and professional ethics awareness of employee, so as to create a sound cultural environment for operational risk management. During the Reporting Period, the Bank had no material operational risk loss event.

X. RISK MANAGEMENT (CONT'D)

10.5 Liquidity Risk Management

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

- The goal of liquidity risk management: to strengthen the capabilities of liquidity risk identification, monitoring, measuring and refined management and control in accordance with the business objectives and management order of liquidity, safety and profitability, so as to ensure sufficient funds at all times, timely fulfill payment obligations and provide funds for business operations.
- The policies and procedures of liquidity risk management: the Bank has established a governance structure on liquidity risk management in accordance with the relevant requirements of liquidity risk management, which clarifies the roles and responsibilities of the Board of Directors, the Board of Supervisors, senior management, special committees and relevant departments in terms of liquidity risk management, so as to improve the effectiveness of liquidity risk management.

During the Reporting Period, in accordance with the management and control requirements that “liquidity risk follows market movements closely”, the Bank paid close attention to market liquidity changes, made early deployment and timely adjustments to liquidity management measures based on changes in assets and liabilities business, reasonably adjusted the maturity structure of assets and liabilities and improved the stability of liabilities to ensure that liquidity risk is safe and controllable. The Bank strengthened liquidity risk management in the following aspects:

Firstly, strengthening the analysis of market conditions. The Bank paid close attention to the impacts of macro monetary policies and external market changes on liquidity risk, so as to adjust its scale of assets and liabilities and maturity structure in a dynamic and timely manner and respond to changes in liquidity risk situation actively and effectively, having taken into account the changes in the Bank’s business.

Secondly, strengthening daily monitoring of liquidity. In accordance with the requirements of “monthly planning, ten-day monitoring, weekly scheduling, daily reporting”, the Bank dynamically monitored the capital position limit and the capital flow of the Central Bank, monitored the daytime large transactions in real time and maintained a reasonable size of excess reserves through the liquidity risk management system, so as to ensure the safety of daytime fund payment.

Thirdly, continuously optimizing its liability structure. The Bank steadily increased its deposits, proactively expanded the financing channels, enriched the funding sources and reasonably reduced the ratio of interbank liabilities. During the Reporting Period, the Bank successfully issued finance bonds for small and micro enterprises of RMB4 billion and increased the utilization of Central Bank refinancing funds, so as to enhance the stability and diversity of funding sources.

Fourthly, focusing on liquidity emergency management. Liquidity stress tests are carried out on a quarterly basis, and stress scenarios and stress test parameters are prudently adjusted in response to changes in the market environment and intra-bank business to fully assess the impact of various risks on its on – and off – balance sheet businesses and improve the effectiveness of stress tests; the stress test plans and emergency plans are adjusted in a timely manner based on the test results to effectively prevent and control liquidity risks.

During the Reporting Period, the Bank optimized various liquidity indicators as compared to 2023, including the liquidity ratio and net stable funding ratio, and met regulatory requirements and the requirements of the Board of Directors for liquidity risk control.

X. RISK MANAGEMENT (CONT'D)

10.6 Bank Account Interest Rate Risk Management

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

- The goal of bank account interest rate risk management: to maintain the basic stability of the overall income and economic value of a bank account under the most likely interest rate scenario.
- The policies and procedures for bank account interest rate risk management: the Bank follows the macroeconomic situation, monetary policy and change in market interest rate, analyzes the trends of interest rates, and actively adjusts the structure of assets and liabilities and business interest rate, to effectively prevent interest rate risks. The Bank regularly measures and analyzes the interest rate risk of bank accounts by means of interest rate sensitivity analysis, stress testing and other methods to guide the business development. In the process of sensitivity analysis, it is assumed that there is a parallel shift in the overall market interest rate, while the risk management activities that may be taken to reduce interest rate risks are not considered.

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

Unit: RMB million

	December 31, 2024		December 31, 2023	
	Net profit	Equity	Net profit	Equity
Increase by 100 basis points	240.6	74.6	166.3	209.9
Decrease by 100 basis points	(240.6)	(74.6)	(166.3)	(209.9)

X. RISK MANAGEMENT (CONT'D)

10.7 Information Technology Risk

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

- The goal of information technology risk management: through the establishment of an effective mechanism, to identify, measure, monitor and control the information technology risks, promote the safe, sustainable and stable operation of the Bank, promote business innovation, improve the use of information technology, and enhance the core competitiveness and sustainable development capability.
- The policies and procedures of information technology risk management: the Bank has established systems and procedures such as information technology risk management system, technical standards and operating procedures, and has established the information technology risk management system covering the whole process including the organizational structure of information technology risk, risk identification, measuring, monitoring and control. It has formulated systems and procedures for information collection, processing, storage, transmission, distribution, backup, restoration, clearing and destruction, and established and implemented an information classification, grading and protection system. The systems and procedures for the needs analysis, planning, procurement, development, testing, deployment, maintenance, upgrade and retirement of information systems have been established to ensure the integrity, confidentiality and availability of data in the process of the development, testing and maintenance of information systems. The Bank has established risk management strategies for important information technology project evaluation, outsourcing risk evaluation, access control, physical security, personnel safety, business continuity planning and emergency response. In terms of information technology risk reporting, the scope, procedure and frequency of reporting should be clearly defined, to prepare different levels and categories of information technology risk reports.

During the Reporting Period, the Bank continued to strengthen information technology risk management, improve its information technology risk prevention and control capabilities, and ensure the stable operation of all the businesses of the Bank. Firstly, strengthening the safety guarantee for the system. The Bank intensified the maintenance, updating, and monitoring of information systems, continuously optimized the performance of information systems, improved systems' service capabilities, and strengthened support for operation and maintenance to ensure the safe and stable operation of all systems of the Bank. Secondly, deepening the management and control of the information technology risks. The Bank refined the workflows for assessment and monitoring of information technology risks to strengthen the information technology risk management system, organized and conducted inspections and comprehensive assessments of information technology risks to effectively identify vulnerabilities and implement corrective measures, and the Bank implemented information technology risk monitoring, continuously optimized monitoring indicators to enhance the quality and effectiveness of information technology risk monitoring. Thirdly, continuously improving business continuity management. The Bank organized and carried out emergency drills across various business lines in scientific ways, so as to improve its emergency response plans, scenarios and measures consistently. The Bank carried out impact analysis on all the businesses of the Bank and redefined the Recovery Time Objective (RTO) and the Recovery Point Objective (RPO) of key businesses and information systems. The Bank enhanced its emergency response system and investment in resources, so as to enhance the Bank's capabilities to respond effectively to emergencies. Fourthly, enhancing the management of outsourcing risks. The Bank revised the outsourcing policies and standards, improved information technology outsourcing strategies and risk management strategies, and carried out inspections and risk assessment of outsourcing management to refine risk control measures.

X. RISK MANAGEMENT (CONT'D)

10.8 Strategic Risk

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

- The goal of strategic risk management: to continuously improve the strategic risk management system, improve the level of strategic risk management, and ensure that strategic risks are controllable.
- The policies and procedures of strategic risk management: in strict compliance with regulatory requirements and combining with the risk management requirements of the Bank, the Bank enhanced the awareness of risk responsibility, improved the risk management mechanism and enhanced the risk management capability, effectively preventing strategic risks while steadily promoting the implementation of development strategies.

During the Reporting Period, the Bank constantly followed the changes in external operating environment, dynamically monitored the execution of development strategies, carefully identified and evaluated potential strategic risks, regularly reported the management of strategic risks, and timely adjusted and optimized strategies and measures to ensure effective implementation of the Bank's development strategies.

10.9 Reputational Risk

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

- Objectives of reputational risk management: the Bank takes its reputation seriously and has established a "7 days x 24 hours" reputational risk monitoring mechanism to monitor, identify, report, control and assess its reputational risk. At the same time, the Bank manages its reputational risk emergency handling, and minimizes any loss and negative impact which the Bank may suffer due to such incidents.
- Policies and procedures of reputational risk management: the Bank has formulated and continuously improved measures on reputational risk management, clarified the responsibilities of Directors, Supervisors and senior management, and specified the responsibilities and authorities of the headquarters-branch-sub-branch; the Bank has established an organizational framework for reputational risk management that covers headquarters-branch-sub-branch levels, and established a team comprising all departments to deal with reputational risk incidents; the Bank has set up emergency response teams for reputational risk incidents at its branches and sub-branches, so that the headquarters can be promptly informed upon the occurrence of material and urgent incidents and take appropriate actions accordingly. The Bank proactively utilizes press communications and other publication platforms to promote its positive image and corporate values. Meanwhile, it proactively collects, organizes and analyzes information in relation to its reputation through newspapers, television, online media and other channels.

During the Reporting Period, the Bank had no significant reputational risk incidents, and the reputational risk was under control.

X. RISK MANAGEMENT (CONT'D)

10.10 Concentration Risk

Concentration risk refers to the risk exposure that arises directly or indirectly from the same or similar risk exceeding a certain percentage of net capital.

- Objective of concentration risk management: the Bank continues to strengthen the ability of concentration risk management and reduce the Bank's losses caused by the default in the same or related business areas, customers, products, etc., and ensure the steady and sound development of the Bank's credit business and the safety of asset quality.
- Policies and procedures of concentration risk management: the Bank has established a concentration risk organizational structure, management system and process based on the scale and complexity of its business to effectively identify, measure, monitor and report concentration risks. The Bank manages and controls credit limits for concentration risks, and ensures that limits are followed in operation and management by formulating annual risk appetite, adjusting entry and exit criteria and implementing list – based management. The Bank regularly conducts stress tests on its concentration risks to effectively identify potential risks and formulate corresponding measures to ensure effective management and control of concentration risks.

During the Reporting Period, the indicators related to concentration risk management and large risk exposure management of the Bank complied with the regulatory requirements.

10.11 Compliance Risk

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

- Objectives of compliance risk management: by establishing and improving the compliance risk management framework, the Bank can effectively identify and manage compliance risks, promote the construction of a comprehensive risk management system, and ensure legal and compliant operations.

X. RISK MANAGEMENT (CONT'D)

10.11 Compliance Risk (Cont'd)

- Policies and procedures of compliance risk management: the Compliance Policy of the Bank specifies the management structure and division of responsibilities for compliance risks; the Compliance Risk Management Procedure regulates the management process of monitoring, identifying, controlling and reporting compliance risks to monitor, analyze, identify, control and report compliance risks, and establishes a scientific compliance risk management and control system.

The Bank attached great importance to building compliance culture, and continued to improve the mechanism for compliance risk management to enhance level of compliance risk management. During the Reporting Period, the Bank established 2024 as the “Year of Resolute Struggle for Compliance”, adhering to the “three zeros” bottom line of “zero tolerance”, “zero occurrence”, and “zero cases”, and continuously enhanced rectification capabilities and improved level of compliance management. Firstly, the Bank has strengthened the building of compliance thinking, organized new employees to learn and sign the Compliance Pledge, strengthened the role of senior management compliance leadership, and carried out activities such as “first-in-charge” to speak on compliance, compliance lectures given by “the person in charge”, and “compliance advice and suggestions”, to continuously guide the consciousness of compliance management. Secondly, the Bank optimized the system management approaches, carried out the system “a series of monthly” activities, organized the system streamlining and optimization, revised the system of simplification and decentralization, established the mechanism of quarterly and regular assessment and improvement of the system, optimized and improved the “Three Zeroes and One Enhancement” control system, and solidly built up the red line of self-discipline for compliance management. Thirdly, the Bank deepened the effectiveness of behavioral correction, organized line inspections, compliance on-site inspections, five on-site and off-site inspections and other graded inspections, and established protection mechanism of “severe reward and punishment”, so as to effectively strengthen the self-restraint of compliance management. The Bank is closely focusing on the “Three Zeroes and One Enhancement” work thinking, and is firmly confident in the development of compliance. Through vigorously carrying out the activity of “Year of Resolute Struggle for Compliance”, the Bank is determined and resolute to fight against non-compliance, continuously strengthen compliance awareness, stimulate compliance energy, and continuously build a “Compliance Community” to strengthen the foundation of the Bank’s development and empower it with high level of compliance construction.

X. RISK MANAGEMENT (CONT'D)

10.12 Money Laundering and Terrorist Financing Risk

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

- Objective of money laundering risk management: by adopting risk management measures against money laundering, the Bank aims to avoid serious reputational risks and legal risks as well as loss of customers, business and financing due to the occurrence of money laundering risk events or cases.
- Policies and procedures of money laundering risk management: the Bank has established a sound internal control system against money laundering, which specifies anti-money laundering work procedures such as customer identification, customer identity information and transaction record keeping, large transaction and suspicious transaction reporting, list monitoring, freezing of terrorism-related assets, and money laundering risk assessment. Each business line department further incorporates anti-money laundering regulations into the business line rules and operational procedures based on the actual business situation, laying a process foundation for money laundering risk management.

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

X. RISK MANAGEMENT (CONT'D)

10.13 Legal Risk

Legal risks include but are not limited to the following risks: the contracts signed may be legally revoked or confirmed invalid due to violation of laws or administrative regulations; a person may be legally liable for compensation if he/she is sued or applies for arbitration due to breach of contract, infringement or other reasons; the Bank may be legally liable for administrative liabilities or criminal liabilities if its business activities are in violation of laws or administrative regulations.

- Objectives of legal risk management: to standardize the Bank's legal work, improve the legal risk management framework system, improve the quality of legal work, integrate legal risk management, prevention and other risk management activities, improve the overall efficiency and effectiveness of risk management, improve the legal risk prevention and control mechanism, and promote legal operation.
- Policies and procedures of legal risk management: the Bank has established a legal risk management process that is compatible with the bank-wide business scale and management and control requirements, has built a sound legal risk management and control system and has formulated relevant management measures for legal risks. The Administrative Measures for Legal Work and Legal Risk Management (《法律工作及法律風險管理辦法》) clarifies the management structure of legal risks, standardizes the management processes of identification, evaluation, analysis and response of legal risks, laying a process foundation for effective identification, evaluation and analysis of and response to legal risks.

During the Reporting Period, the Bank has strictly carried out the management of legal work in accordance with rules and regulations, improved the legal risk management framework system, improved the quality of legal work, continuously strengthened the identification, analysis and evaluation of and response to legal risks, strengthened the supervision and management of law firms, achieved online review of legal documents, followed the principle of legal efficiency, unified standardization, division of work and cooperation, and hierarchical responsibility, integrated the management and prevention of legal risks with other risk management activities, improved the legal risk prevention and control mechanism, and promoted legal operation.

XI. FUTURE PROSPECTS

11.1 Analysis of the Operating Situation in the Next Year

In 2025, the global economy will still be in cyclical adjustment, with high global debt constraining the space for fiscal spending and potential risks, and an intensifying wave of protectionism and unabated geopolitical risks that will have a greater impact on the global economic recovery. China's economy has a stable foundation, many advantages, strong resilience and great potential, and the supporting conditions and basic trend for a long-term growth have not changed. China will adhere to the overall work keynote of seeking progress while maintaining stability, implement a more proactive macro-policy, stabilize expectations, stimulate vitality, and push the economy to continue to rebound and improve. Shandong Province will anchor the "walk in front and shoulder major responsibilities" mission to bear, continue to deepen the reform of the economic system, the development of advanced productive forces in accordance with local conditions, strengthen the innovation drive, accelerate the building of a modernized industrial system, and solidly push forward the green, low-carbon and high-quality development, and strive to create the important economic growth pole in the northern region.

In 2025, China will implement a more proactive fiscal policy and a moderately loose monetary policy, with stock and incremental policies working in concert to provide stronger support for expanding domestic demand, developing new-quality productivity and promoting economic transformation and upgrading. At the same time, China has continued to deepen the supply-side structural reform of finance, guiding financial institutions to focus on serving the "five articles" of the real economy, new quality productivity and other areas, accelerating financial support for scientific and technological innovation, large-scale equipment renewal and trade-in of old consumer goods, and continuing to effectively preventing and resolving financial risks in key areas, so as to effectively improve the financial industry's capacity for high-quality development. A series of reform initiatives in the financial system, as well as more stable, continuous and targeted policies, will have a significant impact on the development of China's financial industry and effectively promote upward economic performance.

XI. FUTURE PROSPECTS (CONT'D)

11.2 Development Strategies and Major Work Measures in the Next Year

Guiding philosophy

We will comprehensively implement the spirit of the 20th CPC National Congress, the 2nd and 3rd Plenary Sessions of the 20th CPC Central Committee and the Central Economic Work Conference, actively practice Chinese characteristic financial culture, accurately grasp the political and people-oriented nature of financial work, insist on seeking progress while maintaining stability and promoting stability through progress, cultivating systematic thinking and forward-looking mindset, strengthen the goal-oriented and problem-oriented approach, better integrate development and security, have strong confidence, work together in good faith, adapt to the trend of change, adhere to integrity and innovation, overcome difficulties, make up for shortcomings, and strive to create a new situation of high-quality sustainable development.

Work concepts

We will adhere to the “four transformations” direction (Marketization, Specialization, Refinement and Digitization), we continue to enhance our core competitiveness by being customer-centered, market-oriented and striver-oriented.

Work measures

In line with the above guiding philosophy, work concepts and work goals, in 2025, the Bank will focus on the transformation direction of “Marketization, Specialization, Refinement and Digitization”, and will focus on the following six areas:

Firstly, party building, unity and struggle, and the courage to strive for first-class. Insist on high-quality party building to lead high-quality development, vigorously carry forward the spirit of struggle, adhere to the “striver-oriented” to build the Bank into “a first-class city commercial bank”.

Secondly, seeking progress while maintaining stability, achieving excellence with faith and our commitment. Further strengthen the confidence in strategy, path, and goals, seeking stability in progress and maintaining stability in development thus promote the realization of better development through structure adjustment, quality improvement, efficiency enhancement, and reform promotion.

XI. FUTURE PROSPECTS (CONT'D)

11.2 Development Strategies and Major Work Measures in the Next Year (Cont'd)

Work measures (Cont'd)

Thirdly, market orientation, adhering to integrity and innovation and stimulating vitality. Insisting on “market-oriented”, we will accelerate the creation of customer manager team marketization, improve the marketization appraisal system, optimize the business structure, enhance profitability and improve core competitiveness.

Fourthly, professionalism and sincere service create excellence. We always put customers’ interests and concerns in the first place, continuously improve our professional capabilities, accelerate the formation of professional teams in each sequence, fully amplify the advantages of products, processes and efficiency, create the ultimate customer experience, and shape a good brand image.

Fifthly, refined management, cost reduction and efficiency enhancement, and agile winning. We will focus on improving the degree of refinement of customer operation, asset and liability management, and internal control, strengthening horizontal synergy and vertical linkage, and building an agile organization to “win with speed”.

Sixthly, digital-driven, industry-technology integrated, development-empowered. Accelerate the pace of digital transformation, continue to deepen the integration of industry and technology, improve the accuracy of marketing, enhance management efficiency, and promote the intelligence of outlets.

CHAPTER 2 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The Bank focuses on green and low-carbon development, and implements the Environment, Social and Governance (ESG) concepts in the process of strategy formulation and business operations. In 2024, the Bank vigorously developed green finance and innovated green products to support the development of green industries. Meanwhile, the Bank promoted green operations to enhance resource utilization efficiency and reduce environmental impact. In addition, the Bank improved its green financial service system through the establishment of green sub-branches and contributed to rural revitalization and the development of small and micro enterprises through inclusive finance. The Bank also served the real economy and increased credit support to promote the high-quality development of the economy. By strengthening consumer protection and enhancing service quality, the Bank increased customer satisfaction and contributed to the sustainable development of the society.

For more details of the Bank's environmental policies and performance, please refer to the annual Sustainability (ESG) Report, which will be published in conjunction with the annual report.

I. GREEN FINANCE

In September 2024, the Bank established the Green Finance Department, which consists of the Marketing Management Center, the Planning and Research Center and the Comprehensive Management Center, and is responsible for the Bank's green finance development planning and top-level design, product innovation, policy and industry research, business marketing and promotion, customer relationship management, and distinctive brand building.

In 2024, according to the Bank's Three-Year Action Plan for Green Finance (2023-2025), on the basis of the "Year of Green Finance Development" in 2023, 2024 was established as the "Year of Green Finance Branding", and the activity program for the "Year of Green Finance Branding" was formulated and released to clarify the specific implementation steps and development path. In 2024, since the establishment of the Green Finance Department, specific management measures such as the Measures for the Management of Green Sub-branch (Trial), the Measures for the Management of Green Financial Products (Trial), and the Measures for the Management of Green Financial Business Recognition (Trial) were released. Through optimizing the approval process, establishing green channels, equipping dedicated green finance staff, lowering internal transfer pricing and appraisal guidance and other measures, the Bank has provided lower-priced and more efficient credit capital support to the real economy, benefiting enterprises and assisting in high-quality economic development. As of the end of 2024, the balance of the Bank's green loans was RMB37.713 billion, an increase of RMB11.692 billion, or 44.93%, from the beginning of the year, and the proportion of green loans reached 17.93%.

In 2024, the Bank's green finance focused on the five directions of "ocean strategy, blue sky and white clouds, exquisite city, smooth travel in Shandong and low-carbon manufacturing", continuously enriched the "1+3+5+N" green financial product system, actively innovated the "Green+" synergistic development mode, and developed special products such as "Green Agricultural Loan" and "Green e-Chain".

In 2024, the Bank followed the concept of sustainable development, actively practiced the ESG concept, conducted research on the "Framework for Sustainable Information Disclosure Based on the ISSB Guidelines", and promoted sustainable information disclosure in an orderly manner. The blueprint for the implementation of the ISSB-based Guidelines was released at the work promotion meeting on financial support for green and low-carbon development in Weihai City, and the stage-by-stage results of the work on sustainable information disclosure were released at the annual meeting of the Green Finance Development Committee. In accordance with the requirements of the Guidelines for Green Finance in the Banking and Insurance Industry, we optimized the ESG risk assessment system, comprehensively integrated ESG concepts into the management of the whole credit process, improved the investment model, enhanced the effectiveness of governance, and effectively prevented and controlled ESG risks.

Chapter 2 Environmental and Social Responsibility

I. GREEN FINANCE (CONT'D)

In 2024, the Bank's green finance actively benchmarked against its peers, continuously strengthened top-level design, promoted the construction of institutions and mechanisms, continuously strengthened peer-to-peer communications, and went to Chongqing, Nanjing, Huzhou and others for peer-to-peer inspections to strengthen peer-to-peer learning in terms of organizational structure, product innovation, featured outlets, assessment indexes and other aspects to learn from the industry's successful experiences and practices; established a long-term cooperation mechanism with consulting firms, and took full advantage of the professionalism of external consulting firms to invite external experts in green finance to provide the Bank with the research on the dynamics of the development of green finance at home and abroad and special training, and introduced external professional consulting organizations to reach strategic cooperation intentions, so as to continuously improve the ability of policy research, channel development, capacity enhancement and brand publicity; and continued to visits with high-frequency to customers in the regulatory, governmental, and channel sectors, to do a good job of channel construction and list supply, and to practically empower our branches to do a good job of Green business reserves and promotion.

In 2024, with its outstanding contributions in the field of green finance, the Bank's comprehensive evaluation results of green finance ranked first in the province, and it was honored as "Advanced Collective in Green, Low-carbon and High-quality Development in Weihai", "Shandong Brand Value Enterprise on 2024 China Brand Day", "Top 20 City Commercial Banks in Comprehensive ESG Performance", "Excellent Case of Banker's Annual Green Finance Innovation", "Best Practice Case of 2024 GF60 Green Finance Case Selection" and other honors.

II. GREEN OUTLETS

As a special green financial service outlet, the Green Sub-branch plays a leading role in demonstrating green finance by increasing green financial credit investment, accelerating the innovation of green financial products, and enhancing green, environmentally friendly and low-carbon operations, in an effort to create a typical green financial benchmark. The establishment of the Green Sub-branch is an important practice for the Bank to actively participate in the construction of the green, low-carbon and high-quality development pioneer zone in Shandong Province and to help Weihai City to build the National Pilot Zone for Green Financial Reform and Innovation. The Bank will provide differentiated support to Green Sub-branches in terms of credit resources, approval channels, capital pricing, performance assessment, staffing, professional training, etc., and will actively explore replicable successful experiences to further promote green financial reform and innovation.

The Bank has actively promoted the "Year of Green Finance Branding" campaign, strengthened training on green finance business, gained a deep understanding of the requirements and expectations of the green strategy, enhanced the understanding of the green finance work concept, and integrated the traditional strengths with green finance, so as to polish the Bank's characteristic green finance brand. At the same time, the Green Sub-branch fully explores the green financial potential of the local market through market research and analysis as well as on-site visits to the stock of customers, strengthens the access threshold, and strictly controls in all aspects such as investigation and approval, and provides strong support to enterprises and projects that comply with the policies and implementation standards. In addition, the Green Sub-branch uses the credit platform to pay attention to customer-related risk alerts, identify and respond to potential risks in a timely manner, increase market promotion through various channels and means, enhance the awareness of the green finance brand and strengthen brand influence and market competitiveness, so as to realize the stability and sustainability of green financial development.

In 2024, Huancai Sub-branch of the Bank was honored as one of the first "Green Sub-branches" in Weihai City. The Green Sub-branch upholds the three in-one core concept of "Green, Low Carbon and Intelligent" and integrates green concepts into all aspects of office operations, credit business and channel construction.

Chapter 2 Environmental and Social Responsibility

III. GREEN OPERATION

The Bank advocates the concept of green office operations, promotes energy-saving and environmentally friendly equipment and initiatives, and conducts a wide range of internal activities aimed at promoting green and low-carbon concepts. In terms of energy conservation, through the refined management of energy, the Bank carries out carbon emissions surveys and statistics within the Bank regularly, and increases the efforts in monitoring energy consumption of water, electricity, heating and gas. In terms of water conservation, the Bank has posted water conservation campaigns and signs in the office premises of the head office and branches, minimized the unnecessary use of bottled water in daily office and meeting venues, and enhanced the efficiency of water resources utilization through the use of water-saving devices. During the Reporting Period, the Bank launched the Energy Conservation Publicity Week and Low Carbon Day activities and “Clean Plate Campaign”, vigorously promoted a green and low-carbon lifestyle, and took various measures to enhance its green operation capability.

IV. ENVIRONMENTAL ISSUES

The Bank and its subsidiary are not key pollutant discharging enterprises as announced by the environmental protection authorities. During the Reporting Period, the Bank and its subsidiary were not subject to any punishment due to violation of environmental protection laws and regulations. In the monetary and financial service industry, no pollutants specified in the Administrative Measures for the List of Key Units of Environmental Supervision (《環境監管重點單位名錄管理辦法》) are discharged from the Bank’s principal business, and there is no other environmental information that needs to be disclosed. The Bank and its subsidiary will conscientiously implement the Environmental Protection Law of the People’s Republic of China and other environmental protection laws and regulations in its production and operation activities going forward.

V. SERVING THE REAL ECONOMY

The Bank has always kept in mind its original intention and mission of serving the real economy, responded to the call of the Central Working Conference, done a good job in the “Five Major Articles”, adhered to the market positioning of “serving urban and rural residents, serving small and micro enterprises, and serving the local economy”, continuously increasing credit supply and innovating service modes to effectively enhance its ability and level in providing targeted services to the real economy, and grow in tandem with the real economy.

In 2024, the Bank implemented the important decisions and deployments of the Party Central Committee, focused on the “Five Major Articles” for serving the real economy, strengthened resource integration in combination with its own endowment characteristics, accelerated business layout, systematically planned key business areas such as “green finance, technology finance, inclusive finance, pension finance and digital finance” from a strategic perspective, formulated action implementation plans, and built financial engine for high-quality production capacity.

VI. INCLUSIVE FINANCE

The Bank's inclusive business adheres to the principle of "platform-centered, online and offline linkage force, digital inclusive financing as the main focus and asset-liability linkage force", strengthens technological empowerment and establishes a digital inclusive financial service platform, realizing online processing of more than 20 types of inclusive businesses, such as Property e-Loan (房e貸), Preferential Agricultural Loan (惠農貸) and electronic warehouse receipt pledge loans, creating "fully automated, full-process, all-weather" one-stop financial services for customers. Through the platform, customers can quickly complete the business processes of identity authentication, loan application, progress inquiry, online repayment, etc. By "keeping data running faster and making customers less troubled", the online processing of inclusive business has realized high efficiency and effectively enhanced the convenience of financial services. As of the end of the Reporting Period, the balance of the Bank's inclusive small and micro loans amounted to RMB31.771 billion, representing an increase of RMB2.084 billion as compared with the end of last year.

VII. CONSUMER RIGHTS PROTECTION

During the Reporting Period, the Bank mainly carried out the following activities: Firstly, the Consumer Rights Protection Committee regularly convened meetings to consider relevant topics. Secondly, the Bank strictly undertook the main obligation of protecting the rights and interests of consumers, and continued to increase the emphasis on consumer protection at the headquarters and branches. Thirdly, the Bank adhered to the whole-process management and control of complaints under the principle of "prior inspection of hidden dangers, diversified interim solutions, and post traceability and rectification". Fourthly, the Bank proactively carried out a series of publicity campaigns, such as the "3•15 Education and Publicity Week on Consumer Rights Protection", "Campaign to Publicize Financial Knowledge" and "Financial Consumer Rights Protection Education and Publicity Month", which closely followed hot spots of society and concerns of the public and effectively enhanced the risk prevention awareness of financial consumers. Fifthly, the complaint channels and complaint handling flow chart are announced in outlets and electronic channels, and the Bank carried out the reception day activity for the president on consumer complaint of every month at all level. Sixthly, the Bank carried out consumer protection trainings on a regular basis. Through centralized training, on-the-job trainings and on-site coaching as well as consumer protection and complaint trainings at different levels and positions, our employees can keep abreast of the new trend, new dynamics and new requirements of rights protection of the financial consumers.

CHAPTER 3 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

As of the end of the Reporting Period, the total number of issued Shares of the Bank was 5,980,058,344 Shares, including 4,971,197,344 Domestic Shares and 1,008,861,000 H Shares.

	December 31, 2024		Changes during the Reporting Period	December 31, 2023	
	Number of shares (Shares)	Percentage of total shares (%)	Number of shares (Shares)	Number of shares (Shares)	Percentage of total shares (%)
Domestic State Shares	919,671,509	15.38	–	919,671,509	15.38
Domestic state-owned legal person shares	3,182,125,352	53.21	19,884,200	3,162,241,152	52.88
Domestic social legal person shares	787,277,492	13.17	(23,041,891)	810,319,383	13.55
Domestic natural person shares	82,122,991	1.37	3,157,691	78,965,300	1.32
H Shares	1,008,861,000	16.87	–	1,008,861,000	16.87
Total number of Shares	5,980,058,344	100.00	–	5,980,058,344	100.00

II. INFORMATION ON SHAREHOLDERS

2.1 Total Number of Holders of Domestic Shares

As of the end of the Reporting Period, the total number of holders of Domestic Shares of the Bank was 1,037.

Chapter 3 Changes in Share Capital and Information on Shareholders

II. INFORMATION ON SHAREHOLDERS (CONT'D)

2.2 Particulars of the Top Ten Shareholders of Domestic Shares

As of the end of the Reporting Period, the top ten shareholders of the Bank's Domestic shares were as follows:

No.	Name of shareholders	Shareholder nature	Total number of shares held as at the end of the Reporting Period (Shares)	Percentage of total shares as at the end of the Reporting Period (%)	Pledging or freezing status of shares	Quantity
1	Shandong Hi-Speed Group Company	State-owned legal person shares	2,126,237,528	35.56	Normal	–
2	Weihai Municipal Finance Bureau	State shares	919,671,509	15.38	Normal	–
3	Shandong Hi-Speed	State-owned legal person shares	693,957,987	11.60	Normal	–
4	China National Heavy Duty Truck Group Co., Ltd.	State-owned legal person shares	243,084,607	4.06	Normal	–
5	Weihai Tian'an Real Estate Development Co., Ltd.	Social legal person shares	164,163,991	2.75	Normal	–
6	Shandong Gold Non-ferrous Metal Mine Group Co., Ltd.	State-owned legal person shares	90,185,970	1.51	Normal	–
7	Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd.	Social legal person shares	83,157,762	1.39	Normal	–
8	Shandong Homey Aquatic Development Co., Ltd.	Social legal person shares	71,463,546	1.20	Normal	–
9	Shandong Tianxicheng Enterprise Management Co., Ltd.	Social legal person shares	69,253,090	1.16	Normal	–
10	Weihai Xing'an Construction Engineering Co., Ltd.	Social legal person shares	60,054,251	1.00	Normal	–

Chapter 3 Changes in Share Capital and Information on Shareholders

II. INFORMATION ON SHAREHOLDERS (CONT'D)

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

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

Name of shareholders	Class of shares	Nature of interest	Number of shares directly or indirectly held (Shares)	Long position/ short position	Approximate % of interest in the Bank (%)	Approximate % of the relevant class of shares of the Bank (%)
Shandong Hi-Speed Group Company ⁽¹⁾	Domestic shares	Beneficial owner and interest in controlled corporation	2,820,195,515	Long position	47.16	56.73
Weihai Municipal Finance Bureau	Domestic shares	Beneficial owner	919,671,509	Long position	15.38	18.50
Shandong Hi-Speed ⁽¹⁾	Domestic shares	Beneficial owner	693,957,987	Long position	11.60	13.96
China Hongqiao Group Limited	H shares	Beneficial owner	276,045,000	Long position	4.62	27.36
Heze City Investment Holdings Group Co., Ltd. ⁽²⁾	H shares	Interest in controlled corporation	139,594,000	Long position	2.33	13.84
Heze City Investment Holdings Hong Kong International Co., Limited ⁽²⁾	H shares	Beneficial owner	139,594,000	Long position	2.33	13.84
Shenzhen Shengqiu Investment Co., Ltd.	H shares	Beneficial owner	137,305,000	Long position	2.30	13.61
TEDA Investment Holding Co., Ltd.	H shares	Beneficial owner	113,940,000	Long position	1.91	11.29
Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司) ⁽³⁾	H shares	Interest in controlled corporation	113,940,000	Long position	1.91	11.29
Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司) ⁽³⁾	H shares	Interest in controlled corporation	113,940,000	Long position	1.91	11.29
Tsinlien Group Company Limited (津聯集團有限公司) ⁽³⁾	H shares	Beneficial owner	113,940,000	Long position	1.91	11.29
Jinan Licheng Holdings Group Co., Ltd.	H shares	Beneficial owner	111,852,000	Long position	1.87	11.09
Shandong Lulong Construction Co., Ltd. ⁽⁴⁾	H shares	Beneficial owner	71,003,000	Long position	1.19	7.04
YANG Shulan ⁽⁴⁾	H shares	Interest in controlled corporation	71,003,000	Long position	1.19	7.04

Chapter 3 Changes in Share Capital and Information on Shareholders

II. INFORMATION ON SHAREHOLDERS (CONT'D)

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

Name of shareholders	Class of shares	Nature of interest	Number of shares directly or indirectly held (Shares)	Long position/ short position	Approximate % of interest in the Bank (%)	Approximate % of the relevant class of shares of the Bank (%)
Xindu Group Limited ⁽⁴⁾	H shares	Interest in controlled corporation	71,003,000	Long position	1.19	7.04
Shandong Zhaojin Group Financial Company Limited ⁽⁵⁾	H shares	Beneficial owner	68,712,000	Long position	1.15	6.81
Shandong Zhaojin Group Company Limited ⁽⁵⁾	H shares	Interest in controlled corporation	68,712,000	Long position	1.15	6.81
Zhaojin Mining Industry Company Limited ⁽⁵⁾	H shares	Interest in controlled corporation	68,712,000	Long position	1.15	6.81
Tianjin Guangcheng Investment Group Co., Ltd. ⁽⁶⁾	H shares	Interest in controlled corporation	67,040,000	Long position	1.12	6.65
Tianjin Jizhou Xincheng Agricultural Development Co., Ltd. ⁽⁶⁾	H shares	Beneficial owner	67,040,000	Long position	1.12	6.65
Tianjin Jizhou Xincheng Construction Investment Co., Ltd. ⁽⁶⁾	H shares	Interest in controlled corporation	67,040,000	Long position	1.12	6.65

Notes:

- (1) Shandong Hi-Speed Group Company is the controlling shareholder of the Bank and is directly held by Shandong SASAC, Shandong Guohui Investment Holding Group Co., Ltd., a wholly-owned subsidiary of Shandong SASAC, and Shandong Caixin Assets Operation Co., Ltd. as to 70.00%, 20.00% and 10.00%, respectively.

Shandong Hi-Speed is owned by Shandong Hi-Speed Group Company as to approximately 70.48%. Therefore, Shandong Hi-Speed Group Company is deemed to be interested in all the shares held by Shandong Hi-Speed for the purpose of the SFO.

- (2) Heze City Investment Holdings Group Co., Ltd. wholly owns Heze City Investment Holdings Hong Kong International Co., Limited. Accordingly, Heze City Investment Holdings Group Co., Ltd. is deemed to be interested in the 139,594,000 H shares held by Heze City Investment Holdings Hong Kong International Co., Limited for the purpose of the SFO.
- (3) Tianjin TEDA Industrial Group Co., Ltd. wholly owns Tsinlien Group Company Limited through its wholly-owned subsidiary, Tianjin Bohai State-owned Assets Management Co., Ltd.. Therefore, Tianjin TEDA Industrial Group Co., Ltd. and Tianjin Bohai State-owned Assets Management Co., Ltd. are deemed to be interested in the 113,940,000 H shares held by Tsinlien Group Company Limited for the purpose of the SFO.
- (4) Xindu Group Limited indirectly holds 71,003,000 H shares through its subsidiary, Shandong Lulong Construction Co., Ltd.. Ms. YANG Shulan holds approximately 56.00% of the interests in Xindu Group Limited. Accordingly, Xindu Group Limited and Ms. YANG Shulan are deemed to be interested in 71,003,000 H shares for the purpose of the SFO.

Chapter 3 Changes in Share Capital and Information on Shareholders

II. INFORMATION ON SHAREHOLDERS (CONT'D)

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

Notes: (Cont'd)

- (5) Zhaojin Mining Industry Company Limited owns 51.00% of the interests in Shandong Zhaojin Group Financial Company Limited. Shandong Zhaojin Group Company Limited directly owns 40.00% of the interests in Shandong Zhaojin Group Financial Company Limited, and indirectly holds 60.00% of the interests in Shandong Zhaojin Group Financial Company Limited through Zhaojin Mining Industry Company Limited and Shandong Zhaojin Group Zhaoyuan Gold Smelting Company Limited. Accordingly, Zhaojin Mining Industry Company Limited and Shandong Zhaojin Group Company Limited are deemed to be interested in the 68,712,000 H shares held by Shandong Zhaojin Group Financial Company Limited for the purpose of the SFO.
- (6) Tianjin Guangcheng Investment Group Co., Ltd. wholly owns Tianjin Jizhou Xincheng Agricultural Development Co., Ltd. through its wholly-owned subsidiary, Tianjin Jizhou Xincheng Construction Investment Co., Ltd.. Accordingly, Tianjin Guangcheng Investment Group Co., Ltd. and Tianjin Jizhou Xincheng Construction Investment Co., Ltd. are deemed to be interested in the 67,040,000 H shares held by Tianjin Jizhou Xincheng Agricultural Development Co., Ltd. for the purpose of the SFO.

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

III. MAJOR SHAREHOLDERS DURING THE REPORTING PERIOD

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

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

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

Chapter 3 Changes in Share Capital and Information on Shareholders

III. MAJOR SHAREHOLDERS DURING THE REPORTING PERIOD (CONT'D)

3.2 Other Major Shareholders

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

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

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

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

IV. NOMINATION OF DIRECTORS AND SUPERVISORS BY SHAREHOLDERS

1. Shandong Hi-Speed Group Company nominated Mr. MENG Dongxiao, Mr. CHEN Xiaojun and Mr. JIAO Weifeng as Directors of the Bank;
2. Weihai Municipal Finance Bureau nominated Mr. ZHAO Bing as a Director of the Bank;
3. Shandong Hi-Speed nominated Mr. KANG Jian as a Director of the Bank;
4. Weihai Tian'an Real Estate Development Co., Ltd. nominated Ms. ZHAO Lijie as a Supervisor of the Bank;
5. Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd. nominated Mr. ZHOU Hao as a Supervisor of the Bank;
6. Shandong Homey Aquatic Development Co., Ltd. nominated Mr. BI Jianchao as a Supervisor of the Bank.

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

During the Reporting Period, neither the Bank nor any of its subsidiary had purchased, sold or redeemed any of the Bank's listed securities (including sale of treasury shares, if any).

CHAPTER 4 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. CURRENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1.1 Directors

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

Name	Age	Position	Date of appointment ⁽¹⁾
Mr. MENG Dongxiao	53	Executive Director and Chairman	April 2016
Mr. ZHANG Wenbin	42	Executive Director and President	August 2021
Ms. TAO Zunjian	55	Executive Director, Vice President and Chief Accountant	January 2019
Mr. LU Jiliang	35	Executive Director and Vice President	August 2021
Mr. JIANG Yi	44	Executive Director and Vice President	December 2024
Mr. CHEN Xiaojun	55	Non-executive Director	December 2024
Mr. ZHAO Bing	57	Non-executive Director	August 2021
Mr. JIAO Weifeng	48	Non-executive Director	December 2024
Mr. KANG Jian	54	Non-executive Director	December 2024
Ms. LI Jie	52	Non-executive Director	November 2022
Mr. FAN Chi Chiu	39	Independent Non-executive Director	June 2020
Mr. WANG Yong	51	Independent Non-executive Director	November 2022
Ms. SUN Zuying	62	Independent Non-executive Director	August 2021
Mr. YANG Yunhong	53	Independent Non-executive Director	October 2023
Mr. PENG Feng	46	Independent Non-executive Director	December 2024

Note:

- (1) The date of appointment of Directors refers to the date on which the relevant Director obtained the qualification approval from National Financial Regulatory Administration Shandong Office, and the term of office of re-elected Directors shall commence from the date of first appointment.

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

1.2 Supervisors

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

Name	Age	Position	Date of appointment ⁽¹⁾
Mr. ZHANG Renzhao	53	Chairman of the Board of Supervisors and Employees' Representative Supervisor	June 2021
Ms. ZHAO Lijie	50	Shareholders' Representative Supervisor	May 2011
Mr. ZHOU Hao	45	Shareholders' Representative Supervisor	May 2011
Mr. BI Jianchao	46	Shareholders' Representative Supervisor	September 2024
Ms. WANG Wenjing	38	Employees' Representative Supervisor	June 2024
Mr. LU Guangming	47	Employees' Representative Supervisor	September 2024
Mr. CHU Dianhui	55	External Supervisor	September 2024
Ms. WANG Hongmei	47	External Supervisor	September 2024
Mr. LIU Xiao	39	External Supervisor	September 2024

Note:

- (1) The date of appointment of Supervisors refers to the date of approval at the general meeting, and the term of office of re-elected Supervisors shall commence from the date of first election.

1.3 Senior Management

Name	Age	Position	Date of appointment ⁽¹⁾
Mr. ZHANG Wenbin	42	President	December 2024
Ms. TAO Zunjian	55	Vice President	August 2021
		Chief Accountant	November 2018
Mr. LU Jiliang	35	Vice President	February 2021
Mr. JIANG Yi	44	Vice President	October 2023
Mr. ZHANG Xiaodong	55	Chief Risk Officer	June 2021
Mr. ZHANG Jia'en	49	Secretary to the Board	September 2022

Note:

- (1) The date of appointment stated herein refers to the date on which he/she was appointed to the current position in the senior management and obtained the qualification approval from National Financial Regulatory Administration Shandong Office.

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

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

2.1 Changes in Directors

On September 12, 2024, the term of the eighth session of the Board of Directors of the Bank expired, and as resolved at 2024 first extraordinary general meeting of the Bank, Mr. MENG Dongxiao, Mr. ZHANG Wenbin, Ms. TAO Zunjian and Mr. LU Jiliang were re-elected as executive Directors and Mr. JIANG Yi was appointed as executive Director; Mr. ZHAO Bing was re-elected as non-executive Director and Mr. CHEN Xiaojun, Mr. JIAO Weifeng and Mr. KANG Jian were appointed as non-executive Directors; Mr. FAN Chi Chiu, Mr. WANG Yong, Mr. YANG Yunhong and Ms. SUN Zuying were re-elected as independent non-executive Directors and Mr. PENG Feng was appointed as independent non-executive Director, which formed the ninth session of the Board together with Ms. LI Jie (non-executive Director) re-elected at the eighth meeting of the fifth session of the employees' representative meeting convened on August 27, 2024. Newly appointed Directors obtained the qualification approval from National Financial Regulatory Administration Shandong Office in December 2024. Each new Director had obtained the legal advice referred to in Rule 3.09D of the Listing Rules on September 12, 2024, understood the requirements under the Listing Rules that were applicable to him/her as a Director of the Bank and the possible consequences of making a false declaration or giving false information to the Stock Exchange. They also confirmed their understanding of their obligations as Directors of the Bank. Mr. TAN Xianguo (executive Director), Mr. YI Jijun, Mr. SONG Bin and Mr. YIN Lin (non-executive Directors), and Mr. WANG Shaohong (independent non-executive Director) of the eighth session of the Board of Directors of the Bank retired upon the conclusion of 2024 first extraordinary general meeting. For details of the changes in Directors, please refer to the Bank's circular dated August 28, 2024 and the announcements dated August 28, 2024, September 12, 2024, December 6, 2024 and December 27, 2024, respectively.

2.2 Changes in Supervisors

On September 12, 2024, the term of the eighth session of the Board of Supervisors of the Bank expired, and as resolved at 2024 first extraordinary general meeting of the Bank, Ms. ZHAO Lijie and Mr. ZHOU Hao were re-elected as Shareholders' representative Supervisors and Mr. BI Jianchao was appointed as Shareholders' representative Supervisor; Mr. CHU Dianhui, Ms. WANG Hongmei and Mr. LIU Xiao were appointed as external Supervisors, which formed the ninth session of the Board of Supervisors together with Mr. ZHANG Renzhao, Mr. LU Guangming and Ms. WANG Wenjing elected at the eighth meeting of the fifth session of the employees' representative meeting. Mr. ZHANG Chuanzheng (employees' representative Supervisor) retired upon the conclusion of the eighth meeting of the fifth session of the employees' representative meeting. Mr. PENG Feng and Ms. ZHU Yingwei (external Supervisors) and Mr. FENG Yongdong (Shareholders' representative Supervisor) retired upon the conclusion of 2024 first extraordinary general meeting. For details of the changes, please refer to the Bank's circular dated August 28, 2024 and announcements dated August 28, 2024 and September 12, 2024, respectively.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD (CONT'D)

2.3 Changes in Senior Management

On September 12, 2024, the Board of Directors of the Bank appointed Mr. ZHANG Wenbin as the President of the Bank, whose qualification was approved by the National Financial Regulatory Administration Shandong Office on December 6, 2024, and Mr. MENG Dongxiao ceased to serve as the President of the Bank.

Save as disclosed in this report, during the Reporting Period, there was no other relevant information of the Directors, Supervisors or senior management which was required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

III. CHANGES IN JOINT COMPANY SECRETARIES

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

IV. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4.1 Biographies of Directors

1. *MENG Dongxiao, Executive Director*

Mr. MENG Dongxiao, aged 53. Mr. MENG has been the chairman of the Bank since December 2024. From August 2024 to December 2024, he acted as the acting chairman of the Bank. He was the president of the Bank from February 2018 to August 2024. He was the vice president of the Bank from March 2016 to February 2018. Prior to joining the Bank, from October 2003 to February 2016, he successively served as the assistant to the president of the eastern sub-branch of the Shanghai branch, the general manager of the quality control center of the commercial enterprise finance division, the general manager of compliance and quality control center of the SME finance division and the general manager of the Shanghai branch of the health finance division of China Minsheng Bank (中國民生銀行). He was a lecturer at Shanghai Customs College (上海海關專科學校) (currently known as Shanghai Customs College (上海海關學院)) from August 1996 to September 2003.

Mr. MENG obtained a doctoral degree in economics from Fudan University in 2003, majoring in finance.

2. *ZHANG Wenbin, Executive Director*

Mr. ZHANG Wenbin, aged 42, is an engineer. Mr. ZHANG has been the president of the Bank since December 2024. He acted as the acting president of the Bank from August 2024 to December 2024. He had served as a vice president of the Bank from August 2021 to August 2024. He successively served as the president of Weifang Branch, the general manager of Transportation Finance Department, the general manager of Corporate Banking Department, Chief Corporate Business Officer and the assistant to the president of the Bank from February 2017 to August 2021. He served as the general manager of Transportation Finance Department of the Bank from March 2016 to February 2017. He served as the deputy general manager of Shandong Hi-Speed Singapore Co., Ltd. (山東高速新加坡有限公司) from May 2014 to March 2016. He successively served as a manager of the business department of sub-branches, the deputy general manager of corporate banking department, and the president of Industrial New Zone Sub-branch of the Bank from September 2004 to May 2014.

Mr. ZHANG obtained a master's degree in business administration from the Ocean University of China (中國海洋大學) in 2012, majoring in business administration.

IV. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONT'D)

4.1 Biographies of Directors (Cont'd)

3. *TAO Zunjian, Executive Director*

Ms. TAO Zunjian, aged 55, is a professorate senior accountant. Ms. TAO has been the chief accountant (總會計師) of the Bank and a vice president of the Bank since November 2018 and August 2021, respectively. She successively served as the deputy manager, the deputy manager (in-charge) and the general manager for the financial planning department (計劃財務部) of the Bank and the chief financial officer of the Bank from September 2008 to October 2018. She worked as a deputy director (副主任) of the customer business department (客戶業務部) of the Bank from November 2006 to September 2008. She worked at the technology department of Weihai Xinwei City Credit Cooperatives (威海市新威城市信用社) and the credit management department of Weihai City Cooperative Bank (威海城市合作銀行) (the predecessor of the Bank) and the Bank from July 1990 to November 2006.

Ms. TAO graduated from the Correspondence Institute of the Central Party School of C.P.C. (中共中央黨校函授學院) in 1997, majoring in economic management.

4. *LU Jiliang, Executive Director*

Mr. LU Jiliang, aged 35, is an economist and an engineer. Mr. LU has been serving as a vice president of the Bank since February 2021. He was a secretary to the Board of the Bank from August 2021 to December 2021. He successively served as the vice president and the president of Tongda Financial Leasing from February 2019 to February 2021. He successively served as the deputy general manager of the party community working department (黨群工作部) and the president (行長) of Huancui Governance Branch (環翠管轄行) of the Bank from January 2015 to February 2019. Before joining the Bank, he worked at China Development Bank Co., Ltd., Shandong Province Branch from July 2013 to December 2014.

Mr. LU obtained a master's degree in accountancy from the University of Glasgow, the United Kingdom in 2012, majoring in international accounting and finance management.

5. *JIANG Yi, Executive Director*

Mr. JIANG Yi, aged 44. Mr. JIANG has served as a vice president of the Bank since October 2023. He was the assistant to the president of the Bank from February 2021 to October 2023. He successively served as the president of Linyi Branch and Jinan Branch of the Bank from May 2016 to February 2021. He successively served as the branch customer manager, business department manager, assistant to the branch president, and the president of the Lingang Economic and Technological Development Zone Branch of the Bank from November 2009 to May 2016.

Mr. JIANG obtained a master's degree in economics from Moscow State Mining University (莫斯科國立礦業大學) in Russia in 2009, majoring in economics (natural resource utilization).

IV. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONT'D)

4.1 Biographies of Directors (Cont'd)

6. *CHEN Xiaojun, Non-executive Director*

Mr. CHEN Xiaojun, aged 55. Mr. CHEN has been serving as the chief legal counsel of Shandong Hi-Speed Group Company since April 2022. He successively served as an accredited external director (專職外部董事) at Shandong Luliang Group Co., Ltd. (山東魯糧集團有限公司), Shandong Seed Industry Group Co., Ltd. (山東種業集團有限公司), Shandong Taishan Geological Surveying Group Co., Ltd. (山東泰山地勘集團有限公司), Shandong Hi-Speed Group Company and Shandong Talent Development Group Co., Ltd. (山東人才發展集團有限公司) from November 2017 to April 2022. He successively served as the deputy director of the policy and regulation department, researcher of the enterprise reform department and director of the directors' and supervisors' supervision department of the Shandong SASAC from October 2004 to November 2017. He successively served as the associate chief officer, chief officer and captain of the public order department of the Public Security Department of Shandong Province from July 1990 to October 2004.

Mr. CHEN obtained a master's degree in law from Shandong University in 2004, majoring in law.

7. *JIAO Weifeng, Non-executive Director*

Mr. JIAO Weifeng, aged 48, is a senior accountant. Mr. JIAO has been serving as the director of the finance shared service center of Shandong Hi-Speed Group Company since December 2023. He served as a director and general manager of Shandong Expressway Dongying Development Co., Ltd. (山東高速東營發展有限公司) from November 2020 to December 2023 and the deputy general manager of Shandong Hi-Speed Service Development Group Co., Ltd. (山東高速服務開發集團有限公司) from October 2020 to December 2020. He successively served as the deputy general manager, chief legal counsel and chief auditor of Qilu Transportation Service Development Group Company Limited (齊魯交通服務開發集團有限公司) from May 2018 to October 2020 and the deputy general manager of Qilu Transportation Development Group Company Limited Electronic Toll Collection Branch (齊魯交通發展集團有限公司電子收費分公司) from June 2016 to May 2018. He served as the deputy director of the finance department of China Petroleum Shandong Sales Branch (中國石油山東銷售分公司) from March 2013 to June 2016 and the chief accountant of China Petroleum Shandong Jinan Sales Branch (中國石油山東濟南銷售分公司) from November 2002 to March 2013. He successively served as the accountant, chief financial controller and deputy general manager of Yantai Muping CPC Oil Products Sales Co., Ltd. (煙台牟平中油油產品銷售有限公司) from July 2000 to November 2002.

Mr. JIAO concurrently serves as an external director of Shandong High-Speed Urban and Rural Development Group Co., Ltd. (山東高速城鄉發展集團有限公司).

Mr. JIAO obtained a master's degree in business administration from Beijing Jiaotong University and a master's degree in accounting from Peking University in 2012, respectively.

IV. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONT'D)

4.1 Biographies of Directors (Cont'd)

8. *ZHAO Bing, Non-executive Director*

Mr. ZHAO Bing, aged 57, is an accountant. Mr. ZHAO has been serving as the legal representative (法定代表人) and the director (主任) of Weihai State-Owned Enterprise Finance Directors Talent Management Center (威海市國有企業財務總監人才管理中心) since August 2024. He has been serving as external directors of municipal state-owned enterprises as accredited by Weihai State-Owned Enterprise External Directors Talent Management Center (威海市國有企業外部董事人才管理中心) since August 2019. He served as the chairman of the supervisory board of Weihai State-owned Property Management Ltd. (威海市國有資本運營公司) as accredited by Weihai State-owned Enterprise Directors and Supervisors Work Management Center (威海市國有企業董事監事工作管理中心) from August 2014 to August 2019. He successively served as a staff member, deputy section chief, and section chief of the Off-budget Integration Section (預算外綜合科), National Treasury Payment Center (國庫支付中心), and Finance and International Co-operation Section (金融與國際合作科) of Weihai City Finance Bureau (威海市財政局) from May 1997 to August 2014. He successively served as a staff member and a director of office of the Finance Bureau of Huancai District of Weihai City from November 1986 to May 1997.

Mr. ZHAO concurrently serves as an accredited external director (專職外部董事) at Weihai Water Affair Group Company Ltd. (威海市水務集團有限公司), Weihai Thermoelectricity Group Co., Ltd. (威海熱電集團有限公司), Weihai Industrial Investment Group Co., Ltd. (威海產業投資集團有限公司), Weihai Traffic Station Management Co., Ltd. (威海交通場站管理有限公司), Weihai Dongshan Hotel Co., Ltd. (威海市東山賓館有限公司), Weihai Grain and Oil Development Co., Ltd. (威海糧油發展有限公司), Weihai Changhuikou Reservoir Engineering Construction Co., Ltd. (威海市長會口水庫工程建設有限公司) and Weihai Caijin Investment Holding Group Co., Ltd. (威海市財金投資控股集團有限公司) and also serves as a director at Shandong Weihai Rural Commercial Bank Co., Ltd. (山東威海農村商業銀行股份有限公司).

Mr. ZHAO obtained a bachelor's degree from Shandong Economic Management Cadres College (山東省經濟管理幹部學院) in 1996, majoring in economics management.

9. *KANG Jian, Non-executive Director*

Mr. KANG Jian, aged 54, is an economist. Mr. KANG has been the deputy general manager of Shandong Hi-Speed since April 2019. He served as the vice president of Ping An Bank Co., Ltd. Jinan Branch (平安銀行股份有限公司濟南分行) from June 2013 to April 2019, the vice president of Jinan management department of Industrial Bank Co., Ltd. Jinan Branch (興業銀行股份有限公司濟南分行濟南管理部) from October 2012 to June 2013 and the president and leader of the preparation team of Industrial Bank Co., Ltd. Tai'an Branch (興業銀行股份有限公司泰安分行) from March 2010 to October 2012. He successively served as the deputy section chief, section chief, assistant to general manager, deputy general manager and deputy director in the finance division, risk department I, risk management department, business development department III and retail business department of Industrial Bank Co., Ltd. Jinan Branch (興業銀行股份有限公司濟南分行) from June 2001 to March 2010. He successively worked at the human resources department, the investment department, the asset preservation department and the credit department of China Construction Bank Corporation Shandong Branch from August 1992 to June 2001.

Mr. KANG concurrently serves as a director of Shandong Hi-Speed Rail Transit Group Co., Ltd. (山東高速軌道交通集團有限公司), a non-executive director of Qilu Expressway Company Limited (齊魯高速公路股份有限公司), the shares of which are listed on the Hong Kong Stock Exchange (stock code: 1576), and the vice president of Shandong Green and Low-Carbon Industry Development Association (山東省綠色低碳產業發展協會).

Mr. KANG obtained a bachelor's degree in economics from Shandong University of Finance (山東財政學院) (currently known as Shandong University of Finance and Economics (山東財經大學)) in 2003, majoring in finance.

IV. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONT'D)

4.1 Biographies of Directors (Cont'd)

10. *LI Jie, Non-executive Director*

Ms. LI Jie, aged 52, is a senior economist and an accountant. She has served as the head of the Board Office of the Bank since March 2013, after serving as its deputy head from November 2011 to March 2013. Prior to joining the Bank, she successively worked for the Economic and Trade Development Company of Weihai Economic and Technological Development Zone (威海經濟技術開發區經濟貿易發展總公司), Weihai Yongyuan Leather Company Limited (威海永元皮革有限公司), Weihai Hengya Apparel Company Limited (威海恒亞服裝有限公司) and Weihai Honglin Electronics Co., Ltd. (威海市泓淋電子有限公司).

Ms. LI obtained her bachelor of science degree from Shandong University in 1994, majoring in science and technology information.

11. *FAN Chi Chiu, Independent Non-executive Director*

Mr. FAN Chi Chiu, aged 39, is a certified public accountant of Hong Kong. Mr. FAN has been serving as the chief investment officer of AB Builders Group Limited, the shares of which are listed on the Hong Kong Stock Exchange (stock code: 1615), since November 2021. He was an executive director of Grace Wine Holdings Limited, the shares of which are listed on the Hong Kong Stock Exchange (stock code: 8146), from July 2017 to September 2021. He successively served as the chief financial controller and the chief financial officer of ELL Environmental Holdings Limited, the shares of which are listed on the Hong Kong Stock Exchange (stock code: 1395), from April 2015 to September 2021. He served as the finance director of Vantasia Holdings (H.K.) Limited from April 2014 to March 2015. He worked as an analyst in Barclays Investment Bank from July 2011 to February 2014 and a senior associate at PricewaterhouseCoopers from October 2007 to June 2011.

Mr. FAN is currently an independent non-executive director of Hevol Services Group Co. Limited, the shares of which are listed on the Hong Kong Stock Exchange (stock code: 6093) and Shinelong Automotive Lightweight Application Limited, the shares of which are listed on the Hong Kong Stock Exchange (stock code: 1930).

Mr. FAN obtained a bachelor's degree in accountancy from The Chinese University of Hong Kong in 2007.

12. *WANG Yong, Independent Non-executive Director*

Mr. WANG Yong, aged 51, is a professor. Mr. WANG has been serving as the director of Digital Economy Research Center of the School of Social Sciences, Tsinghua University (清華大學社會科學學院數字經濟研究中心) since January 2024. He successively served as a lecturer, assistant director (所長助理), associate director (副所長) and executive associate director (常務副所長) for Institute of Economics of the School of Humanities and Social Sciences, Tsinghua University (清華大學人文社會科學學院經濟學研究所) from May 2004 to July 2024.

Mr. WANG obtained a doctoral degree in industrial economics (產業經濟學) from the Guanghua School of Management of Peking University (北京大學光華管理學院) in 2003, and a postdoctorate degree in economics from the Department of Economics of Harvard University in 2008.

IV. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONT'D)

4.1 Biographies of Directors (Cont'd)

13. *SUN Zuying, Independent Non-executive Director*

Ms. SUN Zuying, aged 62, is an accountant, an economist, a certified public accountant and an asset appraiser. Ms. SUN has been serving at Weihai Yinghua Investment Consultation Co., Ltd. (威海英華投資諮詢有限公司) as the legal representative since April 2021. She founded Shandong Yinghua Certified Public Accountants (山東英華會計師事務所), and served as the chief accountant (主任會計師) from November 1997 to May 2021. She was the department director (部門主任) of an accounting firm under Weihai Municipal Finance Bureau from July 1988 to November 1997, and was a teacher in Shandong Banking School (山東省銀行學校) from July 1984 to July 1988.

Ms. SUN obtained a bachelor's degree in philosophy from Shandong University (山東大學) in 1984, majoring in philosophy.

14. *YANG Yunhong, Independent Non-executive Director*

Mr. YANG Yunhong, aged 53, is a professor. Mr. YANG joined the Guanghua School of Management of Peking University in September 2000, and has been a professor since August 2011. He served as an assistant professor of School of Economics and Management of Wuhan University from July 1998 to September 2000.

Mr. YANG currently serves as an independent director of Xinghe Fund Management Company Limited (興合基金管理有限公司).

Mr. YANG obtained a doctoral degree in probability statistics (概率統計) from Wuhan University (武漢大學) in July 1998.

15. *PENG Feng, Independent Non-executive Director*

Mr. PENG Feng, aged 46. Mr. PENG has been the executive partner of Hangzhou Chengxiang Technology Partnership (Limited Partnership) (杭州承襄科技合夥企業(有限合夥)) and Hangzhou Chengyue Technology Partnership (Limited Partnership) (杭州承月科技合夥企業(有限合夥)) since October 2019, and the general manager of Shenzhen Chengzhang Technology Co., Ltd. (深圳承章科技有限公司) since April 2019. He was a senior vice president at Hangzhou Dasouche Automotive Services Co., Ltd. (杭州大搜車汽車服務有限公司) from September 2017 to April 2019. He successively served as the financial market director, the director of commercial platform business of the micro loan business department, the general manager of the strategic development department and the general manager of Alipay Urban Development Center (支付寶城市發展中心) of Zhejiang Ant Small and Micro Financial Services Group Co., Ltd. from August 2015 to September 2017. He successively worked at the human resources department, the general office, the second regulatory department and the urban commercial bank regulatory department of the CBRC, and served as a director of the urban commercial bank regulatory department of CBRC from July 2004 to August 2015.

Mr. PENG obtained a doctoral degree in finance from the Graduate School of the Chinese Academy of Social Sciences (中國社會科學院研究生院) in 2012.

IV. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONT'D)

4.2 Biographies of Supervisors

1. *ZHANG Renzhao, Employee's Representative Supervisor*

Mr. ZHANG Renzhao, aged 53, is an accountant. Mr. ZHANG served as the chairman of the Board of Supervisors of the Bank since June 2021. From February 2017 to April 2024, he successively served as the president and chairman of the board of directors of Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司), a non-wholly owned subsidiary of the Bank. From March 2003 to June 2021, he successively served as the financial controller (財務負責人) and vice president of the Bank, and was concurrently the director of the financial planning department (計劃財務部主任) and the president of the Jinan branch of the Bank. He successively served as a deputy director of the accounting and cashier department (會計出納部副主任) of Weihai City Cooperative Bank (威海城市合作銀行) (the predecessor of the Bank), the director of the financial accounting department (財務會計部主任) of the Bank from August 1997 to March 2003, and successively served as a deputy chief (副科長) and the chief of accounting (會計科長) of Weihai City Xinghai Urban Credit Cooperative (威海市興海城市信用合作社) from April 1994 to August 1997. Prior to joining the Bank, Mr. ZHANG worked at the Luojiang office, Deyang branch of the Bank of China (中國銀行德陽分行羅江分理處).

Mr. ZHANG graduated from Shandong University of Finance (山東財政學院) (currently known as Shandong University of Finance and Economics (山東財經大學)) in 2007, majoring in accountancy.

2. *LU Guangming, Employee's Representative Supervisor*

Mr. LU Guangming, aged 47, is a senior accountant. Mr. LU has served as the general manager of the audit department of the Bank since January 2024. From November 2006 to January 2024, he successively served as the deputy general manager of the financial planning department, the deputy general manager of the financial market department of the Bank, the general manager of the capital and finance department of Tongda Financial Leasing and the general manager of the financial planning department of the Bank. From July 1996 to November 2006, he successively served as employee of the operating department, the financial accounting department and the accounting and settlement department of the Bank.

Mr. LU obtained a bachelor's degree in management from Beijing Technology and Business University in 2004, majoring in accounting.

IV. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONT'D)

4.2 Biographies of Supervisors (Cont'd)

3. *WANG Wenjing, Employee's Representative Supervisor*

Ms. WANG Wenjing, aged 38. Ms. WANG has served as the general manager of the party working department (黨群工作部) and the dean of the training academy of the Bank since July 2023, and has also served as the director of the labor union office of the Bank since November 2023. From March 2019 to July 2023, she successively served as the general manager of the party working department, the general manager of the human resources department, and the director of the office of party committee (黨委辦公室) of the Bank. From February 2017 to March 2019, she successively served as the deputy general manager of the financial market department and the party working department of the Bank. From July 2009 to February 2017, she successively served as an employee of Changfeng Sub-branch, international business department and retail banking department and the center manager of the financial market department of the Bank.

Ms. WANG obtained a master's degree in business administration from Shandong University in 2023, majoring in business administration.

4. *ZHAO Lijie, Shareholders' Representative Supervisor*

Ms. ZHAO Lijie, aged 50, is a senior accountant. Ms. ZHAO has joined Weihai Tian'an Real Estate Development Co., Ltd. (威海天安房地產開發有限公司) in September 2001 and has been the manager of finance department and deputy general manager of the company since May 2004.

Ms. ZHAO graduated from Shandong Economic University (山東經濟學院) (currently known as Shandong University of Finance and Economics (山東財經大學)) in 2010, majoring in accountancy.

5. *ZHOU Hao, Shareholders' Representative Supervisor*

Mr. ZHOU Hao, aged 45, is a senior economist. Mr. ZHOU has joined Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd. (山東環球漁具股份有限公司) in September 2002, and has served as the general manager since August 2018.

Mr. ZHOU concurrently serves as an executive director of Weihai Ailan Fishing Gear Technology Development Co., Ltd. (威海愛藍漁具科技發展有限公司) and Weihai Global Property Co., Ltd. (威海環球置業有限公司).

Mr. ZHOU obtained a master's degree in business administration from Ecole des Dirigeants et Createurs d'entreprise in Paris, France, in 2002. He obtained a master's degree in law and a doctoral degree in western economics from Shandong University in 2008 and 2018, respectively. He also obtained the PRC legal professional qualification granted by the Ministry of Justice of the PRC in 2008.

IV. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONT'D)

4.2 Biographies of Supervisors (Cont'd)

6. *BI Jianchao, Shareholders' Representative Supervisor*

Mr. BI Jianchao, aged 46. Mr. BI has been the vice president of Homey Group Co., Ltd. (好當家集團有限公司) since January 2018. From 1999 to 2017, he successively served as the section chief of the accounting and statistics offices, the director of the audit office and the chief financial officer of Homey Group Co., Ltd.. From 2011 to 2015, he served as the head of the finance department of Shandong Homey Aquatic Development Co., Ltd. (山東好當家海洋發展股份有限公司).

Mr. BI graduated from Shandong Economic Management Cadres College (山東省經濟管理幹部學院) in 2000, majoring in accounting computerization.

7. *CHU Dianhui, External Supervisor*

Mr. CHU Dianhui, aged 55, is a professor, a doctoral supervisor and a distinguished expert by Taishan Scholars. Mr. CHU has successively served as the deputy dean of the School of Computer Science and Technology, dean of the School of Computer Science and Technology and the School of Software at Harbin Institute of Technology, Weihai (哈爾濱工業大學(威海)) since 2006, and has been the deputy director of the Department of Computing at Harbin Institute of Technology (哈爾濱工業大學) since March 2020.

Mr. CHU obtained a doctoral degree in engineering from Harbin Institute of Technology (哈爾濱工業大學) in 2014, majoring in computer application technology.

8. *LIU Xiao, External Supervisor*

Mr. LIU Xiao, aged 39. Mr. LIU has been a legal director at Shihui Partners (世輝律師事務所) since September 2023. He served as a lawyer at Cleary Gottlieb Steen & Hamilton LLP (美國佳利律師事務所) from April 2021 to August 2023, at King & Wood Mallesons (金杜律師事務所) from April 2017 to April 2021, at Clifford Chance (高偉紳律師事務所) from November 2014 to April 2017, and at Gide Loyrette Nouel (法國基德律師事務所) from February 2011 to November 2014.

Mr. LIU obtained the Juris Doctor degree from the University of Michigan Law School (密歇根大學法學院) in 2010.

IV. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONT'D)

4.2 Biographies of Supervisors (Cont'd)

9. *WANG Hongmei, External Supervisor*

Ms. WANG Hongmei, aged 47, is a professor and a doctoral supervisor. Ms. WANG has been the director of teaching department, the director of human resources office and the director of talent work office of the Central University of Finance and Economics since September 2022. She successively served as the director of the office of MPA Education Center of the School of Government, the assistant to the dean of the School of Government, the deputy dean of the School of Government and the deputy dean of the Graduate School, the director of the office of academic development, and the director of the development planning office (office of academic development) of the Central University of Finance and Economics from September 2007 to September 2022.

Ms. WANG has served as an independent director of Sinosafe General Insurance Asset Management Co., Ltd. (華安財保資產管理有限責任公司) since January 2019; and she has served as an independent director of Industrial Bank of Korea (China) Limited (企業銀行(中國)有限公司) since September 2019.

Ms. WANG obtained a doctoral degree from Renmin University of China in 2007, majoring in Western Economics.

4.3 Biographies of Senior Management

For biographical details of Mr. ZHANG Wenbin, Ms. TAO Zunjian, Mr. LU Jiliang and Mr. JIANG Yi, please see “Biographies of Directors” in this section.

Mr. ZHANG Xiaodong, aged 55, is an economist. Mr. ZHANG has served as a Chief Risk Officer of the Bank since June 2021. He served as a vice president of the Bank from November 2018 to June 2021. From September 2005 to November 2018, he successively served as a staff of development and renovation department, deputy director of the credit management department, director of the credit management department, general manager of the Risk Management Department, general manager of the small business banking department, the general manager of the Credit Review and Approval Department, Chief Credit Approver and assistant to the president of the Bank. Prior to joining our Bank, Mr. ZHANG worked at the business development department of Huaxia Bank Co., Ltd. Jinan Branch from December 2003 to September 2005. From October 2002 to October 2003, he served as an assistant to the general manager at WEGO Group Co., Ltd. (威高集團有限公司). From July 1993 to May 2001, Mr. ZHANG was the leader of import team of settlement business department at Bank of China Weihai Branch.

Mr. ZHANG obtained a master's degree in finance from Royal Melbourne Institute of Technology in Australia in 2002.

IV. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONT'D)

4.3 Biographies of Senior Management (Cont'd)

Mr. ZHANG Jia'en, aged 49, is an economist. Mr. ZHANG has been the secretary to the Board of our Bank since September 2022. From October 2009 to November 2024, he successively served as a staff of the general office, deputy director of the general office, director (主任) of the general office, general manager of the Strategic Management Department and the director of Policy Research Office of the Bank. Prior to joining our Bank, he worked for AJ Securities Company Limited from September 2007 to April 2009 and for Guangsha Holdings Venture Capital Co., Ltd. (廣廈控股創業投資有限公司) from July 2006 to July 2007.

Mr. ZHANG obtained a doctoral degree in management from Xi'an Jiaotong University in 2005, majoring in management science and engineering.

4.4 Joint Company Secretaries

Mr. LU Jiliang was appointed as one of the joint company secretaries of the Bank in June 2021. For biographical details of Mr. LU Jiliang, please see "Biographies of Directors" in this section.

Ms. TAM Pak Yu, Vivien is one of the joint company secretaries of the Bank. Ms. TAM serves as a manager of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specializing in corporate services, and has over nine years of experience in corporate secretarial field. Ms. TAM has been admitted as an associated member of both The Hong Kong Chartered Governance Institute and the Chartered Governance Institute of the United Kingdom in 2018.

Ms. TAM obtained a bachelor's degree in China Studies from Hong Kong Baptist University in 2014 and a master's degree in Professional Accounting and Corporate Governance from City University of Hong Kong in 2017.

4.5 Confirmation of Independence of Independent Non-executive Directors

The Bank has received the annual confirmation of independence from each of its independent non-executive Directors and considered that all the independent non-executive Directors are independent in accordance with the relevant guidelines set out in Rule 3.13 of the Listing Rules.

V. SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix C3 to the Listing Rules as its code of conduct regarding securities transactions by the Directors, Supervisors and relevant employees of the Bank. Having made enquiry with all Directors and Supervisors, the Bank confirmed that they had complied with the Model Code during the Reporting Period. The Bank is not aware of any violations of the above code by the employees concerned.

VI. REMUNERATION PAID TO DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank paid remuneration to Directors, Supervisors and Senior Management in accordance with the Remuneration System for Directors and Supervisors (《董事、監事薪酬制度》) and the Remuneration Management System for Senior Management (《高級管理人員薪酬管理制度》). The specific remuneration scheme for Directors, Supervisors and Senior Management of the Bank shall be reviewed by the Nomination and Remuneration Committee of the Board and submitted to the Board and the Shareholders’ general meeting for final decision. The remuneration system of Directors, Supervisors and Senior Management shall follow the principle of combining incentives and constraints, also giving consideration to short-term incentives and medium and long-term incentives.

Please refer to note 12 to the financial statements of the Report for the total remuneration of the Directors and Supervisors during the Reporting Period. As at the end of the Reporting Period, no remuneration was paid by the Bank to any of the Directors, Supervisors or the five highest paid individuals (including Directors, Supervisors and employees) as inducement to join or upon joining the Bank or as a compensation for loss of office.

VII. STAFF AND HUMAN RESOURCE MANAGEMENT

7.1 Composition of employees

Taking into account various factors, the Bank has set a target of at least 50% of its staff (including senior management) being female. As at the end of the Reporting Period, the total number of our regular employees reached 3,363, of which 56.2% were female, 23.5% were employees aged 30 or below, and 96.3% were employees with bachelor’s degree or above. An excellent team of professionals helps to cultivate a corporate culture of active innovation and strengthen the ability to respond to market changes and seize market opportunities.

VII. STAFF AND HUMAN RESOURCE MANAGEMENT (CONT'D)

7.2 Remuneration policy

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

The Board of Directors is responsible for designing the remuneration management system and policy of the Bank in accordance with relevant national laws and policies, and assumes an ultimate responsibility for the remuneration management. The Nomination and Remuneration Committee is set up under the Board of Directors. The management is responsible for organizing the implementation of resolutions of the Board of Directors on the remuneration management, and the Human Resources Department is responsible for specific matters. The Bank strictly complied with the Supervisory Guidelines on Sound Compensation in Commercial Banks and other relevant regulations, and formulated a scientific and reasonable incentive constraint mechanism that is compatible with long-term stable and sustainable development. Firstly, it stipulates that the remuneration structure of the Bank mainly includes basic salary, performance-based remuneration and medium and long-term performance. Among them, performance-based remuneration and medium and long-term performance are variable remuneration, which are distributed based on factors such as current and long-term performance contribution and risk condition, and different lock-up periods are set for medium and long-term performance based on the length of service of employees in the Bank and are subject to deferred payments for all employees. Secondly, it clarifies the deferred payment of performance-based remuneration for senior management and personnel with significant risk impact. If a risk occurs within the specified period of time and causes losses, the performance-based remuneration of the relevant responsible person shall be recovered and paid back and the pay-back amount shall be recognized according to the determination of responsibility. If the risk loss within the responsibilities of such responsible person is unusually exposed within the specified period, the Bank is entitled to recover all performance-based remuneration paid in the corresponding period and refuse to pay all unpaid amount. The above provision shall also apply to resigned and retired employees. Thirdly, it clarifies the constraints of risk cost control indicators on performance-based remuneration, and stipulates that the risk cost control indicators of the Bank include capital adequacy ratio, non-performing loan ratio, provision coverage ratio, case risk ratio, and leverage ratio; that when measuring the costs of credit risk and market risk, the economic capital allocation and changes in capital cost itself as well as provision costs and actual losses shall be considered; and that when measuring liquidity risk costs, the liquidity coverage ratio under the stress testing and the cost of liquidity resources themselves shall be mainly considered.

VII. STAFF AND HUMAN RESOURCE MANAGEMENT (CONT'D)

7.2 Remuneration policy (Cont'd)

The Bank has 803 senior management and employees whose positions have significant impact on risks in total. During the Reporting Period, the fixed remuneration of senior management and employees whose positions have significant impact on risks of the Bank was RMB100.70 million, the variable remuneration before the appraisal was RMB222.97 million, and the actual variable remuneration after the appraisal was RMB166.47 million, of which the deferred payment was RMB80.61 million.

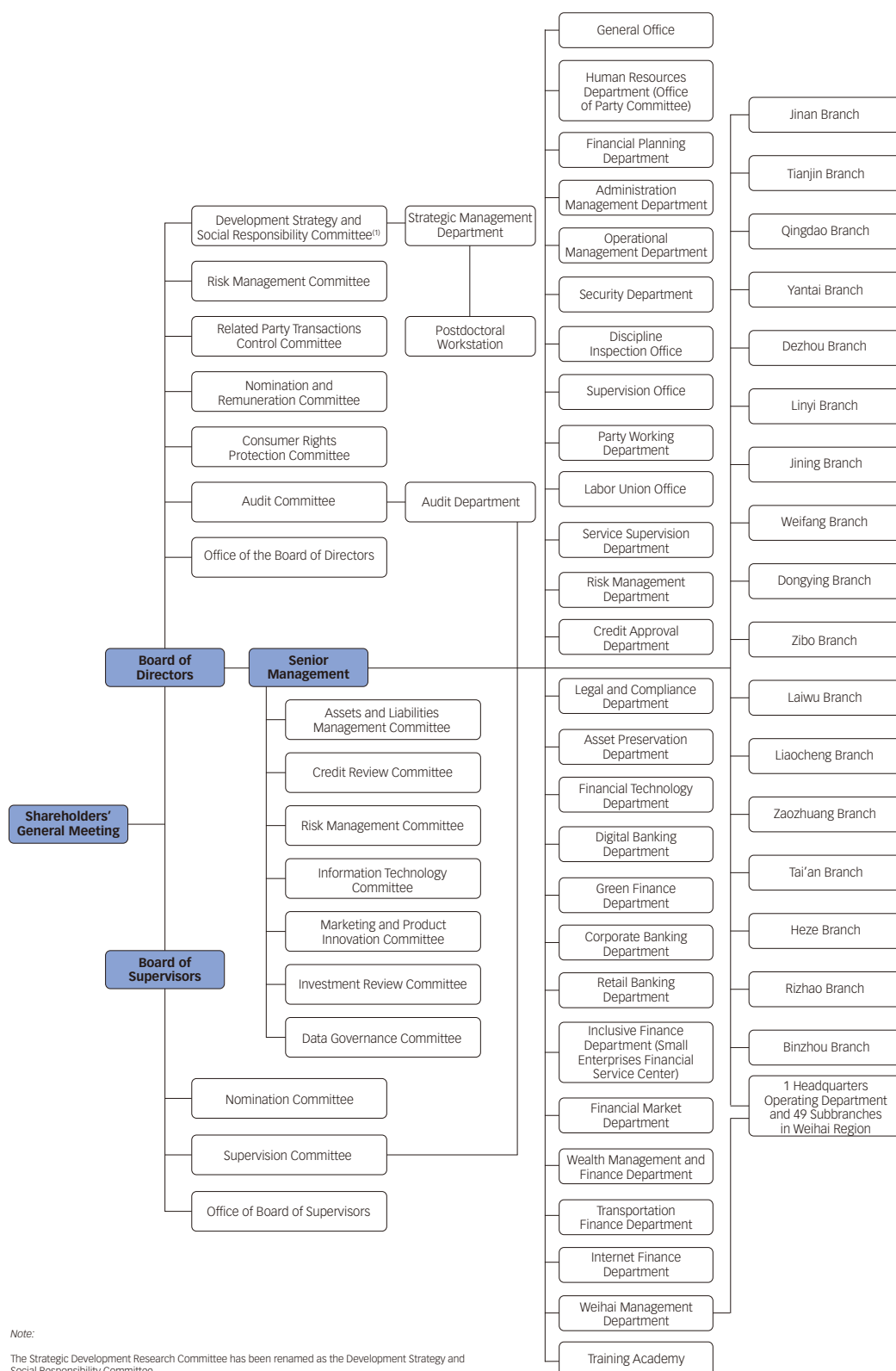
7.3 Training scheme

In 2024, the Bank's training focused on the transformation direction of "marketization, specialization, refinement and digitization", continuously increasing training efforts, enriching training forms, optimizing training courses and solidly carrying out training activities to comprehensively improve the training quality. Firstly, "heart" series of highlights was created. The Bank organized and carried out a series of training sessions, such as the "pursuing the goals by good faith" professional certificates, the "growth and development" for the cultivating of outstanding young employees, and the "Loyalty and Commitment" of newly-appointed leaders, and the "Craftsmanship Inheritance" for the selection of internal trainers, to empower the growth of talents and promote business development. Secondly, the Bank carried out trainings in a coordinated manner. The Bank organized and carried out the "Dream Voyage" training for new employees for 2024 school recruiting, training for new employees of the headquarters and special trainings for each business line to provide talent protection for the Bank's high-quality development. Thirdly, the publicity base built. The Bank set up a WeChat official account and a live broadcast of the Grand Lecture Hall, playing the role of corporate TV stations to build a platform and enrich the carriers, so as to intensify the publicity of training. Fourthly, the system construction strengthened. The Bank established a sound training management mechanism, coordinated educational resources, focused on tracking, strengthened system construction and top-level design, improving training quality and professional management capabilities.

7.4 Share scheme

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

VIII. ORGANIZATIONAL STRUCTURE CHART



CHAPTER 5 CORPORATE GOVERNANCE REPORT

I. GENERAL INFORMATION ON CORPORATE GOVERNANCE

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

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

The Bank has adopted the Corporate Governance Code and met the requirements of the administrative measures and corporate governance for domestic commercial banks, and has established a sound corporate governance system. During the Reporting Period, the Bank has always complied with the code provisions set out in Part 2 of Appendix C1 to the Listing Rules.

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

II. SHAREHOLDERS' GENERAL MEETING

2.1 Duties of the Shareholders' general meeting

The main duties of the Shareholders' general meeting include electing and replacing non-employee directors and supervisors, deciding on their remuneration, considering and approving annual profit distribution proposals, and loss recovery proposals, and resolutions on the merger, demerger, dissolution and liquidation of the Bank or change of form of the company, and amending the Articles of Association, etc.

2.2 Convening of the Shareholders' general meeting

During the Reporting Period, the Bank held one annual general meeting and two extraordinary general meetings, details of which are set out below:

On April 30, 2024, the Bank held the 2023 annual general meeting in Weihai City, with a total of 19 Shareholders and valid proxies, representing 4,811,198,888 voting shares in aggregate and accounting for 80.45% of total issued shares with voting rights at the 2023 annual general meeting, attended and voted at the meeting. 15 resolutions were considered and approved, including Final Accounts Report for 2023, Financial Budget for 2024, Profit Distribution Plan for 2023 and Change of the Domicile, etc.

II. SHAREHOLDERS' GENERAL MEETING (CONT'D)

2.2 Convening of the Shareholders' general meeting (Cont'd)

On September 12, 2024, the Bank held the 2024 first extraordinary general meeting in Weihai City, with a total of 18 Shareholders and valid proxies, representing 4,338,332,678 voting shares in aggregate and accounting for 72.55% of total issued shares with voting rights at the 2024 first extraordinary general meeting, attended and voted at the meeting. 5 resolutions were considered and approved, including Re-election and Appointment of directors for the Ninth Session of the Board and Re-election and Appointment of Supervisors for the Ninth Session of the Board of Supervisors.

On December 30, 2024, the Bank held the 2024 second extraordinary general meeting in Weihai City, with a total of 17 Shareholders and valid proxies, representing 4,302,709,981 voting shares in aggregate and accounting for 71.95% of total issued shares with voting rights at the 2024 second extraordinary general meeting, attended and voted at the meeting. 2 resolutions were considered and approved, including Change of Company Name and Amendments to the Articles of Association.

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

III. THE BOARD AND ITS SPECIAL COMMITTEES

3.1 Duties of the Board

The Board is a decision-making body of the Bank and is accountable to the Shareholders' general meeting. Its main duties include convening the Shareholders' general meetings, reporting to the Shareholders' general meetings and executing the resolutions of the Shareholders' general meetings, deciding on the Bank's development strategies, business plans and investment plans, reviewing and approving annual financial budget reports and final accounts reports, formulating profit distribution plans and loss recovery plans, making proposals for the merger, demerger, dissolution and change of form of the Bank, formulating amendments to the Articles of Association, formulating the fundamental management systems of the Bank, and deciding on the Bank's ESG strategic plans, annual targets, major policies and basic systems.

The Board continuously reviews and updates various policies and systems on corporate governance such as the Articles of Association of the Bank in accordance with the laws and regulations, relevant regulatory requirements and the Listing Rules applicable to the Bank, and ensures that the Bank complies with such policies and systems.

3.2 Operation of the Board

The Board shall convene at least one meeting each quarter, and arrange other meetings when necessary. The Board meetings may be convened by on-site meeting or written resolution. The Board shall notify all Directors in advance of the meetings and provide all Directors with adequate information in a timely manner, including background information on proposed resolutions and other information and data for the Directors to make informed decisions. The notice of a regular Board meeting shall be given to all Directors at least 14 days before the meetings, and the notice of all other Board meetings shall be given to all Directors 5 working days before the meeting. At the Board meetings, all Directors may freely express their views, and major decisions shall be subject to detailed discussion.

III. THE BOARD AND ITS SPECIAL COMMITTEES (CONT'D)

3.2 Operation of the Board (Cont'd)

A sound communication and reporting mechanism has been established among the Directors, the Board and senior management. The president is accountable to the Board and reports to the Board on a regular basis. The office of the Board is set up under the Board as a daily office. The Board and senior management exercise their respective rights in accordance with their responsibilities set out in the Articles of Association.

3.3 Composition of the Board

As of the end of the Reporting Period, the Board of Directors of the Bank consisted of fifteen Directors, including five executive Directors, namely Mr. MENG Dongxiao, Mr. ZHANG Wenbin, Ms. TAO Zunjian, Mr. LU Jiliang and Mr. JIANG Yi; five non-executive Directors, namely Mr. CHEN Xiaojun, Mr. JIAO Weifeng, Mr. ZHAO Bing, Mr. KANG Jian and Ms. LI Jie; and five independent non-executive Directors, namely Mr. FAN Chi Chiu, Mr. WANG Yong, Ms. SUN Zuying, Mr. YANG Yunhong and Mr. PENG Feng. Directors shall be elected at the Shareholders' general meeting, and shall serve a term of office of three years commencing from the date on which their qualifications are verified by the former CBIRC or NFRA. A Director may serve consecutive terms if re-elected upon the expiry of his/her term of office, unless otherwise specified by laws, regulations, regulatory authorities and the Articles of Association of the Bank. The membership and composition of the Bank's Board of Directors are in compliance with applicable laws and regulations.

Please refer to the section headed "Directors, Supervisors, Senior Management and Employees" of this report for the biographies of the Directors. None of the members of the Board is connected with other members.

3.4 The implementation and effectiveness of the mechanism for the Board to obtain independent views and opinions

The Board of Directors of the Bank has put in place effective mechanisms to ensure that independent views and opinions are available to the Board of Directors. Firstly, the Board of Directors of the Bank is composed of one-third of executive Directors, one-third of non-executive Directors and one-third of independent non-executive Directors, so as to guarantee independent views and opinions from the composition. Secondly, the Bank has strict procedures for the selection, nomination and appointment of Directors. The Nomination and Remuneration Committee of the Board of Directors reviews the resumes of candidates and makes recommendations to the Board of Directors with full consideration of laws and regulations as well as the Bank's Articles of Association, Board Diversity Policy and Administrative Measures for the Selection and Appointment of Directors and Senior Management. Thirdly, the Bank establishes a clear working mechanism for independent non-executive Directors and formulates Working Rules for Independent Directors. Independent non-executive Directors actively participate in board meetings, express objective and impartial independent opinions on major matters, and provide constructive discussions and suggestions. The independent non-executive Directors will receive remuneration in cash without the performance-based remuneration according to the financial performance of the Bank. Fourthly, the Nomination and Remuneration Committee of the Board of Directors of the Bank evaluates the independence of Directors, especially independent non-executive Directors, the time spent on the Bank and their performance every year, and reports to the Board of Directors. Fifthly, all Directors of the Bank may engage intermediary agencies to provide professional advice at the Bank's expense in performing their duties as Directors and considering it necessary. After discussion, it was concluded that the mechanism for the Board of Directors of the Bank to obtain independent views and opinions in 2024 was properly implemented and effective.

III. THE BOARD AND ITS SPECIAL COMMITTEES (CONT'D)

3.5 Changes in members of the Board during the Reporting Period

For details of the changes in the Directors of the Bank, please refer to “Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management during the Reporting Period” of this report.

3.6 Directors’ responsibilities for preparing financial statements

The Directors are responsible for supervising the preparation of a financial report for each accounting year and ensuring that the financial report gives a true and fair view of the financial position, operating results and cash flow of the Group. In preparing the financial report for the year ended December 31, 2024, appropriate accounting policies have been selected and applied consistently, and prudent and reasonable judgment and estimation have been made. The Directors acknowledge their responsibilities for preparing the financial report, and the reporting responsibility statement issued by the auditors in relation to their report is set out in the Independent Auditor’s Report.

3.7 Meetings of the Board and the Directors’ attendance at the meetings

During the Reporting Period, the Bank held 6 Board meetings in total, at which 82 resolutions were considered and passed on topics mainly including final accounts report, budget plan and profit distribution plan. Apart from regular Board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of other Directors during the year. Details of the Board meetings held during the Reporting Period are set out below:

Session	Date of Meeting	Form of Meeting
14th meeting of the 8th session of the Board	March 22, 2024	On-site Meeting
15th meeting of the 8th session of the Board	April 9, 2024	Written Resolution
16th meeting of the 8th session of the Board	June 28, 2024	On-site Meeting
17th meeting of the 8th session of the Board	August 28, 2024	On-site Meeting
1st meeting of the 9th session of the Board	September 12, 2024	On-site Meeting
2nd meeting of the 9th session of the Board	December 12, 2024	On-site Meeting

III. THE BOARD AND ITS SPECIAL COMMITTEES (CONT'D)

3.7 Meetings of the Board and the Directors' attendance at the meetings (Cont'd)

The attendance of each Director at the Board meetings (on-site meetings) and the Shareholders' general meetings during the Reporting Period is set out below:

Members of the Board	Attendances in Person at Board Meetings/ Attendances Required at Board Meetings	Attendances by Proxy at Board Meetings	Attendances in Person at Shareholders' General Meetings/ Shareholders' General Meetings Convened during the Tenure of Office
Mr. MENG Dongxiao	6/6	0	3/3
Mr. ZHANG Wenbin	6/6	0	3/3
Ms. TAO Zunjian	6/6	0	3/3
Mr. LU Jiliang	6/6	0	3/3
Mr. ZHAO Bing	6/6	0	3/3
Ms. LI Jie	6/6	0	3/3
Mr. FAN Chi Chiu	6/6	0	3/3
Mr. WANG Yong	6/6	0	3/3
Ms. SUN Zuying	6/6	0	3/3
Mr. YANG Yunhong	6/6	0	3/3
Mr. JIANG Yi ⁽¹⁾	1/1	0	1/1
Mr. CHEN Xiaojun ⁽²⁾	2/2	0	1/1
Mr. JIAO Weifeng ⁽²⁾	2/2	0	1/1
Mr. KANG Jian ⁽¹⁾	1/1	0	1/1
Mr. PENG Feng ⁽²⁾	2/2	0	1/1
Mr. TAN Xianguo ⁽³⁾	4/4	0	2/2
Mr. SONG Bin ⁽³⁾	3/4	1	0/2
Mr. YIN Lin ⁽³⁾	4/4	0	1/2
Mr. YI Jijun ⁽³⁾	3/4	1	1/2
Mr. WANG Shaohong ⁽³⁾	4/4	0	1/2

Notes:

(1) Since December 25, 2024, Mr. JIANG Yi and Mr. KANG Jian have served as Directors of the Bank.

(2) Since December 6, 2024, Mr. CHEN Xiaojun, Mr. JIAO Weifeng and Mr. PENG Feng have served as Directors of the Bank.

(3) Mr. TAN Xianguo, Mr. YI Jijun, Mr. SONG Bin, Mr. YIN Lin and Mr. WANG Shaohong retired as Directors and retired from relevant special committees of Board of Directors of the Bank on September 12, 2024 following the conclusion of 2024 first extraordinary general meeting.

III. THE BOARD AND ITS SPECIAL COMMITTEES (CONT'D)

3.8 Independent non-executive Director

The Board of the Bank currently has five independent non-executive Directors, which is in compliance with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors who shall jointly account for at least one third of the Board members and at least one of whom shall have appropriate professional qualifications or accounting or relevant financial management expertise.

During the Reporting Period, the independent non-executive Directors fulfilled their fiduciary duties and due diligence duties as well as those responsibilities as required by the Articles of Association, and protected the interests of the Bank and its Shareholders as a whole. The independent non-executive Directors of the Bank duly attended the meetings of the Board and its special committees, provided objective and independent opinions on various matters discussed at the meetings of the Board and its special committees, and actively participated in the decision-making of the Board and supervised the Board.

The Bank has received an annual confirmation of independence confirming his/her independence in writing from each of the independent non-executive Directors in accordance with the requirements of the Listing Rules. Therefore, the Bank confirmed that all independent non-executive Directors have complied with the requirements of the Listing Rules in relation to their independence.

3.9 Special committees of the Board

As of the date of this report, the Board of the Bank has established six special committees, including the Development Strategy and Social Responsibility Committee, the Audit Committee, the Risk Management Committee, the Related Party Transactions Control Committee, the Nomination and Remuneration Committee and the Consumer Rights Protection Committee.

1. *Development Strategy and Social Responsibility Committee*

The Bank has established the Development Strategy and Social Responsibility Committee with written rules of procedure. As of the end of the Reporting Period, the Development Strategy and Social Responsibility Committee consists of nine Directors, namely Mr. MENG Dongxiao, Mr. ZHANG Wenbin, Mr. CHEN Xiaojun, Mr. ZHAO Bing, Mr. WANG Yong, Mr. YANG Yunhong, Mr. PENG Feng, Mr. LU Jiliang and Mr. JIANG Yi. The chairman of the Development Strategy and Social Responsibility Committee is Mr. MENG Dongxiao. Mr. MENG Dongxiao, Mr. ZHANG Wenbin, Mr. LU Jiliang and Mr. JIANG Yi are executive Directors. Mr. CHEN Xiaojun and Mr. ZHAO Bing are non-executive Directors. Mr. WANG Yong, Mr. YANG Yunhong and Mr. PENG Feng are independent non-executive Directors.

The duties of the Development Strategy and Social Responsibility Committee mainly include: researching and making recommendations on our long-term development strategies and significant investment decisions; researching and putting forward our development objectives, development direction, development priorities, development measures and other development-related issues, as well as relevant questions; making recommendations to the Board of Directors on strategies issues in the Bank's development; researching and making recommendations on other significant issues that impact the Bank's development; providing recommendations on the Bank's Environmental, Social, and Governance (ESG) strategic planning, annual targets, major policies and basic systems, and assisting in supervising and evaluating the implementation of the Bank's ESG strategy; reviewing the implementation of the above matters; and performing other responsibilities as authorized by our Board of Directors.

III. THE BOARD AND ITS SPECIAL COMMITTEES (CONT'D)

3.9 Special committees of the Board (Cont'd)

1. *Development Strategy and Social Responsibility Committee (Cont'd)*

During the Reporting Period, the Development Strategy and Social Responsibility Committee held 2 video meetings in total, at which 10 resolutions were considered and passed on topics mainly including the capital planning for the recent three years, the evaluation and improvement on the strategy implementation, and change of company name.

The attendance of each committee member at the meetings of the Development Strategy and Social Responsibility Committee during the Reporting Period is set out below:

Committee Members	Attendances Required	Attendances in Person	Attendances by Proxy
Mr. MENG Dongxiao	2	2	0
Mr. ZHANG Wenbin	2	2	0
Mr. LU Jiliang	2	2	0
Mr. ZHAO Bing	2	2	0
Mr. YANG Yunhong	2	2	0
Mr. WANG Yong	1	1	0
Mr. CHEN Xiaojun	1	1	0
Mr. PENG Feng	1	1	0
Mr. JIANG Yi	0	0	0
Mr. TAN Xianguo	1	1	0
Mr. SONG Bin	1	1	0
Mr. WANG Shaohong	1	1	0
Ms. SUN Zuying	1	1	0

Note:

Since September 12, 2024, Mr. MENG Dongxiao has served as the chairman of the Development Strategy and Social Responsibility Committee, Mr. WANG Yong has served as a member of the Development Strategy and Social Responsibility Committee, and Mr. TAN Xianguo, Mr. SONG Bin, Mr. WANG Shaohong and Ms. SUN Zuying ceased to serve as the members of the Development Strategy and Social Responsibility Committee; Mr. CHEN Xiaojun and Mr. PENG Feng have served as the members of the Development Strategy and Social Responsibility Committee since December 6, 2024; and Mr. JIANG Yi has served as a member of the Development Strategy and Social Responsibility Committee since December 25, 2024.

2. *Audit Committee*

The Bank has established the Audit Committee with written terms of reference in accordance with the relevant requirements of the Listing Rules. As of the end of the Reporting Period, the Audit Committee consists of five Directors, namely Ms. SUN Zuying, Mr. FAN Chi Chiu, Mr. JIAO Weifeng, Mr. KANG Jian and Mr. YANG Yunhong. The chairman of the Audit Committee is Ms. SUN Zuying. Ms. SUN Zuying, Mr. FAN Chi Chiu and Mr. YANG Yunhong are independent non-executive Directors. Mr. JIAO Weifeng and Mr. KANG Jian are non-executive Directors. The majority of the members of the Audit Committee of the Bank are independent non-executive Directors.

III. THE BOARD AND ITS SPECIAL COMMITTEES (CONT'D)

3.9 Special committees of the Board (Cont'd)

2. Audit Committee (Cont'd)

The primary duties of the Audit Committee include: reviewing the Bank's accounting policies, financial position and financial reporting procedures and compliance status; recommending independent external auditor to the Board of the Bank; reviewing the Bank's internal audit system, medium and long-term audit plans and annual audit work plan, supervising the internal audit work; promoting communication between the internal and external auditors of the Bank; and performing other duties as required in relevant laws and regulations, supervisory regulations of the stock exchanges where the stocks of the Bank are listed and the Articles of Association and as authorized by the Board.

During the Reporting Period, the Audit Committee held 7 on-site meetings in total, at which 20 resolutions were considered and passed on topics mainly including annual report, interim report, financial statements, internal control evaluation and internal audit report.

The Audit Committee has reviewed the Group's 2024 interim report prepared in accordance with the International Financial Reporting Standards and the 2024 annual report prepared in accordance with the PRC Accounting Standards for Business Enterprises and the International Financial Reporting Standards. During the audit period, the Audit Committee had several meetings and communications with the external auditors in the absence of the executive Directors and senior management. On March 25, 2025, the Audit Committee had reviewed the audited consolidated financial statements as of the end of the Reporting Period. It also reviewed the effectiveness of the internal control system and the internal audit functions of the Bank by regularly listening to the audit department's report on internal audit.

The attendance of each committee member at the meetings of the Audit Committee during the Reporting Period is set out below:

Committee Members	Attendances Required	Attendances in Person	Attendances by Proxy
Ms. SUN Zuying	7	7	0
Mr. FAN Chi Chiu	2	2	0
Mr. JIAO Weifeng	2	2	0
Mr. KANG Jian	1	1	0
Mr. YANG Yunhong	7	7	0
Mr. WANG Shaohong	5	5	0
Mr. YI Jijun	5	5	0
Mr. YIN Lin	5	5	0

Note:

Since September 12, 2024, Mr. FAN Chi Chiu has served as the vice chairman of the Audit Committee, Mr. WANG Shaohong, Mr. YI Jijun and Mr. YIN Lin ceased to serve as the members of the Audit Committee; Mr. JIAO Weifeng has served as a member of the Audit Committee since December 6, 2024; and Mr. KANG Jian has served as a member of the Audit Committee since December 25, 2024.

III. THE BOARD AND ITS SPECIAL COMMITTEES (CONT'D)

3.9 Special committees of the Board (Cont'd)

3. Related Party Transactions Control Committee

The Bank has established the Related Party Transactions Control Committee with written rules of procedure. As of the end of the Reporting Period, the Related Party Transactions Control Committee consists of five Directors, namely Mr. FAN Chi Chiu, Mr. WANG Yong, Ms. TAO Zunjian, Mr. LU Jiliang and Ms. LI Jie. The chairman of the Related Party Transactions Control Committee is Mr. FAN Chi Chiu. Ms. TAO Zunjian and Mr. LU Jiliang are executive Directors. Ms. LI Jie is a non-executive Director. Mr. FAN Chi Chiu and Mr. WANG Yong are independent non-executive Directors.

The primary duties of the Related Party Transactions Control Committee include: guiding the Bank to correctly implement related policies and regulations on related party transactions of China and the provisions on connected party transactions under the Listing Rules; formulating policies, rules and management systems on the related (connected) party transactions of the Bank; being responsible for the identification and announcement of the related (connected) parties of the Bank; submitting to the Board of Directors for review and approval upon reviewing major related (connected) party transactions in accordance with relevant provisions; being responsible for periodically reporting to the Board of Directors and Board of Supervisors in relation to details of identified related (connected) parties and related (connected) party transactions; and being responsible for handling other works relating to the related (connected) party transactions assigned by the Board.

During the Reporting Period, the Related Party Transactions Control Committee held 4 on-site meetings, at which 10 resolutions were considered and passed on topics mainly including the credit business for major related party transactions and the report on the control of related party transactions.

The attendance of each committee member at the meetings of the Related Party Transactions Control Committee during the Reporting Period is set out below:

Committee Members	Attendances Required	Attendances in Person	Attendances by Proxy
Mr. FAN Chi Chiu	4	4	0
Mr. WANG Yong	4	4	0
Ms. TAO Zunjian	4	4	0
Mr. LU Jiliang	4	4	0
Ms. LI Jie	4	4	0

III. THE BOARD AND ITS SPECIAL COMMITTEES (CONT'D)

3.9 Special committees of the Board (Cont'd)

4. Risk Management Committee

The Bank has established the Risk Management Committee with written rules of procedure. As of the end of the Reporting Period, the Risk Management Committee consists of five Directors, namely Mr. CHEN Xiaojun, Mr. PENG Feng, Mr. ZHAO Bing, Mr. JIAO Weifeng and Ms. SUN Zuying. The chairman of the Risk Management Committee is Mr. CHEN Xiaojun. Mr. CHEN Xiaojun, Mr. JIAO Weifeng and Mr. ZHAO Bing are non-executive Directors. Mr. PENG Feng and Ms. SUN Zuying are independent non-executive Directors.

The primary duties of the Risk Management Committee include: monitoring the risk control in respect of liquidity, credit, markets, operations and technology of senior management; regularly assessing the risk conditions of the Bank; giving suggestions on improving the risk management and internal control of the Bank; evaluating the capital adequacy of the Bank on a regular basis; carrying out a research on the disposal of non-performing assets and bad debts; studying other major assets, risks and internal control deficiencies and weaknesses that affect the Bank's development, assessing the impact and giving suggestion.

During the Reporting Period, the Risk Management Committee held 4 on-site meetings in total, at which 23 resolutions were considered and passed on topics mainly including risk profile, capital adequacy ratio assessment, annual risk appetite strategies, internal capital adequacy assessment and business continuity management assessment. The Risk Management Committee regularly reviews the Bank's risk management system covering various main types of risks such as credit risk, market risk, operational risk, information technology risk, reputational risk and strategic risk by regularly listening to senior management's report on the Bank's risk management on a quarterly basis, and proposes opinions and suggestions on improving the Bank's risk management work based on the economic development trend and changes in macroeconomic control policies and the actual business development of the Bank.

The attendance of each committee member at the meetings of the Risk Management Committee during the Reporting Period is set out below:

Committee Members	Attendances Required	Attendances in Person	Attendances by Proxy
Mr. CHEN Xiaojun	1	1	0
Mr. PENG Feng	1	1	0
Mr. ZHAO Bing	4	4	0
Ms. SUN Zuying	4	4	0
Mr. JIAO Weifeng	1	1	0
Mr. SONG Bin	3	3	0
Mr. YIN Lin	3	3	0
Mr. WANG Yong	3	3	0

Note:

Since December 6, 2024, Mr. CHEN Xiaojun has served as the chairman of the Risk Management Committee, Mr. PENG Feng has served as the vice chairman of the Risk Management Committee and Mr. JIAO Weifeng has served as a member of the Risk Management Committee. Mr. SONG Bin, Mr. YIN Lin and Mr. WANG Yong ceased to serve as the members of the Risk Management Committee since September 12, 2024.

III. THE BOARD AND ITS SPECIAL COMMITTEES (CONT'D)

3.9 Special committees of the Board (Cont'd)

5. *Nomination and Remuneration Committee*

The Bank has established the Nomination and Remuneration Committee with written rules of procedure in accordance with the relevant requirements of the Listing Rules. As of the end of the Reporting Period, the Nomination and Remuneration Committee consists of five Directors, namely Mr. WANG Yong, Mr. YANG Yunhong, Mr. FAN Chi Chiu, Mr. PENG Feng and Mr. KANG Jian. The chairman of the Nomination and Remuneration Committee is Mr. WANG Yong. Mr. KANG Jian is a non-executive Director. Mr. WANG Yong, Mr. YANG Yunhong, Mr. FAN Chi Chiu, and Mr. PENG Feng are independent non-executive Directors. The majority of the members of the Nomination and Remuneration Committee are independent non-executive Directors.

The primary duties of the Nomination and Remuneration Committee include:

Nomination Duties

Making recommendations to the Board of Directors on the scale and composition of the Board based on the operating activities, asset scale and shareholding structure of the Bank; assessing the independence of independent non-executive Directors; reviewing the procedures and standards for selecting and appointing the Directors and senior management to make recommendations to the Board; identifying qualified candidates for the Directors and senior management under the authorization of the Board of Directors, and making preliminary assessments on their qualifications and conditions.

Remuneration Duties

Reviewing our remuneration plans or proposals for the Directors and senior management, making recommendations on the establishment of a formal and transparent procedure for developing remuneration policy and submitting it to the Board of Directors for review; reviewing the performance of the Directors and senior management and conducting annual performance evaluations; considering the evaluation standards of the Directors and senior management of the Bank and supervising the implementation of remuneration system for the Directors and senior management.

During the Reporting Period, the Nomination and Remuneration Committee held 3 on-site meetings in total, at which 10 resolutions were considered and passed on topics mainly including the evaluation of the performance of Directors and senior management, the review of the structure and composition of the Board, the examination of the qualifications of proposed Directors and the assessment of business performance.

III. THE BOARD AND ITS SPECIAL COMMITTEES (CONT'D)

3.9 Special committees of the Board (Cont'd)

5. *Nomination and Remuneration Committee (Cont'd)*

The attendance of each committee member at the meetings of the Nomination and Remuneration Committee during the Reporting Period is set out below:

Committee Members	Attendances Required	Attendances in Person	Attendances by Proxy
Mr. WANG Yong	3	3	0
Mr. YANG Yunhong	3	3	0
Mr. FAN Chi Chiu	3	3	0
Mr. PENG Feng	1	1	0
Mr. KANG Jian	0	0	0
Mr. YI Jijun	2	2	0
Mr. WANG Shaohong	2	2	0

Note:

Mr. PENG Feng has served as a member of the Nomination and Remuneration Committee since December 6, 2024; Mr. KANG Jian has served as a member of the Nomination and Remuneration Committee since December 25, 2024. Mr. YI Jijun and Mr. WANG Shaohong ceased to be the members of the Nomination and Remuneration Committee from September 12, 2024.

The Bank has adopted the board diversity policy, pursuant to which the Bank seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, industry and professional experience, technical and professional skills and/or qualifications, knowledge, length of service and time to be devoted as a Director, and any other factors that the Board may consider relevant and applicable from time to time.

The Board consists of fifteen members, including five executive Directors, five non-executive Directors and five independent non-executive Directors. Our Directors have a balanced mix of experiences, including banking, corporate management, economics, law, accounting, auditing and finance. In addition, the Board has a relatively wide range of age, ranging from 35 years old to 62 years old. Taking into account various factors, the Bank has proposed a target number of female member on the Board of Directors of not less than two. The Bank had three female members on the Board of Directors by the end of 2024 and had achieved the goal of gender diversity on the Board. The Bank believes that the current composition of the Board is in line with the principles of the board diversity policy. In the selection and search for Director candidates, the Nomination and Remuneration Committee will take full account of the proportion of female members. For the objectives and details of gender diversity, please refer to “Directors, Supervisors, Senior Management and Employees – Composition of employees” in this report.

III. THE BOARD AND ITS SPECIAL COMMITTEES (CONT'D)

3.9 Special committees of the Board (Cont'd)

5. *Nomination and Remuneration Committee (Cont'd)*

The Articles of Association of the Bank set out the procedures and methods of the nomination of Directors, the Nomination and Remuneration Committee shall make recommendations to the Board after reviewing the candidates for directorship in compliance with the relevant requirements of the Articles of Association, and the candidates for directorship will be proposed at the Shareholders' general meeting by written resolution after being considered and approved by the Board. For details, please refer to the section headed "Directors and Board of Directors" of the Articles of Association.

Criteria for selecting and recommending candidates for directorship: Directors shall have the professional knowledge and working experience as required for performing their duties and satisfy the requirements of the NFRA, and their qualifications shall be verified by the NFRA.

6. *Consumer Rights Protection Committee*

The Bank has established the Consumer Rights Protection Committee with written rules of procedure. As of the end of the Reporting Period, the Consumer Rights Protection Committee consists of five Directors, namely Mr. ZHAO Bing, Mr. KANG Jian, Ms. TAO Zunjian, Mr. JIANG Yi and Ms. LI Jie. The chairman of the Consumer Rights Protection Committee is Mr. ZHAO Bing. Ms. TAO Zunjian and Mr. JIANG Yi are executive Directors. Mr. ZHAO Bing, Mr. KANG Jian and Ms. LI Jie are non-executive Directors.

The primary duties of the Consumer Rights Protection Committee include: formulating the strategies, policies and goals of the Bank's financial consumer rights protection work; supervising and evaluating the comprehensiveness, timeliness and effectiveness of the Bank's financial consumer rights protection work as well as the performance of senior management; proposing relevant resolutions on consumer rights protection to the Board of Directors and regularly listening to reports on consumer rights protection; supervising the information disclosure on consumer rights protection; and performing other matters as authorized by the Board of Directors.

During the Reporting Period, the Consumer Rights Protection Committee held 2 on-site meetings in total, at which 8 resolutions were considered and passed on topics mainly including the Rules of Procedure of Consumer Rights Protection Committee, the Environmental, Social and Governance Report, the Report on the Progress of Consumer Rights Protection Work.

III. THE BOARD AND ITS SPECIAL COMMITTEES (CONT'D)

3.9 Special committees of the Board (Cont'd)

6. Consumer Rights Protection Committee (Cont'd)

The attendance of each committee member at the meetings of the Consumer Rights Protection Committee during the Reporting Period is set out below:

Committee Members	Attendances Required	Attendances in Person	Attendances by Proxy
Mr. ZHAO Bing	2	2	0
Mr. ZHANG Wenbin	1	1	0
Ms. TAO Zunjian	2	2	0
Ms. LI Jie	2	2	0
Mr. KANG Jian	0	0	0
Mr. JIANG Yi	0	0	0
Mr. YI Jijun	1	1	0

Note:

Mr. KANG Jian and Mr. JIANG Yi have served as the members of the Consumer Rights Protection Committee since December 25, 2024; Mr. YI Jijun and Mr. ZHANG Wenbin ceased to serve as the members of the Consumer Rights Protection Committee from September 12, 2024.

IV. BOARD OF SUPERVISORS AND ITS SPECIAL COMMITTEES

4.1 Duties of the Board of Supervisors

The Board of Supervisors is the supervisory body of the Bank and is accountable to the Shareholders' general meeting. Its primary responsibilities include overseeing the financial operations of the Bank as well as the performance of the Board and senior management. The Board of Supervisors conducts special investigations and attends important meetings in specific areas to understand the Bank's operations and management and to provide supervisory advice.

4.2 Composition of the Board of Supervisors

As of the end of the Reporting Period, the Board of Supervisors consisted of nine Supervisors, including three employees' representative Supervisors, namely Mr. ZHANG Renzhao, Mr. LU Guangming and Ms. WANG Wenjing; three Shareholders' representative Supervisors, namely Ms. ZHAO Lijie, Mr. ZHOU Hao and Mr. BI Jianchao; and three external Supervisors, being Mr. CHU Dianhui, Mr. LIU Xiao and Ms. WANG Hongmei. A Supervisor shall serve a term of three years and may serve consecutive terms if re-elected upon the expiry of his/her term of office, provided that the cumulative term of external Supervisors shall not exceed six years, unless otherwise specified by laws, regulations, regulatory authorities and the Articles of Association of the Bank. Shareholders' representative Supervisors and external Supervisors shall be elected or replaced by the Shareholders' general meeting.

IV. BOARD OF SUPERVISORS AND ITS SPECIAL COMMITTEES (CONT'D)

4.3 Changes in members of the Board of Supervisors during the Reporting Period

For details of changes in Supervisors of the Bank, please refer to “Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management during the Reporting Period” of this report.

4.4 Meetings of the Board of Supervisors and Supervisors’ attendance at the meetings

During the Reporting Period, the Bank held 5 meetings of the Board of Supervisors, considered 30 resolutions and heard 42 resolutions, which mainly involved topics including plans in terms of budget and final accounts, dividend distribution, re-election and appointment of the Directors, and listened to and considered relevant reports such as operation and management of the banks, financial activities, internal control of risks and related party transactions.

The attendance of each Supervisor at the meetings of the Board of Supervisors during the Reporting Period is set out below:

Members of the Board of Supervisors	Attendances Required	Attendances in Person	Attendances by Proxy
Mr. ZHANG Renzhao	5	5	0
Ms. ZHAO Lijie	5	5	0
Mr. ZHOU Hao	5	5	0
Ms. WANG Wenjing	4	4	0
Mr. BI Jianchao	2	2	0
Mr. CHU Dianhui	2	2	0
Mr. LIU Xiao	2	2	0
Ms. WANG Hongmei	2	2	0
Mr. LU Guangming	2	2	0
Mr. FENG Yongdong	3	2	1
Ms. ZHU Yingwei	3	3	0
Mr. PENG Feng	3	2	1
Mr. WANG Xifeng	1	1	0
Mr. ZHANG Chuanzheng	3	3	0

Note:

Since June 20, 2024, Ms. WANG Wenjing has served as an employees’ representative Supervisor of the Bank, while Mr. WANG Xifeng resigned from the positions of a Supervisor of the Bank and relevant special committees of the Board of Supervisors. Since August 27, 2024, Mr. LU Guangming has served as an employees’ representative Supervisor of the Bank, while Mr. ZHANG Chuanzheng resigned from the positions of a Supervisor of the Bank and relevant special committees of the Board of Supervisors. Since September 12, 2024, Mr. BI Jianchao, Mr. CHU Dianhui, Mr. LIU Xiao and Ms. WANG Hongmei have served as Supervisors of the Bank. On the same day, Mr. FENG Yongdong, Ms. ZHU Yingwei and Mr. PENG Feng resigned from the positions of Supervisors of the Bank and relevant special committees of the Board of Supervisors.

IV. BOARD OF SUPERVISORS AND ITS SPECIAL COMMITTEES (CONT'D)

4.5 Committees under the Board of Supervisors

The Board of Supervisors of the Bank has two committees, including the Supervision Committee and the Nomination Committee. The committees operate in accordance with the terms of reference formulated by the Board of Supervisors.

1. Supervision Committee

As of the end of the Reporting Period, the Supervision Committee consisted of four Supervisors, namely Ms. WANG Hongmei, Mr. LIU Xiao, Ms. ZHAO Lijie and Mr. LU Guangming. The chairman of the Supervision Committee is Ms. WANG Hongmei.

The primary duties of the Supervision Committee include: formulating the supervision plans for the Bank's financial activities, implementing relevant supervision plans; supervising the Board of Directors in forming sound operating concept and business values, and a development strategy consistent with the Bank's circumstances; assessing the Bank's business decisions, risk management and internal control, and supervising rectification thereof.

During the Reporting Period, the Supervision Committee held 4 meetings in total, at which a total of 18 resolutions were considered, including the supervision opinions on assets and liabilities ratio and risk management matters, the supervision and inspection work, the internal audit work and the development strategy evaluation report.

The attendance of each committee member at the meetings of the Supervision Committee during the Reporting Period is set out below:

Committee Members	Attendances Required	Attendances in Person	Attendances by Proxy
Ms. ZHAO Lijie	4	4	0
Ms. WANG Hongmei	1	1	0
Mr. LIU Xiao	1	1	0
Mr. LU Guangming	1	1	0
Ms. ZHU Yingwei	3	3	0
Mr. ZHANG Chuangzheng	3	3	0

Note:

Since August 27, 2024, Mr. LU Guangming has served as a member of the Supervision Committee, while Mr. ZHANG Chuangzheng ceased to serve as the member of the Supervision Committee. Since September 12, 2024, Ms. WANG Hongmei has served as the chairman of the Supervision Committee, and Mr. LIU Xiao has served as a member of the Supervision Committee. Ms. ZHU Yingwei ceased to serve as a member of the Supervision Committee on the same day.

IV. BOARD OF SUPERVISORS AND ITS SPECIAL COMMITTEES (CONT'D)

4.5 Committees under the Board of Supervisors (Cont'd)

2. *Nomination Committee*

As of the end of the Reporting Period, the Nomination Committee consisted of four Supervisors, namely Mr. CHU Dianhui, Mr. ZHOU Hao, Mr. BI Jianchao and Ms. WANG Wenjing. The chairman of the Nomination Committee is Mr. CHU Dianhui. The primary duties of the Nomination Committee include: formulating procedures and standards for selecting and appointing the Supervisors, and preliminarily examining the qualifications of supervisor candidates, and making recommendations to the Board of Supervisors; overseeing the election procedures of the Directors; making comprehensive performance evaluation of the Directors, Supervisors and senior management; and reviewing our remuneration management policies and assessing the scientificity and reasonableness of our remuneration plans for senior management.

During the Reporting Period, the Nomination Committee held 2 meetings in total, at which 5 resolutions were considered, including the evaluation of the performance of duties by the Board of Directors, senior management and its members and the evaluation of Supervisors.

The attendance of each committee member at the meetings of the Nomination Committee during the Reporting Period is set out below:

Committee Members	Attendances Required	Attendances in Person	Attendances by Proxy
Mr. ZHOU Hao	2	2	0
Ms. WANG Wenjing	1	1	0
Mr. CHU Dianhui	0	0	0
Mr. BI Jianchao	0	0	0
Mr. WANG Xifeng	1	1	0
Mr. PENG Feng	2	2	0
Mr. FENG Yongdong	2	2	0

Note:

Since June 20, 2024, Ms. WANG Wenjing has served as a member of the Nomination Committee. On the same day, Mr. WANG Xifeng ceased to serve as a member of the Nomination Committee. Since September 12, 2024, Mr. CHU Dianhui has served as the chairman of the Nomination Committee, and Mr. BI Jianchao has served as a member of the Nomination Committee. On the same day, Mr. PENG Feng and Mr. FENG Yongdong ceased to serve as members of the Nomination Committee.

4.6 Attendance at Shareholders' general meeting during the Reporting Period

During the Reporting Period, the Bank convened three Shareholders' general meetings in total. The Board of Supervisors sent representatives to attend the meeting and supervised on the spot whether the contents considered at the meeting, meeting procedures and voting processes comply with the laws and regulations.

4.7 Attendance at the Board meetings during the Reporting Period

During the Reporting Period, in order to strengthen the basic work of performance evaluation, the Supervisors attended the Board meetings and recorded the key contents and information related to the meetings, which were used as the basic information for the year-end evaluation of the Board of Supervisors and effectively improved the objectivity of evaluation.

Chapter 5 Corporate Governance Report

V. TRAININGS FOR THE DIRECTORS AND THE SUPERVISORS DURING THE REPORTING PERIOD

During the Reporting Period, the Board of Directors of the Bank paid significant attention to enhancing the Directors' expertise, with a special focus on arranging relevant trainings. All the Directors (including Mr. MENG Dongxiao, Mr. ZHANG Wenbin, Ms. TAO Zunjian, Mr. LU Jiliang, Mr. JIANG Yi, Mr. CHEN Xiaojun, Mr. ZHAO Bing, Mr. JIAO Weifeng, Mr. KANG Jian, Ms. LI Jie, Mr. FAN Chi Chiu, Mr. WANG Yong, Ms. SUN Zuying, Mr. YANG Yunhong and Mr. PENG Feng) and retired Directors (including Mr. TAN Xianguo, Mr. YI Jijun, Mr. SONG Bin, Mr. YIN Lin and Mr. WANG Shaohong) of the Bank have fully complied with the code provision C.1.4 set out in Part 2 of the Corporate Governance Code as well as PRC regulatory requirements, actively participating in special trainings on sustainability disclosures, corporate governance, anti-corruption and integrity construction and among others.

During the Reporting Period, the Directors and the Supervisors of the Bank have strengthened the learning of professional knowledge, broadened the working concepts and horizons, and developed and refreshed their knowledge and skills by attending trainings, conducting researches and reading relevant materials.

VI. CHAIRMAN OF THE BOARD AND PRESIDENT

During the Reporting Period, in line with the recommendations under the Listing Rules, the roles and functions of the chairman of the Board and the president of the Bank were taken up by different individuals, and their respective duties were clearly defined.

As of the end of the Reporting Period, Mr. MENG Dongxiao served as the chairman of the Board of the Bank, being responsible for managing the Board of Directors and organizing the Board Meetings to review and discuss major issues of the Bank, so as to ensure the sound operation of the Board of Directors and effective implementation of decisions, and Mr. ZHANG Wenbin held the position of the president of the Bank, and was responsible for the daily operation and management of the Bank.

VII. SENIOR MANAGEMENT

Senior management has the power delegated by the Board of the Bank to manage the daily operation of the Bank. The president of the Bank is accountable to the Board of Directors and organizes and carries out the business management activities of the Bank and reports to the Board of Directors in accordance with laws, regulations, rules, the Articles of Association of the Bank and the authorization of the Board of Directors. The Bank has also appointed vice presidents and other senior management members to cooperate with the president of the Bank and perform their respective management responsibilities.

The Bank practices a president accountability system led by the Board. According to the Articles of Association, the president is accountable to the Board and subject to the supervision of the Board of Supervisors. The president and senior management shall regularly report to the Board of Directors and the Board of Supervisors the Bank's operating results, material contracts, financial position, risk profile, business prospects and other information in a timely, accurate and complete manner, and the president shall also report to the Board of Directors the Bank's significant events, implementation, use of funds and profits and losses. Senior management may establish special committees and functional departments according to their work needs and as required by the Board, and specify the structure of functional departments.

VIII. COMPANY SECRETARIES

As of the end of the Reporting Period, Mr. LU Jiliang and Ms. TAM Pak Yu, Vivien from SWCS Corporate Services Group (Hong Kong) Limited served as the joint company secretaries of the Bank. Each of the Director may discuss with the joint company secretaries for advice and information. Mr. LU Jiliang is the primary contact person of Ms. TAM Pak Yu, Vivien in the Bank. Mr. LU Jiliang and Ms. TAM Pak Yu, Vivien have confirmed that they have received no less than 15 hours of relevant professional training during the Reporting Period.

IX. RELATIONSHIP BETWEEN THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

There are no financial, business or family relationships among the Directors, Supervisors and senior management of the Bank.

X. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the Reporting Period, in light of the change of the Bank's domicile and in accordance with the electronic dissemination rules of the Listing Rules under the expanded paperless listing regime, the Bank amended and supplemented some provisions of the Articles of Association based on its actual circumstances. The amendments have been considered and approved at the 2023 Annual General Meeting of the Bank held on April 30, 2024 and have taken effect upon approval by the National Financial Regulatory Administration Shandong Office on November 13, 2024. For details of the amendments, please refer to the Bank's circular dated March 28, 2024 and the announcements dated March 22, 2024, April 30, 2024 and November 14, 2024, respectively.

In light of the change of the Bank's company name and in accordance with relevant laws and regulations, including the Company Law, as well as regulatory requirements, the Bank amended and supplemented some provisions of the Articles of Association based on its actual circumstances. The amendments have been considered and approved at the 2024 second extraordinary general meeting of the Bank held on December 30, 2024, and have taken effect upon approval by the National Financial Regulatory Administration Shandong Office on February 21, 2025. For details of the amendments, please refer to the Bank's circular dated December 12, 2024 and the announcements dated December 12, 2024, December 30, 2024 and February 26, 2025, respectively.

XI. COMMUNICATIONS WITH THE SHAREHOLDERS

The Bank has formulated the Shareholders' communication policy to maintain communications and contacts with shareholders and stakeholders. Shareholders may attend and vote at the annual general meeting of the Bank in person or by proxy, and may communicate with Directors or make inquiries at the meeting. The Bank shall issue its interim and annual results and reports and other announcements within the time stipulated by the Listing Rules. We inform Shareholders, investors and other stakeholders of latest developments of the Bank through several channels including the website and WeChat official account of the Bank. The Board of Directors has reviewed the communication channels and correspondence activities with Shareholders and stakeholders in 2024 and confirmed that Shareholders' communication policy of the Bank has been properly implemented and took effect within 2024.

The Bank values the opinions and suggestions of the Shareholders and actively organizes various communication activities with investors and analysts to maintain a good relationship and respond to the reasonable requests of the Shareholders in a timely manner. The Shareholders may make enquiries to the Board through the office of the Board. The contact details of the Board are as follows:

Address: No. 137A, Qingdao North Road, Weihai City, Shandong Province, the PRC
Tel: (86) 631-5236187
Fax: (86) 631-5210210
Email: whccb@whccb.com

XII. SHAREHOLDERS' RIGHTS

12.1 Procedures for the Shareholders to convene an extraordinary general meeting

The Bank effectively protects the Shareholders' rights in strict compliance with applicable laws and regulations, the Listing Rules, the Articles of Association and the corporate governance system.

The Shareholder(s) severally or jointly holding more than 10% of the shares with voting right at the meeting to be convened shall propose to the Board in writing to convene an extraordinary general meeting or a class meeting and specify the topics of the meeting. The Bank shall convene an extraordinary general meeting within two months from the date of receipt of the written request from the Shareholder(s). The aforesaid number of shares held shall be calculated based on the date on which the Shareholder(s) submit the written request. The Board shall, pursuant to laws, administrative regulations and the Articles of Association, give a written reply on whether or not it agrees to convene an extraordinary general meeting or a class meeting within 10 days after receipt of the request.

If the Board of Directors agrees to convene an extraordinary general meeting or a class meeting, it shall serve a notice of such meeting within five days after the resolution is made by the Board of Directors. Any change to the original request set forth in the notice shall be subject to approval by the relevant Shareholder(s).

If the Board of Directors does not agree to convene an extraordinary general meeting or a class meeting or fails to give a written reply within ten days after receipt of the request, the Shareholder(s) severally or jointly holding more than 10% Shares with voting rights at the meeting to be convened shall have the right to request the Board of Supervisors to convene an extraordinary general meeting or a class meeting, and shall put forward such request to the Board of Supervisors in writing.

If the Board of Supervisors agrees to convene an extraordinary general meeting or a class meeting, it shall serve a notice of such meeting within five days after receipt of such request. Any change to the original proposal set forth in the notice shall be approved by the relevant Shareholder(s).

If the Board of Supervisors fails to serve the notice of the Shareholders' general meeting within the prescribed period, it shall be deemed as failing to convene and preside over the Shareholders' general meeting, and the Shareholder(s) severally or jointly holding more than 10% shares of the Bank (such shares have voting rights at the meeting to be convened) for consecutively 90 days may convene and preside over the meeting by themselves.

Shareholders may refer to the Articles of Association published on the websites of the Hong Kong Stock Exchange and the Bank for further details.

XII. SHAREHOLDERS' RIGHTS (CONT'D)

12.2 Procedures for making proposals at the Shareholders' general meetings

Where the Bank convenes a Shareholders' general meeting, the Board, the Board of Supervisors and Shareholder(s) severally or jointly holding more than 1% shares of the Bank shall be entitled to make proposals to the Bank in writing.

Shareholder(s) severally or jointly holding more than 1% shares of the Bank may submit written interim proposals to the convener ten days before a Shareholders' general meeting is convened. The convener shall serve a supplementary notice of the Shareholders' general meeting by announcement within two days after receipt of the proposals and announce the contents of the interim proposals.

Save as specified in the preceding paragraph, the convener, after issuing the notice of the Shareholders' general meeting, shall neither revise the proposals stated in the notice of the Shareholders' general meetings nor add new proposals.

Shareholders may refer to the Articles of Association published on the websites of the Hong Kong Stock Exchange and the Bank for further details.

XIII. EXTERNAL AUDITORS AND THEIR REMUNERATION

On April 30, 2024, the Shareholders' general meeting of the Bank considered and approved the Resolution on the Appointment of External Auditors for 2024, and agreed to engage Zhongxinghua Certified Public Accountants LLP (中興華會計師事務所(特殊普通合夥)) and BDO Limited as the domestic and overseas auditors of the Bank for 2024, respectively. BDO China Shu Lun Pan Certified Public Accountants LLP will no longer be engaged as the domestic auditor for 2024. As of December 31, 2024, the continuous period for providing auditing services to the Bank by our domestic auditor, Zhongxinghua Certified Public Accountants LLP, has reached 1 year, and the continuous period for providing auditing services to the Bank by our overseas auditor, BDO Limited, reached 5 years.

During the Reporting Period, the Group agreed to pay RMB550,000 for audit fees to Zhongxinghua Certified Public Accountants LLP and RMB2.65 million for audit fees to BDO Limited for the annual audit and semi-annual review of financial statements, totaling RMB3.20 million, and agreed to pay RMB135,000 for fees of non-audit services (mainly for the audits of economic responsibilities of senior management) to Zhongxinghua Certified Public Accountants LLP. The above fees include related taxes and fees.

The Audit Committee under the Board of Directors is of the view that Zhongxinghua Certified Public Accountants LLP and BDO Limited can properly complete various types of work as required by the Bank, comply with the principles of independence, objectivity and fairness and the code of ethics for accountants, and conduct audit work in a prudent and flexible manner. During the Reporting Period, there was no disagreement by the Board with the opinions of the Audit Committee on the selection and appointment of external auditors.

XIV. RISK MANAGEMENT AND INTERNAL CONTROL

14.1 Risk Management

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

The Bank has established comprehensive risk management policies, procedures and risk limit management systems. We have established a sound risk management policy covering credit risk, market risk, operational risk, liquidity risk, strategic risk, information technology risk and reputational risk, etc., and have established a capital constraint mechanism focusing on capital adequacy ratio management, a complete internal capital adequacy assessment mechanism and a risk management mechanism that covers the entire work stream, including risk identification, measurement, assessment, monitoring, mitigation and control. During the Reporting Period, the Bank continued to improve the system of comprehensive risk management. Taking into account the dual needs of business development and risk control, the Bank formulated the annual risk appetite strategy and specified various risk limits and administrative measures. The Bank incorporated risk factors in relation to the environmental, social and governance into the assessment of credit risk, information technology risk, compliance risk and other risks. The Bank carried out risk identification and assessment, stress testing, etc., identified and assessed risks that have a substantial impact on the Bank's operations, made forward-looking assessment on the Bank's profitability, capital level and liquidity under stress scenarios, and assisted in formulating improvement measures to ensure that various risks are under control.

The Bank has built a whole-process digitalized risk management system and continuously improved its technology capability in risk management work through strengthening the application of internal and external data and risk models in fields such as business access, risk alert and differentiated risk management strategies. The Bank has established risk management systems such as the post-loan management platform, related party transaction platform, investment business credit risk management and control system, risk control platform, model monitoring platform. By fully utilizing these systems and tools in risk identification, measurement and monitoring, it can effectively improve its overall risk management capability. During the Reporting Period, the Bank continuously optimized the post-loan management platform and early warning functions, and improved the accuracy and prospective of early warning in conjunction with the adjustment of management strategies, thus improving its overall risk management capability.

XIV. RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

14.2 Internal Control

The Bank has established an internal control organizational structure comprising the Board of Directors, the Board of Supervisors, senior management, the Legal and Compliance Department, the Audit Department, business departments and branches with rational division of functions, clearly defined responsibilities and clear reporting relationships. It has established a comprehensive and systematic system covering all types of business of the Bank, major risk points and risk prevention measures, thereby forming a mechanism of segregation of duties, horizontal and vertical mutual supervision and control, and forging a distinctive risk management and compliance culture. Our internal control adapts to management mode, business scale, product complexity and risk profile.

The Bank adheres to the prudent business principle of “priorities on internal control, system first” and continuously improves its system management framework to establish an internal control structure with the participation of all employees. During the Reporting Period, the Bank conducted the “Year of Resolute Struggle for Compliance” campaign, improved the management and control system of “Three Zeroes and One Enhancement”, carried out the “rules and regulations month” campaign, refined and optimized organizational system, and continued to do a good job in periodical assessment of system and among other things, which the Bank made its systems more targeted, practical and actionable, thus to form a mechanism of “managing people by the system, handling our business according to proven processes” and to promote the transition of management from “rule of man” to “rule of law”. The Bank also conducted inspections of each business line, on-site compliance inspections, “Five Elements (五有)” system inspections, quarterly case prevention and control investigations, and various special risk investigations, which fully inspected key management indicators, key operation steps and key risk points, strictly implemented rectification and enforced accountability thereafter, with aim to strengthen its operational compliance risk management and control, and further to consolidate its compliance base.

During the Reporting Period, the Bank applied an independent and vertical internal audit system. The Board of Directors undertakes ultimate responsibility to ensure the independence and effectiveness of internal audit. The Audit Committee was established under the Board, which is responsible for guidance, appraisal and supervision to the internal audit work. The Audit Department of the Bank answers directly to the Chairman, conducts auditing work in an independent and objective manner throughout the Bank, and reports to the Board (including the Audit Committee of the Board) and the Board of Supervisors on a regular basis. The Audit Department established seven internal sectors, mainly conducting credit business, capital business, internal control, big data audit, audit quality supervision and others, which achieved full coverage of auditing supervision of headquarters departments, subsidiary and first-level branches of the Bank.

XIV. RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

14.2 Internal Control (Cont'd)

During the Reporting Period, the Bank's Audit Department formulated annual audit plans based regulatory requirements as well as operation, management and business profile, which were approved by the Board of Directors. First of all, the Bank's Audit Department carried the annual audit plans strictly, comprehensively strengthened supervision on internal audit, and by leveraging on-site inspections and off-site monitoring and other methods, the Bank conducted special audits on its exposures to various risks such as credit risk, market risk, case prevention and operational risk and information technology risk, and conducted in-depth supervision to key institutions in conjunction with regular audit and economic responsibility auditing, thus to realize full coverage of due diligence auditing. Moreover, the Bank's Audit Department insisted on audit under the support of technology to improve informatized audit, and also consolidated data sources basis of audit system and extracted the data potential on an ongoing basis, so as to provide strong support for on-site audit. Furthermore, the Bank's Audit Department improved refined management, adhered to principles of "efficiency under refined management", thus to continuously optimize audit system and audit report template, and improve standardized audit work. Last, the Bank's Audit Department improved long-term mechanism for rectification and strengthened whole process closed-loop management based on "problem identification – reason analysis – rectification implementation – process monitoring – results assessment" to promote a sound system construction and optimize process management, and achieve source redress. The Bank's Audit Department also strengthened information communication and results sharing with Discipline Inspection and Supervision Department and functional departments, and built a greater supervision system to promote high-quality and stable development across the Bank.

The Bank attaches great importance to information disclosure and inside information management. In order to strengthen the inside information and its confidentiality, ensure the fairness of information disclosure and protect the legitimate rights and interests of investors, the Bank has formulated the Information Disclosure Management System (《信息披露管理制度》) and the Administrative Measures for Inside Information (《内幕消息管理辦法》) in accordance with the laws, regulations and regulatory documents of mainland China and Hong Kong. The Bank shall make timely disclosure in accordance with the relevant laws and regulations and the rules governing the listing of securities of the stock exchanges where the stocks of the Bank are listed when there are "inside information" under Part XIVA of the SFO and other matters required to be disclosed in a timely manner by the relevant laws and regulations and the rules governing the listing of securities of the stock exchanges where the stocks of the Bank are listed, unless exempted under the relevant laws and regulations and the rules governing the listing of securities of the stock exchanges where the stocks of the Bank are listed.

The Board of Directors is responsible for the risk management and internal control systems, and is responsible for reviewing the effectiveness of the relevant systems. The Board of Directors reviews risk management and internal control of the Bank on a quarterly basis. The systems of risk management and internal control are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. No material defects of internal control and risk management of the Bank have been identified during the Reporting Period. The Bank is of the opinion that the risk management and internal control of the Bank is sufficiently effective and sufficient.

For more details of the Bank's risk management and internal control, please refer to "Management Discussion and Analysis – Risk Management" of this report.

CHAPTER 6 REPORT OF THE BOARD OF DIRECTORS

I. PRINCIPAL ACTIVITIES

The Bank is principally engaged in banking and related financial services, including corporate banking business, retail banking business and financial market business. The information on business review of the Bank during the Reporting Period is set out in the “Management Discussion and Analysis” of this report.

II. BUSINESS REVIEW

2.1 Business Review

The Bank’s business review and analysis of key financial performance indicators, principal risks and uncertainties and prospects for future development of the business during the Reporting Period are set out in the “Management Discussion and Analysis” of this report.

2.2 Environmental Policies and Performance

In recent years, the Bank has centered its ESG practices around deeply integrating into the national green and low-carbon development strategy, actively undertaking social responsibilities related to environmental policies. To actively respond to the national “Dual Carbon” goals, further enhance its governance capabilities in the field of sustainable development, and integrate the ESG concept into its business strategy and daily management, the Bank has explicitly stated in the Articles of Association that the Board shall take the responsibility “to determine the ESG strategic plans, annual goals, major policies and basic systems of the Bank, to assume the ultimate responsibility for ESG management, and to supervise and evaluate the implementation of the Bank’s ESG strategy”, so as to ensure that the Bank’s strategic direction in the field of sustainable development aligns with international standards and national policies. For details of the Bank’s environmental policies and performance, please refer to the Bank’s “Environmental and Social Responsibility” in this report and the Annual Sustainability (ESG) Report to be published in conjunction with the annual report.

2.3 Compliance with Relevant Laws and Regulations

The Bank has established and implemented a series of internal control systems and measures to ensure continued compliance with relevant laws and regulations and manage and control legal risks the Bank faces. The Bank follows the principles of compliance and efficiency, unified standardization, division of labor cooperation and hierarchical responsibilities, integrates the management and prevention of legal risks with other risk management activities, improves the legal risk prevention and control mechanism, and promotes legal operation. The Bank has established a legal risk management system and a legal document review management system, strengthened daily legal consulting services, contract management and legal document review, and carried out legal compliance training and learning, so as to provide professional legal support for the daily operation and development, continuously improve the law-abiding and legal awareness of all employees and ensure legal operation.

II. BUSINESS REVIEW (CONT'D)

2.4 Consumer Rights Protection

The Board has established the Consumer Rights Protection Committee. For details of its duties, please refer to the “Corporate Governance Report” of this report.

The Bank attached great importance to the protection of the rights and interests of consumers, strictly performed its principal responsibility for protecting the legitimate rights and interests of consumers, established a sound mechanism and system to protect the rights and interests of consumers, and proactively established a consumer rights protection pattern of “Two Comprehensiveness and Three Initiatives”, and constantly improved the consumer rights protection mechanism of “led by regulations at the front end, reinforcing responsibilities at the middle end, and imposing rectifications and punishment at the back end”. The Bank continuously strengthened its management in operational activities and businesses, strictly undertook the main obligation of protecting the rights and interests of consumers, established and improved the management and system of consumer rights protection, strengthened the review of presales consumer rights protection, ensured that the Bank’s business operation was conducted under the regulatory framework in accordance with relevant laws, and protected the legitimate rights and interests of consumers from the source. The Bank promoted compliance sales management, treated consumers fairly, appropriately disclosed product information, and effectively reminded risks. The Bank strengthened the complaint traceability handling, improved the inspection and supervision mechanism, enhanced top-level design, and rectified the system, process and service to improve the quality and efficiency of consumer rights protection.

2.5 Relationship with Employees

The Bank believes that sustainable development depends on the capabilities and dedication of the Bank’s employees. The Bank attaches great importance to the cultivation of talents, considering the selection and employment of talents as the foundation of its growth. For details of employees, employment policies, remuneration and benefits, please refer to the section headed “Directors, Supervisors, Senior Management and Employees” of this report and the Bank’s the Annual Sustainability (ESG) Report to be published in conjunction with the annual report.

II. BUSINESS REVIEW (CONT'D)

2.6 Dividend Policies and Dividends

1. Dividends

The Bank shall formulate profit distribution plans according to its own operating conditions, risk conditions, capital planning, market environment and other factors, take into account the overall interests of all shareholders and the sustainable development of the Bank, and balance the relationship between cash dividends and capital replenishment. For details of undistributed profits, please refer to note 38 to the financial statements in this report.

In accordance with the resolution of the 2023 annual general meeting of the Bank convened on April 30, 2024, 2023 annual dividend was distributed in cash with the amount of RMB598 million (tax inclusive), being a cash dividend of RMB10 (tax inclusive) per 100 shares distributed to the ordinary shareholders whose names appeared on the register of members on the record date for equity distribution. The final dividend was distributed to Shareholders on May 31, 2024.

The Board of Directors proposed that the Bank shall distribute 2024 dividends in cash in 2025 with the amount of RMB598 million (tax inclusive), and distribute a cash dividend of RMB10 (tax inclusive) per 100 shares to the ordinary Shareholders whose names appear on the register of members of the Bank on the record date for equity distribution. The proposed final dividend is expected to be distributed to the Shareholders on or around July 30, 2025, and the profit distribution plan will be submitted to the 2024 annual general meeting for approval. The Bank will make further announcement on the book closure date and record date in relation to the proposed final dividend.

2. Tax Relief

Withholding and Payment of Individual Income Tax for Overseas Non-resident Individual Shareholders
Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was last amended on August 31, 2018, and the Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was last amended on December 18, 2018, dividends paid by PRC enterprises are subject to the PRC individual income tax at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to an individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document Guo Shui Fa [1993] No. 045 (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the SAT on June 28, 2011, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends to resident individuals overseas under the tax treaty, withhold individual income tax at the rate of 10%.

II. BUSINESS REVIEW (CONT'D)

2.6 Dividend Policies and Dividends (Cont'd)

2. Tax Relief (Cont'd)

Withholding and Payment of Individual Income Tax for Overseas Non-resident Individual Shareholders (cont'd)

For individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the amount which is over withheld will be refunded.

For individual holders of H Shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the treaties, and no application procedures will be necessary.

For individual holders of H Shares receiving dividends who are citizens of countries without taxation treaties with the PRC or are under other situations, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Withholding and Payment of Corporate Income Tax for Overseas Non-resident Enterprises

Pursuant to the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "CIT Law"), which came into effect on January 1, 2008 and was last amended on December 29, 2018, and the Implementation Provisions for the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which came into effect on January 1, 2008 and was last amended on April 23, 2019, a non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if such non-resident enterprise does not have an establishment or place in the PRC or has an establishment or place in the PRC but the PRC-sourced income is not connected with such establishment or place in the PRC. The said income tax may be reduced pursuant to applicable treaties to avoid double taxation. Such income tax payable by non-resident enterprises is deducted at source, where the payer, as the obligor for the withholding tax, is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due.

II. BUSINESS REVIEW (CONT'D)

2.6 Dividend Policies and Dividends (Cont'd)

2. Tax Relief (Cont'd)

Withholding and Payment of Corporate Income Tax for Overseas Non-resident Enterprises (Cont'd)

The Circular on Issues Relating to the Withholding and Payment of Corporate Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) which was issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold and pay corporate income tax at a rate of 10% on dividends paid to overseas non-resident enterprise shareholders of H shares for 2008 and subsequent years. In addition, the Response by the State Administration of Taxation to Questions on Levying Corporate Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B-shares (Guo Shui Han [2009] No. 394) (《國家稅務總局關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》(國稅函[2009]394號)) which was issued by the SAT and came into effect on July 24, 2009, further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold and pay corporate income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of total dividends payable by the Chinese company. If a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, then such tax shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the State Administration of Taxation (《國家稅務總局關於〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》) effective on December 6, 2019 states that such provisions shall not apply to arrangement or transaction made for the primary purpose of gaining such tax benefit. The application of the dividend clause of tax agreements shall be subject to the PRC tax laws and regulations, such as the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (Guo Shui Han [2009] No. 81) (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》(國稅函[2009]81號)).

2.7 Events after the Reporting Period

On February 21, 2025, the National Financial Regulatory Administration Shandong Office approved the Bank's application for the change of company name. The Bank has changed its full Chinese name to "威海銀行股份有限公司", its abbreviated Chinese name to "威海銀行", its full English name to "WEIHAI BANK CO., LTD." and its abbreviated English name to "WEIHAI BANK". As of the date of this report, the Bank has completed the change of business registration and the alteration of name application to the Companies Registry in Hong Kong. The Bank's branches are in the process of the change of business registration. For details, please refer to the Bank's circular dated December 12, 2024 and the announcements dated December 12, 2024, December 30, 2024, February 26, 2025 and March 28, 2025, respectively.

Chapter 6 Report of the Board of Directors

III. DEBT SECURITIES ISSUED

During the Reporting Period, the Bank issued certificates of interbank deposit with an aggregate principal amount of RMB58,000 million. On June 24, 2024, the Bank issued finance bonds for small and micro enterprises with a size of RMB4 billion and a coupon rate of 2.10% for a term of three years. On November 20, 2024, the Bank issued perpetual bonds with the nominal value of RMB2.9 billion, carrying a coupon rate of 2.90% and a term of 5+n years. Please refer to note 34 and note 37(f) to the financial statements of this report for details of bonds that were not issued during the Reporting Period.

IV. DIRECTORS AND SUPERVISORS

4.1 Biographies of Directors, Supervisors and Senior Management

For biographical details of the Directors, Supervisors and senior management of the Bank, please refer to “Directors, Supervisors, Senior Management and Employees” of this report.

4.2 Service Contracts of Directors and Supervisors

The Bank has entered into a service contract with each of its Directors and Supervisors in respect of, among other things, compliance with relevant laws and regulations, observation of the Articles of Association and provisions on arbitration. During the Reporting Period, none of the Directors and Supervisors of the Bank had any service contract determinable by the Bank within one year without payment of any compensation (other than statutory compensation).

4.3 Directors’, Supervisors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures of the Bank or its Associated Corporations

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

Name of Director/ Supervisor/ chief executive	Class of shares	Capacity	Number of Domestic Shares directly or indirectly held	Percentage of total issued shares ⁽²⁾ (%)	Percentage of total class shares ⁽²⁾ (%)	Long position/ short position
Mr. ZHANG Wenbin	Domestic Shares	Beneficial owner	70,266	0.0012	0.0014	Long position
Ms. TAO Zunjian	Domestic Shares	Beneficial owner	143,804	0.0024	0.0029	Long position
Ms. SUN Zuying	Domestic Shares	Beneficial owner	21,756	0.0004	0.0004	Long position
Mr. ZHANG Renzhao ⁽¹⁾	Domestic Shares	Beneficial owner	495,656	0.0083	0.0100	Long position
		Interest of spouse	113,752	0.0019	0.0023	Long position
Mr. LU Guangming	Domestic Shares	Beneficial owner	132,320	0.0022	0.0027	Long position

IV. DIRECTORS AND SUPERVISORS (CONT'D)

4.3 Directors', Supervisors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Bank or its Associated Corporations (Cont'd)

Notes:

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

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

4.4 Directors' and Supervisors' Interests in Transactions, Arrangements or Contracts

Save for the continuing connected transactions which are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, as of the end of the Reporting Period and at any time during the Reporting Period, none of the Directors and Supervisors of the Bank or any entity connected with the Directors and Supervisors had any direct or indirect interest in any transaction, arrangement or contract of significance (other than service contracts) in relation to the Bank's business to which the Bank was a party.

4.5 Directors' and Supervisors' Interests in Competing Business

During the Reporting Period, none of the Directors and Supervisors of the Bank held any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Bank.

4.6 Arrangements for Directors and Supervisors to Acquire Shares or Debentures

During the Reporting Period, the Bank did not enter into any arrangements to enable the Directors and Supervisors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

IV. DIRECTORS AND SUPERVISORS (CONT'D)

4.7 Remuneration of Directors and Supervisors

According to the remuneration policy of the Bank, in assessing the remuneration payable to the Directors and Supervisors of the Bank, the Nomination and Remuneration Committee will take into account a number of factors including the comparable remuneration paid by the Bank and the term of office, obligations, responsibilities and performance (as the case may be) of the Directors and Supervisors of the Bank. For details of the remuneration of the Directors and Supervisors, please refer to note 12 to the financial statements and “Directors, Supervisors, Senior Management and Employees” of this report. As of the end of the Reporting Period, the Bank did not grant any incentive shares to the Directors, Supervisors and senior management.

4.8 Permitted Indemnity Provision and Directors’ Insurance

During the Reporting Period, the Bank has purchased effective liability insurance for all Directors against possible legal proceedings arising from corporate activities by Directors, with an insured sum of RMB97 million and an insurance premium of RMB180,000. The insurance coverage includes the reimbursement of personal inspection and audit costs, as well as individual investigation expenses for insured individuals; the reimbursement of losses caused by equity securities claims, pre-derivative action internal review costs, corporate compliance audit expenses, corporate investigation fees and losses stemming from employment practice violations for the insured companies; and the reimbursement of crisis management costs before judgments or settlements and post-litigation reputation rehabilitation costs for covered parties.

V. MANAGEMENT CONTRACTS

Other than the service contracts entered into with the management of the Bank, the Bank has not entered into any other contract with any individual, the Bank or body corporate in relation to the management or administration of the whole or any substantial part of any business of the Bank.

VI. MAJOR CUSTOMERS

As of the end of the Reporting Period, the balance of the Bank’s loans to any single borrower did not exceed 10% of the Bank’s net capital, the total deposits from the five largest depositors of the Bank accounted for less than 30%, and the total loans and advances to the five largest borrowers accounted for less than 30%. None of the Directors of the Bank and their close associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Bank) has any interest in the above customers.

VII. DONATIONS

During the Reporting Period, the Bank made charitable and other donations in an aggregate amount of approximately RMB220,000.

Chapter 6 Report of the Board of Directors

VIII. RESERVES

Details of the changes in the reserves of the Bank during the Reporting Period are set out in the consolidated statement of changes in equity in the financial statements of this report. As of the end of the Reporting Period, the distributable reserves of the Group amounted to RMB6.12 billion.

IX. CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

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

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

X. COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, the Bank voluntarily complied with the relevant laws and regulations in the banking industry, and closely monitored the changes to the regulatory environment, laws and systems, and has been improving its internal compliance. The Bank is committed to maintaining a high standard of corporate governance. Details of the corporate governance of the Bank are set out in the "Corporate Governance Report" of this report.

XI. SUFFICIENCY OF PUBLIC FLOAT

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

Chapter 6 Report of the Board of Directors

XII. RETIREMENT BENEFITS

The Bank offers defined contribution pension schemes to employees, including social pension schemes, annuity plan, fund provident fund and other social insurance. The Bank may not use forfeited contributions to reduce the current level of contributions.

XIII. PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE BANK

As of the end of the Reporting Period, neither the Bank nor any of its subsidiary had purchased, sold or redeemed any listed securities of the Bank (including sale of treasury shares, if any).

XIV. EQUITY-LINKED AGREEMENTS

During the Reporting Period, no other equity-linked agreements were entered into by the Bank or subsisted.

XV. PRE-EMPTIVE RIGHTS

There are no provisions in the relevant PRC laws and the Articles of Association for granting pre-emptive rights to Shareholders of the Bank. The Articles of Association provides that, the Bank may increase its registered capital as follows after resolutions being made at the Shareholders' general meeting and upon approval by relevant national regulatory authorities: public offering of shares; non-public offering of shares; placing new shares to existing Shareholders; distributing bonus shares to existing Shareholders; transferring reserve funds to increase share capital according to provisions; other methods stipulated by laws and administrative regulations.

XVI. AUDITORS

For information about the Bank's auditors, please refer to the "Corporate Governance Report".

On behalf of the Board of Directors

MENG Dongxiao

Chairman

Weihai, China

CHAPTER 7 REPORT OF THE BOARD OF SUPERVISORS

I. MAJOR WORK IN 2024

(I) Upholding the Party's overall leadership and Leveraging the Core Role of the Party Committee

1. Uphold the effective integration of Party leadership into the supervisory duties of the Board of Supervisors. In 2024, under the leadership of the Party Committee of the Bank, the Board of Supervisors standardized the completion of the related work of re-election, effectively implementing the "mutual entry and cross appointment" mechanism. In accordance with the requirements for the qualifications of supervisors stipulated in laws, regulations and the Articles of Association, through strict screening from multiple parties, candidates for shareholder supervisors and external supervisors of the new Board of Supervisors were determined. These candidates were approved at the shareholders' meeting and, together with employee supervisors elected by the employee representative assembly, formed the new Board of Supervisors. The Board of Supervisors continuously strengthened communication with the Party committee, clarified the boundaries of responsibilities, defined the list of rights and obligations, strengthened the supervisory duties, and resolutely implemented the requirements put forward by the Party committee for the performance of duties by the Board of Supervisors.
2. Uphold the effective integration of Party leadership into the performance evaluation of the Board of Supervisors. During the performance evaluation of Directors, Supervisors, and senior management, clearly took "fully implementing the Party's lines, principles and policies" and "serving the real economy and fulfilling social responsibilities" as the primary indicators for evaluating the performance of the Board of Directors and Directors, the Board of Supervisors and Supervisors, as well as the senior management and senior management officers. This ensures that during the operation and management process, Directors and senior management always keep their original aspirations in mind, unswervingly adhere to the Party's leadership, earnestly serve the real economy and fulfill their social responsibilities.
3. Uphold the effective integration of Party leadership into the supervisory and inspections of the Board of Supervisors. In line with regulatory requirements, the Board of Supervisors continuously optimized the supervisory process, improved the performance checklist, and strictly implemented supervisory and inspections on risk management, internal controls, and compliance risk management. The Board of Supervisors reviewed reports on risk management, social responsibility, inclusive finance work, and financial consumer rights protection work of the Bank. The status of risk prevention and the completion of key regulatory tasks were included in the supervisory inspection reports, which were regularly submitted to the Board of Supervisors for deliberation.

(II) Independent and Standardized Operations to Enhance Corporate Governance Effectiveness

1. Ensuring the efficiency of proceedings of meetings. Throughout the year, the Board of Supervisors convened five meetings, at which 30 proposals were considered and 53 proposals were heard. The specialized committees of the Board of Supervisors convened six meetings and considered 23 proposals. The Supervisors attended three Shareholders' general meeting and were present at four meetings of the Board of Directors, to timely learn the performance of each governance department, receive the information on business decisions and finance, internal control of risks, and effectively exercise the supervisory function.
2. Strengthening supervision through meeting attendance. Supervisors were organized to attend prudent supervision meetings, Party Committee meetings, president's office meetings, and operational analysis meetings to stay informed about the Bank's operations. They provided objective and independent opinions, supervised the legality and compliance of proceedings of meetings, decision-making processes and information disclosure, and urged the rectification of issues identified during regulatory inspections as well as internal and external inspections.

Chapter 7 Report of the Board of Supervisors

I. MAJOR WORK IN 2024 (CONT'D)

(II) Independent and Standardized Operations to Enhance Corporate Governance Effectiveness (Cont'd)

3. Enhancing the performance capabilities of supervisors. With the goal of improving the professional capabilities of Supervisors, the Board of Supervisors organized them to participate in business learning and training conducted by regulatory authorities, industry associations, and the Bank. The focus was on learning the relevant systems and performance requirements of the Board of Supervisors. Effective research work was carried out, timely communication and coordination with the Board of Directors were maintained, and enhanced communication with compliance, risk, and audit departments was emphasized. This allowed Supervisors to stay updated on operational management and risk status, promptly identify and report issues, and continuously improve their capabilities to perform supervisory duties.

(III) Focus on the Key Points of Supervision and Improve the Effectiveness of Supervision in Key Areas

1. Strengthen performance supervision and improve corporate governance effectiveness. The Board of Supervisors conducted performance oversight of the Board of Directors, the Board of Supervisors and senior management and its members, focusing on their fulfillment of fiduciary duties, professionalism, independence, ethical standards, and compliance. It evaluated the annual strategic planning and implementation by the Board of Directors and senior management to ensure the Bank's business goals are alignment with major central government decisions, economic and financial development policies, regulatory requirements, and the Bank's actual development needs. The Board of Supervisors also supervised and evaluated performance in areas such as comprehensive risk management, derivative transaction risk management, risk isolation, consolidated management, off-balance-sheet business management, internal capital adequacy assessment, data governance, compliance management, internal controls, case prevention, employee behavior management, and consumer rights protection. These findings were incorporated into performance evaluation reports.
2. Strengthen financial supervision and effectively safeguard shareholder rights. The Board of Supervisors reviewed the Bank's periodic reports, examined the annual audit reports and periodic reports issued by external auditors, and expressed independent opinions. It submitted written reviews on the authenticity, accuracy, and completeness of these reports. Secondly, it supervised the operations of the shareholders' meeting, the Board of Directors, and its specialized committees, with a focus on overseeing major financial decisions and their execution by the Board of Directors and senior management. It evaluated strategic planning and implementation, supervised decisions on financial budgets, profit distribution, major investments, related-party transactions, and risk status, promoting scientific, democratic, and efficient decision-making. Thirdly, it supervised the compliance of the engagement, dismissal and reappointment of external auditors, the fairness of the engagement terms and remuneration, and the independence and effectiveness of the external audit work. Fourthly, it reviewed the Bank's profit distribution plans and provided opinions on their compliance and reasonableness. Fifthly, by attending Party Committee and president's office meetings to review relevant agenda items, the Board of Supervisors supervised the implementation of the compensation management system and the scientific and rationality of the senior management compensation plans.

Chapter 7 Report of the Board of Supervisors

I. MAJOR WORK IN 2024 (CONT'D)

(III) Focus on the Key Points of Supervision and Improve the Effectiveness of Supervision in Key Areas (Cont'd)

3. Strengthen internal risk control and supervision and safeguard the development of compliance and robustness. The Board of Supervisors fulfilled its oversight responsibilities for comprehensive risk management. Firstly, it supervised and inspected the performance of duties by the Board of Directors and senior management in comprehensive risk management, urging rectification of issues. It regularly deliberated on relevant proposals and listened to reports from relevant departments on specific risk management measures. It oversaw the performance of duties by the Board of Directors and senior management in managing credit risk, market risk, liquidity risk, operational risk, country risk, bank account interest rate risk, strategic risk, IT risk, reputational risk, expected credit loss, and other risk areas, ensuring the effective implementation of the Bank's risk prevention mechanisms. Secondly, leveraging internal audits, it strengthened supervision and inspection, regularly reviewed internal audit reports on comprehensive risk management, monitored the execution of internal audit work and significant audit findings, and promptly identified and urged the rectification of management issues. Thirdly, it provided supervisory opinions on the Bank's operational decisions and risk control mechanisms, regularly reviewed reports on supervisory inspections, related-party transactions, and risk status, etc. Fourthly, it conducted overall supervision of the Bank's internal control governance system and its operations, regularly reviewing the annual internal control evaluation report.

(IV) Focus on Key Link and Continuously Enhance Supervision Effectiveness

1. Improve the performance evaluation Process and continuously enhance the effectiveness of performance evaluation. The Board of Supervisors carefully sort out laws, regulations, and supervisory requirements to refine the supervision ledger. It studied each supervision item in detail, created a clear and detailed list of key supervision priorities, and ensured their implementation through step-by-step follow-up and promotion. It continuously refined and improved the supervisors' performance manual and the list of supervision items, and organized training for supervisors to ensure they conduct daily supervision in strict accordance with institutional requirements. The relevant situations were incorporated into annual performance evaluation of Directors, Supervisors, and senior management to encourage diligent performance by all corporate governance entities.
2. Play the role of employee supervisors. Employee supervisors can regularly report on their work and duties to the employees' representative meeting, and take the initiative to accept the supervision of the vast number of employees. They earnestly listen to the opinions and suggestions of employees, effectively reflect the demands of employees. At the meetings of the Board of Supervisors, they can express their opinions in accordance with the relevant resolutions passed by the employees' representative meeting and exercise the right to vote.
3. Actively advance and implement rectifications. It benchmarked against industry best practices and learned from advanced experiences of peers. It maintained smooth reporting and communication with regulatory authorities and government bodies at all levels. It closely monitored changes in regulatory systems and the implementation of supervisory feedback. It urged functional departments to earnestly rectify and implement identified issues in accordance with regulatory requirements, promptly addressing gaps and shortcomings.

Chapter 7 Report of the Board of Supervisors

II. INDEPENDENT OPINIONS OF THE BOARD OF SUPERVISORS ON MATTERS OF CONCERN TO THE BANK IN 2024

- (I) **Operation in compliance with laws and regulations.** The Bank operated in accordance with the law, and its decision-making procedures complied with the relevant requirements of laws, regulations and the Articles of Association. Its internal control system has been continuously improved, with no violation of laws and regulations or any act detrimental to the interests of the Bank and the Shareholders.
- (II) **Authenticity of the financial report.** The preparation and review procedures of the financial reports comply with laws, regulations and regulatory requirements. The report gives a true, accurate and complete view of the financial position and operating results of the Bank in all material aspects.
- (III) **Acquisition and disposal of assets.** No insider trading nor activities that may damage the shareholders' rights and interests or cause a loss of assets has been identified in respect of any acquisition or disposal of assets of the Bank.
- (IV) **Related party transactions.** The Bank's related party transactions were fair, reasonable and in compliance with the relevant requirements of national laws and regulations and the Articles of Association of the Bank, with the relevance indicators in line with regulatory standards. The Bank did not identify any acts that violated the fairness principle or impaired the interests of the Bank and the Shareholders.
- (V) **Internal control.** The Bank continued to strengthen and improve its internal control, pushed forward the establishment of internal control management system, which contributed to the steady improvement of internal control level and ensured the effectiveness of internal control in all material aspects. No material defects were found in the internal control mechanism or implementation.
- (VI) **Implementation of resolutions of the Shareholders' general meetings.** The Board of Supervisors had no objection to the reports and proposals submitted by the Board of the Bank to the Shareholders' general meetings for consideration during the year, supervised the implementation of the resolutions of such meetings, and considered that the Board had seriously implemented the relevant resolutions of such meetings without acts detrimental to the interests of the Shareholders.
- (VII) **Information disclosure.** The Bank fulfilled its information disclosure obligations as a listed company according to regulatory requirements, refined its information disclosure mechanism, continuously enhanced the transparency of corporate governance, operation and management, and improved the accuracy and completeness of information disclosure, so as to ensure that all Shareholders had fair access to the Company's significant information.

III. PERFORMANCE OF EXTERNAL SUPERVISORS

The Board of Supervisors of the Bank has three external Supervisors. The chairman of the Nomination Committee and the Supervision Committee under the Board of Supervisors are all served by external supervisors. The external Supervisors independently performed their supervisory duties in accordance with their fiduciary and diligent duties to the Bank and all the Shareholders, attended the meetings of the Board of Supervisors and relevant committees as scheduled, actively attended the meetings of the Board and the Shareholders' general meetings, and carefully studied and expressed objective and fair independent opinions on the matters discussed at the Shareholders' general meetings and the meetings of the Board and the Board of Supervisors of the Bank, thus playing their effective role as external Supervisors.

CHAPTER 8 IMPORTANT EVENTS

FULFILLMENT OF UNDERTAKINGS

The undertakings fulfilled during the Reporting Period and not fulfilled as of the end of the Reporting Period by the Bank, its Shareholders, related parties and other parties involved in undertaking are as follows:

Reason for undertaking	Parties involved in undertaking	Type of undertaking	Details of undertaking	Time of undertaking	Term of undertaking	Particulars on performance
Non-competition	Shandong Hi-Speed Group Company	Undertakings by controlling Shareholders	<ol style="list-style-type: none"> Undertake that, save as disclosed in the prospectus of the Bank dated September 29, 2020, Shandong Hi-Speed Group Company and its controlled non-listed enterprises (excluding the Bank, our subsidiary and our branch offices) (collectively, the "Relevant Enterprises") shall not engage in any business activities within the principal businesses carried on by the Bank, our subsidiary and our branch offices as of the signing date of this undertaking. Undertake that, in the event it (or the Relevant Enterprises) and the Bank participate in the same tender project relating to the principal businesses of the Group, it shall grant, or shall procure the Relevant Enterprises to grant, a preemptive right to participate in any such tender project to the Bank in the manner stated in the non-competition undertakings. 	September 16, 2020	Long term	In progress, no violations of the undertakings.

MATERIAL LITIGATION OR ARBITRATION

As of the end of the Reporting Period, the Bank was the plaintiff in 4 outstanding litigations with a principal balance of over RMB30 million, involving an amount of RMB1.694 billion. The Bank was not the defendant in any outstanding litigations or arbitrations with a principal balance of over RMB10 million. The above outstanding litigations and arbitrations are all loan disputes arising from banking business of the Bank, and as of the end of the Reporting Period, the Bank did not expect that such litigation and arbitration (individually or jointly) would have a material adverse effect on the Bank's business, financial position and results of operations. Save as disclosed above, as of the date of this report, the Bank had no other material litigation, arbitration and major case, or other material contingent liabilities.

PENALTIES AND RECTIFICATION

To the best knowledge of the Bank, during the Reporting Period, the Bank and its Directors, Supervisors and senior management were not subject to any significant administrative penalties affecting the normal operations of the Bank from regulatory authorities.

MATERIAL CONTRACTS, MATERIAL GUARANTEES AND SIGNIFICANT INVESTMENTS

Material Contracts

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

Material Guarantees

As of the end of the Reporting Period, the balances of letters of guarantees and letters of credit of the Bank amounted to RMB2.572 billion and RMB13.023 billion, respectively. The guarantee business is in the ordinary course of business of the Bank, and the above businesses are financial guarantee business within the scope of business by the National Financial Regulatory Administration during the Reporting Period.

Significant Investments

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

Disposal of Assets and Mergers

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

SIGNIFICANT EVENTS OF SUBSIDIARY

On October 29, 2024, the chairman and legal representative of Tongda Financial Leasing was changed to Mr. WANG Xifeng (王希峰).

Chapter 8 Important Events

RELATED PARTY TRANSACTIONS

Related Party Transactions Related to Daily Operations

The Bank carried out related party transactions in strict compliance with the relevant requirements of the regulatory authorities and the Administrative Measures for Related (Connected) Party Transactions (《關聯(連)交易管理辦法》) and the Rules of Procedure for the Related Party Transactions Control Committee under the Board of Directors (《董事會關聯交易控制委員會議事規則》) formulated by the Bank.

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

In accordance with the requirements of the NFRA, during the Reporting Period, there were three resolutions on material related party transactions, namely Shandong Hi-Speed Group Company, Tongda Financial Leasing and Weihai Industrial Investment Group Co., Ltd.. As of the end of the Reporting Period, the Bank's balance of the credit exposure to related party transactions was RMB7.268 billion as required by the NFRA, accounting for 21.51% of net capital, among which, the balance of the exposure to material related party transactions was RMB4.871 billion, and the balance of the exposure to normal related party transactions was RMB2.397 billion.

Related Party Transactions in Relation to Acquisition and Disposal of Assets or Equity Interests

During the Reporting Period, the Bank did not have any related party transaction in relation to acquisition and disposal of assets or equity interests.

Related Party Transactions in Relation to Joint External Investment

During the Reporting Period, the Bank did not have any related party transaction in relation to joint external investment.

Related Party Credit and Debt Transactions

During the Reporting Period, the Bank did not have any related party credit and debt transaction for non-operating purpose.

Related Party Transactions in Relation to Receipt of Services

During the Reporting Period, the Bank recorded the total amount of RMB111 million in relation to related party transactions for the receipt of services.

Deposits and Other Related Party Transactions

During the Reporting Period, the Bank recorded the total amount of RMB16.593 billion in relation to related party transactions for deposits in the Bank from related parties (excluding the cumulative amount exempted from review and disclosure based on the methods of related party transactions).

CHAPTER 9 INDEPENDENT AUDITOR'S REPORT



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TO THE SHAREHOLDERS OF WEIHAI BANK CO., LTD. (FORMERLY KNOWN AS WEIHAI CITY COMMERCIAL BANK CO., LTD.)

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

OPINION

We have audited the consolidated financial statements of Weihai Bank Co., Ltd. (formerly known as Weihai City Commercial Bank Co., Ltd.) (the "**Bank**") and its subsidiary (together the "**Group**") set out on pages 148 to 276, which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS Accounting Standards**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (CONT'D)

Loss allowances of loans and advances to customers and financial investments measured at amortised cost

Refer to the accounting policies in note 4.1(1), note 21 and note 22 to the consolidated financial statements.

The Key Audit Matter

The Group's loans and advances to customers and financial investments measured at amortised cost as at December 31, 2024 amounted to RMB267,736 million, with loss allowances amounted to RMB6,953 million as at December 31, 2024.

The Group uses the expected credit loss model to calculate the loss allowance in accordance with International Financial Reporting Standard 9, Financial instruments ("**IFRS 9**").

The determination of loss allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.

In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses for corporate loans and financial investments measured at amortised cost are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The expected credit losses for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.

Management also exercises judgment in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of loss allowances as at the end of the reporting period.

KEY AUDIT MATTERS (CONT'D)

Loss allowances of loans and advances to customers and financial investments measured at amortised cost (Cont'd)

The Key Audit Matter (Cont'd)

We identified the provision for loss allowances of loans and advances to customers and financial investments measured at amortised cost as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.

Our response

Our audit procedures to assess loss allowances of loans and advances to customers and financial investments measured at amortised cost included the following:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and advances to customers and financial investments measured at amortised cost, the credit grading process and the measurement of loss allowances;
- involving internal expert to assess the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments;
- assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original loan agreements, we compared the total balance of the loans and advances to customers and financial investments measured at amortised cost list used by management to assess the loss allowances with the general ledger, selecting samples and comparing individual loan and advances to customers and financial investments measured at amortised cost information with the underlying agreements and other related documentation to assess the accuracy of compilation of the loans and advances to customers and financial investments measured at amortised cost list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources;

KEY AUDIT MATTERS (CONT'D)

Loss allowances of loans and advances to customers and financial investments measured at amortised cost (Cont'd)

Our response (Cont'd)

- for key parameters involving judgment, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral. As part of these procedures, we challenged the reasons for modifications to estimates and input parameters compared with prior period and considered the consistency of judgment. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development;
- for key parameters used in the expected credit loss model which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis. In addition, we involved our IT specialists to assess the logics and compilation of the overdue information for selected samples;
- evaluating the validity of management's assessment on whether the credit risk of the loans and advances to customers has, or has not, increased significantly since initial recognition and whether the loan is credit-impaired by selecting risk-based samples. We analysed the portfolio by industry sector to select samples in industries more vulnerable to the current economic situation with reference to other borrowers with potential increased credit risk. We checked loan overdue information, making enquiries to the credit managers about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses;
- recalculating the amount of credit loss allowance for 12 month and lifetime credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of loans and investments where the credit risk of the loan has not, or has, increased significantly since initial recognition, respectively; and
- assessing whether the disclosures in the consolidated financial statements in relation to the provision for loss allowances of loans and advances to customers and financial investments measured at amortised cost meet the requirements in the prevailing accounting standards.

Chapter 9 Independent Auditor's Report

KEY AUDIT MATTERS (CONT'D)

Assessment of fair value of financial instruments

Refer to the accounting policies in note 5(2) and note 46 to the consolidated financial statements.

The Key Audit Matter

The Group's financial instruments measured at fair value as at December 31, 2024 amounted to RMB106,907 million. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income.

The valuation of financial instruments measured at fair value of the Group is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where one or more significant input are unobservable in the valuation technique, as in the case of level 3 financial instruments then estimates need to be developed which can involve significant management judgment.

The Group has developed its own models to value certain level 2 and level 3 financial instruments measured at fair value, which also involves significant management judgment.

We have identified assessment of the fair value of financial instruments as a key audit matter because of the complexity involved in valuing certain financial instruments and the significant judgment exercised by management in determining the inputs used in the valuation models.

Our response

Our audit procedures to assess the fair value of financial instruments included the following:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the valuation, independent price verification and valuation model approval for financial instruments;
- assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Bank with publicly available market data;
- performing, on a sample basis, independent valuations of level 2 and level 3 financial instruments measured at fair value and comparing these valuations with the valuations of the Group. Our procedures included comparing the valuation models of the Group with our knowledge of practice, testing inputs to the fair value calculations or, with the assistance of internal valuation specialists, establishing our own valuation models to perform revaluations; and
- assessing whether the disclosures in the consolidated financial statements appropriately reflect the exposure to financial instrument valuation risk and meet the requirements of the prevailing accounting standards.

Chapter 9 Independent Auditor's Report

KEY AUDIT MATTERS (CONT'D)

Consolidation of structured entities

Refer to the accounting policies in note 5(6) and note 39 to the consolidated financial statements.

The Key Audit Matter

Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through a wealth management product, an asset management plan, a trust plan or an investment fund.

In determining whether the Group should retain any partial interests in a structured entity or should consolidate a structured entity, management is required to consider the risks and rewards retained, the power the Group is able to exercise over the activities of the entity and its ability to influence the Group's own returns from the entity. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.

We identified the consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and because of the judgment exercised by management in the qualitative assessment of the terms and nature of each entity.

Our response

Our audit procedures to assess the consolidated of structured entities included the following:

- understanding and assessing the design and implementation of key internal controls of financial reporting over consolidation of structured entities;
- selecting significant structured entities of each key product type and performing the following procedures for each entity selected:
 - inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgment over whether the Group has the ability to exercise power over the structured entity;
 - inspecting the risk and reward structure of the structured entity including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns to assess management's judgment as to exposure, or rights, to variable returns from the Group's involvement in such an entity;
 - evaluating management's analyses of the structured entity including qualitative analyses and calculations of the magnitude and variability associated with the Group's economic interests in the structured entity to assess management's judgment over the Group's ability to influence its own returns from the structured entity; and
 - assessing management's judgment over whether the structured entity should be consolidated or not;
- assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

Chapter 9 Independent Auditor's Report

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Bank's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Chapter 9 Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Chapter 9 Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Lam Tsz Ka

Practising Certificate no. P06838

Hong Kong, March 28, 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	2024	2023
Interest income		16,499,022	15,604,799
Interest expense		(9,499,101)	(8,981,264)
Net interest income	6	6,999,921	6,623,535
Fee and commission income		641,719	698,007
Fee and commission expense		(67,363)	(65,326)
Net fee and commission income	7	574,356	632,681
Net trading gains	8	26,886	386,093
Net gains arising from investment securities	9	1,356,485	918,594
Other operating income	10	357,957	174,576
Operating income		9,315,605	8,735,479
Operating expenses	11	(2,237,614)	(1,950,341)
Impairment losses on assets	14	(4,571,600)	(4,493,347)
Profit before tax		2,506,391	2,291,791
Income tax expense	15	(308,268)	(175,510)
Net profit for the year		2,198,123	2,116,281
Net profit for the year attributable to:			
Equity shareholders of the Bank		1,991,714	1,933,826
Non-controlling interests		206,409	182,455
		2,198,123	2,116,281

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	2024	2023
Other comprehensive income for the year:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Financial assets at fair value through other comprehensive income:			
– net movement in the fair value reserve, net of tax	37(d)	1,583,501	396,263
– net movement in the impairment reserve, net of tax	37(e)	(3,512)	(24,743)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Financial assets at fair value through other comprehensive income:			
– net movement in the fair value reserve, net of tax	37(d)	(468)	2,258
Other comprehensive income, net of tax		1,579,521	373,778
Total comprehensive income for the year		3,777,644	2,490,059
Total comprehensive income for the year attributable to:			
Equity shareholders of the Bank		3,571,235	2,307,604
Non-controlling interests		206,409	182,455
		3,777,644	2,490,059
Basic and diluted earnings per share (In RMB)	16	0.30	0.29

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	2024	2023
Assets			
Cash and deposits with the central bank	17	27,352,477	27,274,166
Deposits with banks and other financial institutions	18	3,204,654	833,928
Placements with banks	19	71,844	56,594
Financial assets held under resale agreements	20	962,276	–
Loans and advances to customers	21	207,506,283	187,404,674
Financial investments:	22		
Financial investments measured at fair value through profit or loss		7,535,466	8,100,645
Financial investments measured at fair value through other comprehensive income		82,862,526	55,669,509
Financial investments measured at amortised cost		76,739,412	82,122,784
Property and equipment	24	3,886,772	2,793,841
Right-of-use assets	25	464,063	370,691
Deferred tax assets	26	2,866,557	2,585,440
Other assets	27	28,011,444	24,664,554
Total assets		441,463,774	391,876,826
Liabilities and Equity			
Liabilities			
Borrowings from the central bank		10,409,572	9,836,382
Deposits from banks	29	5,313,451	5,518,984
Placements from banks and other financial institutions	30	27,470,479	22,579,541
Financial assets sold under repurchase agreements	31	12,101,725	11,351,222
Deposits from customers	32	301,951,559	273,978,508
Income tax payable		478,400	125,213
Debt securities issued	34	49,717,679	37,446,188
Lease liabilities	33	453,336	349,851
Other liabilities	35	2,770,106	2,683,044
Total liabilities		410,666,307	363,868,933

Consolidated Statement of Financial Position

As at December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	2024	2023
Equity			
Share capital	36	5,980,058	5,980,058
Capital reserve	37(a)	4,925,135	4,925,460
Surplus reserve	37(b)	1,903,978	1,720,576
General reserve	37(c)	4,144,801	3,690,579
Fair value reserve	37(d)	1,794,124	211,091
Impairment reserve	37(e)	30,310	33,822
Retained earnings	38	6,120,445	5,579,161
Total equity attributable to equity shareholders of the Bank		24,898,851	22,140,747
Perpetual bonds	37(f)	3,999,262	4,099,201
Non-controlling interests		1,899,354	1,767,945
Total equity		30,797,467	28,007,893
Total liabilities and equity		441,463,774	391,876,826

Approved and authorised for issue by the board of directors on March 28, 2025 and signed on its behalf by

Meng Dongxiao
Chairman

Zhang Wenbin
President

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

Notes	Attributable to equity shareholders of the Bank									Non-controlling interests	Total
	Share Capital	Capital Reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Retained Earnings	Subtotal	Perpetual bonds		
As at January 1, 2024	5,980,058	4,925,460	1,720,576	3,690,579	211,091	33,822	5,579,161	22,140,747	4,099,201	1,767,945	28,007,893
Changes in equity for the year:											
Net profit for the year	-	-	-	-	-	-	1,991,714	1,991,714	-	-	1,991,714
Other comprehensive income	-	-	-	-	1,583,033	(3,512)	-	1,579,521	-	206,409	1,785,930
Total comprehensive income	-	-	-	-	1,583,033	(3,512)	1,991,714	3,571,235	-	206,409	3,777,644
Redemption of perpetual bonds 37(f)	-	(325)	-	-	-	-	-	(325)	(2,999,675)	-	(3,000,000)
Issuance of perpetual bonds 37(f)	-	-	-	-	-	-	-	-	2,899,736	-	2,899,736
Appropriation of profit											
- Appropriation to surplus reserve 37(b)	-	-	183,402	-	-	-	(183,402)	-	-	-	-
- Appropriation to general reserve 37(c)	-	-	-	454,222	-	-	(454,222)	-	-	-	-
- Appropriation to shareholders 38	-	-	-	-	-	-	(598,006)	(598,006)	-	(75,000)	(673,006)
- Appropriation to perpetual bondholders	-	-	-	-	-	-	(214,800)	(214,800)	214,800	-	-
- Distribution paid to perpetual bondholders 37(f)	-	-	-	-	-	-	-	-	(214,800)	-	(214,800)
As at December 31, 2024	5,980,058	4,925,135	1,903,978	4,144,801	1,794,124	30,310	6,120,445	24,898,851	3,999,262	1,899,354	30,797,467

Notes	Attributable to equity shareholders of the Bank									Non-controlling interests	Total
	Share Capital	Capital Reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Retained Earnings	Subtotal	Perpetual bonds		
As at January 1, 2023	5,980,058	4,925,460	1,549,088	3,227,913	(187,430)	58,565	4,494,289	20,047,943	4,099,201	1,585,490	25,732,634
Changes in equity for the year:											
Net profit for the year	-	-	-	-	-	-	1,933,826	1,933,826	-	182,455	2,116,281
Other comprehensive income	-	-	-	-	398,521	(24,743)	-	373,778	-	-	373,778
Total comprehensive income	-	-	-	-	398,521	(24,743)	1,933,826	2,307,604	-	182,455	2,490,059
Appropriation of profit											
- Appropriation to surplus reserve 37(b)	-	-	171,488	-	-	-	(171,488)	-	-	-	-
- Appropriation to general reserve 37(c)	-	-	-	462,666	-	-	(462,666)	-	-	-	-
- Appropriation to perpetual bondholders	-	-	-	-	-	-	(214,800)	(214,800)	214,800	-	-
- Distribution paid to perpetual bondholders 37(f)	-	-	-	-	-	-	-	-	(214,800)	-	(214,800)
As at December 31, 2023	5,980,058	4,925,460	1,720,576	3,690,579	211,091	33,822	5,579,161	22,140,747	4,099,201	1,767,945	28,007,893

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	2024	2023
Cash flows from operating activities			
Profit before income tax		2,506,391	2,291,791
<i>Adjustments for:</i>			
Impairment losses on assets	14	4,571,600	4,493,347
Depreciation and amortisation	11	348,286	249,110
Unrealised foreign exchange gains, net	8	(34,161)	(38,372)
Net (gains)/losses on disposal of property and equipment		(93)	1,066
Net gains on disposal of other assets	10	–	(15,929)
Net trading losses/(gains)	8	7,275	(347,721)
Net gains on disposal of investment securities		(1,332,961)	(918,594)
Interest expenses on debt securities issued	6	1,160,161	1,054,998
Interest expenses on lease liabilities	11	18,087	14,815
Interest income from financial investments	6	(4,495,226)	(4,438,589)
		2,749,359	2,345,922
<i>Changes in operating assets</i>			
Net decrease/(increase) in deposits with the central bank		429,437	(936,795)
Net increase in loans and advances to customers		(23,467,622)	(28,285,864)
Net increase in finance lease receivables		(3,129,418)	(2,253,933)
Net increase in other operating assets		(928,892)	(1,395,829)
Net increase in deposits with banks and other financial institutions		(190)	(1,840)
		(27,096,685)	(32,874,261)
<i>Changes in operating liabilities</i>			
Net increase/(decrease) in borrowings from the central bank		573,499	(456,959)
Net (decrease)/increase in deposits from banks		(207,509)	716,245
Net increase in placements from banks and other financial institutions		4,879,770	2,497,327
Net increase in financial assets sold under repurchase agreements		751,944	1,548,056
Net increase in deposits from customers		26,893,354	37,102,439
Net increase in other operating liabilities		980,490	1,014,901
Income tax paid		(762,705)	(872,817)
		33,108,843	41,549,192
Net cash flows generated from operating activities		8,761,517	11,020,853

Consolidated Statement of Cash Flows

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	2024	2023
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		155,959,824	128,228,184
Return on investments		5,908,352	5,357,183
Payments on acquisition of investments		(177,714,669)	(147,824,927)
Payments on acquisition of property and equipment, intangible assets and other assets		(1,143,316)	(2,186,328)
Proceeds from disposal of property and equipment and other assets		6,016	255,141
Net cash flows used in investing activities		(16,983,793)	(16,170,747)
Cash flows from financing activities			
Proceeds from issuance of debt securities	42(c)	61,997,723	58,376,460
Repayment of debt securities	42(c)	(49,770,000)	(56,420,000)
Interest paid on debt securities	42(c)	(1,116,393)	(993,503)
Redemption of perpetual bonds		(3,000,000)	–
Capital element of lease liabilities paid	42(c)	(90,798)	(114,368)
Interest element of lease liabilities paid	42(c)	(18,087)	(14,815)
Dividends paid		(676,902)	(11)
Net proceeds from issuance of perpetual bonds		2,900,000	–
Interest paid on perpetual bonds		(214,800)	(214,800)
Net cash flows generated from financing activities		10,010,743	618,963
Effect of foreign exchange rate changes on cash and cash equivalents		(645)	(132)
Net increase/(decrease) in cash and cash equivalents		1,787,822	(4,531,063)
Cash and cash equivalents as at January 1		12,994,610	17,525,673
Cash and cash equivalents as at December 31		14,782,432	12,994,610
Interest received		17,985,200	15,381,956
Interest paid (excluding interest expense on debt securities issued)		(7,754,007)	(5,972,648)

CHAPTER 10 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION

Weihai Bank Co., Ltd. (the “**Bank**”) (formerly known as Weihai City Commercial Bank Co., Ltd.) commenced business as a city commercial bank on July 21, 1997, according to the approval by the People’s Bank of China (the “**PBOC**”). According to the approval by the National Financial Regulatory Administration (Shandong Office), Weihai City Commercial Bank Co., Ltd. was renamed as Weihai Bank Co., Ltd. on February 26, 2025.

The Bank obtained its finance permit No. B0176H337100001 from the former China Banking Regulatory Commission (the former “**CBRC**”, in 2023, the regulator was renamed the National Financial Regulatory Administration (the “**NFRA**”) (Shandong Office). The Bank obtained its business license No. 913700002671339534 from the Market Supervision Administration of Weihai City. By December 31, 2024, the paid-in capital of the Bank was RMB5,980,058,344, with its registered office located at No. 137A Qingdao North Road, Weihai City, Shandong Province. The Bank is regulated by the NFRA which was authorised by the State Council.

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

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable IFRS Accounting Standards, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the IASB and the disclosure requirements of Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(2) Basis of preparation

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is the functional currency of the Group. All financial information presented in RMB has been rounded to the nearest thousand, except when otherwise indicated.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial assets, which are measured at fair value as explained in the accounting policies set out below.

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future years if the revision affects both current and future years.

Judgments made by management in the application of IFRS Accounting Standards that have a significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in Note 5.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

3. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

(1) Amendments to IFRS adopted from January 1, 2024

The IASB has issued a number of new or revised IFRS Accounting Standards that are first effective for the current accounting period of the Group:

- Amendments to IFRS 16, Lease Liability in a Sale and Leaseback
- Amendments to IAS 1, Classification of Liabilities as Current or Non-Current
- Amendments to IAS 1, Non-current Liabilities with Covenants
- Amendments to IAS 7, Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements

The adoption of the above amendments does not have any material impact on the Group's financial positions and performance for the current and prior years and on the disclosures set out in these consolidated financial statements.

(2) New and amendments to IFRS in issue but not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early, are set out below:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments ²
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
IFRS 18	Presentation and Disclosure in Financial Statements ³
IFRS 19	Subsidiary without Public Accountability: Disclosures ³
Amendments to IAS 21	Lack of Exchangeability ¹

¹ Effective for annual periods beginning on or after January 1, 2025.

² Effective for annual periods beginning on or after January 1, 2026.

³ Effective for annual periods beginning on or after January 1, 2027.

⁴ Effective for annual periods beginning on or after a date to be determined.

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them are unlikely to have material impacts on the Group's result of operations and financial position. While IFRS 18 will not change recognition criteria or measurement bases, the standard is expected to change the presentation and disclosures of the Group's consolidated financial statements.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

4. ACCOUNTING POLICY INFORMATION

4.1 Material accounting policy information

(1) Financial instruments

(i) Recognition and initial measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

A financial asset and financial liability is measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

(ii) Classification and subsequent measurement of financial assets

Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial assets are classified as:

- Financial assets measured at amortised cost, including loans, advances, financial investments measured at amortised cost and other receivables;
- Financial assets measured at fair value through other comprehensive income (“FVOCI”), including loans, advances and financial investments measured at FVOCI;
- Financial assets measured at fair value through profit or loss (“FVTPL”).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

4. ACCOUNTING POLICY INFORMATION (CONT'D)

4.1 Material accounting policy information (Cont'd)

(1) Financial instruments (Cont'd)

(ii) Classification and subsequent measurement of financial assets (Cont'd)

Classification of financial assets (Cont'd)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Subsequent measurement of financial assets

– *Financial assets measured at FVTPL*

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

– *Financial assets measured at amortised cost*

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

4. ACCOUNTING POLICY INFORMATION (CONT'D)

4.1 Material accounting policy information (Cont'd)

(1) Financial instruments (Cont'd)

(ii) Classification and subsequent measurement of financial assets (Cont'd)

Subsequent measurement of financial assets (Cont'd)

– *Debt investments measured at FVOCI*

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

– *Equity investments measured at FVOCI*

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(iii) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL, financial guarantee liabilities or amortised cost.

– *Financial liabilities measured at FVTPL*

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability) or it is designated as such on initial recognition.

Financial liabilities measured at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

– *Financial guarantee liabilities*

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group is recognised initially at its fair value and subsequently carry at the higher of:

The amount of the loss allowance determined in accordance with impairment policies of financial instruments (see Note 4.1(1)(iv)); and

The amount initially recognised less the cumulative amount of income.

– *Financial liabilities at amortised cost*

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

4. ACCOUNTING POLICY INFORMATION (CONT'D)

4.1 Material accounting policy information (Cont'd)

(1) Financial instruments (Cont'd)

(iv) Impairment

The Group recognises loss allowances for expected credit loss (“ECL”) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- credit commitment.

Financial assets measured at fair value, including debt investments or equity investments at FVTPL, and equity securities designated at FVOCI, are not subject to the ECL assessment.

Measurement of expected credit losses (“ECLs”)

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECL is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECL is the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL is the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

ECLs on these financial assets are estimated based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

See Note 45(a) for the measurement of ECLs of the Group.

Presentation of allowance for ECLs

ECLs are remeasured at each reporting date to reflect changes in the financial instrument’s credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

4. ACCOUNTING POLICY INFORMATION (CONT'D)

4.1 Material accounting policy information (Cont'd)

(1) Financial instruments (Cont'd)

(iv) Impairment (Cont'd)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in compliance with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(v) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, it is the current asking price. The quoted prices from an active market are prices that are readily and regularly available from an exchange, broker, industry bank or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of each of the reporting period. Where other pricing models are used, inputs are based on market data at the end of each of the reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

4. ACCOUNTING POLICY INFORMATION (CONT'D)

4.1 Material accounting policy information (Cont'd)

(1) *Financial instruments (Cont'd)*

(vi) Derecognition of financial assets and financial liabilities

Financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

(vii) Offsetting

Financial assets and financial liabilities are generally presented separately in the statement of financial position, and are not offset.

However, a financial asset and a financial liability are offset and the net amount is presented in the statement of financial position when both of the following conditions are satisfied:

- the Group currently has a legally enforceable right to set off the recognised amounts;
- the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

4. ACCOUNTING POLICY INFORMATION (CONT'D)

4.1 Material accounting policy information (Cont'd)

(2) *Financial assets held under resale and repurchase agreements*

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the consolidated statement of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the consolidated statement of financial position and measured in accordance with the accounting policy applicable to that asset. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expense over the life of each agreement using the effective interest method.

(3) *Perpetual bonds*

At initial recognition, the Group classify the perpetual bonds issued or their components as financial assets, financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial assets, financial liabilities and equity instruments.

Perpetual bonds issued that should be classified as equity instruments are recognised in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the perpetual bonds are redeemed according to the contractual terms, the redemption price is charged to equity.

(4) *Investment in a subsidiary*

In the Group's consolidated financial statements, investments in a subsidiary is accounted for in accordance with the principles described in Note 4.1(13).

In the Bank's financial statements, investment in a subsidiary are accounted for using the cost method. An investment in a subsidiary acquired other than through a business combination is initially recognised at actual payment cost if the Bank acquires the investment by cash. The investment is stated at cost less impairment loss in the statement of financial position. Except for declared but not yet distributed cash dividends or profits distribution that have been included in the price or consideration paid-in obtaining the investments, the Group recognises its share of the cash dividends or profit distribution declared by the investees as investment income.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

4. ACCOUNTING POLICY INFORMATION (CONT'D)

4.1 Material accounting policy information (Cont'd)

(5) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group, as a lessor or a lessee, assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- the lessee has the right to direct the use of the asset. The lessee has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the lessee has the right to direct the use of the asset if either:
 - the lessee has the right to operate the asset; or
 - the lessee designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(i) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

4. ACCOUNTING POLICY INFORMATION (CONT'D)

4.1 Material accounting policy information (Cont'd)

(5) Leases (Cont'd)

(i) As a lessee (Cont'd)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any lease incentives receivables;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease terms reflects the Group exercising an option to terminate the lease.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in right-of-use of assets and land use right separately, and lease liabilities as separate line items in the consolidated statement of financial position.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

4. ACCOUNTING POLICY INFORMATION (CONT'D)

4.1 Material accounting policy information (Cont'd)

(5) Leases (Cont'd)

(i) As a lessee (Cont'd)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of equipment that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other operating income'.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

4. ACCOUNTING POLICY INFORMATION (CONT'D)

4.1 Material accounting policy information (Cont'd)

(6) *Reposessed assets*

Reposessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The reposessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the reposessed assets, the assets are written down to the recoverable amount.

(7) *Employee benefits*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The defined contribution retirement plans of the Group include the social pension schemes, annuity plan, housing fund and other social insurances. No forfeited contributions have been applied by the Bank to reduce its existing level of contributions for the year ended December 31, 2024 and 2023 respectively.

Social pension schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for the employees arranged by local government labor and social security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the government. The contributions are charged to the profit or loss on an accrual basis. When employees retire, the local government labor and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Annuity plan

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' total salaries and bonuses, which are charged to profit or loss when the contributions are made.

Housing fund and other social insurances

In addition to the retirement benefits above, the Group has joined social security contributions schemes for employees pursuant to the relevant laws and regulations of the PRC. These schemes include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances schemes at the applicable rates based on the amounts stipulated by the relevant government authorities. The contributions are charged to profit or loss on an accrual basis.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

4. ACCOUNTING POLICY INFORMATION (CONT'D)

4.1 Material accounting policy information (Cont'd)

(8) *Income tax*

Income tax for the reporting period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the reporting period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiary to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

4. ACCOUNTING POLICY INFORMATION (CONT'D)

4.1 Material accounting policy information (Cont'd)

(8) *Income tax (Cont'd)*

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(9) *Financial guarantees, provisions and contingent liabilities*

(i) Financial guarantees

In terms of off-balance sheet credit commitment, the Group applies expected credit loss model to measure the loss caused by particular debtors incapable of paying due debts, which is present in provisions. See Note 4.1(1)(iv) for the description of expected credit loss model.

(ii) Other provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

For a possible obligation resulting from a past transaction or event whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

4. ACCOUNTING POLICY INFORMATION (CONT'D)

4.1 Material accounting policy information (Cont'd)

(10) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers in entrusted loan and entrusted investment business. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding ("**entrusted funds**") to the Group, and the Group grants loans to third parties ("**entrusted loans**") under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

(11) Income recognition

Income is the gross inflow of economic benefit in the periods arising in the course of the Group's ordinary activities when the inflows result in an increase in shareholder's equity, other than an increase relating to contributions from shareholders.

Income is recognised when the Group satisfies the performance obligation in the contract which by transferring the control over relevant goods or services to the customers.

The following is the description of accounting policies regarding income from the Group's principal activities.

(i) Interest income

Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

4. ACCOUNTING POLICY INFORMATION (CONT'D)

4.1 Material accounting policy information (Cont'd)

(11) *Income recognition (Cont'd)*

(i) Interest income (Cont'd)

Interest on the impaired assets is recognised using the rate of interest used to discount future cash flows for the purpose of measuring the related impairment loss.

(ii) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognised by the Group reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to customers, and income is recognised when its performance obligation in contracts is satisfied.

The Group recognises income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:

- The customer simultaneously receives and consumes the economic benefits provided by the Group's performance as the Group performs;
- The customer controls the service provided by the Group in the course of performance;
- The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date; or
- In other cases, the Group recognises revenue at a point in time at which a customer obtains control of the promised services.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

4. ACCOUNTING POLICY INFORMATION (CONT'D)

4.1 Material accounting policy information (Cont'd)

(11) *Income recognition (Cont'd)*

(iii) Government grants

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and consequently are effectively recognised in profit or loss over the useful life of the asset by way of other income.

(iv) Rental income from operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Variable lease payments that do not depend on a index or a rate are recognised as income in the accounting period in which they are earned.

(v) Other operating income

Other operating income is recognised on an accrual basis.

(12) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits and placements with banks and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(13) *Subsidiary and non-controlling interests*

Subsidiary is the entity controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. See note 5(6) for further information.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

4. ACCOUNTING POLICY INFORMATION (CONT'D)

4.1 Material accounting policy information (Cont'd)

(13) *Subsidiary and non-controlling interests (Cont'd)*

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income between non-controlling interests and the equity shareholders of the Bank.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Bank's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 4.1(4)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

4. ACCOUNTING POLICY INFORMATION (CONT'D)

4.2 Other accounting policy information

(1) *Translation of foreign currencies*

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

A spot exchange rate is quoted by PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of each of the reporting period. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognised in profit or loss, except for the exchange differences arising from the translation of non-monetary financial investments which are recognised in fair value reserve.

(2) *Property and equipment*

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment loss (see Note 4.2.(5)).

The cost of a purchased property and equipment comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

Where the individual component parts of an item of property and equipment have different useful lives or provide economic benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognised as a separate property and equipment.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

4. ACCOUNTING POLICY INFORMATION (CONT'D)

4.2 Other accounting policy information (Cont'd)

(3) *Investment property*

Investment property is a property held either for earning rental income or for capital appreciation or for both. Investment property is accounted for using the cost model and stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment loss (Note 4.2.(5)).

(4) *Intangible assets*

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortisation and impairment loss (see Note 4.2.(5)). The cost of intangible assets less residual value and impairment loss is amortised on the straight-line method over the estimated useful lives.

(5) *Provision for impairment losses on non-financial assets*

The carrying amounts of the following assets are reviewed at the end of each of the reporting period based on the internal and external sources of information to determine whether there is any indication of impairment:

- property and equipment
- investment properties measured using a cost model
- intangible assets
- investment in a subsidiary
- right-of-use assets

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A cash-generating unit (“**CGU**”) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset groups are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group’s operations and how management makes decisions about using or disposing of the Group’s assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called “**asset**”) is the higher of its fair value less costs of disposal (“**FVLCD**”) and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belongs.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

4. ACCOUNTING POLICY INFORMATION (CONT'D)

4.2 Other accounting policy information (Cont'd)

(5) *Provision for impairment losses on non-financial assets (Cont'd)*

An asset's FVLCD is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects expected future cash flows, the useful life and the discount rate specific to the asset.

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. A provision for an impairment loss of the asset is recognised accordingly.

If, in a subsequent period, the amount of impairment loss of the non-financial asset decreases and the decrease can be linked objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

(6) *Expenses recognition*

(i) Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

(ii) Other expenses

Other expenses are recognised on an accrual basis.

(7) *Dividends*

Dividends or distribution of profits proposed in the profit appropriation plan which will be authorised and declared after the end of each of the reporting period are not recognised as a liability at the end of each of the reporting period but disclosed separately in the notes to the consolidated financial statements.

(8) *Related parties*

a. A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

4. ACCOUNTING POLICY INFORMATION (CONT'D)

4.2 Other accounting policy information (Cont'd)

(8) *Related parties*

b. An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

4. ACCOUNTING POLICY INFORMATION (CONT'D)

4.2 Other accounting policy information (Cont'd)

(9) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements requires management to make estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Key underlying assumptions and uncertainties concerning the estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(1) Measurement of expected credit loss allowance

The measurement of the expected credit loss allowance for the investment in financial assets and debt instruments measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). For off-balance sheet credit commitments and revolving credit facilities, judgments are also needed to determine the time period applicable for the exposure at default. Explanation of the inputs, assumptions and estimation techniques used in measuring expected credit losses is further detailed in Note 45(a).

A number of significant judgments are required in applying the accounting requirements for measuring expected credit losses, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses.

Detailed information about the judgments and estimates made by the Group in the above areas is set out in Note 45(a) credit risk.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

(2) Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis, and option pricing models. Valuation models established by the Group make maximum use of observable input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

(3) Income tax

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(4) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

The recoverable amount is determined based on value-in-use calculation or FVLCD. The calculations of value-in-use require the use of judgment and estimates of the future cash flows expected to arise from the assets, the timeframe for the cash flows forecast and the suitable discount rates in order to calculate the present value. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Calculation of FVLCD involves the selection of valuation model, adoption of key assumption, and input data, which are subject to management judgment.

(5) Depreciation and amortisation

Investment properties, property and equipment, intangible assets and right-of-use assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each of the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

(6) Determination of control over investees

Management applies its judgment to determine whether the control indicators indicate that the Group controls a non-principal guaranteed wealth management product and an asset management plan.

The Group acts as manager to a number of non-principal guaranteed wealth management products and asset management plans. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated non-principal guaranteed wealth management products and asset management plans in which the Group has an interest or for which it is a sponsor, see Note 39.

(7) Determination of the incremental borrowing rate used to measure lease liabilities

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

6. NET INTEREST INCOME

	2024	2023
Interest income arising from		
Deposits with the central bank	306,838	313,749
Deposits with banks and other financial institutions	5,536	3,435
Placements with banks	209,456	166,565
Loans and advances to customers		
– Corporate loans and advances	7,651,884	6,594,694
– Personal loans and advances	1,956,548	2,237,579
– Discounted bills	245,253	291,125
Financial assets held under resale agreements	35,039	4,246
Financial investments	4,495,226	4,438,589
Finance leases	1,593,242	1,554,817
Sub-total	16,499,022	15,604,799
Interest expenses arising from		
Borrowings from the central bank	(200,007)	(215,044)
Deposits from banks and other financial institutions	(155,424)	(118,731)
Placements from banks and other financial institutions	(929,892)	(776,228)
Deposits from customers	(6,834,769)	(6,595,025)
Financial assets sold under repurchase agreements	(209,793)	(204,043)
Debt securities issued	(1,160,161)	(1,054,998)
Discounted bills	(9,055)	(17,195)
Sub-total	(9,499,101)	(8,981,264)
Net interest income	6,999,921	6,623,535

Total interest income arising from financial assets that are not at FVTPL for the year ended December 31, 2024 amounted to RMB16,499.0 million (2023: RMB15,604.8 million).

Total interest expense arising from financial liabilities that are not at FVTPL for the year ended December 31, 2024 amounted to RMB9,499.1 million (2023: RMB8,981.3 million).

Interest income arising from impaired loan for the year ended December 31, 2024 amounted to RMB66.6 million (2023: RMB67.3 million).

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

7. NET FEE AND COMMISSION INCOME

(a) Income and expense streams:

	2024	2023
Fee and commission income		
Acceptance and guarantee services fees	121,559	104,159
Agency services fees	433,757	457,877
Bank card services fees	16,452	17,645
Consultancy services fees	532	8,113
Settlement and clearing fees	46,274	79,519
Others	23,145	30,694
Sub-total	641,719	698,007
Fee and commission expense		
Bank card services fees	(9,899)	(12,219)
Settlement and clearing fees	(44,331)	(44,185)
Others	(13,133)	(8,922)
Sub-total	(67,363)	(65,326)
Net fee and commission income	574,356	632,681
Fee and commission income		
Fee income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading or designated at FVTPL	38,266	31,617
Fee income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers	—	10,110
Fee and commission expense		
Fee expense, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading or designated at FVTPL	16,557	15,127

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

7. NET FEE AND COMMISSION INCOME (CONT'D)

(b) Disaggregation of income:

	2024		2023	
	At a point in time	Over time	At a point in time	Over time
Acceptance and guarantee services fees	–	121,559	–	104,159
Agency services fees	–	433,757	–	457,877
Bank card services fees	16,452	–	17,645	–
Consultancy services fees	–	532	–	8,113
Settlement and clearing fees	46,274	–	79,519	–
Others	16,795	6,350	16,065	14,629
Total	79,521	562,198	113,229	584,778

8. NET TRADING GAINS

	2024	2023
Net gains from debt securities	30,846	203,480
Net gains from funds	29,930	119,016
Net (losses)/gains from investment management products	(124,681)	7,683
Net gains from derivatives	23,513	13,609
Net gains from equity investments	33,117	3,933
Exchange gains	34,161	38,372
Total	26,886	386,093

9. NET GAINS ARISING FROM INVESTMENT SECURITIES

	2024	2023
Net gains of financial investments measured at fair value through profit or loss	238,585	52,920
Net gains of financial investments measured at fair value through other comprehensive income	590,148	187,964
Net gains of financial investments measured at amortised cost	500,903	647,187
Dividend income	4,624	4,640
Net gains of investment on derivatives	22,225	25,883
Total	1,356,485	918,594

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

10. OTHER OPERATING INCOME

Other operating income streams:

	2024	2023
Penalty income	204	841
Long-term unwithdrawn items income	5,690	2,312
Rental income	293,819	50,290
Government grants	57,561	99,588
Net gains/(losses) on disposal of property and equipment	140	(1,066)
Net gains on disposal of other assets	–	15,929
Others	543	6,682
Total	357,957	174,576

11. OPERATING EXPENSES

	2024	2023
Staff costs		
– Salaries, bonuses and allowances	815,414	771,904
– Social insurance	116,797	108,179
– Housing allowances	54,972	51,312
– Staff welfares	17,105	13,950
– Employee education expenses and labour union expenses	29,177	27,259
– Supplementary retirement benefits	28,015	26,363
Sub-total	1,061,480	998,967
Rental and property management expenses	19,475	32,668
Depreciation and amortisation	245,905	143,119
Depreciation charge for the right-of-use assets	102,381	105,991
Interest expense on lease liabilities	18,087	14,815
Taxes and surcharges	106,665	88,842
Auditors' remuneration	3,019	3,160
Office expenses	474,126	365,708
Other general and administrative expenses	206,476	197,071
Total	2,237,614	1,950,341

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Year ended December 31, 2024								
					Contributions to social pension schemes	Other welfares		
	Notes	Fees	Salaries	Discretionary bonus	Sub-total			Total
Executive directors								
Tan Xianguo (譚先國)	(e)	-	468	814	1,282	42	30	1,354
Meng Dongxiao (孟東曉)		-	702	1,221	1,923	65	45	2,033
Zhang Wenbin (張文斌)		-	608	977	1,585	65	58	1,708
Tao Zunjian (陶遵建)		-	562	855	1,417	65	45	1,527
Lu Jiliang (盧繼梁)		-	562	855	1,417	65	45	1,527
Jiang Yi (姜毅)	(j)	-	187	285	472	23	20	515
Non-executive directors								
Yi Jijun (伊繼軍)	(f)	-	-	-	-	-	-	-
Song Bin (宋斌)	(f)	-	-	-	-	-	-	-
Yin Lin (尹林)	(f)	-	-	-	-	-	-	-
Zhao Bing (趙冰)		-	-	-	-	-	-	-
Li Jie (李傑)		-	166	322	488	65	45	598
Chen Xiaojun (陳曉軍)	(k)	-	-	-	-	-	-	-
Jiao Weifang (焦衛鋒)	(k)	-	-	-	-	-	-	-
Kang Jian (康建)	(l)	-	-	-	-	-	-	-
Independent non-executive directors								
Fan ChiChiu (范智超)		200	-	-	200	-	-	200
Wang Shaohong (王紹宏)	(g)	150	-	-	150	-	-	150
Sun Zuying (孫祖英)		200	-	-	200	-	-	200
Wang Yong (王勇)		200	-	-	200	-	-	200
Yang Yunhong (楊雲紅)		200	-	-	200	-	-	200
Peng Feng (彭鋒)	(m)	50	-	-	50	-	-	50
Employee representative supervisors								
Zhang Renzhao (張仁釗)		-	702	1,221	1,923	65	45	2,033
Wang Wenjing (王文靜)	(c)	-	200	238	438	34	23	495
Lu Guangming (盧光明)	(d)	-	75	115	190	23	15	228
Wang Xifeng (王希峰)	(c)	-	281	427	708	35	25	768
Zhang Chuanzheng (張傳政)	(d)	-	110	193	303	42	28	373
External supervisors								
Zhu Yingwei (朱英偉)	(h)	150	-	-	150	-	-	150
Peng Feng (彭鋒)	(h)	150	-	-	150	-	-	150
Chu Dianhui (初佃輝)	(n)	50	-	-	50	-	-	50
Liu Xiao (劉逍)	(n)	50	-	-	50	-	-	50
Wang Hongmei (王紅梅)	(n)	50	-	-	50	-	-	50
Shareholder representative supervisors								
Zhao Lijie (趙麗傑)		200	-	-	200	-	-	200
Zhou Hao (周浩)		200	-	-	200	-	-	200
Feng Yongdong (馮永東)	(i)	150	-	-	150	-	-	150
Bi Jianchao (畢見超)	(o)	50	-	-	50	-	-	50
Total		2,050	4,623	7,523	14,196	589	424	15,209

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONT'D)

Year ended December 31, 2023								
						Contributions to social pension schemes	Other welfares	Total
	Notes	Fees	Salaries	Discretionary bonus	Sub-total			
Executive directors								
Tan Xianguo (譚先國)		–	702	1,245	1,947	64	41	2,052
Meng Dongxiao (孟東曉)		–	702	1,245	1,947	64	41	2,052
Tao Zunjian (陶遵建)		–	562	871	1,433	64	41	1,538
Lu Jiliang (盧繼梁)		–	562	871	1,433	64	41	1,538
Zhang Wenbin (張文斌)		–	562	871	1,433	62	53	1,548
Non-executive directors								
Yi Jijun (伊繼軍)		–	–	–	–	–	–	–
Song Bin (宋斌)		–	–	–	–	–	–	–
Yin Lin (尹林)		–	–	–	–	–	–	–
Zhao Bing (趙冰)		–	–	–	–	–	–	–
Li Jie (李傑)		–	166	334	500	64	41	605
Independent non-executive directors								
Sun Guomao (孫國茂)	(b)	167	–	–	167	–	–	167
Fan Chi Chiu (范智超)		200	–	–	200	–	–	200
Wang Shaohong (王紹宏)		200	–	–	200	–	–	200
Sun Zuying (孫祖英)		200	–	–	200	–	–	200
Wang Yong (王勇)		200	–	–	200	–	–	200
Yang Yunhong (楊雲紅)	(b)	33	–	–	33	–	–	33
Employee representative supervisors								
Zhang Renzhao (張仁釗)		–	702	1,245	1,947	64	41	2,052
Wang Xifeng (王希峰)		–	511	510	1,021	74	47	1,142
Zhang Chuanzheng (張傳政)		–	165	272	437	64	41	542
External supervisors								
Zhu Yingwei (朱英偉)		200	–	–	200	–	–	200
Yang Yunhong (楊雲紅)	(a)	167	–	–	167	–	–	167
Peng Feng (彭鋒)		200	–	–	200	–	–	200
Shareholder representative supervisors								
Zhao Lijie (趙麗傑)		200	–	–	200	–	–	200
Zhou Hao (周浩)		200	–	–	200	–	–	200
Feng Yongdong (馮永東)		200	–	–	200	–	–	200
Total		2,167	4,634	7,464	14,265	584	387	15,236

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONT'D)

Notes:

- (a) On March 30, 2023, Yang Yunhong resigned as an external supervisor and effect on October 30, 2023.
- (b) On March 30, 2023, Sun Guomao, an independent non-executive Director of the Bank, resigned from the positions of independent non-executive Director and relevant special committees of Board of Directors of the Bank due to the expiry of his term of tenure. On May 30, 2023, Yang Yunhong was appointed as an Independent Non-Executive Director of the Bank. The resignation of Sun Guomao and the appointment of Yang Yunhong became effective on October 30, 2023.
- (c) On June 20, 2024, Wang Xifeng has resigned from his position as an employees' representative supervisor. On the same day, Wang Wenjing was elected as an employees' representative supervisor.
- (d) On August 27, 2024, Zhang Chuangzheng retired from his position as an employees' representative supervisor. On the same day, Lu Guangming was elected as an employees' representative supervisor.
- (e) On September 12, 2024, Tan Xianguo, an executive director of the Bank, retired from the positions of executive director and relevant special committees of Board of Directors of the Bank.
- (f) On September 12, 2024, Yi Jijun, Song Bin, and Yin Lin, the non-executive directors, retired from the positions of non-executive directors and relevant special committees of Board of Directors of the Bank.
- (g) On September 12, 2024, Wang Shaohong, an independent non-executive director, retired from the positions of independent non-executive director and relevant special committees of Board of Directors of the Bank.
- (h) On September 12, 2024, Peng Feng and Zhu Yingwei, the external supervisors, retired from the positions.
- (i) On September 12, 2024, Feng Yongdong, a Shareholders' Representative Supervisor, retired from the positions.
- (j) On September 12, 2024, Jiang Yi was elected to the position of Executive Director. This appointment effected on December 25, 2024.
- (k) On September 12, 2024, Chen Xiaojun and Jiao Weifeng were elected as non-executive Directors. This appointment effected on December 6, 2024.
- (l) On September 12, 2024, Kang Jian was elected as a non-executive Director. This appointment effected on December 25, 2024.
- (m) On September 12, 2024, Peng Feng was elected as an independent non-executive Director. This appointment took effect on December 6, 2024.
- (n) On September 12, 2024, Chu Dianhui, Liu Xiao and Wang Hongmei were elected as the external Supervisors.
- (o) On September 12, 2024, Bi Jianchao was elected as the Shareholders' representative Supervisor.

There was no amount paid during the year to the directors or supervisors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join the Group. There was no other arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended December 31, 2024, the five individuals with highest emoluments include 2 directors and 1 supervisor (2023: 3 directors and 1 supervisor) of the Bank. Their emoluments are disclosed in Note 12. The emoluments for the five highest paid individuals for the years ended December 31, 2024 and 2023 are as follows:

	2024	2023
Salaries and other emoluments	3,114	3,067
Discretionary bonuses	5,722	5,698
Contributions to pension schemes	327	317
Others	251	229
Total	9,414	9,311

The number of these individuals whose emoluments are within the following bands is set out below:

	2024	2023
Nil-Hong Kong Dollars ("HKD") 500,000	–	–
HKD500,001-HKD1,000,000	–	–
HKD1,000,001-HKD1,500,000	–	–
HKD1,500,001-HKD2,000,000	2	2
HKD2,000,001-HKD2,500,000	3	3
HKD2,500,001-HKD3,000,000	–	–

None of these individuals received any inducement to join or upon joining the Group or compensation for loss of office, or waived any emoluments during the year ended December 31, 2024 (2023: Nil).

14. IMPAIRMENT LOSSES ON ASSETS

	2024	2023
Financial assets held under resale agreements	525	–
Loans and advances to customers	3,325,022	3,147,566
Financial investments	834,182	833,443
Finance lease receivables	287,529	318,423
Credit commitments	(10,481)	(513)
Deposits with banks and other financial institutions	3,243	889
Placements with banks	(39)	96
Others	131,619	193,443
Total	4,571,600	4,493,347

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

15. INCOME TAX EXPENSE

(a) Income tax expense:

	Notes	2024	2023
Current tax		1,115,892	547,953
Deferred tax	26(b), 37(e)	(807,624)	(372,443)
Total		308,268	175,510

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

	Note	2024	2023
Profit before tax		2,506,391	2,291,791
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		626,598	572,948
Non-deductible expenses		44,486	6,573
Non-taxable income	(i)	(362,816)	(404,011)
Income tax expense		308,268	175,510

- (i) The non-taxable income mainly represents the interest income arising from the PRC government bonds and dividends from domestic enterprises.

16. BASIC AND DILUTED EARNINGS PER SHARE

	Note	2024	2023
Net profit attributable to equity shareholders of the Bank		1,991,714	1,933,826
Less: Distribution to perpetual bondholders		(214,800)	(214,800)
Adjusted net profit attributable to equity shareholders of the Bank		1,776,914	1,719,026
Weighted average number of ordinary shares (in thousands)	(a)	5,980,058	5,980,058
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)		0.30	0.29

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

16. BASIC AND DILUTED EARNINGS PER SHARE (CONT'D)

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

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

	2024	2023
Weighted average number of ordinary shares at the beginning and end of the year	5,980,058	5,980,058

17. CASH AND DEPOSITS WITH THE CENTRAL BANK

	Notes	2024	2023
Cash on hand		251,520	267,078
Deposits with the central bank			
– Statutory deposit reserves	(a)	17,150,604	17,607,952
– Surplus deposit reserves	(b)	9,810,816	9,287,076
– Exchange risk reserve	(c)	88,345	102,448
– Fiscal deposits		42,082	68
Sub-total		27,091,847	26,997,544
Interest accrued		9,110	9,544
Total		27,352,477	27,274,166

Notes:

(a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. The statutory deposit reserve ratios applicable to the Bank were as follows:

	2024	2023
Reserve ratio for RMB deposits	6.0%	7.0%
Reserve ratio for foreign currency deposits	4.0%	4.0%

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

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

(c) The Group places exchange risk reserves with the PBOC in accordance with relevant regulation. As at December 31, 2024, the exchange risk reserves ratio applicable to the Group is 20% (2023: 20%).

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

18. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2024	2023
Deposits in mainland China		
– Banks	2,977,534	528,047
– Other financial institutions	56,384	47,367
Sub-total	3,033,918	575,414
Deposits outside mainland China		
– Banks	174,791	259,346
Sub-total	174,791	259,346
Interests accrued	77	57
Less: Provision for impairment losses	(4,132)	(889)
Total	3,204,654	833,928

19. PLACEMENTS WITH BANKS

Analysed by type and location of counterparty

	2024	2023
Placements in mainland China		
– Banks	71,884	56,662
Sub-total	71,884	56,662
Interests accrued	17	28
Less: Provision for impairment losses	(57)	(96)
Total	71,844	56,594

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	2024	2023
In mainland China		
– Other financial institutions	962,397	–
Sub-total	962,397	–
Interests accrued	404	–
Less: Provision for impairment losses	(525)	–
Total	962,276	–

(b) Analysed by type of collateral held

	2024	2023
Securities		
– Corporates	962,397	–
Sub-total	962,397	–
Interests accrued	404	–
Less: Provision for impairment losses	(525)	–
Total	962,276	–

As at December 31, 2024, certain financial assets held under resale agreements were pledged for repurchase agreements (Note 28(a)).

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	2024	2023
Loans and advances to customers measured at amortised cost:		
Corporate loans and advances	150,517,943	134,698,671
Personal loans		
– Residential mortgage loans	14,844,559	15,539,331
– Personal consumption loans	13,994,331	11,234,010
– Personal business loans	13,874,181	16,806,170
– Credit cards	590,757	825,664
Sub-total	43,303,828	44,405,175
Interests accrued	1,779,140	1,612,123
Less: Provision for loans and advances to customers measured at amortised cost	(4,604,039)	(4,172,577)
Sub-total	190,996,872	176,543,392
Loans and advances to customers measured at fair value through other comprehensive income:		
Discounted bills	16,509,411	10,861,282
Net loans and advances to customers	207,506,283	187,404,674

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

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

	2024		Loans and advances secured by collaterals
	Amount	Percentage	
Leasing and commercial services	31,620,498	15.03%	14,363,897
Water conservancy, environment and public facilities management	22,231,313	10.57%	11,255,461
Manufacturing	21,114,876	10.04%	6,919,737
Wholesale and retail	20,893,009	9.93%	9,541,157
Construction	18,728,891	8.90%	9,555,381
Electricity, heat, gas and water production and supply	7,877,721	3.75%	2,663,591
Real estate	7,274,221	3.46%	7,081,021
Agriculture, forestry, animal husbandry and fishery	3,923,913	1.87%	2,355,580
Transportation, warehousing and postal services	2,826,313	1.34%	1,017,044
Education	2,223,298	1.06%	1,159,801
Hygiene and social welfare	932,455	0.44%	265,150
Culture, sports and entertainment	720,212	0.34%	226,510
Information transmission, software and information technology services	378,284	0.18%	116,100
Others	9,772,939	4.65%	1,420,392
Sub-total of corporate loans and advances	150,517,943	71.56%	67,940,822
Personal loans	43,303,828	20.59%	21,850,541
Discounted bills	16,509,411	7.85%	16,509,411
Gross loans and advances to customers	210,331,182	100.00%	106,300,774

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

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

	2023		Loans and advances secured by collaterals
	Amount	Percentage	
Leasing and commercial services	30,290,583	15.95%	13,917,551
Water conservancy, environment and public facilities management	21,030,539	11.07%	9,619,002
Construction	18,921,061	9.96%	7,018,776
Manufacturing	18,676,883	9.83%	6,683,040
Wholesale and retail	15,447,669	8.13%	7,388,369
Real estate	7,047,574	3.71%	6,937,191
Electricity, heat, gas and water production and supply	6,881,176	3.62%	2,203,474
Transportation, warehousing and postal services	3,441,110	1.81%	1,383,801
Agriculture, forestry, animal husbandry and fishery	2,936,211	1.55%	1,960,793
Education	2,226,918	1.17%	1,200,201
Hygiene and social welfare	988,069	0.52%	330,750
Culture, sports and entertainment	633,467	0.33%	141,100
Information transmission, software and information technology services	340,023	0.18%	138,450
Others	5,837,388	3.08%	613,055
Sub-total of corporate loans and advances	134,698,671	70.91%	59,535,553
Personal loans	44,405,175	23.37%	23,086,363
Discounted bills	10,861,282	5.72%	10,861,282
Gross loans and advances to customers	189,965,128	100.00%	93,483,198

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

(c) Analysed by type of collateral

	2024	2023
Unsecured loans	31,602,227	26,994,716
Guaranteed loans	72,428,181	69,487,214
Collateralised loans	66,363,769	65,258,123
Pledged loans	23,427,594	17,363,793
Discounted bills	16,509,411	10,861,282
Sub-total	210,331,182	189,965,128
Interests accrued	1,779,140	1,612,123
Gross loans and advances to customers	212,110,322	191,577,251
Less: Provision for loans and advances to customers measured at amortised cost	(4,604,039)	(4,172,577)
Net loans and advances to customers	207,506,283	187,404,674

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

	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	2024 Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	136,020	412,564	132,623	15,877	697,084
Guaranteed loans	454,478	108,830	86,181	13,214	662,703
Collateralised loans	283,194	718,497	1,068,366	78,653	2,148,710
Pledged loans	149,370	2,280	2,900	–	154,550
Total	1,023,062	1,242,171	1,290,070	107,744	3,663,047
As a percentage of gross loans and advances to customers	0.49%	0.59%	0.61%	0.05%	1.74%

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

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

	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	2023 Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	185,401	203,950	59,730	7,201	456,282
Guaranteed loans	438,479	259,185	280,112	18,399	996,175
Collateralised loans	767,020	621,828	566,968	16,505	1,972,321
Pledged loans	2,900	–	29,429	–	32,329
Total	1,393,800	1,084,963	936,239	42,105	3,457,107
As a percentage of gross loans and advances to customers	0.73%	0.57%	0.49%	0.02%	1.81%

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

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

	2024			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss (Note(i))	
Total loans and advances to customers measured at amortised cost	185,943,351	6,572,945	3,084,615	195,600,911
Less: Provision for impairment losses	(1,984,218)	(1,275,953)	(1,343,868)	(4,604,039)
Carrying amount of loans and advances to customers measured at amortised cost	183,959,133	5,296,992	1,740,747	190,996,872
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	16,509,411	–	–	16,509,411
Total carrying amount of loans and advances to customers	200,468,544	5,296,992	1,740,747	207,506,283

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

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

		2023		
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss (Note(i))	Total
Total loans and advances to customers measured at amortised cost	173,263,559	4,657,050	2,795,360	180,715,969
Less: Provision for impairment losses	(1,986,388)	(940,194)	(1,245,995)	(4,172,577)
Carrying amount of loans and advances to customers measured at amortised cost	171,277,171	3,716,856	1,549,365	176,543,392
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	10,861,282	–	–	10,861,282
Total carrying amount of loans and advances to customers	182,138,453	3,716,856	1,549,365	187,404,674

Note:

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

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

(f) Movements of provision for impairment losses

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

	2024			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
As at January 1	1,986,388	940,194	1,245,995	4,172,577
Transferred:				
– to expected credit losses over the next 12 months	13,408	(13,408)	–	–
– to lifetime expected credit losses: not credit-impaired loans	(162,580)	173,347	(10,767)	–
– to lifetime expected credit losses: credit-impaired loans	–	(140,463)	140,463	–
Charge for the year	147,002	316,283	2,871,753	3,335,038
Recoveries	–	–	616,587	616,587
Write-offs and others	–	–	(3,520,163)	(3,520,163)
As at December 31	1,984,218	1,275,953	1,343,868	4,604,039

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

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

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

		2023		
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
As at January 1	1,423,130	812,904	1,401,233	3,637,267
Transferred:				
– to expected credit losses over the next 12 months	25,847	(25,847)	–	–
– to lifetime expected credit losses: not credit-impaired loans	(6,640)	59,931	(53,291)	–
– to lifetime expected credit losses: credit-impaired loans	(4,650)	(135,531)	140,181	–
Charge for the year	548,701	228,737	2,413,468	3,190,906
Recoveries	–	–	143,525	143,525
Write-offs and others	–	–	(2,799,121)	(2,799,121)
As at December 31	1,986,388	940,194	1,245,995	4,172,577

As at December 31, 2024, the Group adjusted the customer rating of loans and advance to customers. The loan principal transferred from stage 1 to stage 2 and stage 3 was RMB5,237.3 million (2023: RMB1,446.6 million), and corresponding impairment provision increased by RMB1,020.1 million (2023: increased by RMB483.4 million). The loan principal transferred from stage 2 to stage 3 was RMB4,075.5 million (2023: RMB609.5 million), and the impairment provision increased by RMB108.0 million (2023: increased by RMB135.3 million). The loan principal transferred from stage 2 to stage 1 was RMB41.1 million (2023: RMB43.2 million), and the impairment provision decreased by RMB8.0 million (2023: decreased by RMB9.5 million). The loan principal transferred from stage 3 to stage 1 and stage 2 was not significant.

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

21. LOANS AND ADVANCES TO CUSTOMERS (CONT'D)

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

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

	2024			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at January 1	25,927	–	–	25,927
Reversal for the year	(10,016)	–	–	(10,016)
As at December 31	15,911	–	–	15,911

	2023			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
As at January 1	69,267	–	–	69,267
Reversal for the year	(43,340)	–	–	(43,340)
As at December 31	25,927	–	–	25,927

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

(g) Disposal of loans and advances to customers

During the year ended December 31, 2024, the Group transferred (i) loans and advances with principal amount of RMB830.9 million (2023: RMB181.7 million); and (ii) relevant interests of RMB63.0 million (2023: RMB6.6 million), to independent third parties and the transfer price was RMB154.0 million (2023: RMB30.0 million).

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

22. FINANCIAL INVESTMENTS

	Notes	2024	2023
Financial investments measured at fair value through profit or loss	(a)	7,535,466	8,100,645
Financial investments measured at fair value through other comprehensive income	(b)	82,862,526	55,669,509
Financial investments measured at amortised cost	(c)	76,739,412	82,122,784
Total		167,137,404	145,892,938

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

	2024	2023
Debt securities issued by the following institutions in mainland China		
– Banks and other financial institutions	1,428,857	1,819,183
– Corporates	–	20,270
Sub-total	1,428,857	1,839,453
Unlisted	1,428,857	1,839,453
Asset-backed securities		
– Unlisted	–	413,699
Investment funds		
– Unlisted	4,919,881	4,916,188
Investment management products		
– Unlisted	947,024	724,718
Equity investment		
– Listed	239,704	206,587
Total	7,535,466	8,100,645

Note:

As at the end of each of the reporting period, there were no investments subject to material restrictions in the realisation.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

22. FINANCIAL INVESTMENTS (CONT'D)

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

	2024	2023
Debt securities issued by the following institutions in mainland China		
– Government	13,326,499	653,018
– Policy banks	39,442,166	32,250,825
– Banks and other financial institutions	10,871,476	6,862,210
– Corporates	10,868,050	11,816,489
Sub-total	74,508,191	51,582,542
Interests accrued	1,099,833	960,155
– Unlisted	75,608,024	52,542,697
Interbank deposits		
– Unlisted	6,461,232	2,631,754
Asset backed securities	458,422	167,050
Interest accrued	19,812	12,348
– Unlisted	478,234	179,398
Equity investments		
– Unlisted	315,036	315,660
Total	82,862,526	55,669,509

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

22. FINANCIAL INVESTMENTS (CONT'D)

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

Notes:

- (i) As at the end of each of the reporting periods, there were no investments subject to material restrictions on the realisation.
- (ii) The Group designates part of non-trading equity investments as financial investments measured at fair value through other comprehensive income.
- (iii) For the year ended December 31, 2024, the Group's cash dividends received from equity investments measured at fair value through other comprehensive income was RMB4.6 million (2023: RMB4.6 million).
- (iv) Movements of gross carrying amount of financial investments measured at fair value through other comprehensive income (exclusive equity investments) are as follows:

	2024			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
As at January 1	55,353,849	–	–	55,353,849
New financial assets originated or purchased	156,657,213	–	–	156,657,213
Financial assets derecognised during the year	(131,750,181)	–	–	(131,750,181)
Changes in accrued interest	183,252	–	–	183,252
Changes in fair value	2,103,357	–	–	2,103,357
As at December 31	82,547,490	–	–	82,547,490

	2023			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
As at January 1	36,770,757	–	–	36,770,757
New financial assets originated or purchased	67,414,801	–	–	67,414,801
Financial assets derecognised during the year	(49,630,670)	–	–	(49,630,670)
Changes in accrued interest	287,503	–	–	287,503
Changes in fair value	511,458	–	–	511,458
As at December 31	55,353,849	–	–	55,353,849

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

22. FINANCIAL INVESTMENTS (CONT'D)

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

Notes: (Cont'd)

- (v) Movements of provision for impairment losses of financial investments measured at fair value through other comprehensive income during the year is as follows:

	2024			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
As at January 1	19,169	–	–	19,169
Charge for the year	5,333	–	–	5,333
As at December 31	24,502	–	–	24,502

	2023			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
As at January 1	8,820	–	–	8,820
Charge for the year	10,349	–	–	10,349
As at December 31	19,169	–	–	19,169

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

(c) Financial investments measured at amortised cost

	Notes	2024	2023
Debt securities issued by the following institutions in mainland China	(i)		
– Government		35,164,203	33,771,947
– Policy banks		21,303,838	21,581,463
– Banks and other financial institutions		700,000	900,000
– Corporate		15,560,537	19,606,698
Interests accrued		1,443,939	1,506,714
Sub-total		74,172,517	77,366,822
Investment management products		3,962,535	5,675,703
Interests accrued		135,406	148,398
– Unlisted		4,097,941	5,824,101
Asset backed securities		785,506	801,630
Interests accrued		32,730	25,933
– Unlisted		818,236	827,563
Less: Provision for impairment losses	(iii)	(2,349,282)	(1,895,702)
Total		76,739,412	82,122,784

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

22. FINANCIAL INVESTMENTS (CONT'D)

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

Notes:

- (i) As at the end of each of the reporting period, certain debt securities were pledged for repurchase agreements (note 28(a)).
- (ii) Movements of gross carrying amount of financial investments measured at amortised cost are as follows:

	2024			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
As at January 1	77,427,306	2,956,561	3,634,619	84,018,486
New financial assets originated or purchased	16,098,547	–	–	16,098,547
Financial assets derecognised during the year	(20,338,418)	–	(620,948)	(20,959,366)
Transfers:				
– to expected credit losses: over the next 12 months	617,955	(617,955)	–	–
Changes in accrued interest	(186,489)	117,516	–	(68,973)
As at December 31	73,618,901	2,456,122	3,013,671	79,088,694

	2023			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
As at January 1	78,692,379	824,734	4,214,558	83,731,671
New financial assets originated or purchased	26,708,475	–	–	26,708,475
Financial assets derecognised during the year	(25,693,250)	(4,314)	(929,939)	(26,627,503)
Transfers:				
– to lifetime expected credit losses: not credit-impaired	(1,899,879)	1,899,879	–	–
– to lifetime expected credit losses: credit-impaired	(362,547)	–	362,547	–
Changes in accrued interest	(17,872)	236,262	(12,547)	205,843
As at December 31	77,427,306	2,956,561	3,634,619	84,018,486

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

22. FINANCIAL INVESTMENTS (CONT'D)

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

Notes: (Cont'd)

(iii) Movements of provision for impairment losses of financial investments measured at amortised are as follows:

	2024			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
As at January 1	80,673	234,680	1,580,349	1,895,702
Transfers:				
– to expected credit losses over the next 12 months	73,404	(73,404)	–	–
(Reversal)/charge for the year	(112,914)	249,292	692,471	828,849
Recoveries of previously written off	–	–	5,932	5,932
Write-offs	–	–	(381,201)	(381,201)
As at December 31	41,163	410,568	1,897,551	2,349,282

	2023			Total
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
As at January 1	111,536	113,566	1,569,506	1,794,608
Transfers:				
– to expected credit losses over the next 12 months	11,984	(11,984)	–	–
– to lifetime expected credit losses: not credit-impaired	(32,539)	32,539	–	–
– to lifetime expected credit losses: credit-impaired	(406)	–	406	–
(Reversal)/charge for the year	(9,902)	100,559	732,437	823,094
Write-offs	–	–	(722,000)	(722,000)
As at December 31	80,673	234,680	1,580,349	1,895,702

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23. INVESTMENT IN A SUBSIDIARY

	2024	2023
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	1,047,500	1,047,500

Shandong Tongda Financial Leasing Co., Ltd. (“**Tongda**”), a limited liability company which was incorporated on June 6, 2016 at Shandong Province, the PRC with registered capital of RMB1,000.0 million. As at the year ended December 31, 2024, the registered capital of Tongda is RMB1,650.0 million. The principal activities of Tongda are the provision of financial leasing services in the PRC. As at December 31, 2024, the Bank holds 54.55% of equity interests of Tongda (2023: 54.55%).

24. PROPERTY AND EQUIPMENT

	Premises Note (a)	Machinery Note (b)	Leasehold improvements	Office equipment	Motor vehicles	Total
Cost						
As at January 1, 2023	1,001,890	–	280,196	505,625	19,026	1,806,737
Additions	81,150	1,749,852	9,702	31,514	1,088	1,873,306
Transfer to investment properties	(293)	–	–	–	–	(293)
Disposals	–	–	–	(27,360)	(793)	(28,153)
As at December 31, 2023 and January 1, 2024	1,082,747	1,749,852	289,898	509,779	19,321	3,651,597
Additions	509,094	701,060	22,312	49,080	572	1,282,118
Transfer from investment properties	18,809	–	–	–	–	18,809
Transfer to investment properties	(460)	–	–	–	–	(460)
Disposals	–	(5,336)	–	(1,139)	(190)	(6,665)
As at December 31, 2024	1,610,190	2,445,576	312,210	557,720	19,703	4,945,399
Accumulated depreciation						
As at January 1, 2023	210,527	–	203,816	338,231	15,951	768,525
Charge for the year	26,191	18,682	20,374	44,317	791	110,355
Disposal	–	–	–	(26,050)	(754)	(26,804)
As at December 31, 2023 and January 1, 2024	236,718	18,682	224,190	356,498	15,988	852,076
Charge for the year	32,446	89,030	19,520	53,022	752	194,770
Transfer from investment properties	7,534	–	–	–	–	7,534
Disposal	–	(165)	–	(1,087)	(181)	(1,433)
As at December 31, 2024	276,698	107,547	243,710	408,433	16,559	1,052,947
Impairment loss						
As at December 31, 2023, January 1 and December 31, 2024	5,680	–	–	–	–	5,680
Net book value						
As at December 31, 2024	1,327,812	2,338,029	68,500	149,287	3,144	3,886,772
As at December 31, 2023	840,349	1,731,170	65,708	153,281	3,333	2,793,841

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24. PROPERTY AND EQUIPMENT (CONT'D)

Property and equipment are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

Asset category	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	40 years	5%	2.38%
Machinery	25 years	3%	3.88%
Leasehold improvements	Over the shorter of the lease terms and estimated useful lives		
Office equipment	5 years	5%	19.00%
Motor vehicles	7 years	5%	13.57%

Useful lives, residual values and depreciation methods are reviewed at least at each year-end.

Notes:

- (a) The net book value of premises as at the end of each of the reporting period are analysed by the remaining terms of the leases as follows:

	2024	2023
Held in mainland China		
– Medium-term leases (10-50 years)	1,300,123	816,482
– Long-term leases (over 50 years)	27,689	23,867
	1,327,812	840,349

- (b) Operating leases arrangement

Operating leases – Lessor

The Group leases its machinery under operating lease arrangements. Lease of the machinery usually runs for eighteen years. Lease payments are usually negotiated to reflect market return.

As December 31, 2024 and 2023, the undiscounted lease receivable by the Group in future periods under non-cancellable operating leases with its lessees are as follows:

	2024	2023
Within one year	273,073	184,045
After one year but within two years	271,157	182,047
After two years but within three years	269,242	180,660
After three years but within four years	273,330	179,272
After four years but within five years	271,462	177,885
After five years	3,054,134	2,274,419
	4,412,398	3,178,328

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

25. RIGHT-OF-USE ASSETS

	Motor vehicles	Properties	Total
Net book value			
As at January 1, 2023	20	335,330	335,350
Additions	–	141,406	141,406
Depreciation charge for the year	(20)	(105,971)	(105,991)
Disposal	–	(74)	(74)
As at December 31, 2023 and January 1, 2024	–	370,691	370,691
Additions	–	201,000	201,000
Depreciation charge for the year	–	(102,381)	(102,381)
Disposal	–	(5,247)	(5,247)
As at December 31, 2024	–	464,063	464,063

26. DEFERRED TAX ASSETS

a) Analysed by nature

	2024		2023	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
– Allowance for impairment losses	12,947,199	3,236,800	9,802,706	2,450,676
– Fair value changes of financial assets	380,204	95,051	351,203	87,801
– Accrued staff costs	720,743	180,186	634,775	158,694
– Others	453,336	113,334	362,520	90,630
Subtotal	14,501,482	3,625,371	11,151,204	2,787,801
Deferred income tax liabilities				
– Fair value changes of financial assets	(2,571,190)	(642,798)	(438,753)	(109,688)
– Others	(464,063)	(116,016)	(370,691)	(92,673)
Subtotal	(3,035,253)	(758,814)	(809,444)	(202,361)
Net balances	11,466,229	2,866,557	10,341,760	2,585,440

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

26. DEFERRED TAX ASSETS (CONT'D)

b) Movements of deferred tax

	Allowance for impairment losses <i>Note(i)</i>	Accrued staff costs	Fair value changes of financial assets <i>Note(ii)</i>	Others	Net balance of deferred tax assets
As January 1, 2023	1,995,370	140,312	197,883	4,024	2,337,589
Recognised in profit or Loss	455,306	18,382	(86,930)	(6,067)	380,691
Recognised in other comprehensive income	–	–	(132,840)	–	(132,840)
As at December 31, 2023 and January 1, 2024	2,450,676	158,694	(21,887)	(2,043)	2,585,440
Recognised in profit or Loss	786,124	21,492	1,818	(639)	808,795
Recognised in other comprehensive income	–	–	(527,678)	–	(527,678)
As at December 31, 2024	3,236,800	180,186	(547,747)	(2,682)	2,866,557

Notes:

(i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of the reporting period, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.

(ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.

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27. OTHER ASSETS

	Note	2024	2023
Interest receivables	(a)	410,700	516,221
Prepaid expenses	(b)	166,575	393,181
Intangible assets	(c)	157,829	102,215
Long-term deferred expenses		1,320	1,581
Repossessed assets	(d)	235,795	183,355
Land use rights	(e)	9,870	10,140
Investment properties	(f)	2,004	13,204
Finance lease receivables	(g)	25,099,623	22,291,436
Settlement and clearing account		1,941,561	1,052,966
Value added tax ("VAT") recoverable		647,469	567,178
Others		352,543	547,982
Subtotal		29,025,289	25,679,459
Less: Provision for impairment losses		(1,013,845)	(1,014,905)
Total		28,011,444	24,664,554

(a) Interest receivables

	2024	2023
Interest receivable arising from:		
Financial investments	331,700	464,622
Loans and advances to customers	72,827	49,856
Others	6,173	1,743
Sub-total	410,700	516,221
Less: Provision for impairment losses	(239,669)	(218,934)
Total	171,031	297,287

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

(b) Prepaid expenses

As of the year ended December 31, 2024, prepaid expenses mainly consisted of prepayments to contractors for systems designs and maintenance. As of the year ended December 31, 2023, prepaid expenses included prepayments for acquiring a property, prepayments to contractors for renovations, and prepayments to contractors for systems designs and maintenance.

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

27. OTHER ASSETS (CONT'D)

(c) Intangible assets

	Computer software and system development
Cost	
As at January 1, 2023	228,846
Additions	61,498
As at December 31, 2023 and January 1, 2024	290,344
Additions	103,797
Disposals	(7,901)
As at December 31, 2024	386,240
Accumulated amortisation	
As at January 1, 2023	160,040
Charge for the year	28,089
As at December 31, 2023 and January 1, 2024	188,129
Charge for the year	48,183
Disposals	(7,901)
As at December 31, 2024	228,411
Net book value	
As at December 31, 2024	157,829
As at December 31, 2023	102,215

The amortisation periods for intangible assets are as follows:

Asset category	Estimated useful life
Computer software and system development	5 years

(d) Repossessed assets

	2024	2023
Land use rights and buildings	235,795	183,355
Less: impairment allowances	(11,448)	(11,448)
Net balances	224,347	171,907

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

27. OTHER ASSETS (CONT'D)

(e) Land use rights

	2024	2023
Located in mainland China: 10-50 years	9,870	10,140

(f) Investment properties

	Investment properties
Cost	
As at January 1, 2023	23,150
Transfer from property and equipment	293
As at December 31, 2023 and January 1, 2024	23,443
Transfer from property and equipment	460
Transfer to property and equipment	(18,809)
As at December 31, 2024	5,094
Accumulated depreciation and impairment	
As at January 1, 2023	9,574
Charge for the year	665
As at December 31, 2023 and January 1, 2024	10,239
Charge for the year	385
Transfer to property and equipment	(7,534)
As at December 31, 2024	3,090
Net book value	
As at December 31, 2024	2,004
As at December 31, 2023	13,204

Investment property is depreciated using the straight-line method over its estimated useful life after taking into account its estimated residual value. The estimated useful lives, residual values and depreciation rates are as follows:

Asset category	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	40 years	5%	2.38%
Land use rights	Over the lease terms		

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

27. OTHER ASSETS (CONT'D)

(g) Finance lease receivables

At the end of each of the reporting period, the total future minimum lease receivables under finance leases and their present values are as follows:

	2024	2023
Total minimum finance lease receivables		
Within 1 year (inclusive)	10,717,935	9,012,915
1 year to 5 years	13,582,802	13,277,870
Over 5 years	7,264,205	5,718,646
Gross amount of finance lease receivables	31,564,942	28,009,431
Less: Unearned finance income	(5,611,264)	(5,056,794)
Less: Unrealised VAT	(1,174,796)	(1,008,516)
Net amount of finance lease receivables	24,778,882	21,944,121
Interests accrued	320,741	347,315
Less: Provision for impairment losses	(760,786)	(782,556)
Carrying amount of finance lease receivables	24,338,837	21,508,880
Present value of minimum lease receivables		
Within 1 year (inclusive)	8,993,191	7,596,128
1 year to 5 years	10,808,795	10,579,145
Over 5 years	4,536,851	3,333,607
Total	24,338,837	21,508,880

The Group applies general approach on measure ECL on finance lease receivables based on the ECL measurement stated in accounting policy note 4.1(1)(iv). The Group's credit policy and exposure to credit risk on finance lease receivables are disclosed in note 45(a).

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

27. OTHER ASSETS (CONT'D)

(g) Finance lease receivables (Cont'd)

Analysis of finance lease receivables and provision for impairment losses

	2024			Total
	Finance lease receivables that are assessed for expected credit losses over the next 12 months	Finance lease receivables that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired finance lease receivables that are assessed for lifetime expected credit loss	
Total finance lease receivables measured at amortised cost	23,591,357	1,136,666	371,600	25,099,623
Less: Provision for impairment losses	(392,577)	(214,589)	(153,620)	(760,786)
Total carrying amount of finance lease receivables	23,198,780	922,077	217,980	24,338,837

	2023			Total
	Finance lease receivables that are assessed for expected credit losses over the next 12 months	Finance lease receivables that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired finance lease receivables that are assessed for lifetime expected credit loss	
Total finance lease receivables measured at amortised cost	21,035,587	764,402	491,447	22,291,436
Less: Provision for impairment losses	(384,815)	(142,745)	(254,996)	(782,556)
Total carrying amount of finance lease receivables	20,650,772	621,657	236,451	21,508,880

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

27. OTHER ASSETS (CONT'D)

(g) Finance lease receivables (Cont'd)

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

	2024			Total
	Finance lease receivables that are assessed for expected credit losses over the next 12 months	Finance lease receivables that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired finance lease receivables that are assessed for lifetime expected credit loss	
As at January 1	384,815	142,745	254,996	782,556
Transferred:				
– to losses over the next 12 months	117,155	(117,155)	–	–
– to lifetime expected credit losses: not credit-impaired	–	87,800	(87,800)	–
– to lifetime expected credit losses: credit-impaired	–	(4,429)	4,429	–
(Reversal)/charge for the year	(109,393)	105,628	291,294	287,529
Written off and others	–	–	(309,299)	(309,299)
As at December 31	392,577	214,589	153,620	760,786

	2023			Total
	Finance lease receivables that are assessed for expected credit losses over the next 12 months	Finance lease receivables that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired finance lease receivables that are assessed for lifetime expected credit loss	
As at January 1	269,795	136,235	288,799	694,829
Transferred:				
– to lifetime expected credit losses: not credit-impaired	(9,474)	9,474	–	–
– to lifetime expected credit losses: credit-impaired	(6,650)	(15,943)	22,593	–
Charge for the year	131,144	12,979	174,300	318,423
Written off and others	–	–	(230,696)	(230,696)
As at December 31	384,815	142,745	254,996	782,556

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28. PLEDGED ASSETS

(a) Assets pledged as collateral

	2024	2023
For borrowings from the central bank:		
– Financial investments measured at amortised costs	12,523,098	12,443,987
For repurchase agreements:		
– Financial investments measured at amortised costs	13,195,998	11,345,376
– Discounted bills	–	945,825
Total	25,719,096	24,735,188

Financial assets pledged by the Group as collateral for liabilities are mainly debt securities for borrowings from the central bank and debt securities and discounted bills for repurchase agreements.

(b) Pledged assets received

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. See Note 20 for the Group's balance of the financial assets held under resale agreements. The fair value of such collateral accepted by the Group was RMB962.3 million as at December 31, 2024. As at December 31, 2023, no such collateral accepted by the Group. These transactions were conducted under standard terms in the normal course of business.

29. DEPOSITS FROM BANKS

Analysed by type and location of counterparty

	2024	2023
Deposits in mainland China		
– Banks	5,301,436	5,508,945
Sub-total	5,301,436	5,508,945
Interests accrued	12,015	10,039
Total	5,313,451	5,518,984

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30. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2024	2023
Placements in mainland China		
– Banks	25,903,050	22,340,280
– Other financial institutions	1,317,000	–
Sub-total	27,220,050	22,340,280
Interests accrued	250,429	239,261
Total	27,470,479	22,579,541

31. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	2024	2023
In mainland China		
– Banks	12,100,000	11,348,056
Sub-total	12,100,000	11,348,056
Interests accrued	1,725	3,166
Total	12,101,725	11,351,222

(b) Analysed by type of collateral held

	2024	2023
Debt securities	12,100,000	10,400,000
Bank acceptance	–	948,056
Sub-total	12,100,000	11,348,056
Interests accrued	1,725	3,166
Total	12,101,725	11,351,222

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32. DEPOSITS FROM CUSTOMERS

	2024	2023
Demand deposits		
– Corporate customers	57,361,033	48,611,835
– Individual customers	10,572,171	10,611,339
Sub-total	67,933,204	59,223,174
Time deposits		
– Corporate customers	94,022,741	91,295,962
– Individual customers	131,524,186	115,919,664
Sub-total	225,546,927	207,215,626
Inward and outward remittances	9,398	157,375
Interests accrued	8,462,030	7,382,333
Total	301,951,559	273,978,508

33. LEASE LIABILITIES

Nature of leasing activities (in the capacity as lessee)

The Group leases certain properties and motor vehicles in the PRC. Properties and motor vehicles leases comprise only fixed payments over the lease terms.

Right-of-use Assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2024	2023
Properties leased for own use, carried at depreciated cost	464,064	370,691

Lease Liabilities

	Properties	Motor vehicles	Total
Balance as at January 1, 2023	322,850	45	322,895
Additions	141,406	–	141,406
Interest expense	14,815	–	14,815
Lease payments	(129,138)	(45)	(129,183)
Termination of lease during the year	(82)	–	(82)
Balance as at December 31, 2023 and January 1, 2024	349,851	–	349,851
Additions	201,000	–	201,000
Interest expense	18,087	–	18,087
Lease payments	(108,885)	–	(108,885)
Termination of lease during the year	(6,717)	–	(6,717)
Balance as at December 31, 2024	453,336	–	453,336

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33. LEASE LIABILITIES (CONT'D)

Nature of leasing activities (in the capacity as lessee) (cont'd)

Lease Liabilities (cont'd)

Future lease payments due are as follows:

	2024		
	Minimum lease payments	Interest	Present value
Within 1 year	102,353	(14,348)	88,005
1 year to 2 years	86,537	(11,610)	74,927
2 years to 5 years	194,011	(13,854)	180,157
More than 5 years	138,660	(28,413)	110,247
Total	521,561	(68,225)	453,336

	2023		
	Minimum lease payments	Interest	Present value
Within 1 year	87,842	(13,747)	74,095
1 year to 2 years	69,044	(11,621)	57,423
2 years to 5 years	151,796	(20,782)	131,014
More than 5 years	95,155	(7,836)	87,319
Total	403,837	(53,986)	349,851

During the year ended December 31, 2024, lease payments related to short term leases was amounted to RMB1.7 million (2023: RMB14.3 million).

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34. DEBT SECURITIES ISSUED

	Note	2024	2023
Interbank deposits issued	(a)	29,827,752	21,600,077
Tier-two capital debts issued	(b)	5,699,734	5,699,690
Financial bonds issued	(c)	13,999,645	9,999,641
Sub-total		49,527,131	37,299,408
Interests accrued		190,548	146,780
Total		49,717,679	37,446,188

Notes:

(a) Interbank deposits issued

- i. In 2023, the Bank issued a number of certificates of interbank deposits with total nominal amount RMB53,400.0 million and duration between 1 to 12 months. The coupon interest rates ranged from 1.80% to 2.90% per annum.
- ii. In 2024, the Bank issued a number of certificates of interbank deposits with total nominal amount RMB58,000.0 million and duration between 1 to 12 months. The coupon interest rates ranged from 1.70% to 2.55% per annum.
- iii. As at December 31, 2024, the fair value of interbank deposits issued was RMB29,851.3 million (2023: RMB21,601.3 million).

(b) Tier-two capital debts issued

- i. The Bank issued 10-year fixed interest rate tier-two capital debts with face value of RMB3,000.0 million on September 10, 2020. The coupon interest rate per annum is 4.20%.
- ii. The Bank issued 10-year fixed interest rate tier-two capital debts with face value of RMB2,700.0 million on July 29, 2022. The coupon interest rate per annum is 3.80%.
- iii. As at December 31, 2024, the fair value of the tier-two capital debts issued was RMB5,848.9 million (2023: RMB5,763.5 million).

(c) Financial bonds issued

- i. On December 16, 2022, the Bank issued 3-year fixed interest rate small and micro enterprises financial bonds with face value of RMB5,000.0 million. The coupon interest rate per annum is 3.00%.
- ii. On July 14, 2023, the Bank issued 3-year fixed interest rate green financial bonds with face value of RMB5,000.0 million. The coupon interest rate per annum is 2.70%.
- iii. On June 24, 2024, the Bank issued 3-year fixed interest rate small and micro enterprises financial bonds with face value of RMB4,000.0 million. The coupon interest rate per annum is 2.10%.
- iv. As at December 31, 2024, the fair value of the financial bonds issued was RMB14,138.2 million (2023: RMB10,012.6 million).

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35. OTHER LIABILITIES

	Notes	2024	2023
Interest payable	(a)	22,472	11,676
Agency business liabilities		205,652	182,061
Accrued staff costs	(b)	923,750	806,659
Dividend payable		1,804	5,700
Settlement and clearing accounts		252,489	307,405
Output VAT payable		111,773	123,855
Contract liabilities	(c)	4,447	10,797
Provisions	(d)	56,507	66,988
Deposits received		417,187	282,687
Other tax payables		210,179	242,296
Receipt in advances		117,497	160,300
Others		446,349	482,620
Total		2,770,106	2,683,044

(a) Interest payable

	2024	2023
Interest payable arising from:		
Deposits from customers	22,472	11,676
Total	22,472	11,676

As at the end of each of the reporting period, interests on financial instruments based on the effective interest method have been reflected in the balance of corresponding financial instruments.

(b) Accrued staff costs

	2024	2023
Salaries, bonuses and allowances payable	840,869	734,503
Others	82,881	72,156
Total	923,750	806,659

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35. OTHER LIABILITIES (CONT'D)

(c) Contract liabilities

As at December 31, 2024, the aggregated amounts of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB4.4 million (2023: RMB10.8 million). Such amounts represent income expected to be recognised in the future from finance lease services. The Group will recognise the expected income in future as the services are provided. The expected timing of recognising revenue are ranges from one to five years.

(d) Provisions

	2024	2023
Provisions for credit commitments	56,507	66,988

Movements of provisions for credit commitments are as follows:

	2024			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
As at January 1	66,988	–	–	66,988
Reversal for the year	(10,481)	–	–	(10,481)
As at December 31	56,507	–	–	56,507

	2023			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	Total
As at January 1	67,501	–	–	67,501
Reversal for the year	(513)	–	–	(513)
As at December 31	66,988	–	–	66,988

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36. SHARE CAPITAL

Authorised and issued share capital

	2024	2023
Ordinary shares in Mainland China	4,971,197	4,971,197
Ordinary shares listed in Hong Kong (H-share)	1,008,861	1,008,861
Total	5,980,058	5,980,058

All the H shares have been listed on The Stock Exchange of Hong Kong Limited. The H Share rank pari passu in all respects with the existing ordinary shares in Mainland China including the right to receive all dividends and distributions declared or made.

37. RESERVES

(a) Capital reserve

	2024	2023
Share premium	4,933,399	4,933,399
Other capital reserve	(8,264)	(7,939)
Total	4,925,135	4,925,460

(b) Surplus reserve

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

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

The Bank appropriated an amount of RMB183.5 million to the surplus reserve for year ended December 31, 2024 (2023: RMB171.5 million).

The Bank may also appropriate discretionary surplus reserve in accordance with the resolution of the shareholders.

(c) General reserve

Pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis. The balance of the general reserve of the Bank amounted to RMB3,934.3 million as at December 31, 2024 (2023: RMB3,496.2 million).

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37. RESERVES (CONT'D)

(d) Fair value reserve

	2024	2023
As at January 1	211,091	(187,430)
Changes in fair value recognised in other comprehensive income	2,110,711	531,361
Less: deferred tax	(527,678)	(132,840)
As at December 31	1,794,124	211,091

(e) Impairment reserve

	2024	2023
As at January 1	33,822	58,565
Impairment losses recognised in other comprehensive income	(4,683)	(32,991)
Less: deferred tax	1,171	8,248
As at December 31	30,310	33,822

(f) Other equity instrument

On November 28, 2019, the Group issued a perpetual bond of RMB3,000.0 million with no fixed maturity date, resulting in credits to perpetual bonds of RMB2,999.7 million, after deducting the direct issuance cost of RMB0.3 million. In addition, the payment of interest can be indefinitely deferred at the Group's option and is not cumulative. The Group has fully redeemed the perpetual bond on December 2, 2024.

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

On November 20, 2024, the Group issued a perpetual bond of RMB2,900.0 million with no fixed maturity date, resulting in credits to perpetual bonds of RMB2,899.7 million, after deducting the direct issuance cost of RMB0.3 million. In addition, the payment of interest can be indefinitely deferred at the Group's option and is not cumulative.

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

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

During the year ended December 31, 2024, the Group did not cancel the payment of distribution and the corresponding interest of RMB214.8 million was paid to perpetual bondholders accordingly (2023: RMB214.8 million).

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

38. RETAINED EARNINGS

(a) Appropriation of profits

In accordance with the resolution at the Bank's Board of Directors Meeting on March 28, 2025, the proposed profit distribution plan for the year ended December 31, 2024 is as follows:

- Appropriation of statutory surplus reserve based on 10% of the net profit;
- Pursuant to the Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20), appropriation of general reserve amounted to approximately RMB465.6 million; and
- Declaration of cash dividend in an aggregation amount of approximately RMB598.0 million to all existing shareholders.

The profit appropriation resolution mentioned above has yet to be approved by the annual general meeting.

In accordance with the resolution at the Bank's Annual General Meeting held on April 30, 2024, the shareholders approved the following profit appropriations for the year ended December 31, 2023:

- Appropriation of statutory surplus reserve based on 10% of the net profit;
- Pursuant to the Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20), appropriation of general reserve amounted to approximately RMB438.1 million; and
- Declaration of cash dividend in an aggregation amount of approximately RMB598.0 million to shareholders whose names appear on the register of member of the Bank on May 13, 2024. The agreed dividend were distributed in the form of cash to the equity shareholders on May 31, 2024.

In accordance with the resolution at the Bank's Annual General Meeting held on May 30, 2023, the shareholders approved no dividends were distributed to the ordinary shareholders.

As at December 31, 2024, no appropriation of surplus reserve made by subsidiary of the Bank was included in the consolidated retained earnings attributable to equity shareholders of the Bank (2023: nil).

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

38. RETAINED EARNINGS (CONT'D)

(b) Movements in components of equity

Details of the changes in the Bank's individual components of equity for the reporting period are set out below:

	Share Capital	Capital reserve	Surplus reserve	General reserve	Fair value Reserve	Impairment Reserve	Perpetual bonds	Retained earnings	Total
As at January 1, 2024	5,980,058	4,955,195	1,720,576	3,496,162	211,091	33,822	4,099,201	4,669,809	25,165,914
Changes in equity for the year:									
Net profit for the year	-	-	-	-	-	-	-	1,834,023	1,834,023
Other comprehensive income	-	-	-	-	1,583,033	(3,512)	-	-	1,579,521
Total comprehensive income	-	-	-	-	1,583,033	(3,512)	-	1,834,023	3,413,544
Appropriation of Profits									
- Redemption of perpetual bond	-	(325)	-	-	-	-	(2,999,675)	-	(3,000,000)
- Issuance of perpetual bonds	-	-	-	-	-	-	2,899,736	-	2,899,736
- Appropriation to surplus reserve	-	-	183,402	-	-	-	-	(183,402)	-
- Appropriation to general reserve	-	-	-	438,097	-	-	-	(438,097)	-
- Appropriation to shareholder	-	-	-	-	-	-	-	(598,006)	(598,006)
- Appropriation to perpetual bondholders	-	-	-	-	-	-	214,800	(214,800)	-
- Distribution paid to perpetual bondholders	-	-	-	-	-	-	(214,800)	-	(214,800)
As at December 31, 2024	5,980,058	4,954,870	1,903,978	3,934,259	1,794,124	30,310	3,999,262	5,069,527	27,666,388

	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value Reserve	Impairment reserve	Perpetual bonds	Retained earnings	Total
As at January 1, 2023	5,980,058	4,955,195	1,549,088	3,059,835	(187,430)	58,565	4,099,201	3,777,544	23,292,056
Changes in equity for the year:									
Net profit for the year	-	-	-	-	-	-	-	1,714,880	1,714,880
Other comprehensive income	-	-	-	-	398,521	(24,743)	-	-	373,778
Total comprehensive income	-	-	-	-	398,521	(24,743)	-	1,714,880	2,088,558
Appropriation of Profits									
- Appropriation to surplus reserve	-	-	171,488	-	-	-	-	(171,488)	-
- Appropriation to general reserve	-	-	-	436,327	-	-	-	(436,327)	-
- Appropriation to perpetual bondholders	-	-	-	-	-	-	214,800	(214,800)	-
- Distribution paid to perpetual bondholders	-	-	-	-	-	-	(214,800)	-	(214,800)
As at December 31, 2023	5,980,058	4,955,195	1,720,576	3,496,162	211,091	33,822	4,099,201	4,669,809	25,165,914

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

39. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

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

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

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the consolidated statement of financial position in which relevant assets are recognised as at December 31, 2024 and 2023:

	2024		2023	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Financial investments measured at fair value through profit or loss	5,866,905	5,866,905	5,640,906	5,640,906
Financial investments measured at amortised cost	2,895,122	2,895,122	4,552,303	4,552,303
Total	8,762,027	8,762,027	10,193,209	10,193,209

As at December 31, 2024 and 2023, the carrying amounts of the unconsolidated structured entities are equal to the maximum exposures.

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

The types of unconsolidated structured entities sponsored by the Group mainly include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. The Group does not control these structured entities and therefore, these structured entities are not consolidated. These structured entities are financed through the issue of units to investors. The Group earns commission fee by providing management services to the investors of these structured entities. As at December 31, 2024 and 2023, the management fee receivables being recognised are not material in the consolidated statement of financial position.

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

39. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONT'D)

(b) **Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in: (cont'd)**

For the year ended December 31, 2024, the amount of fee and commission income received from the abovementioned structured entities by the Group are RMB378.7 million (2023: RMB404.7 million).

As at December 31, 2024, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products sponsored by the Group is RMB34,695.6 million (2023: RMB35,628.3 million).

(c) **Unconsolidated structure entities sponsored by the Group during the year which the Group does not have an interest in as at December 31, 2024:**

For the year ended December 31, 2024, there was no non-principal guaranteed wealth management products sponsored and issued by the Group after January 1, but matured before December 31 (2023: Nil).

40. STATEMENT OF FINANCIAL POSITION OF THE BANK

	Note	2024	2023
Assets			
Cash and deposits with the central bank		27,352,477	27,274,166
Deposits with banks and other financial institutions		572,145	623,062
Placements with banks		71,844	56,594
Financial assets held under resale agreements		962,276	—
Loans and advances to customers		210,077,028	189,831,570
Financial investments:			
Financial investments measured at fair value through profit or loss		7,535,466	8,100,645
Financial investments measured at fair value through other comprehensive income		82,862,526	55,669,509
Financial investments measured at amortised cost		76,708,865	82,122,784
Investment in a subsidiary	23	1,047,500	1,047,500
Property and equipment		1,517,030	1,030,028
Right-of-use assets		439,571	367,278
Deferred tax assets		2,656,279	2,443,676
Other assets		2,900,865	2,461,580
Total assets		414,703,872	371,028,392

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

40. STATEMENT OF FINANCIAL POSITION OF THE BANK (CONT'D)

	Notes	2024	2023
Liabilities and Equity			
Liabilities			
Borrowings from the central bank		10,409,572	9,836,382
Deposits from banks		5,313,451	5,518,984
Placements from banks and other financial institutions		3,922,952	5,219,986
Financial assets sold under repurchase agreements		12,101,725	11,351,222
Deposits from customers		302,658,619	274,201,304
Income tax payable		367,003	54,469
Debt securities issued		49,717,679	37,446,188
Lease liabilities		428,466	346,586
Other liabilities		2,118,017	1,887,357
Total liabilities		387,037,484	345,862,478
Equity			
Share capital	36	5,980,058	5,980,058
Capital reserve		4,954,870	4,955,195
Surplus reserve	37(b)	1,903,978	1,720,576
General reserve	37(c)	3,934,259	3,496,162
Fair value reserve	37(d)	1,794,124	211,091
Impairment reserve	37(e)	30,310	33,822
Perpetual bonds	37(f)	3,999,262	4,099,201
Retained earnings	38	5,069,527	4,669,809
Total equity		27,666,388	25,165,914
Total liabilities and equity		414,703,872	371,028,392

Approved and authorised for issue by the board of directors on March 28, 2025 and signed on its behalf by

Meng Dongxiao
Chairman

Zhang Wenbin
President

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41. CAPITAL MANAGEMENT

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

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

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

Since January 1, 2024, the Group calculates its capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks" and other relevant regulations issued by the NFRA on November 1, 2023.

The NFRA requires commercial banks to meet the requirements of capital adequacy ratios in accordance with "Regulation Governing Capital of Commercial Banks". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

As the "Regulation Governing Capital of Commercial Banks" was effective from January 1, 2024, the capital adequacy ratios as of December 31, 2024 were calculated in accordance with "Regulation Governing Capital of Commercial Banks" while the capital adequacy ratio as of December 31, 2023 were calculated in accordance with the "Regulation Governing Capital of Commercial Banks (Provisional)" issued by former CBRC on June 7, 2012.

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

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

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

41. CAPITAL MANAGEMENT (CONT'D)

The Group's capital adequacy ratios calculated as follows:

	2024	2023
Total core tier-one capital		
– Share capital	5,980,058	5,980,058
– Qualifying portion of capital reserve	4,925,135	4,925,460
– Surplus reserve	1,903,978	1,720,576
– General reserve	4,144,801	3,690,579
– Other comprehensive income	1,824,434	244,913
– Retained earnings	6,120,445	5,579,161
– Qualifying portions of non-controlling interests	1,032,817	882,242
Core tier-one capital	25,931,668	23,022,989
Core tier-one capital deductions	(447,002)	(395,577)
Net core tier-one capital	25,484,666	22,627,412
Other tier-one capital	4,136,971	4,216,833
Net tier-one capital	29,621,637	26,844,245
Tier-two capital		
– Instruments issued and share premium	5,699,734	5,699,690
– Surplus provision for loan impairment	2,049,050	1,729,643
– Qualifying portions of non-controlling interests	275,418	235,264
Net tier-two capital	8,024,202	7,664,597
Net capital base	37,645,839	34,508,842
Total risk weighted assets	273,670,266	257,975,717
Core tier-one capital adequacy ratio	9.31%	8.77%
Tier-one capital adequacy ratio	10.82%	10.41%
Capital adequacy ratio	13.76%	13.38%

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

42. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Net increase/(decrease) in cash and cash equivalents

	2024	2023
Cash and cash equivalents as at December 31	14,782,432	12,994,610
Less: Cash and cash equivalents as at January 1	(12,994,610)	(17,525,673)
Net increase/(decrease) in cash and cash equivalents	1,787,822	(4,531,063)

(b) Cash and cash equivalents

	2024	2023
Cash on hand	251,520	267,078
Deposits with central bank other than restricted deposits	9,810,816	9,287,076
Deposits with banks and other financial institutions	3,200,469	826,710
Placements with banks	71,884	56,662
Debt investments with maturity of three months or less	1,447,743	2,557,084
Total	14,782,432	12,994,610

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flow as cash flows from financing activities.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

42. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS (CONT'D)

(c) Reconciliation of liabilities arising from financing activities (Cont'd)

	Debt securities Issued (Note 34)	Interest accrued arising from debt securities issued (Note 34)	Lease liabilities (Note 33)	Total
As at January 1, 2023	35,342,948	85,285	322,895	35,751,128
Changes from financing cash flows				
Net proceeds from new debt securities Issued	58,376,460	–	–	58,376,460
Repayment of debt securities issued	(56,420,000)	–	–	(56,420,000)
Interest paid on debt securities issued	–	(993,503)	–	(993,503)
Capital element of lease liabilities paid	–	–	(114,368)	(114,368)
Interest element of lease liabilities paid	–	–	(14,815)	(14,815)
Total changes from financing cash flows	1,956,460	(993,503)	(129,183)	833,774
Interest expense	–	1,054,998	14,815	1,069,813
New lease entered during the year	–	–	141,406	141,406
Termination of lease during the year	–	–	(82)	(82)
Total other changes	–	1,054,998	156,139	1,211,137
As at December 31, 2023 and January 1, 2024	37,299,408	146,780	349,851	37,796,039
Changes from financing cash flows				
Net proceeds from new debt securities issued	61,997,723	–	–	61,997,723
Repayment of debt securities issued	(49,770,000)	–	–	(49,770,000)
Interest paid on debt securities issued	–	(1,116,393)	–	(1,116,393)
Capital element of lease liabilities paid	–	–	(90,798)	(90,798)
Interest element of lease liabilities paid	–	–	(18,087)	(18,087)
Total changes from financing cash flows	12,227,723	(1,116,393)	(108,885)	11,002,445
Interest expense	–	1,160,161	18,087	1,178,248
New lease entered during the year	–	–	201,000	201,000
Termination of lease during the year	–	–	(6,717)	(6,717)
Total other changes	–	1,160,161	212,370	1,372,531
As at December 31, 2024	49,527,131	190,548	453,336	50,171,015

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

43. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Related parties of the Group

i. Major shareholders

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

Shareholdings in the Bank:

	2024	2023
Shandong Hi-Speed Group Co., Ltd (山東高速集團有限公司)	35.56%	35.56%
Weihai Municipal Finance Bureau (威海市財政局)	15.38%	15.38%
Shandong Hi-Speed Company Limited (山東高速股份有限公司)	11.60%	11.60%
Weihai Tian'an Real Estate Development Co., Ltd. (威海天安房地產開發有限公司)	2.75%	2.75%
Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd (山東環球漁具股份有限公司)	1.39%	1.39%
Shandong Homey Aquatic Development Co., Ltd (山東好當家海洋發展股份有限公司)	1.20%	1.20%

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

ii. Subsidiary of the Bank

The detailed information of the Bank's subsidiary is set out in Note 23.

iii. Other related parties

Other related parties can be individuals or enterprises, which include: members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiary) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 43(a) or their controlling shareholders.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

43. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

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

i. Transactions between the Bank and major shareholders:

	2024	2023
Transactions during the year		
Interest income	7,593	7,567
Interest expense	102,899	71,505
Fee and commission income	51	1,675
Balances at end of the year		
Deposits from customers	8,838,166	3,716,011
Financial investments	204,590	205,377

ii. Transactions between the Bank and its subsidiary:

	2024	2023
Transactions during the year		
Interest income	82,721	87,944
Interest expense	15,022	13,907
Rental income	2,080	2,200
Balances at end of the year		
Loans and advances to customers	2,570,744	2,426,896
Deposits from customers	707,060	222,796

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43. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

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

iii. Transactions between the Bank and other related parties:

	2024	2023
Transactions during the year		
Interest income	212,163	376,709
Interest expense	106,076	118,982
Fee and commission income	14,814	16,516
Rental expenses	1,295	1,295
Balances at end of the year		
Loans and advances to customers	3,629,159	5,097,685
Deposits from customers	8,316,430	21,001,802
Financial investments	279,287	306,094
Bank acceptances	97,607	424,384
Letters of guarantees	122,605	141,959
Letters of credit	1,475,000	1,275,000

(c) Key management personnel

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

i. Transactions between the Bank and key management personnel

	2024	2023
Transactions during the year		
Interest income	41	66
Interest expense	328	922
Balances at end of the year		
Loans and advances to customers	1,029	1,482
Deposits from customers	12,147	13,330

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

43. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

(c) Key management personnel (Cont'd)

ii. *Key management personnel compensation*

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

	2024	2023
Key management personnel compensation	21,769	19,168

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

	2024	2023
Aggregate amount of relevant loans outstanding at the end of the year	949	1,482
Maximum aggregate amount of relevant loans outstanding during the year	1,482	1,693

There were no amount due but unpaid at December 31, 2024 and 2023.

Chapter 10 Notes to the Consolidated Financial Statements

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44. SEGMENT REPORTING

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

Corporate banking

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

Retail banking

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

Financial market business

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

Others

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

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

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

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

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

44. SEGMENT REPORTING (CONT'D)

	Corporate banking	Retail banking	2024 Financial market business	Others	Total
Operating income					
External net interest income/(expense)	4,960,574	(1,727,819)	3,767,166	–	6,999,921
Internal net interest income/(expense)	369,700	3,314,628	(3,684,328)	–	–
Net interest income	5,330,274	1,586,809	82,838	–	6,999,921
Net fee and commission income/ (expense)	138,798	104,831	335,282	(4,555)	574,356
Net trading (loss)/gains	(1,636)	–	28,522	–	26,886
Net gains arising from investment securities	–	–	1,356,485	–	1,356,485
Other operating income	350,108	–	–	7,849	357,957
Operating income	5,817,544	1,691,640	1,803,127	3,294	9,315,605
Operating expenses	(1,358,937)	(526,361)	(330,072)	(22,244)	(2,237,614)
Impairment losses on assets	(2,861,610)	(798,815)	(901,557)	(9,618)	(4,571,600)
Profit/(loss) before tax	1,596,997	366,464	571,498	(28,568)	2,506,391
Segment assets	194,077,616	55,532,545	187,949,773	1,037,283	438,597,217
Deferred tax assets	–	–	–	2,866,557	2,866,557
Total assets	194,077,616	55,532,545	187,949,773	3,903,840	441,463,774
Segment liabilities	201,250,457	148,848,845	57,580,603	2,986,402	410,666,307
Total liabilities	201,250,457	148,848,845	57,580,603	2,986,402	410,666,307
Other segment information					
– Depreciation and amortisation	207,492	87,451	52,958	385	348,286
– Capital expenditure	826,577	348,372	210,966	–	1,385,915

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

44. SEGMENT REPORTING (CONT'D)

	Corporate Banking	Retail banking	2023 Financial market business	Others	Total
Operating income					
External net interest income/(expense)	4,230,032	(1,293,023)	3,686,526	–	6,623,535
Internal net interest income/(expense)	517,437	2,953,936	(3,471,373)	–	–
Net interest income	4,747,469	1,660,913	215,153	–	6,623,535
Net fee and commission income/(expense)	182,143	109,831	344,153	(3,446)	632,681
Net trading gains	3,938	–	382,155	–	386,093
Net gains arising from investment securities	–	–	918,594	–	918,594
Other operating income	160,562	–	–	14,014	174,576
Operating income	5,094,112	1,770,744	1,860,055	10,568	8,735,479
Operating expenses	(1,163,319)	(472,854)	(295,440)	(18,728)	(1,950,341)
Impairment losses on assets	(2,778,248)	(723,524)	(935,710)	(55,865)	(4,493,347)
Profit/(loss) before tax	1,152,545	574,366	628,905	(64,025)	2,291,791
Segment assets	171,464,783	57,089,104	159,362,724	1,374,775	389,291,386
Deferred tax assets	–	–	–	2,585,440	2,585,440
Total assets	171,464,783	57,089,104	159,362,724	3,960,215	391,876,826
Segment liabilities	184,626,101	132,151,318	44,821,672	2,269,842	363,868,933
Total liabilities	184,626,101	132,151,318	44,821,672	2,269,842	363,868,933
Other segment information					
– Depreciation and amortisation	148,176	62,451	37,818	665	249,110
– Capital expenditure	1,153,940	486,344	294,519	–	1,934,803

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45. RISK MANAGEMENT

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

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

Risk management system

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

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

(a) Credit risk

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

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

45. RISK MANAGEMENT (CONT'D)

Risk management system (Cont'd)

(a) Credit risk (Cont'd)

Credit business

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

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

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

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

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45. RISK MANAGEMENT (CONT'D)

Risk management system (Cont'd)

(a) Credit risk (Cont'd)

Stages of risks in financial instrument

Stage 1

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

Stage 2

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

Stage 3

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

Significant increase in credit risk

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

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

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

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

The Group has not used the low credit risk exemption for any financial assets in each of the ended of reporting period.

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

45. RISK MANAGEMENT (CONT'D)

Risk management system (Cont'd)

(a) Credit risk (Cont'd)

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

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

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

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

Measurement of expected credit losses ("ECLs")

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

The ECL is the result of the discounted product of probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD"). The definitions of these terms are as follows:

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

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

45. RISK MANAGEMENT (CONT'D)

Risk management system (Cont'd)

(a) Credit risk (Cont'd)

Measurement of ECLs (Cont'd)

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

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

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

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

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

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

45. RISK MANAGEMENT (CONT'D)

Risk management system (Cont'd)

(a) Credit risk (Cont'd)

Measurement of ECLs (Cont'd)

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

As at December 31, 2024 and 2023, there has been no significant changes in the estimate techniques and key assumptions of the Group.

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

- Both the assessment of significant increase in credit risk and the measurement of ECLs involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and ECLs of all asset portfolios, including gross domestic product ("GDP"), consumer price index ("CPI"), Money supply M2 ("M2"), fixed-asset investment etc. The Group identified the relations between these economic indicators and the PD historically by conducting regression analysis, and identified the expected PD by predicting the future economic indicators.
- When judging whether there is significant increase in credit risk, the Group multiplies the lifetime PD at the benchmark and under other scenarios by the weight of the scenarios, and considers the qualitative and maximum indicators. The Group measures relevant provision for loss by the weighted 12-month ECL (for stage 1) or the weighted lifetime ECL (for stage 2 and stage 3). The above weighted credit losses are calculated from multiplying the ECL under the different scenarios by the weight of the corresponding scenarios.
- Similar to other economic forecasts, there is high 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 expected credit losses were not adjusted accordingly. The Group reviews and monitors the appropriateness of the above assumptions on a quarterly basis.

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

45. RISK MANAGEMENT (CONT'D)

Risk management system (Cont'd)

(a) Credit risk (Cont'd)

Measurement of ECLs (Cont'd)

The Group adopts three economic scenarios in the ECL measurement to meet the requirements of IFRS 9. The "Baseline" scenario represents a most likely outcome and the other two scenarios, referred to as "Optimistic" scenario and "Pessimistic" scenario, represent less likely outcomes which are more optimistic or more pessimistic compared to Baseline scenario.

Historical data, economic trend, external forecast from governmental and non-governmental organisation, etc. are also used as benchmarks to ensure the forecasts are reasonable and supportable. For the Optimistic and Pessimistic scenarios, the Group makes reference to the historical macroeconomics data.

The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECLs for each asset portfolio such as the accumulated year-on-year growth rate of GDP, the accumulated year-on-year growth rate of fixed-asset investment, the accumulated year-on-year growth rate of CPI and M2. The Group evaluates and forecasts these economic indicators at least annually and applied them in the impairment model.

The probability weight assigned for each scenario reflects the Group's view for the economic environment, which implements the Group's prudent and consistent credit strategy of ensuring the adequacy of impairment allowance.

A higher probability weight is assigned to the Baseline scenario to reflect the most likely outcome and a lower probability weight is assigned to the Optimistic and Pessimistic scenarios to reflect the less likely outcomes. As at December 31, 2024, the weights assigned to various economic scenarios were: "Baseline" 60%, "Optimistic" 20%, and "Pessimistic" 20% (December 31, 2023: the same).

Key/Major macroeconomic scenario assumptions used by the Group to assess ECL:

Macroeconomic Factor	2024 Range of the factors	2023
GDP: accumulated year-on-year	N/A	4.8%-5.0%
Fixed-asset investment: accumulated year-on-year	3.1%-5.4%	N/A
M2: accumulated year-on-year	N/A	9.5%-10.4%
CPI: accumulated year-on-year	0.0%-1.5%	N/A

The calculation of ECL is affected by macroeconomic factors and economic scenarios. If more pessimistic macroeconomic factors are applied in ECL assessment or a higher probability weight is assigned to the Pessimistic scenario, it would result in an increase in ECL.

As at December 31, 2024, if 5% of the probability weight is shifted from Baseline scenario to Pessimistic scenario, the impairment allowance of loans and advances will increase by 0.68% (2023: increase by 0.13%), and the impairment allowance of debt investments at amortised cost and fair value through other comprehensive income will increase by 0.09% (2023: increase by 0.42%). If 5% of the probability weight is shifted from Baseline scenario to Optimistic scenario, the impairment allowance of loans and advances will decrease by 0.63% (2023: decrease by 0.26%), and the impairment allowance of debt investments at amortised cost and fair value through other comprehensive income will decrease 0.12% (2023: decrease by 0.33%).

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45. RISK MANAGEMENT (CONT'D)

Risk management system (Cont'd)

(a) Credit risk (Cont'd)

Measurement of ECLs (Cont'd)

i. Maximum credit risk exposure

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

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

	2024				
	Loans and advances to customers	Deposits/placements with banks and other financial institutions	Financial assets held under resale agreements	Financial investments (Note i)	Others (Note ii)
Balance of financial assets that are assessed for ECLs over the next 12 Months					
– Overdue but not credit-impaired	377,960	–	–	–	–
– Neither overdue nor credit-impaired	200,619,688	3,280,593	962,397	153,848,187	23,585,953
Sub-total	200,997,648	3,280,593	962,397	153,848,187	23,585,953
Balance of financial assets that are not credit-impaired and assessed for lifetime ECLs					
– Overdue but not credit-impaired	970,599	–	–	–	429,366
– Neither overdue nor credit-impaired	5,283,389	–	–	2,000,000	737,058
Sub-total	6,253,988	–	–	2,000,000	1,166,424
Balance of credit-impaired financial assets that are assessed for lifetime ECLs					
– Overdue and credit-impaired	3,010,162	–	–	1,013,671	371,600
– Credit-impaired but not overdue	69,384	–	–	2,000,000	364,254
Sub-total	3,079,546	–	–	3,013,671	735,854
Interests accrued	1,779,140	94	404	2,774,326	320,741
Less: Provision for impairment losses	(4,604,039)	(4,189)	(525)	(2,349,282)	(1,002,397)
Net value	207,506,283	3,276,498	962,276	159,286,902	24,806,575

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45. RISK MANAGEMENT (CONT'D)

Risk management system (Cont'd)

(a) Credit risk (Cont'd)

Measurement of ECLs (Cont'd)

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

		2023		
	Loans and advances to customers	Deposits/ placements with banks and other financial institutions	Financial investments (Note i)	Others (Note ii)
Balance of financial assets that are assessed for ECLs over the next 12 Months				
– Overdue but not credit-impaired	11,684,895	–	–	22,623
– Neither overdue nor credit-impaired	171,020,444	891,422	130,585,417	21,187,336
Sub-total	182,705,339	891,422	130,585,417	21,209,959
Balance of financial assets that are not credit-impaired and assessed for lifetime ECLs				
– Overdue but not credit-impaired	614,875	–	–	144,740
– Neither overdue nor credit-impaired	3,884,943	–	2,498,751	628,532
Sub-total	4,499,818	–	2,498,751	773,272
Balance of credit-impaired financial assets that are assessed for lifetime ECLs				
– Overdue and credit-impaired	2,627,763	–	2,784,619	634,128
– Credit-impaired but not overdue	132,208	–	850,000	342,047
Sub-total	2,759,971	–	3,634,619	976,175
Interests accrued	1,612,123	85	2,653,548	347,315
Less: Provision for impairment losses	(4,172,577)	(985)	(1,895,702)	(1,003,457)
Net value	187,404,674	890,522	137,476,633	22,303,264

Notes:

- Financial investments include financial investments measured at fair value through other comprehensive income and financial investments measured at amortised cost.
- Others comprise interests receivable, finance lease receivables and other receivables in other assets.
- As at December 31, 2024, the fair value of collaterals held against loans and advances that are not credit-impaired and assessed for lifetime expected credit losses amounted to RMB3,688.6 million (2023: RMB1,199.3 million). The fair value of collaterals held against loans and advances that are assessed for lifetime expected credit losses amounted to RMB5,029.4 million (2023: RMB7,206.6 million). The collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals were estimated by the Bank based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

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45. RISK MANAGEMENT (CONT'D)

Risk management system (Cont'd)

(a) Credit risk (Cont'd)

Measurement of ECLs (Cont'd)

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

Financial assets (exclusive interests accrued) analysed by credit quality

	Balance				2024 Provision for impairment losses				ECL rate
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
Financial assets measured at amortised cost:									
Cash and deposits with the central bank	27,343,367	-	-	27,343,367	-	-	-	-	N/A
Deposits with banks and other financial institutions	3,208,709	-	-	3,208,709	(4,132)	-	-	(4,132)	0.13%
Placements with banks	71,884	-	-	71,884	(57)	-	-	(57)	0.08%
Financial assets held under resale agreements	962,397	-	-	962,397	(525)	-	-	(525)	0.05%
Loans and advances to customers	184,488,237	6,253,988	3,079,546	193,821,771	(1,976,377)	(1,269,529)	(1,343,444)	(4,589,350)	2.37%
Financial investments	72,462,948	2,000,000	3,013,671	77,476,619	(39,581)	(334,318)	(1,897,550)	(2,271,449)	2.93%
Other assets	23,585,953	1,166,424	735,854	25,488,231	(393,069)	(218,943)	(385,048)	(997,060)	3.91%
Total	312,123,495	9,420,412	6,829,071	328,372,978	(2,413,741)	(1,822,790)	(3,626,042)	(7,862,573)	2.39%
Financial assets at fair value through other comprehensive income:									
Loans and advances to customers	16,509,411	-	-	16,509,411	(15,911)	-	-	(15,911)	0.10%
Financial investments	81,385,239	-	-	81,385,239	(24,133)	-	-	(24,133)	0.03%
Total	97,894,650	-	-	97,894,650	(40,044)	-	-	(40,044)	0.04%
Credit commitments	69,898,562	-	-	69,898,562	(56,507)	-	-	(56,507)	0.08%

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

45. RISK MANAGEMENT (CONT'D)

Risk management system (Cont'd)

(a) Credit risk (Cont'd)

Measurement of ECLs (Cont'd)

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

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

	Balance				2023 Provision for impairment losses				ECL rate
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Total
Financial assets measured at amortised cost:									
Cash and deposits with the central bank	27,264,622	-	-	27,264,622	-	-	-	-	N/A
Deposits with banks and other financial institutions	834,760	-	-	834,760	(889)	-	-	(889)	0.11%
Placements with banks	56,662	-	-	56,662	(96)	-	-	(96)	0.17%
Loans and advances to customers	171,844,057	4,499,818	2,759,971	179,103,846	(1,972,541)	(938,560)	(1,245,628)	(4,156,729)	2.32%
Financial investments	76,204,071	2,498,751	3,634,619	82,337,441	(79,497)	(197,169)	(1,580,348)	(1,857,014)	2.26%
Other assets	21,209,959	773,272	976,175	22,959,406	(387,307)	(142,943)	(473,207)	(1,003,457)	4.37%
Total	297,414,131	7,771,841	7,370,765	312,556,737	(2,440,330)	(1,278,672)	(3,299,183)	(7,018,185)	2.25%
Financial assets at fair value through other comprehensive income:									
Loans and advances to customers	10,861,282	-	-	10,861,282	(25,927)	-	-	(25,927)	0.24%
Financial investments	54,381,346	-	-	54,381,346	(19,169)	-	-	(19,169)	0.04%
Total	65,242,628	-	-	65,242,628	(45,096)	-	-	(45,096)	0.07%
Credit commitments	62,179,193	-	-	62,179,193	(66,988)	-	-	(66,988)	0.11%

Chapter 10 Notes to the Consolidated Financial Statements

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45. RISK MANAGEMENT (CONT'D)

Risk management system (Cont'd)

(a) Credit risk (Cont'd)

Measurement of ECLs (Cont'd)

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

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

	2024			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	0.77%	19.35%	53.10%	2.39%
Financial assets measured at fair value through other comprehensive income	0.04%	N/A	N/A	0.04%
Credit commitments	0.08%	N/A	N/A	0.08%

	2023			
	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost	0.82%	16.45%	44.76%	2.25%
Financial assets measured at fair value through other comprehensive income	0.07%	N/A	N/A	0.07%
Credit commitments	0.11%	N/A	N/A	0.11%

iii. Rescheduled loans and advances to customers

Rescheduled loans and advances to customers refer to the loans that the Group adjust the repayment terms of the loan contract due to the deterioration of the borrower's financial condition or inability to repay. As at December 31, 2024, the Group has rescheduled loans and advances to customers amounted to RMB2,471.4 million (December 31, 2023: RMB1,109.9 million).

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45. RISK MANAGEMENT (CONT'D)

Risk management system (Cont'd)

(a) Credit risk (Cont'd)

Measurement of ECLs (Cont'd)

iv. Credit rating

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

	2024	2023
Neither overdue nor impaired		
Ratings		
– AAA	55,282,966	39,205,876
– AA – to AA+	19,449,319	24,580,469
– below AA–	1,589,432	1,838,723
Sub-total	76,321,717	65,625,068
Unrated	71,177,917	63,033,810
Total	147,499,634	128,658,878

(b) Market risk

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

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

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

Interest rate risk

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

Repricing risk

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

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

45. RISK MANAGEMENT (CONT'D)

Risk management system (Cont'd)

(b) Market risk (Cont'd)

Trading interest rate risk

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

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

	2024					
	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 the central bank	27,352,477	348,975	27,003,502	-	-	-
Deposits with banks and other financial institutions	3,204,654	77	3,204,577	-	-	-
Placements with banks	71,844	17	71,827	-	-	-
Financial assets held under resale agreements	962,276	404	961,872	-	-	-
Loans and advances to customers (Note (i))	207,506,283	3,264,999	33,099,664	69,688,742	66,661,387	34,791,491
Financial investments (Note (ii))	167,137,404	9,528,341	4,611,147	12,146,626	41,421,698	99,429,592
Other assets	35,228,836	11,210,740	2,627,041	6,045,409	10,808,795	4,536,851
Total assets	441,463,774	24,353,553	71,579,630	87,880,777	118,891,880	138,757,934
Liabilities						
Borrowings from the central bank	10,409,572	5,362	2,444,919	7,959,291	-	-
Deposits from banks	5,313,451	12,015	5,296,903	4,533	-	-
Placements from banks and other financial institutions	27,470,479	250,429	7,246,840	19,317,210	656,000	-
Financial assets sold under repurchase agreements	12,101,725	1,725	12,100,000	-	-	-
Deposits from customers	301,951,559	76,367,215	42,271,063	73,236,099	110,077,182	-
Debt securities issued	49,717,679	190,548	10,957,867	23,869,853	8,999,677	5,699,734
Other liabilities	3,701,842	2,619,194	91,696	204,107	424,202	362,643
Total liabilities	410,666,307	79,446,488	80,409,288	124,591,093	120,157,061	6,062,377
Asset-liability gap	30,797,467	(55,092,935)	(8,829,568)	(36,710,316)	(1,265,181)	132,695,557

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

45. RISK MANAGEMENT (CONT'D)

Risk management system (Cont'd)

(b) Market risk (Cont'd)

Trading interest rate risk (Cont'd)

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

	2023					
	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 the central bank	27,274,166	379,138	26,895,028	–	–	–
Deposits with banks and other financial institutions	833,928	57	833,871	–	–	–
Placements with banks	56,594	28	56,566	–	–	–
Loans and advances to customers (Note (i))	187,404,674	2,708,208	28,597,772	63,350,726	56,654,229	36,093,739
Financial investments (Note (ii))	145,892,938	3,018,337	14,966,874	5,966,790	40,397,693	81,543,244
Other assets	30,414,526	8,893,057	2,045,784	5,280,291	10,775,260	3,420,134
Total assets	391,876,826	14,998,825	73,395,895	74,597,807	107,827,182	121,057,117
Liabilities						
Borrowings from the central bank	9,836,382	5,671	2,632,865	7,197,846	–	–
Deposits from banks	5,518,984	10,039	2,358,945	3,150,000	–	–
Placements from banks and other financial institutions	22,579,541	239,261	7,584,096	13,868,184	888,000	–
Financial assets sold under repurchase agreements	11,351,222	3,166	11,348,056	–	–	–
Deposits from customers	273,978,508	66,710,828	21,449,965	83,807,490	102,010,225	–
Debt securities issued	37,446,188	146,780	6,918,990	14,681,087	9,999,641	5,699,690
Others liabilities	3,158,108	2,354,471	31,691	209,761	328,566	233,619
Total liabilities	363,868,933	69,470,216	52,324,608	122,914,368	113,226,432	5,933,309
Asset-liability gap	28,007,893	(54,471,391)	21,071,287	(48,316,561)	(5,399,250)	115,123,808

Notes:

- As at December 31, 2024, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB884.6 million (2023: RMB1,507.6 million).
- Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income and financial investments measured at amortised cost.

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

45. RISK MANAGEMENT (CONT'D)

Risk management system (Cont'd)

(b) Market risk (Cont'd)

Trading interest rate risk (Cont'd)

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. The following table sets forth the results of the Group's interest rate sensitivity analysis on net profit and equity with an assumption that all other variables held constant.

	2024	2023
Change in net profit		
Up 100 bps parallel shift in yield curves	240,579	166,249
Down 100 bps parallel shift in yield curves	(240,579)	(166,249)

	2024	2023
Change in equity		
Up 100 bps parallel shift in yield curves	74,631	209,875
Down 100 bps parallel shift in yield curves	(74,631)	(209,875)

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period.

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

45. RISK MANAGEMENT (CONT'D)

Risk management system (Cont'd)

(b) Market risk (Cont'd)

Trading interest rate risk (Cont'd)

(ii) Interest rate sensitivity analysis (Cont'd)

The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of each of the reporting period apply to non-derivative financial instruments of the Group;
- At the end of each of the reporting period, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

Foreign currency risk

The majority of the business of the Group is related to RMB, as well as a small amount of business related to US dollar and other foreign currencies.

The changes in exchange rates will affect the financial position and cash flow of the Group. Due to the small amount of foreign currency business of the Group, the effect of foreign currency risk on the Group would be immaterial. The major principle of the Group's control on foreign currency risk is to achieve matching of assets and liabilities in each currency and to conduct daily monitoring on currency exposure.

The Group adopts sensitivity analysis to measure the possible effects of changes in exchange rates on net gains and losses and interests of the Group. As the foreign currency assets and liabilities account for an immaterial part of the total assets and total liabilities of the Group, the effect of changes in exchange rates on net gains and losses and interests of the Group would be immaterial.

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

45. RISK MANAGEMENT (CONT'D)

Risk management system (Cont'd)

(b) Market risk (Cont'd)

Foreign currency risk (Cont'd)

The currency exposures as at the end of each of the reporting period are as follows:

	2024			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	27,179,826	172,651	–	27,352,477
Deposits with banks and other financial institutions	2,963,439	190,635	50,580	3,204,654
Placements with banks	–	71,844	–	71,844
Financial assets held under resale agreements	962,276	–	–	962,276
Loans and advances to customers	207,445,687	60,596	–	207,506,283
Financial investments (Note (i))	164,790,373	2,347,031	–	167,137,404
Other assets	35,224,576	1	4,259	35,228,836
Total assets	438,566,177	2,842,758	54,839	441,463,774
Liabilities				
Borrowings from the central bank	10,409,572	–	–	10,409,572
Deposits from banks	5,025,570	287,881	–	5,313,451
Placements from banks and other financial institutions	26,749,703	720,776	–	27,470,479
Financial assets sold under repurchase agreements	12,101,725	–	–	12,101,725
Deposits from customers	299,846,599	2,072,439	32,521	301,951,559
Debt securities issued	49,717,679	–	–	49,717,679
Other liabilities	3,535,943	165,636	263	3,701,842
Total liabilities	407,386,791	3,246,732	32,784	410,666,307
Net position	31,179,386	(403,974)	22,055	30,797,467
Off-balance sheet credit commitments	69,574,745	323,111	736	69,898,592

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

45. RISK MANAGEMENT (CONT'D)

Risk management system (Cont'd)

(b) Market risk (Cont'd)

Foreign currency risk (Cont'd)

	RMB	2023		Total (RMB Equivalent)
		USD (RMB Equivalent)	Others (RMB Equivalent)	
Assets				
Cash and deposits with the central bank	27,098,710	175,456	–	27,274,166
Deposits with banks and other financial institutions	492,430	315,665	25,833	833,928
Placements with banks	–	56,594	–	56,594
Loans and advances to customers	187,257,905	146,769	–	187,404,674
Financial investments (Note (i))	143,611,744	2,281,194	–	145,892,938
Other assets	30,406,188	–	8,338	30,414,526
Total assets	388,866,977	2,975,678	34,171	391,876,826
Liabilities				
Borrowings from the central bank	9,836,382	–	–	9,836,382
Deposits from banks and other financial institutions	5,161,994	356,990	–	5,518,984
Placements from banks and other financial institutions	21,862,893	716,648	–	22,579,541
Financial assets sold under repurchase agreements	11,351,222	–	–	11,351,222
Deposits from customers	271,901,683	2,069,708	7,117	273,978,508
Debt securities issued	37,446,188	–	–	37,446,188
Other liabilities	2,995,672	162,420	16	3,158,108
Total liabilities	360,556,034	3,305,766	7,133	363,868,933
Net position	28,310,943	(330,088)	27,038	28,007,893
Off-balance sheet credit commitments	62,124,293	54,900	–	62,179,193

Note:

- (i) Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income and financial investments measured at amortised cost.

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45. RISK MANAGEMENT (CONT'D)

Risk management system (Cont'd)

(c) *Liquidity risk*

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet repayment obligations.

The Group plays an active part in managing liquidity risks and improves related management system in terms of organisation, institution, system, management and mechanism. The organisational structure of the Group's liquidity risk management consists of the Board of Directors, senior management and its Risk Management Committee and Asset and Liability Management Committee, Risk Management Department, Financial Planning Department, Corporate Banking Department, Retail Banking Department, Department of Credit Approval, Department of Financial Market, Information Technology and Audit Department, responsible for formulating liquidity risk management strategy and establishing internal control mechanism to support the implementation and supervision of liquidity risk management strategy.

The measurement of liquidity risk of the Group adopts liquidity indicator and cash flow gap calculation. By stress testing, the Group sets up mild, moderate and severe scenarios to examine the capacity to withstand liquidity or liquidity crises and improve liquidity contingency measures. In terms of response to liquidity risks, the Group: strengthens management and monitoring of liquidity limits; establishes related liquidity emergency leading groups, early-warning indicators for internal and external liquidity risks and indicators that could trigger contingency plans and monitors these indicators; builds up quality liquidity assets reserve and financing capability management; erects liquidity risk reporting mechanism, in which the Financial Planning Department reports to the Asset and Liability Management Committee, senior management and the Board of Directors on issues related to the status, stress testing and contingency plans of liquidity risks on a regular basis.

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For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

45. RISK MANAGEMENT (CONT'D)

Risk management system (Cont'd)

(c) Liquidity risk (Cont'd)

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

	Indefinite Note (i)	Repayable on demand	Within one month	2024				Total
				Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	17,192,686	10,062,336	201	9,261	87,993	-	-	27,352,477
Deposits with banks and other financial institutions	8,240	3,196,337	-	77	-	-	-	3,204,654
Placements with banks	-	-	71,844	-	-	-	-	71,844
Financial assets held under resale agreements	-	-	962,276	-	-	-	-	962,276
Loans and advances to customers	2,192,293	662,916	12,719,237	20,612,849	70,557,066	65,980,222	34,781,700	207,506,283
Financial investments	6,733,992	-	449,132	5,400,332	13,702,655	41,421,698	99,429,595	167,137,404
Others	10,998,407	446,692	1,078,850	1,297,242	6,061,999	10,808,795	4,536,851	35,228,836
Total assets	37,125,618	14,368,281	15,281,540	27,319,761	90,409,713	118,210,715	138,748,146	441,463,774
Liabilities								
Borrowings from the central bank	-	-	1,181,231	1,264,938	7,963,403	-	-	10,409,572
Deposits from banks	-	3,900	1,101,346	2,715,593	1,492,612	-	-	5,313,451
Placements from banks and other financial institutions	-	-	10,365,001	4,312,131	12,627,680	165,667	-	27,470,479
Financial assets sold under repurchase agreements	-	-	12,101,725	-	-	-	-	12,101,725
Deposits from customers	-	67,915,157	14,873,969	28,691,385	75,958,177	114,512,871	-	301,951,559
Debt securities issued	-	-	2,867,198	8,090,669	24,060,401	8,999,677	5,699,734	49,717,679
Others	-	2,614,304	43,270	53,316	204,107	424,202	362,643	3,701,842
Total liabilities	-	70,533,361	42,533,740	45,128,032	122,306,380	124,102,417	6,062,377	410,666,307
Net position	37,125,618	(56,165,080)	(27,252,200)	(17,808,271)	(31,896,667)	(5,891,702)	132,685,769	30,797,467

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45. RISK MANAGEMENT (CONT'D)

Risk management system (Cont'd)

(c) Liquidity risk (Cont'd)

	Indefinite Note (f)	Repayable on demand	Within one month	2023				Total
				Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	17,608,020	9,554,154	–	10,075	101,917	–	–	27,274,166
Deposits with banks and other financial institutions	8,049	825,822	–	57	–	–	–	833,928
Placements with banks	–	–	56,594	–	–	–	–	56,594
Loans and advances to customers	1,771,161	850,815	8,301,774	19,863,428	56,894,201	63,627,654	36,095,641	187,404,674
Financial investments	950,107	–	11,539,663	3,041,790	6,068,457	41,508,292	82,784,629	145,892,938
Others	5,575,916	3,497,120	919,822	1,289,874	5,217,650	10,580,203	3,333,941	30,414,526
Total assets	25,913,253	14,727,911	20,817,853	24,205,224	68,282,225	115,716,149	122,214,211	391,876,826
Liabilities								
Borrowings from the central bank	–	–	659,198	1,974,942	7,202,242	–	–	9,836,382
Deposits from banks	–	4,811	2,002,984	356,990	3,154,199	–	–	5,518,984
Placements from banks and other financial institutions	–	–	3,561,290	8,865,590	9,261,985	890,676	–	22,579,541
Financial assets sold under repurchase agreements	–	–	11,351,222	–	–	–	–	11,351,222
Deposits from customers	–	59,427,297	21,803,577	23,025,673	63,595,220	106,126,741	–	273,978,508
Debt securities issued	–	–	2,486,646	4,432,344	14,827,867	9,999,641	5,699,690	37,446,188
Others	–	2,525,569	28,159	3,492	49,316	317,953	233,619	3,158,108
Total liabilities	–	61,957,677	41,893,076	38,659,031	98,090,829	117,335,011	5,933,309	363,868,933
Net position	25,913,253	(47,229,766)	(21,075,223)	(14,453,807)	(29,808,604)	(1,618,862)	116,280,902	28,007,893

Note:

- (i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of financial investments represents impaired financial investments or those overdue more than one month. Equity investments are listed in the category of indefinite.

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45. RISK MANAGEMENT (CONT'D)

Risk management system (Cont'd)

(c) Liquidity risk (Cont'd)

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

	2024							
	Carrying amount	Contractual undiscounted cash flow	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
Non-derivative financial liabilities								
Borrowings from the central bank	10,409,572	10,579,479	28,401	1,200,100	1,283,961	8,067,017	-	-
Deposits from banks	5,313,451	5,326,429	3,900	2,883,962	2,050,380	388,187	-	-
Placements from banks and other financial institutions	27,470,479	27,879,604	-	3,003,352	4,619,333	19,517,993	738,926	-
Financial assets sold under repurchase agreements	12,101,725	12,102,753	-	12,102,753	-	-	-	-
Deposits from customers	301,951,559	307,010,302	67,915,157	14,883,737	28,824,756	76,637,476	118,749,176	-
Debt securities issued	49,717,679	52,025,489	-	2,870,157	8,120,630	24,682,724	10,446,137	5,905,841
Other financial liabilities	2,062,153	2,127,681	979,505	41,331	50,942	215,181	449,666	391,056
Total non-derivative financial liabilities	409,026,618	417,051,737	68,926,963	36,985,392	44,950,002	129,508,578	130,383,905	6,296,897

	2023							
	Carrying amount	Contractual undiscounted cash flow	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
Non-derivative financial liabilities								
Borrowings from the central bank	9,836,382	10,017,724	-	668,963	2,007,137	7,341,624	-	-
Deposits from banks	5,518,984	5,599,968	4,811	2,004,900	360,416	3,229,841	-	-
Placements from banks and other financial institutions	22,579,541	22,984,574	-	3,571,436	8,980,707	9,479,351	953,080	-
Financial assets sold under repurchase agreements	11,351,222	11,356,590	-	11,356,590	-	-	-	-
Deposits from customers	273,978,508	278,237,603	59,427,297	21,919,554	22,405,087	64,081,276	110,404,389	-
Debt securities issued	37,446,188	40,463,808	-	2,506,860	4,533,906	15,725,952	11,334,512	6,362,578
Other financial liabilities	1,948,132	2,002,118	1,315,594	28,684	6,031	59,998	350,357	241,454
Total non-derivative financial liabilities	362,658,957	370,662,385	60,747,702	42,056,987	38,293,284	99,918,042	123,042,338	6,604,032

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

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45. RISK MANAGEMENT (CONT'D)

Risk management system (Cont'd)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group has specified issues of operational risks, including its manifestation, management mode, reporting procedure, reporting cycle and statistics of loss and improved comprehensive risk management system, with major initiatives as follows:

- Establishment of operational risk management system in a crisscrossing manner. On the one hand, the Group establishes an operational risk management framework that is compatible with its nature, scale, complexity and risk characteristics, including the operational risk management mechanism that involves its board of directors, board of supervisors, senior management, head office and branches. On the other hand, a three-tier risk prevention system for the front office, middle office and back office has been established for every major risk faced by the Group.
- Formation of business philosophy of compliance and robustness. The Group fosters favourable control environment, including constant advances and promotion in operational risk culture by the board of directors and senior management.
- Preference to low operational risk under the framework of 'robust' risk preference. By conducting controls on operational risk including identification, measurement, resolution, monitoring and reporting, the Group establishes mechanisms for risk avoidance, loss prediction, prevention, control, reduction, financing to control operational risk within the carrying capacity of the Group and maximise its profits.
- Prevention of operational risks based on the means of inspection and supervision. All departments and branches of the head office actively perform their duties of supervision and management, conduct routine and special inspections on operational risks in major businesses, establish ledger of all problems identified for rectification and check-off. Based on the inspection by departments, the internal audit department fully uses the off-site audit system, business risk early-warning system and remote monitoring system to detect violations and pay constant attention to risk-prone problems to prevent operational risks. In the meantime, inspections and investigations are exercised on key businesses, key institutions and key personnel to prevent operational risks.
- Combination of punishment and incentives to encourage compliance and standard operations. Integral management will be implemented on personnel violating operational standards for strict ascertainment of responsibility; employees are encouraged to spontaneously disclose and actively report operational risks; internal management, compliance operation, inspection and supervision and swindle prevention and control of the head office and branches shall be quantitatively assessed for penalty points; innovative implementation of compliance and internal control management of institutions shall be assessed for bonus points.
- Substantive achievements in carrying out system training and improving staff operation skills have been effective in preventing operational risks for the Group.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

46. FAIR VALUE

(a) Methods and assumptions for measurement of fair value

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

(i) *Debt securities and equity investments*

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

(ii) *Receivables and other non-derivative financial assets*

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

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

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

(b) Fair value measurement

(i) *Financial assets*

The Group's financial assets mainly consist of cash and deposits with the central bank, deposits with banks and other financial institutions, placements with banks, financial assets held under resale agreement, loans and advances to customers, and financial investments.

Deposits with the central bank, deposits with banks and other financial institutions, placements with banks and financial assets held under resale agreements are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

Financial investments measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss are stated at fair value. Financial investments measured at amortised cost are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently.

(ii) *Financial liabilities*

The Group's financial liabilities mainly include borrowings from the central bank, deposits from banks, placements from banks and other financial institutions, financial assets sold under repurchase agreements, deposits from customers and debt securities issued.

The book value and fair value of debt securities issued is presented in Note 34. The carrying amounts of other financial liabilities approximate their fair value.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

46. FAIR VALUE (CONT'D)

(c) Fair value hierarchy

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and exchange rate. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

46. FAIR VALUE (CONT'D)

(c) Fair value hierarchy (Cont'd)

	2024			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements				
Assets				
Financial investments measured at fair value through profit or loss				
– debt securities	–	1,428,857	–	1,428,857
– equity investments	239,704	–	–	239,704
– investment funds	–	4,919,881	–	4,919,881
– investment management products	–	–	947,024	947,024
Financial investments measured at fair value through other comprehensive income				
– debt securities	–	75,608,024	–	75,608,024
– equity investments	–	–	315,036	315,036
– assets-backed securities	–	478,234	–	478,234
– interbank deposits	–	6,461,232	–	6,461,232
Loans and advances to customers measured at fair value through other comprehensive income				
– discounted bills	–	16,509,411	–	16,509,411
Total	239,704	105,405,639	1,262,060	106,907,403

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

46. FAIR VALUE (CONT'D)

(c) Fair value hierarchy (Cont'd)

	2023			
	Level 1	Level 2	Level 3	Total
Recurring fair value measurements				
Assets				
Financial investments measured at fair value through profit or loss				
– debt securities	–	1,839,453	–	1,839,453
– equity investments	206,587	–	–	206,587
– investment funds	–	4,916,188	–	4,916,188
– assets-backed securities	–	413,699	–	413,699
– investment management products	–	–	724,718	724,718
Financial investments measured at fair value through other comprehensive income				
– debt securities	–	52,542,697	–	52,542,697
– equity investments	–	–	315,660	315,660
– assets-backed securities	–	179,398	–	179,398
– interbank deposits	–	2,631,754	–	2,631,754
Loans and advances to customers measured at fair value through other comprehensive income				
– discounted bills	–	10,861,282	–	10,861,282
Total	206,587	73,384,471	1,040,378	74,631,436

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

46. FAIR VALUE (CONT'D)

(c) Fair value hierarchy (Cont'd)

The movement during the year ended December 31, 2024 in the balance of Level 3 fair value measurements is as follows:

	January 1, 2024	Transfer into Level 3	Transfer out of Level 3	Total gains or losses		Purchases, issues, sales and settlements				December 31, 2024	Unrealised gains or losses for the year included in profit or loss for assets held at the end of the year
				Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales	Settlements		
Assets											
Financial investments measured at fair value through profit or loss – investment management products	724,718	-	-	(123,897)	-	370,096	-	-	(23,893)	947,024	(123,897)
Financial investments measured at fair value through other comprehensive income – equity investments	315,660	-	-	-	(624)	-	-	-	-	315,036	-
Total	1,040,378	-	-	(123,897)	(624)	370,096	-	-	(23,893)	1,262,060	(123,897)

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

46. FAIR VALUE (CONT'D)

(c) Fair value hierarchy (Cont'd)

The movement during the year ended December 31, 2023 in the balance of Level 3 fair value measurements is as follows:

	January 1, 2023	Transfer into Level 3	Transfer out of Level 3	Total gains or losses		Purchases, issues, sales and settlements				December 31, 2023	Unrealised gains or losses for the year included in profit or loss for assets held at the end of the year
				Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales	Settlements		
Assets											
Financial investments measured at fair value through profit or loss - investment management products	789,813	-	-	12,341	-	33,478	-	-	(110,914)	724,718	5,769
Financial investments measured at fair value through other comprehensive income - equity investments	312,613	-	-	-	3,047	-	-	-	-	315,660	-
Total	1,102,426	-	-	12,341	3,047	33,478	-	-	(110,914)	1,040,378	5,769

During each of the years ended December 31, 2024 and 2023, there were no significant transfers among instruments in Level 1, Level 2 and Level 3 of the Group.

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements categorised are within Level 3.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

46. FAIR VALUE (CONT'D)

(c) Fair value hierarchy (Cont'd)

Quantitative information of Level 3 fair value measurement is as below:

Fair value as at December 31, 2024				Valuation techniques	Unobservable input
Financial investments measured at fair value through profit or loss					
– investment management products		947,024	Discounted cash flow	Risk-adjusted discount rate, cash flow	
Financial investments measured at fair value through other comprehensive income					
– equity investments		315,036	Discounted cash flow	Risk-adjusted discount rate, cash flow	

Fair value as at December 31, 2023				Valuation techniques	Unobservable input
Financial investments measured at fair value through profit or loss					
– investment management products		724,718	Discounted cash flow	Risk-adjusted discount rate, cash flow	
Financial investments measured at fair value through other comprehensive income					
– equity investments		315,660	Discounted cash flow	Risk-adjusted discount rate, cash flow	

During the years ended December 31, 2024 and 2023, there were no significant change in the valuation techniques.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

46. FAIR VALUE (CONT'D)

(c) Fair value hierarchy (Cont'd)

As at December 31, 2024 and 2023, unobservable inputs such as risk-adjusted discount rate and cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly equity investments and investment management products. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

The sensitivity analysis of the fair value on changes in unobservable inputs for Level 3 financial instruments measured at fair value on an ongoing basis is set out as below.

The fair value of financial instruments is, in certain circumstances, measured using valuation models which incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair value due to parallel movement of plus or minus 1 percent of change in fair value to reasonably possible alternative assumptions.

	2024			
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
Financial assets measured at fair value through profit or loss				
– investment management products	7,103	(7,103)	–	–
Financial investments measured at fair value through other comprehensive income				
– equity investments	–	–	2,363	(2,363)

	2023			
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
Financial assets measured at fair value through profit or loss				
– investment management products	5,435	(5,435)	–	–
Financial investments measured at fair value through other comprehensive income				
– equity investments	–	–	2,367	(2,367)

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

47. TRANSACTIONS ON BEHALF OF CUSTOMERS

(a) Entrusted lending business

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group only acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the consolidated statements of financial position. Surplus funding is accounted for as deposits from customers.

	2024	2023
Entrusted loans	5,330,068	10,182,876
Entrusted funds	5,330,068	10,182,876

(b) Wealth management services

The Group's wealth management services to customers mainly represent sales of wealth management products to corporate and personal banking customers. The funds obtained from wealth management services are invested in investment products, including bonds and funds, and entrusted loans. The Group initiated the launch of wealth management products. The investment risk associated with these products is borne by the customers who invest in these products. The Group does not consolidate these wealth management products. The Group earns commission which represents the charges on customers in relation to sales and management services. The wealth management products and funds obtained are not assets and liabilities of the Group and are not recognised in the consolidated statement of financial position. At the end of each reporting period, funds received from customers under unconsolidated non-principal-guaranteed wealth management services were as follows:

	2024	2023
Funds received from customers under wealth management services	33,672,852	34,865,506

48. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

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

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

Chapter 10 Notes to the Consolidated Financial Statements

For the year ended December 31, 2024 (Expressed in thousands of Renminbi, unless otherwise stated)

48. COMMITMENTS AND CONTINGENT LIABILITIES (CONT'D)

(a) Credit commitments (Cont'd)

	2024	2023
Acceptances	51,663,171	46,727,268
Letters of credit	13,022,682	10,903,720
Letters of guarantees	2,571,779	2,115,696
Credit card commitments	2,640,959	2,432,509
Total	69,898,591	62,179,193

The Group may be exposed to credit risk in all the above credit businesses. Group Management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

(b) Credit risk-weighted amount for credit commitments

	2024	2023
Credit risk-weighted amounts	7,466,170	8,734,510

The credit risk-weighted amount for credit commitments represents the amount calculated with reference to the guidelines issued by the NFRA.

(c) Capital commitments

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

	2024	2023
Property and equipment – Contracted but not paid for	49,186	24,894
Intangible assets – Contracted but not paid for	55,456	93,738
Total	104,642	118,632

(d) Outstanding litigations and disputes

As at December 31, 2024 and 2023, the Group had not identified any outstanding litigations and disputes which the Group as defendant with an estimated gross amount larger than RMB10 million. The Group has assessed the impact of the above outstanding litigation and disputes that may lead to an outflow of economic benefits. According to the opinion of the Group's internal lawyers, it is unlikely for the Group to receive unfavorable ruling in these cases. Therefore, the Group has not recognised the litigation provision at the reporting date. Directors of the Bank are of the view that these litigations will not have any material adverse effect on the Group's business, financial condition, results of operations or prospects.

CHAPTER 11 UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

The Bank discloses the unaudited supplementary financial information in accordance with the Listing Rules and the Banking (Disclosure) Rules as follows:

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

1.1 Liquidity coverage ratio

Unit: RMB'000

	December 31, 2024	December 31, 2023
Qualified and quality liquidity assets	117,600,579	97,911,424
Amount of net cash outflows in the next 30 days	44,485,717	34,994,706
Liquidity coverage ratio	264.36%	279.79%

According to the Administrative Measures on the Liquidity Risk Management of Commercial Banks (《商業銀行流動性風險管理辦法》), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018.

1.2 Leverage ratio

	December 31, 2024	December 31, 2023
Leverage ratio	5.93%	6.03%

Pursuant to the Administrative Measures on the Leverage Ratio Management of Commercial Banks (《商業銀行槓桿率管理辦法》) issued by the former China Banking Regulatory Commission and effective since April 1, 2015, a minimum leverage ratio of 4% is required for commercial banks.

The following table sets forth the relevant accounting items corresponding to the regulatory leverage ratio items and the differences between the regulatory items and accounting items.

Unit: RMB'000

	December 31, 2024	December 31, 2023
1 Consolidated total assets	441,463,774	391,876,826
2 Consolidated adjustments	—	—
3 Adjustments for client assets	—	—
4 Adjustments for derivatives	2,227	53,785
5 Adjustments for securities finance transactions	—	—
6 Adjustments for off-balance sheet items	58,535,029	53,363,024
7 Other adjustments	(447,002)	(395,577)
8 Balance of on- and off-balance sheet assets after adjustments	499,554,028	444,898,058

Chapter 11 Unaudited Supplementary Financial Information

1. LIQUIDITY COVERAGE RATIO, LEVERAGE RATIO AND NET STABLE FUNDING RATIO (CONT'D)

1.2 Leverage ratio (Cont'd)

The following table sets forth information on the Bank's leverage ratio, net tier-one capital, on – and off-balance sheet assets after adjustments and relevant breakdown.

Unit: RMB'000

No.	Item	December 31, 2024	December 31, 2023
1	On-balance sheet assets (excluding derivatives and securities finance transactions)	448,426,028	398,288,089
2	Less: Impairment allowances	(7,977,561)	(6,459,249)
3	Less: Tier-one capital deductions	(447,002)	(395,577)
4	Balance of on-balance sheet assets after adjustments (excluding derivatives and securities finance transactions)	440,001,465	391,433,263
5	Replacement cost of various derivatives (net of qualified security deposits)	37,477	26,626
6	Potential risk exposure of various derivatives	17,660	75,145
7	Total collateral and pledges charged to the balance sheet	—	—
8	Less: Assets receivable arising from provision of qualified security deposits	—	—
9	Less: Balance of assets of derivatives arising from transactions with central counterparties when providing clearing services to customers	—	—
10	Notional principal amount of sold credit derivatives	—	—
11	Less: Balance of deductible assets of sold credit derivatives	—	—
12	Balance of assets of derivatives	55,137	101,771
13	Balance of accounting assets for securities finance transactions	962,397	—
14	Less: Balance of deductible assets of securities finance transactions	—	—
15	Counterparty credit risk exposure of securities finance transactions	—	—
16	Balance of assets of securities finance transactions arising from agency securities finance transactions	—	—
17	Balance of assets of securities finance transactions	962,397	0
18	Balance of off-balance sheet items	72,731,218	65,722,253
19	Less: Balance of off-balance sheet items deducted by credit conversion	(14,139,682)	(12,274,003)
20	Less: Total allowances of off-balance sheet items	(56,507)	(85,226)
21	Balance of off-balance sheet items after adjustments	58,535,029	53,363,024
22	Net tier-one capital	29,621,637	26,844,245
23	Balance of on – and off-balance sheet assets after adjustments	499,554,028	444,898,058
Leverage ratio		5.93	6.03

Chapter 11 Unaudited Supplementary Financial Information

1. LIQUIDITY COVERAGE RATIO, LEVERAGE RATIO AND NET STABLE FUNDING RATIO (CONT'D)

1.3 Net stable funding ratio

Unit: RMB'000

Net stable funding ratio	December 31, 2024	December 31, 2023
Available stable funding	292,161,942	263,281,383
Required stable funding	206,836,778	187,559,321
Net stable funding ratio	141.25%	140.37%

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks 《商業銀行流動性風險管理辦法》, a minimum net stable funding ratio of 100% is required for commercial banks.

The above liquidity coverage ratio, leverage ratio and net stable funding ratio are calculated in accordance with the formulae announced by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.

2. CURRENCY CONCENTRATIONS

Unit: RMB'000

	December 31, 2024			
	USD	HKD	Others	Total
Spot assets	3,078,033	4,597	50,283	3,132,913
Spot liabilities	(3,476,981)	(295)	(32,489)	(3,509,765)
Net position	(398,948)	4,302	17,794	(376,852)

	December 31, 2023			
	USD	HKD	Others	Total
Spot assets	3,066,196	8,740	25,430	3,100,366
Spot liabilities	(3,388,088)	(360)	(6,773)	(3,395,221)
Net position	(321,892)	8,380	18,657	(294,855)

3. INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all third parties claims outside Mainland China as international claims. International claims include loans and advances to customers, deposits with central bank and amounts due from banks and other financial institutions.

A country or geographical area shall be immediately reported if it constitutes 10% or more of the aggregate amount of an international claim, after taking into account all of its risk transfers. A risk transfer shall only be made if the guarantor of a claim is located in a country different from that of a counterparty, or if a claim is made against an overseas branch of a bank whose head-office is located in another country.

Unit: RMB'000

	December 31, 2024		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	13,396	—	13,396
Europe	13,098	—	13,098
Others	541	—	541
Total	27,035	—	27,035

	December 31, 2023		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	10,101	—	10,101
Europe	15,935	—	15,935
Others	1,076	—	1,076
Total	27,112	—	27,112

4. GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

Unit: RMB'000

	December 31, 2024	December 31, 2023
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
between 3 and 6 months (inclusive)	529,444	412,370
between 6 months and 1 year (inclusive)	712,726	672,593
between 1 year and 3 years (inclusive)	1,290,070	936,239
over 3 years	107,744	42,105
Total	2,639,984	2,063,307
As a percentage of gross loans and advances		
between 3 and 6 months (inclusive)	0.25%	0.22%
between 6 months and 1 year (inclusive)	0.34%	0.35%
between 1 year and 3 years (inclusive)	0.61%	0.49%
over 3 years	0.05%	0.02%
Total	1.25%	1.08%

Chapter 11 Unaudited Supplementary Financial Information

5. MATERIAL RELATED PARTY TRANSACTIONS

As of the end of the Reporting Period, the Bank's credit exposure balance of material related party transactions was RMB4.871 billion, details of which are as follows:

Unit: RMB'000

Name of related party	Type of business	Major type of guarantee	Credit balance of material related party transactions (net of net security deposits)	Percentage of net capital as at the end of the Reporting Period
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	Interbank borrowing	Credit	100,000	0.30%
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	Interbank borrowing	Credit	200,000	0.59%
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	Interbank borrowing	Credit	100,000	0.30%
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	Interbank borrowing	Credit	200,000	0.59%
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	Interbank borrowing	Credit	250,000	0.74%
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	Interbank borrowing	Credit	250,000	0.74%
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	Interbank borrowing	Credit	100,000	0.30%
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	Interbank borrowing	Credit	250,000	0.74%
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	Interbank borrowing	Credit	250,000	0.74%
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	Interbank borrowing	Credit	250,000	0.74%
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	Interbank borrowing	Credit	250,000	0.74%

5. MATERIAL RELATED PARTY TRANSACTIONS (CONT'D)

Name of related party	Type of business	Major type of guarantee	Credit balance of material related party transactions (net of net security deposits)	Percentage of net capital as at the end of the Reporting Period
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	Interbank borrowing	Credit	150,000	0.44%
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	Interbank borrowing	Credit	180,000	0.53%
Shandong Hi-Speed Tonghe Investment Co., Ltd.* (山東高速通和投資有限公司)	Loan	Guarantees	300,000	0.89%
Shandong High-Speed Forest Industry Supply Chain Co., Ltd.* (山東高速林產供應鏈有限公司)	Loan	Collateral	199,500	0.59%
Shandong Hi-Speed Engineering Testing Co., Ltd. (山東高速工程檢測有限公司)	Letters of Guarantee	Guarantees	1,656	0.00%
Shandong Hi-speed Construction Materials Co., Ltd. (山東高速建材集團有限公司)	Letters of Guarantee	Guarantees	951	0.00%
Shandong Hi-speed Construction Materials Co., Ltd. (山東高速建材集團有限公司)	Letters of Guarantee	Guarantees	249	0.00%
Shandong Hi-speed Construction Materials Co., Ltd. (山東高速建材集團有限公司)	Letters of Guarantee	Guarantees	390	0.00%
Shandong Hi-speed Construction Materials Co., Ltd. (山東高速建材集團有限公司)	Letters of Guarantee	Guarantees	788	0.00%
Shandong Hi-speed Construction Materials Co., Ltd. (山東高速建材集團有限公司)	Letters of Guarantee	Guarantees	267	0.00%
Shandong Hi-speed Construction Materials Co., Ltd. (山東高速建材集團有限公司)	Letters of Guarantee	Guarantees	1,002	0.00%

5. MATERIAL RELATED PARTY TRANSACTIONS (CONT'D)

Name of related party	Type of business	Major type of guarantee	Credit balance of material related party transactions (net of net security deposits)	Percentage of net capital as at the end of the Reporting Period
Shandong Hi-speed Construction Materials Co., Ltd. (山東高速建材集團有限公司)	Letters of Guarantee	Guarantees	240	0.00%
Shandong Hi-speed Construction Materials Co., Ltd. (山東高速建材集團有限公司)	Letters of Guarantee	Guarantees	254	0.00%
Shandong Hi-speed Construction Materials Co., Ltd. (山東高速建材集團有限公司)	Letters of Guarantee	Guarantees	337	0.00%
Shandong Hi-speed Construction Materials Co., Ltd. (山東高速建材集團有限公司)	Letters of Guarantee	Guarantees	319	0.00%
Shandong Hi-speed Construction Materials Co., Ltd. (山東高速建材集團有限公司)	Letters of Guarantee	Guarantees	826	0.00%
Shandong Hi-speed Construction Materials Co., Ltd. (山東高速建材集團有限公司)	Letters of Guarantee	Guarantees	867	0.00%
Shangao International Commercial Factoring (Shenzhen) Co., Ltd. Jinan Branch (山高國際商業保理(深圳)有限公司濟南分公司)	Loan	Guarantees	129,000	0.38%
Shangao International Commercial Factoring (Shenzhen) Co., Ltd. Jinan Branch (山高國際商業保理(深圳)有限公司濟南分公司)	Loan	Guarantees	129,000	0.38%
Shangao International Commercial Factoring (Shenzhen) Co., Ltd. Jinan Branch (山高國際商業保理(深圳)有限公司濟南分公司)	Loan	Guarantees	192,000	0.57%

5. MATERIAL RELATED PARTY TRANSACTIONS (CONT'D)

Name of related party	Type of business	Major type of guarantee	Credit balance of material related party transactions (net of net security deposits)	Percentage of net capital as at the end of the Reporting Period
Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司)	Debt investment	Credit	200,000	0.59%
Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司)	Wealth Management Investment REITS	Credit	57,614	0.17%
Shandong Hi-Speed Weihai Development Company Limited* (山東高速威海發展有限公司)	Loan	Collateral	14,500	0.04%
Shandong Hi-Speed Weihai Development Company Limited* (山東高速威海發展有限公司)	Loan	Collateral	38,500	0.11%
Shandong Hi-Speed Weihai Development Company Limited* (山東高速威海發展有限公司)	Loan	Collateral	19,500	0.06%
Shandong Hi-Speed Weihai Development Company Limited* (山東高速威海發展有限公司)	Loan	Collateral	20,000	0.06%
Dongying United Petrochemical Company Limited* (東營聯合石化有限責任公司)	Letters of Credit	Guarantees	182,560	0.54%
Dongying United Petrochemical Company Limited* (東營聯合石化有限責任公司)	Letters of Credit	Guarantees	165,440	0.49%
Dongying United Petrochemical Company Limited* (東營聯合石化有限責任公司)	Letters of Credit	Guarantees	76,000	0.23%
Dongying United Petrochemical Company Limited* (東營聯合石化有限責任公司)	Letters of Credit	Guarantees	76,000	0.23%
Dongying United Petrochemical Company Limited* (東營聯合石化有限責任公司)	Letters of Credit	Guarantees	200,000	0.59%
Dongying United Petrochemical Company Limited* (東營聯合石化有限責任公司)	Letters of Credit	Guarantees	172,000	0.51%
Dongying United Petrochemical Company Limited* (東營聯合石化有限責任公司)	Letters of Credit	Guarantees	128,000	0.38%

5. MATERIAL RELATED PARTY TRANSACTIONS (CONT'D)

Name of related party	Type of business	Major type of guarantee	Credit balance of material related party transactions (net of net security deposits)	Percentage of net capital as at the end of the Reporting Period
Shandong Expressway Luzhong Logistics Development Co., Ltd.* (山東高速魯中物流發展有限公司)	Discount	Credit	2,500	0.01%
Shandong Expressway Luzhong Logistics Development Co., Ltd.* (山東高速魯中物流發展有限公司)	Discount	Credit	5,000	0.01%
Shandong Expressway Luzhong Logistics Development Co., Ltd.* (山東高速魯中物流發展有限公司)	Discount	Credit	17,372	0.05%
Shandong Expressway Luzhong Logistics Development Co., Ltd.* (山東高速魯中物流發展有限公司)	Discount	Credit	2,500	0.01%
Shandong Expressway Luzhong Logistics Development Co., Ltd.* (山東高速魯中物流發展有限公司)	Discount	Credit	1,499	0.00%
Shandong Expressway Luzhong Logistics Development Co., Ltd.* (山東高速魯中物流發展有限公司)	Discount	Credit	2,500	0.01%
Shandong Expressway Luzhong Logistics Development Co., Ltd.* (山東高速魯中物流發展有限公司)	Discount	Credit	1,531	0.00%
Total			4,870,662	14.41%

LIST OF INSTITUTIONS

District	Name of Organisation	Business Address	Remarks
Weihai, Shandong	Headquarters	No. 137A, Qingdao North Road, Weihai City, Shandong Province	51 licensed branches and sub-branches in Weihai District
Jinan, Shandong	Jinan Branch	The whole building of Building 1 (A3), Room 101-107, 1/F, Room 201-206, 2/F, Building 2 (A1), Xinyuanxin Center, 3 Huaxin Road, Licheng District, Jinan City	12 licensed branches and sub-branches in Jinan District
	Laiwu Branch	60 Luzhong East Main Street, Laiwu District, Jinan City, Shandong Province	2 licensed branches and sub-branches in Laiwu District
Qingdao, Shandong	Qingdao Branch	487 Changjiang Middle Road, Huangdao District, Qingdao City, Shandong Province	9 licensed branches and sub-branches in Qingdao District
Yantai, Shandong	Yantai Branch	No. 105, No. 204, No. 303, 1st - 3rd floors, East Podium of Jinqiao Building, No. 10, Ningbo Road, Guxian Sub-district, Yantai Area, China (Shandong) Pilot Free Trade Zone	6 licensed branches and sub-branches in Yantai District
Dezhou, Shandong	Dezhou Branch	1337 Tianqu Middle Road, Decheng District, Dezhou City, Shandong Province	5 licensed branches and sub-branches in Dezhou District
Jining, Shandong	Jining Branch	West podium of the 1st-2nd floors and the entire 5th floor of Wisdom Building, No. 71 Wutaizha Road, High-tech Zone, Jining City, Shandong Province	7 licensed branches and sub-branches in Jining District
Linyi, Shandong	Linyi Branch	0004 Yimeng Road, Lanshan District, Linyi City, Shandong Province	6 licensed branches and sub-branches in Linyi District
Weifang, Shandong	Weifang Branch	1589 Xinhua Road, Kuiwen District, Weifang City, Shandong Province	3 licensed branches and sub-branches in Weifang District

List of Institutions

District	Name of Organisation	Business Address	Remarks
Dongying, Shandong	Dongying Branch	500 Xi'er Road, Dongying District, Dongying City, Shandong Province	3 licensed branches and sub-branches in Dongying District
Zibo, Shandong	Zibo Branch	227 Xincun West Road, Zhangdian District, Zibo City, Shandong Province	2 licensed branches and sub-branches in Zibo District
Liaocheng, Shandong	Liaocheng Branch	117 Dongchang West Road, Dongchangfu District, Liaocheng City, Shandong Province	2 licensed branches and sub-branches in Liaocheng District
Zaozhuang, Shandong	Zaozhuang Branch	117 Guangming West Road and 55 Deren North Road, Hightech Zone, Zaozhuang City, Shandong Province	2 licensed branches and sub-branches in Zaozhuang District
Heze, Shandong	Heze Branch	289 Yongchang Road, Economic and Technological Development Zone, Heze City Shandong Province	2 licensed branches and sub-branches in Heze District
Tai'an, Shandong	Tai'an Branch	472 Dongyue Main Street, Taishan District, Tai'an City, Shandong Province	2 licensed branch and sub-branches in Tai'an District
Rizhao, Shandong	Rizhao Branch	The annex building on the west side of Linghai Hotel, No. 59, Qinhuangdao Road, Economic and Technological Development Zone, Rizhao City, Shandong Province	1 licensed branch and sub-branch in Rizhao District
Binzhou, Shandong	Binzhou Branch	338 Huanghe 6th Road, Economic and Technological Development Zone, Binzhou City, Shandong Province	2 licensed branches and sub-branches in Binzhou District
Tianjin City	Tianjin Branch	150 Fuan Main Street, Heping District, Tianjin City	10 licensed branches and sub-branches in Tianjin District