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BQD  青岛银行

Bank of Qingdao Co., Ltd.*

青島銀行股份有限公司*

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

(H Shares Stock Code: 3866)

Announcement of Interim Results for the Six Months Ended 30 June 2025

The board of directors of Bank of Qingdao Co., Ltd. (the “**Bank**”) is pleased to announce the unaudited interim results of the Bank and its subsidiaries (the “**Company**”) for the six months ended 30 June 2025. This announcement, containing the full text of the 2025 interim report of the Bank, complies with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) in relation to information to accompany preliminary announcements of interim results.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The Chinese and English versions of this results announcement will be available on the website of the Bank (<http://www.qdccb.com/>) and the HKEXnews website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk/>). If there are any discrepancies in interpretations between the Chinese and English versions, the Chinese version shall prevail. The printed version of the Bank's 2025 interim report will be dispatched to the shareholders of the Bank subsequently upon request and will be available on the website of the Bank (<http://www.qdccb.com/>) and the HKEXnews website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk/>) in due course.

By order of the Board
Bank of Qingdao Co., Ltd.*
Jing Zailun
Chairman

Qingdao, Shandong Province, the PRC
28 August 2025

As at the date of this announcement, the board of directors of the Bank comprises Mr. Jing Zailun, Mr. Wu Xianming, Ms. Chen Shuang and Mr. Liu Peng as executive directors; Mr. Zhou Yunjie, Mr. Rosario Strano, Ms. Tan Lixia, Mr. Giamberto Giraldo and Mr. Deng Youcheng as non-executive directors; Mr. Xing Lecheng, Mr. Zhang Xu, Mr. Cheung Man Chor, Elton, Mr. Du Ning and Mr. Fan Xuejun as independent non-executive directors.

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

SECTION I IMPORTANT NOTICE

1. The Board of Directors, Board of Supervisors, Directors, Supervisors and senior management of the Bank assure that the information in this interim report contains no false records, misleading statements or material omissions, and severally and jointly take full responsibility for the authenticity, accuracy and completeness of the information in this interim report.
2. The proposal on the 2025 interim report of Bank of Qingdao Co., Ltd., its summary and results announcement were considered and approved at the 17th meeting of the ninth session of the Board of Directors of the Bank held on 28 August 2025. There were 14 Directors eligible for attending the meeting, and 14 Directors actually attended the meeting (of which, one Director attended the meeting by proxy. Due to work reasons, Ms. TAN Lixia entrusted Mr. ZHOU Yunjie to attend the meeting and exercise the voting rights on her behalf).
3. The Bank's chairman Mr. JING Zailun, president Mr. WU Xianming, vice president in charge of finance function Ms. CHEN Shuang and general manager of Financial Planning Department Mr. LI Zhenguo assure the authenticity, accuracy and completeness of the financial statements in this interim report.
4. The financial report of the Company for the first half of 2025 prepared in accordance with the PRC Accounting Standards for Business Enterprises and the IFRS Accounting Standards has been reviewed by Ernst & Young Hua Ming LLP and Ernst & Young in accordance with the PRC and International Standards on Review Engagements respectively.
5. If conditions allow, the Board of the Bank may propose to distribute interim cash dividends for 2025 based on the Bank's operation conditions, while no distribution of bonus shares and no increase in share capital with provident fund were planned by the Bank in the interim period of 2025.
6. Unless otherwise specified, the currency of the amounts mentioned in this interim report is RMB.
7. This interim report contains certain forward-looking statements about the financial conditions, operating results and business development of the Company. The report uses the words "will", "may", "strive", "plan", "hope", "endeavor", "expect", "aim" and similar wording to express forward-looking statements. These statements are made based on current plans, estimates and projections, and although the Company believes that the expectations reflected in these forward-looking statements are reasonable, the Company cannot assure that these expectations will be attained or confirmed to be correct and therefore they do not constitute substantive undertakings of the Company. Investors and relevant individuals should cultivate the adequate risk awareness in this regard, understand the differences between plans, forecasts and commitments, and not unduly rely on such statements, and should be aware of investment risks. Please note that these forward-looking statements are related to future events or future financial, business or other performance of the Company, and are subject to certain uncertainties which may cause the actual results to differ substantially.
8. The Company invites investors to read the full text of this interim report carefully. The Company has described in detail the major risks and countermeasures in this interim report. For details, please refer to the content related to risk management set out in "SECTION III MANAGEMENT DISCUSSION AND ANALYSIS".

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Term	Definition
Company	Bank of Qingdao Co., Ltd. and its subsidiaries
Bank or parent company	Bank of Qingdao Co., Ltd.
A Share(s)	shares issued in China, listed on the Shenzhen Stock Exchange and subscribed for and traded in RMB
H Share(s)	shares issued outside China, listed on The Stock Exchange of Hong Kong Limited and subscribed for and traded in foreign currencies
CSRC	China Securities Regulatory Commission
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
SZSE	the Shenzhen Stock Exchange
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Articles of Association	Articles of Association of the Bank of Qingdao Co., Ltd.
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Reporting Period	from 1 January 2025 to 30 June 2025 (both days inclusive)
RMB	the lawful currency of the PRC
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Hong Kong Listing Rules
Director(s)	director(s) of the Bank
Supervisor(s)	supervisor(s) of the Bank
Board of Directors or Board	the board of Directors of the Bank
Board of Supervisors	the board of Supervisors of the Bank
Hong Kong	the Hong Kong Special Administrative Region of the PRC
IFRS Accounting Standards	the IFRS Accounting Standards issued by the International Accounting Standards Board

SECTION II CORPORATE INFORMATION AND KEY FINANCIAL HIGHLIGHTS

I. CORPORATE INFORMATION

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

II. CONTACT PERSONS AND CONTACT INFORMATION

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

III. OTHER INFORMATION

(I) Contact information of the Bank

The Bank's registered address, office address and corresponding postal code, the Bank's website and email address remained unchanged during the Reporting Period. Please refer to 2024 annual report of the Bank for details.

(II) Information disclosure and place of inspection

The website of stock exchange, names and websites of the media designated by the Bank for the disclosure of interim report, and the place of inspection for interim report of the Bank remain unchanged during the Reporting Period. Please refer to 2024 annual report of the Bank for details.

(III) Other relevant information

During the Reporting Period, the Bank engaged Ernst & Young Hua Ming LLP as the domestic auditor of the Bank for 2025 and Ernst & Young as the Bank's overseas auditor for 2025. For details, please refer to the "Announcement on Proposed Change of Accounting Firms" (Announcement No.: 2025-004) dated 17 January 2025 and the "Announcement Regarding Resolutions Passed at the 2024 Annual General Meeting" (No.: 2025-019) dated 28 May 2025, both published by the Bank on the CNINFO website.

The information of the accounting firms engaged by the Bank is as follows:

Domestic accounting firm	Ernst & Young Hua Ming LLP
Office address of the domestic accounting firm	Level 17, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang'an Ave., Dongcheng District, Beijing, China
Signing accountants	XU Xuming, HONG Xiaodong
Overseas accounting firm	Ernst & Young
Office address of overseas accounting firm	27/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong, China

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

SECTION II CORPORATE INFORMATION AND KEY FINANCIAL HIGHLIGHTS

IV. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

The financial data and indicators contained in this interim report are prepared in accordance with the IFRS Accounting Standards and relevant regulations. Unless otherwise specified, all amounts are disclosure in consolidated financial statements of the Company.

Item	January to June 2025	January to June 2024	Year-on-year change
Business performance (RMB'000)			Change (%)
Net interest income	5,361,767	4,778,993	12.19
Net non-interest income	2,296,243	2,248,354	2.13
Operating income	7,658,010	7,027,347	8.97
Operating expenses	(1,816,002)	(1,874,469)	(3.12)
Expected credit losses	(2,232,351)	(1,919,634)	16.29
Profit before taxation	3,608,358	3,233,244	11.60
Net profit	3,152,102	2,711,384	16.25
Net profit attributable to shareholders of the Bank	3,064,683	2,640,917	16.05
Per share (RMB/share)			Change (%)
Basic earnings per share ⁽¹⁾	0.53	0.45	17.78
Diluted earnings per share ⁽¹⁾	0.53	0.45	17.78

SECTION II CORPORATE INFORMATION AND KEY FINANCIAL HIGHLIGHTS

Item	30 June 2025	31 December 2024	Change from the end of last year
Scale indicators (RMB'000)			Change (%)
Total assets ⁽²⁾	743,027,546	689,963,033	7.69
Loans and advances to customers:			
Total loans to customers ⁽²⁾	368,405,827	340,689,725	8.14
Add: Accrued interest	672,052	873,146	(23.03)
Less: Provision for impairment on loans and advances to customers measured at amortised cost	(9,861,556)	(9,008,580)	9.47
Loans and advances to customers	359,216,323	332,554,291	8.02
Provision for loan impairment	(10,446,003)	(9,347,203)	11.76
Of which: Impairment provision for loans and advances to customers measured at fair value through other comprehensive income	(584,447)	(338,623)	72.60
Total liabilities ⁽²⁾	695,943,615	645,063,204	7.89
Deposits from customers:			
Total deposits from customers ⁽²⁾	466,140,114	432,024,006	7.90
Add: Accrued interest	10,175,191	11,401,529	(10.76)
Deposits from customers	476,315,305	443,425,535	7.42
Share capital	5,820,355	5,820,355	–
Equity attributable to equity shareholders of the Bank	46,078,064	43,932,381	4.88
Equity attributable to shareholders	47,083,931	44,899,829	4.86
Net capital base	59,494,067	57,030,474	4.32
Of which: Net core tier-one capital	39,817,313	37,637,729	5.79
Other tier-one capital	6,460,609	6,459,817	0.01
Tier-two capital	13,216,145	12,932,928	2.19
Total risk-weighted assets	439,949,947	413,212,378	6.47
Per share (RMB/share)			Change (%)
Net assets per share attributable to ordinary shareholders of the Bank ⁽³⁾	6.82	6.45	5.74

SECTION II CORPORATE INFORMATION AND KEY FINANCIAL HIGHLIGHTS

Item	January to June 2025	January to June 2024	Year-on-year change
Profitability indicators (%)			Change
Return on average total assets ⁽⁴⁾ (annualized)	0.88	0.86	0.02
Weighted average return on net assets ⁽¹⁾ (annualized)	15.75	15.34	0.41
Net interest spread ⁽⁵⁾ (annualized)	1.73	1.82	(0.09)
Net interest margin ⁽⁶⁾ (annualized)	1.72	1.77	(0.05)
Net fee and commission income to operating income	10.54	13.25	(2.71)
Cost-to-income ratio ⁽⁷⁾	22.52	25.49	(2.97)

Item	30 June 2025	31 December 2024	Change from the end of last year
Asset quality indicators (%)			Change
Non-performing loan ratio	1.12	1.14	(0.02)
Provision coverage ratio	252.80	241.32	11.48
Loan provision ratio	2.84	2.74	0.10
Indicators of capital adequacy ratio (%)			Change
Core tier-one capital adequacy ratio ⁽⁸⁾	9.05	9.11	(0.06)
Tier-one capital adequacy ratio ⁽⁸⁾	10.52	10.67	(0.15)
Capital adequacy ratio ⁽⁸⁾	13.52	13.80	(0.28)
Total equity to total assets ratio	6.34	6.51	(0.17)
Other indicators (%)			Change
Liquidity coverage ratio	140.01	203.02	(63.01)
Liquidity ratio	91.06	88.66	2.40

Notes:

1. Earnings per share and weighted average return on net assets were calculated in accordance with the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Computation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision) (《公開發行證券的公司信息披露編報規則第9號－淨資產收益率和每股收益的計算及披露》(2010年修訂)). The Bank issued perpetual bonds from July to August 2022, which were classified as other equity instruments. In calculating weighted average return on net assets, the effect of the perpetual bonds has been deducted from the “weighted average net assets”.
2. For details of the structure of total assets, total liabilities, total loans to customers and total deposits from customers, please refer to “IV. ANALYSIS OF MAJOR ITEMS OF THE STATEMENT OF FINANCIAL POSITION under SECTION III MANAGEMENT DISCUSSION AND ANALYSIS” of this interim report.
3. Net assets per share attributable to ordinary shareholders of the Bank = (equity attributable to shareholders of the Bank – other equity instruments)/the number of ordinary shares as at the end of the period.

SECTION II CORPORATE INFORMATION AND KEY FINANCIAL HIGHLIGHTS

4. Return on average total assets = net profit/average balance of total assets at the beginning and at the end of the period.
5. Net interest spread = average yield of interest-earning assets – average cost rate of interest-bearing liabilities.
6. Net interest margin = net interest income/average balance of interest-earning assets.
7. Cost-to-income ratio = (operating expenses – tax and surcharges)/operating income.
8. The relevant indicators of capital adequacy ratio as of 30 June 2025 and as of the end of 2024 were calculated in accordance with the Regulation Governing Capital of Commercial Banks (《商業銀行資本管理辦法》) and other relevant regulatory provisions.

V. ACCOUNTING DATA DIFFERENCE UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

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

VI. SUPPLEMENTARY INDICATORS

Name of indicators (%)	30 June 2025	31 December 2024	31 December 2023
Single largest customer loan ratio	4.65	4.73	5.35
Ten largest customers loan ratio	36.23	34.81	42.06

Migration rate indicators (%)	30 June 2025	31 December 2024	31 December 2023
Normal loan migration rate	0.60	0.93	1.00
Special mention loan migration rate	49.22	47.51	40.19
Substandard loan migration rate	64.35	62.37	32.47
Doubtful loan migration rate	71.67	54.58	23.54

Note: The migration rate indicators before and as of the end of 2024 were calculated in accordance with the requirements of the Notice of China Banking and Insurance Regulatory Commission on Revising the Definition and Calculation Formula of Basic Indicators of Off-site Supervision of Banking Industry (Yin Bao Jian Fa [2022] No.2). Due to the relatively significant deviation between the semi-annual indicators multiplied by the annualization coefficient and the actual situation, the migration rate indicators as of the end of the Reporting Period were not multiplied by the annualization coefficient. After multiplying the migration rate as of the end of the Reporting Period by the annualization coefficient: the normal loan migration rate would be 1.20%, the special mention loan migration rate would be 98.43%, the substandard loan migration rate would be 128.70%, and the doubtful loan migration rate would be 143.34%.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

The Bank, the predecessor of which known as Qingdao City Cooperative Bank and Qingdao City Commercial Bank, was established in November 1996 and is headquartered in Qingdao, Shandong Province. The Bank is committed to pursuing a “high-quality development” path, overall planning and balancing “effective improvement in quality” with “reasonable growth in quantity”, aiming to build itself as a value-leading bank with “leading quality and efficiency, outstanding features and flexible mechanism”. In December 2015, the Bank's H Shares were listed on the Hong Kong Stock Exchange; in January 2019, the Bank's A Shares were listed on the SZSE.

The Bank mainly offers several services and products such as corporate and personal deposits, loans, settlement to its customers, and its development is driven by three major business segments including retail banking, corporate banking, financial market business, which have formed a stronger customer base and shaped new financial business model of distinctive and high-quality development. The Bank's business is based in Qingdao with in-depth penetration in Shandong Province. As at the end of the Reporting Period, the Bank had established 17 branches in major cities of Shandong Province such as Jinan, Yantai and Weihai. The total number of branch offices reached 204; in February 2025, Liaocheng Branch officially opened, and the Bank achieved a strategic layout covering all 16 cities in Shandong Province. In July 2025, the “2025 Fortune China 500 List” was officially released, with the Bank making its debut ranking at 495th place, becoming the only financial enterprise from Shandong Province to be included in the ranking. The Bank has two subsidiaries. In February 2017, the Bank initiated the establishment of BQD Financial Leasing Company Limited (“**BQD Financial Leasing**”), which is 60% owned by the Bank. In September 2020, the Bank initiated the establishment of BQD Wealth Management Company Limited (“**BQD Wealth Management**”), which is a wholly-owned subsidiary of the Bank. As at the end of the Reporting Period, the Company had more than 5,200 employees.

As at the end of the Reporting Period, the status of the Company's key operational indicators achievements is as follows:

- (1) Total assets amounted to RMB743.028 billion, representing an increase of RMB53.065 billion or 7.69% as compared with that at the end of last year;
- (2) Total loans to customers amounted to RMB368.406 billion, representing an increase of RMB27.716 billion or 8.14% as compared with that at the end of last year;
- (3) Total deposits from customers amounted to RMB466.140 billion, representing an increase of RMB34.116 billion or 7.90% as compared with that at the end of last year;
- (4) Operating income amounted to RMB7.658 billion, representing a year-on-year increase of RMB631 million or 8.97%; net profit amounted to RMB3.152 billion, representing a year-on-year increase of RMB441 million or 16.25%; net profit attributable to shareholders of the Bank amounted to RMB3.065 billion, representing a year-on-year increase of RMB424 million or 16.05%;
- (5) Non-performing loan ratio was 1.12%, representing a decrease of 0.02 percentage point as compared with that at the end of last year; provision coverage ratio was 252.80%, representing an increase of 11.48 percentage points as compared with that at the end of last year; capital adequacy ratio was 13.52%, and core tier-one capital adequacy ratio was 9.05%, both of which met regulatory requirements;

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

- (6) Return on average total assets was 0.88%, representing a year-on-year increase of 0.02 percentage point;
- (7) Basic earnings per share were RMB0.53, representing a year-on-year increase of RMB0.08 or 17.78%; weighted average return on net assets was 15.75%, representing a year-on-year increase of 0.41 percentage point.

II. ANALYSIS OF THE CORE COMPETITIVENESS

The Bank always adheres to the development vision of “Innovative Finance, Brilliant Banking” and insists on building a value-leading bank with “leading quality and efficiency, outstanding features and flexible mechanism”, and continues to promote stable, balanced and high-quality development of its business. The Bank’s core competitiveness is primarily reflected in the following aspects:

1. **The deep integration of the Party’s leadership with corporate governance has solidified the foundation for high-quality development.** The Bank consistently upholds the integration of the Party’s leadership into the entire process of corporate governance, and transforms the political and institutional advantages of the Party’s leadership into the Bank’s development and governance strengths. Operating on a market-oriented basis, the Bank maintains a scientific and reasonable equity structure, forming a benign equity structure that is pluralistic and reasonable with mutual checks and balances, comprising state-owned shareholders, overseas strategic investors, private-sector enterprises and individual shareholders. The Bank is fully committed to establishing a sound, well-regulated, and highly efficient corporate governance mechanism, thereby continuously solidifying the foundation for high-quality development.
2. **Promoting high-quality business development led by strategic planning.** Guided by the three-year strategic plan (2023-2025) and focusing on the four strategic themes of “adjusting the structure, strengthening the customer base, optimizing the synergies and improving the capabilities”, the Bank continues to promote the business upgrading of its four major business segments, namely corporate business, retail business, financial market business, and international business. Concurrently, the Bank continuously improves the support and guarantee systems, including risk management, technological support, organization and performance, financial management, and operation management. These initiatives collectively propel the Bank towards high-quality, refined, and professionalized development across all business lines.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

3. **Strengthening specialized operations to build differentiated competitiveness.** Being headquartered in Qingdao with in-depth penetration in Shandong Province, the Bank takes full advantage of the local economy characteristics and the regional industries advantages to achieve differentiated development and specialized operations. Focusing on the two major ways of blue finance and green finance, the Bank has created a distinctive brand of “BQD Green Finance, Exceed Project” to enhance the professional management ability. By establishing a specialized technology finance mechanism that features the first-level department directly under the Bank’s head office as the core, supported by franchised institutions and specialized branches as the two complements, the Bank continues to upgrade its technology finance service system while expanding financial support for technology enterprises at all growth stages. The Bank enhances its capacity to serve the real economy through a specialized manufacturing sector service model – “Industry + Client + Target List + Integrated Solutions”, thereby solidifying its competitive advantages in the industry. The Bank refines the “Happy Neighborhood” community financial services brand to improve the breadth, depth and density of community financial services. The Bank continues to optimize its “Warm BQD” (青馨) services brand to provide customers with more professional, convenient and warm financial services. It has won the “Five-Star Diamond Award”, the highest award in the global service field, for nine consecutive years.
4. **Deepening synergy of diversified licenses of the Group to drive an integrated operation.** The Bank has established a “One Body with Dual Specialized Subsidiaries” (一體兩翼) group structure through strategic synergies with its subsidiaries, namely BQD Financial Leasing and BQD Wealth Management. At the same time, the Bank holds a diverse range of licenses and qualifications, and has been approved for the lead underwriting qualification for debt financing instruments of non-financial enterprise, the qualifications of securities fund custody and the ordinary derivatives trading business, and other high-value qualifications. Leveraging the group’s synergistic operation model and diversified financial licenses, the Bank continues to strengthen business collaborations across financial markets, custody, investment banking, wealth management, and financial leasing. The Bank effectively allocates and integrates various resources to consistently provide clients with comprehensive and high-quality financial services.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

5. **Strengthening comprehensive risk prevention and control with sustained improvement in asset quality.** The Bank prioritizes compliance and continuously enhances its comprehensive risk management system. By strengthening proactive risk monitoring and further improving closed-loop management for risk prevention and control, and comprehensively improving the quality and efficiency of due diligence, approval and post-loan processes, the Bank has achieved dual optimization in both risk prevention and control and operational efficiency. While adhering to centralized credit management, the Bank continuously refines its approval mechanisms, enhances the time management of the entire credit business process, and improves risk early-warning, post-loan management, industry research, and other working mechanisms. The Bank actively explores innovative applications of digital risk control, leveraging advanced technologies such as big data and artificial intelligence to enhance the precision of risk management and internal control compliance, thereby driving continuous improvement in asset quality.
6. **Adhering to digital-intelligent empowerment to inject sustained momentum into high-quality development.** The Bank adheres to its digital-intelligence empowerment strategy, focusing on building four digital intelligent systems encompassing “marketing, risk control, operations, and collaborative office”. The Bank further strengthens data quality management, unlocks the value of data assets, and vigorously promotes the construction of a new generation of distributed core business systems. By deepening the integration of digital technologies with business development, the Bank is building a secure and reliable, flexible and efficient, autonomous and controllable financial technology base.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF MAJOR ITEMS OF THE STATEMENT OF PROFIT OR LOSS

3.1 Financial Performance Summary

During the Reporting Period, the Company's net profit amounted to RMB3.152 billion, representing a year-on-year increase of RMB441 million or 16.25%; net profit attributable to equity shareholders of the Bank amounted to RMB3.065 billion, representing a year-on-year increase of RMB424 million or 16.05%. During the Reporting Period, the Company actively responded to operational challenges, such as the decline in return on assets, by implementing financial policies directives in a way that aligned with our distinctive business operations, steadily expanding our business scale, further promoting cost reduction and efficiency improvement, resulting in faster growth in operating income than operating expenses, which drove a rapid increase in profits and achieved sound operating results. The following table sets forth the changes in the Company's major profit items during the periods indicated.

Unit: RMB'000

Item	January to June 2025	January to June 2024	Change in amount	Change (%)
Net interest income	5,361,767	4,778,993	582,774	12.19
Net fee and commission income	807,464	931,139	(123,675)	(13.28)
Other net non-interest income	1,488,779	1,317,215	171,564	13.02
Operating expenses	(1,816,002)	(1,874,469)	58,467	(3.12)
Expected credit losses	(2,232,351)	(1,919,634)	(312,717)	16.29
Impairment losses on other assets	(1,299)	—	(1,299)	N/A
Profit before taxation	3,608,358	3,233,244	375,114	11.60
Income tax expense	(456,256)	(521,860)	65,604	(12.57)
Net profit	3,152,102	2,711,384	440,718	16.25
Of which: Net profit attributable to equity shareholders of the Bank	3,064,683	2,640,917	423,766	16.05
Net profit attributable to non-controlling interests	87,419	70,467	16,952	24.06

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

3.2 Operating Income

During the Reporting Period, the Company's operating income amounted to RMB7.658 billion, representing a year-on-year increase of RMB631 million or 8.97%. During the Reporting Period, the Company focused on serving the real economy, expanded business scale, improved the quality of liabilities, reduced the costs of interest payment, and achieved continuous growth in net interest income, which in turn drove the steady growth of operating income. Among the operating income, net interest income accounted for 70.02%, representing a year-on-year increase of 2.01 percentage points. The following table sets forth the principal components of the Company's operating income and the changes during the periods indicated.

Unit: RMB'000

Item	January to June 2025		January to June 2024		Percentage changes (percentage point)
	Amount	Percentage (%)	Amount	Percentage (%)	
Net interest income	5,361,767	70.02	4,778,993	68.01	2.01
Interest income	11,349,804	148.21	10,990,839	156.40	(8.19)
Of which: Interest income from loans and advances to customers	7,413,706	96.81	7,209,528	102.59	(5.78)
Interest income from financial investments	2,842,505	37.12	2,669,056	37.98	(0.86)
Interest income from deposits with banks and other financial institutions	35,530	0.46	20,573	0.29	0.17
Interest income from placements with banks and other financial institutions	275,845	3.60	264,321	3.76	(0.16)
Interest income from financial assets held under resale agreements	92,465	1.21	94,332	1.34	(0.13)
Interest income from deposits with the central bank	185,436	2.42	165,560	2.36	0.06
Interest income from long-term receivables	504,317	6.59	567,469	8.08	(1.49)
Interest expense	(5,988,037)	(78.19)	(6,211,846)	(88.39)	10.20
Net non-interest income	2,296,243	29.98	2,248,354	31.99	(2.01)
Of which: Net fee and commission income	807,464	10.54	931,139	13.25	(2.71)
Other net non-interest income	1,488,779	19.44	1,317,215	18.74	0.70
Operating income	7,658,010	100.00	7,027,347	100.00	–

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

3.3 Net Interest Income

During the Reporting Period, the Company's net interest income amounted to RMB5.362 billion, representing a year-on-year increase of RMB583 million or 12.19%. The increase was primarily driven by the Company's continuous expansion of its interest-earning asset scale, which promoted a steady increase in interest income. Meanwhile, significant cost-reduction and efficiency-improvement achievements on the liability side led to a decrease in interest expenses, contributing to the growth in net interest income. The following table sets forth the average balance, interest income/expense and average yield/cost rate of the Company's interest-earning assets and interest-bearing liabilities items for the periods indicated. The average balances of interest-earning assets and interest-bearing liabilities represent the daily average balances.

Unit: RMB'000

Item	January to June 2025			January to June 2024		
	Average balance	Interest income/expense	Average yield/cost rate	Average balance	Interest income/expense	Average yield/cost rate
Interest-earning assets						
Loans and advances to customers	349,577,584	7,413,706	4.28%	307,326,916	7,209,528	4.72%
Financial investments	200,722,465	2,842,505	2.86%	166,226,469	2,669,056	3.23%
Deposits and placements with banks and assets held under resale agreements ⁽¹⁾	36,259,057	403,840	2.25%	28,541,818	379,226	2.67%
Deposits with the central bank	26,329,633	185,436	1.42%	23,527,626	165,560	1.42%
Long-term receivables	16,521,303	504,317	6.16%	17,474,982	567,469	6.53%
Total	629,410,042	11,349,804	3.64%	543,097,811	10,990,839	4.07%
Interest-bearing liabilities						
Deposits from customers	446,077,773	4,113,323	1.86%	390,301,485	4,137,306	2.13%
Deposits and placements from banks and assets sold under repurchase agreements ⁽²⁾	50,150,624	467,811	1.88%	52,818,608	636,259	2.42%
Debt securities issued	101,337,051	1,088,602	2.17%	90,816,688	1,212,794	2.69%
Borrowings from the central bank	33,186,058	318,301	1.93%	20,327,003	225,487	2.23%
Total	630,751,506	5,988,037	1.91%	554,263,784	6,211,846	2.25%
Net interest income	/	5,361,767	/	/	4,778,993	/
Net interest spread	/	/	1.73%	/	/	1.82%
Net interest margin	/	/	1.72%	/	/	1.77%

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

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

During the Reporting Period, the Company's average balance of interest-earning assets was RMB629.410 billion, representing a year-on-year increase of RMB86.312 billion or 15.89%; and net interest spread was 1.73%, representing a year-on-year decrease of 0.09 percentage point; net interest margin was 1.72%, representing a year-on-year decrease of 0.05 percentage point. During the Reporting Period, in response to the continuous decline in return on assets, the Company adopted a two-pronged approach from both the asset and liability sides to stabilize the net interest margin. On the one hand, we increased the scale of loan disbursement and financial investment to continuously expand the scale of interest-earning assets. On the other hand, we effectively reduced the cost rate of interest-bearing liabilities to mitigate the negative impact of the decline in return on assets on the net interest margin.

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	January to June 2025 vs. January to June 2024		
	Due to volume	Due to rate	Net increase (decrease)
Interest-earning assets			
Loans and advances to customers	894,720	(690,542)	204,178
Financial investments	485,836	(312,387)	173,449
Deposits and placements with banks and assets held under resale agreements	85,109	(60,495)	24,614
Deposits with the central bank	20,336	(460)	19,876
Long-term receivables	(29,517)	(33,635)	(63,152)
Interest income changes	1,456,484	(1,097,519)	358,965
Interest-bearing liabilities			
Deposits from customers	510,044	(534,027)	(23,983)
Deposits and placements from banks and assets sold under repurchase agreements	(25,249)	(143,199)	(168,448)
Debt securities issued	113,355	(237,547)	(124,192)
Borrowings from the central bank	123,678	(30,864)	92,814
Interest expense changes	721,828	(945,637)	(223,809)
Net interest income changes	734,656	(151,882)	582,774

3.4 Interest Income

During the Reporting Period, the Company's interest income was RMB11.350 billion, representing a year-on-year increase of RMB359 million or 3.27%. The increase was mainly due to the expansion of the Company's interest-earning assets, such as loans and financial investments, which offset the impact of the downward return on assets and led to an increase in interest income. The interest income from loans and advances to customers and from financial investments constituted the major components of the interest income of the Company.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

Interest income from loans and advances to customers

During the Reporting Period, the Company's interest income from loans and advances to customers amounted to RMB7.414 billion, representing a year-on-year increase of RMB204 million or 2.83%. The increase was mainly attributable to the Company's continuous expansion in scale of loans issued based on the key area of financial services for the real economy, resulting in a year-on-year increase in the average balance of loans of RMB42.251 billion or 13.75%. Although the rate of return of loans continued to decline due to factors including the decline of market interest rates and the reduction of customer financing costs, the interest income of loans had achieved stable growth based on the continuous growth of the scale of loans issued. The following table sets forth the average balance, interest income and average yield of each component of the Company's loans and advances to customers for the periods indicated.

Unit: RMB'000

Item	January to June 2025			January to June 2024		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	256,744,775	5,651,856	4.44%	216,561,478	5,190,295	4.82%
Personal loans	72,885,489	1,487,699	4.12%	72,105,829	1,797,705	5.01%
Discounted bills	19,947,320	274,151	2.77%	18,659,609	221,528	2.39%
Total	349,577,584	7,413,706	4.28%	307,326,916	7,209,528	4.72%

Interest income from financial investments

During the Reporting Period, the Company's interest income from financial investments amounted to RMB2.843 billion, representing a year-on-year increase of RMB173 million or 6.50%. The increase was mainly due to the increase in scale of financial investments, resulting in an increase in the average balance of financial investments of RMB34.496 billion or 20.75% year-on-year, which offset the impact of declining interest rates in the bond market and realized the growth of interest income from financial investments.

Interest income from deposits and placements with banks and assets held under resale agreements

During the Reporting Period, the Company's interest income from deposits and placements with banks and assets held under resale agreements amounted to RMB404 million, representing a year-on-year increase of RMB25 million or 6.49%. The increase was mainly attributable to the Company's strategic adjustments to asset allocation in response to the interbank market conditions, and the year-on-year increase of average balance of deposits and placements with banks and assets held under resale agreements, which offset the impact of declining interest rates in the interbank market, thereby realizing corresponding interest income growth.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

3.5 Interest Expense

During the Reporting Period, the Company's interest expense amounted to RMB5.988 billion, representing a year-on-year decrease of RMB224 million or 3.60%. The decrease was primarily driven by the effectiveness of the Company's continuous measures to deepen cost reduction and efficiency improvement on the liability side, with the average cost rate of interest-bearing liabilities dropping 0.34 percentage point year-on-year to 1.91%, which offset the impact of liability scale expansion and led to the decline in interest expense. Interest expenses on deposits from customers and bond interest payable are major components of the interest expense of the Company. During the Reporting Period, the aforementioned two expenses, along with interest expense on deposits and placements from banks and assets sold under repurchase agreements, all recorded year-on-year decreases.

Interest expense on deposits from customers

During the Reporting Period, the Company's interest expense on deposits from customers was RMB4.113 billion, representing a year-on-year decrease of RMB24 million or 0.58%. The decrease was mainly due to the fact that the average cost ratio of deposits was 1.86%, representing a year-on-year decrease of 0.27 percentage point, which offset the impact of the expansion of deposit scale and led to a decrease in deposit interest expense. During the Reporting Period, in response to deposit market conditions, the Company implemented market-driven adjustment mechanisms and self-regulatory requirements by adopting refined pricing strategies and optimizing deposit maturity structures. The cost rates of demand and time deposits, as well as corporate and individual deposits all recorded year-on-year decreases. The following table sets forth the average balance, interest expense and average cost ratio of each component of the Company's deposits from customers for the periods indicated.

Unit: RMB'000

Item	January to June 2025			January to June 2024		
	Average balance	Interest expense	Average cost ratio	Average balance	Interest expense	Average cost ratio
Corporate deposits						
Demand	83,868,535	260,043	0.63%	86,225,280	331,513	0.77%
Time	134,269,924	1,365,297	2.05%	108,880,281	1,349,434	2.49%
Sub-total	218,138,459	1,625,340	1.50%	195,105,561	1,680,947	1.73%
Personal deposits						
Demand	29,917,631	10,874	0.07%	28,534,431	28,841	0.20%
Time	198,021,683	2,477,109	2.52%	166,661,493	2,427,518	2.93%
Sub-total	227,939,314	2,487,983	2.20%	195,195,924	2,456,359	2.53%
Total	446,077,773	4,113,323	1.86%	390,301,485	4,137,306	2.13%

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

Interest expense on deposits and placements from banks and assets sold under repurchase agreements

During the Reporting Period, the Company's interest expense on deposits and placements from banks and assets sold under repurchase agreements amounted to RMB468 million, representing a year-on-year decrease of RMB168 million, or 26.47%. The decrease was primarily attributable to the Company's ongoing efforts in optimizing the management and control of interbank liability costs. By adjusting funding allocations in response to declining market rates, we reduced high-cost placements from banks and other financial institutions while increasing low-cost interbank deposits, driving a significant decrease in interbank liabilities cost rates, and realizing the decrease in interbank interest expenses.

Interest expense on debt securities issued

During the Reporting Period, the Company's interest expense on debt securities issued amounted to RMB1.089 billion, representing a year-on-year decrease of RMB124 million or 10.24%. The decrease was mainly due to the fact that, on the one hand, the Company seized the opportunity presented by the downward trend in interbank market interest rates to issue low-rate certificates of interbank deposit, thereby maintaining the growth of interbank certificate of deposit scale while reducing corresponding interest expenses. On the other hand, the average balance and cost rate of issued financial bonds both decreased, resulting in a corresponding reduction in interest expenses.

Interest expense arising from borrowings from the central bank

During the Reporting Period, the Company's interest expense arising from borrowings from the central bank amounted to RMB318 million, representing a year-on-year increase of RMB93 million or 41.16%. The increase was primarily due to the Company's increase in average balances of medium-term lending facilities and relending to support the development of micro and small enterprises, resulting in corresponding growth in interest expenses.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

3.6 Net Non-interest Income

During the Reporting Period, the Company's net non-interest income was RMB2.296 billion, representing a slight year-on-year increase of RMB48 million, and remained basically stable overall. The following table sets forth the main components of the Company's net non-interest income for the periods indicated.

Unit: RMB'000

Item	January to June 2025	January to June 2024
Fee and commission income	1,038,183	1,161,572
Less: Fee and commission expense	(230,719)	(230,433)
Net fee and commission income	807,464	931,139
Other net non-interest income	1,488,779	1,317,215
Net non-interest income	2,296,243	2,248,354

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

3.7 Net Fee and Commission Income

During the Reporting Period, the Company's net fee and commission income amounted to RMB807 million, representing a year-on-year decrease of RMB124 million or 13.28%. The decrease was mainly attributable to the decrease in fee income from the Company's wealth management business. During the Reporting Period, the Company made efforts to optimize its revenue structure by leveraging its advantages in multiple licenses and qualifications, and vigorously developed its capital-light businesses such as transaction banking. The following table sets forth the main components of the Company's net fee and commission income for the periods indicated.

Unit: RMB'000

Item	January to June 2025	January to June 2024
Fee and commission income	1,038,183	1,161,572
Of which: Wealth management service fees	387,664	515,545
Commission and agency service fees	270,014	275,768
Custody and bank card service fees	123,506	171,716
Settlement fees	121,870	84,097
Others	135,129	114,446
Less: Fee and commission expense	(230,719)	(230,433)
Net fee and commission income	807,464	931,139

During the Reporting Period, wealth management service fees income amounted to RMB388 million, representing a year-on-year decrease of RMB128 million or 24.81%. The decrease was primarily attributable to strengthened market risk management and control by wealth management subsidiaries amid bond market volatility, including adjustments to bond holdings in its products. However, wealth management service fees income declined as a result of the relatively high proportion of fixed-income products and other influencing factors. The agency service fees amounted to RMB270 million, representing a year-on-year decrease of RMB6 million or a slight decrease of 2.09%, remaining basically stable. The custody and bank card service fees amounted to RMB124 million, representing a year-on-year decrease of RMB48 million or 28.08%. The decrease was mainly due to the decrease in credit card service fees. The settlement fees amounted to RMB122 million, representing a year-on-year increase of RMB38 million or 44.92%, which was mainly due to the increase in settlement-type transaction banking income. Others amounted to RMB135 million, representing a year-on-year increase of RMB21 million or 18.07%, which was mainly due to the increase in service fees from letters of guarantees. The fee and commission expense amounted to RMB231 million, remaining basically stable year-on-year.

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3.8 Other Net Non-interest Income

During the Reporting Period, the Company's other net non-interest income amounted to RMB1.489 billion, representing a year-on-year increase of RMB172 million or 13.02%. Net gain arising from investment constituted the key component of other net non-interest income, which reached RMB1.402 billion during the current period, representing a year-on-year increase of RMB208 million or 17.42%. The increase was primarily driven by the Company's enhanced dynamic monitoring of financial investment scale and returns. The Company chose opportunities to carry out the operation of stop-profit for bonds, and timely locked in income in view of the fluctuations in the bond market. The following table sets forth the main components of the Company's other net non-interest income during the periods indicated.

Unit: RMB'000

Item	January to June 2025	January to June 2024
Net trading gains/(losses)	60,179	21,847
Net gains arising from investments	1,402,289	1,194,281
Other net operating income	26,311	101,087
Total	1,488,779	1,317,215

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

3.9 Operating Expenses

During the Reporting Period, the Company's operating expenses amounted to RMB1.816 billion, representing a year-on-year decrease of RMB58 million or 3.12%. The decrease was mainly due to the fact that while the Company was developing its business and increasing its staff, it continuously deepened the cost reduction and efficiency improvement, constantly optimized its expense allocation strategy and process management and control and strictly controlled operation and procurement costs, resulting in a steady decrease in the overall expenses. The following table sets forth the main components of the Company's operating expenses for the periods indicated.

Unit: RMB'000

Item	January to June 2025	January to June 2024
Staff costs	956,201	907,656
Property and equipment expenses	418,862	407,329
Tax and surcharges	91,559	83,340
Other general and administrative expenses	349,380	476,144
Operating expenses	1,816,002	1,874,469

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

3.10 Expected Credit Losses

During the Reporting Period, the Company's expected credit losses amounted to RMB2.232 billion, representing a year-on-year increase of RMB313 million or 16.29%. Expected credit losses from loans and advances to customers constituted the largest component of the expected credit losses. During the Reporting Period, expected credit losses from loans and advances to customers amounted to RMB1.606 billion, representing a year-on-year increase of RMB257 million or 19.05%. The increase was primarily driven by the Company's enhanced risk classification and identification amid loan scale expansion, upgraded loan risk management and control capabilities, and prudent additions to impairment provisions. The following table sets forth the main components of the Company's expected credit losses for the periods indicated.

Unit: RMB'000

Item	January to June 2025	January to June 2024
Loans and advances to customers	1,606,134	1,349,149
Financial investments measured at amortised cost	(37,559)	493,318
Financial investments measured at fair value through other comprehensive income	534,591	38,461
Long-term receivables	23,342	61,991
Deposits with banks and other financial institutions	10,695	437
Placements with banks and other financial institutions	18,614	(3,255)
Financial assets held under resale agreements	22,423	1,522
Credit commitment	60,578	(20,703)
Others	(6,467)	(1,286)
Expected credit losses	2,232,351	1,919,634

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

IV. ANALYSIS OF MAJOR ITEMS OF THE STATEMENT OF FINANCIAL POSITION

4.1 Assets

As at the end of the Reporting Period, the Company's total assets amounted to RMB743.028 billion, representing an increase of RMB53.065 billion or 7.69% as compared with that at the end of last year. During the Reporting Period, the Company implemented national policy directives by focusing on serving the real economy and developing specialized operations. This resulted in continued expansion of both loan scales and financial investment holdings, while reducing excess reserve deposits with the central bank, the Company increased higher-yielding deposits and placements with banks. Asset scale grew steadily, and structure optimized continuously. The following table sets forth the components of the Company's total assets as of the dates indicated.

Unit: RMB'000

Item	30 June 2025		31 December 2024		Compared with the end of last year		31 December 2023	
	Amount	% of total	Amount	% of total	Change in amount (%)	Change in % of total	Amount	% of total
Loans and advances to customers	359,216,323	48.34	332,554,291	48.20	8.02	0.14	292,992,926	48.19
Financial investments measured at fair value through profit or loss	68,207,055	9.18	63,986,527	9.27	6.60	(0.09)	58,269,523	9.58
Financial investments measured at fair value through other comprehensive income	95,783,212	12.89	94,075,023	13.63	1.82	(0.74)	114,985,134	18.91
Financial investments measured at amortised cost	116,084,699	15.62	97,593,546	14.14	18.95	1.48	52,756,509	8.68
Cash and deposits with the central bank	33,196,367	4.47	49,153,266	7.12	(32.46)	(2.65)	31,043,664	5.11
Deposits with banks and other financial institutions	10,832,004	1.46	3,495,177	0.51	209.91	0.95	2,210,368	0.36
Placements with banks and other financial institutions	20,072,012	2.70	14,844,347	2.15	35.22	0.55	14,021,225	2.31
Derivative financial assets	24,563	–	55,310	0.01	(55.59)	(0.01)	149,377	0.02
Financial assets held under resale agreements	12,975,160	1.75	7,496,541	1.09	73.08	0.66	13,944,652	2.29
Long-term receivables	15,535,174	2.09	15,516,540	2.25	0.12	(0.16)	16,741,773	2.75
Property and equipment	3,351,380	0.45	3,437,254	0.50	(2.50)	(0.05)	3,540,989	0.58
Right-of-use assets	741,739	0.10	764,450	0.11	(2.97)	(0.01)	838,139	0.14
Deferred tax assets	3,938,925	0.53	3,553,816	0.52	10.84	0.01	3,793,887	0.63
Other assets	3,068,933	0.42	3,436,945	0.50	(10.71)	(0.08)	2,697,206	0.45
Total assets	743,027,546	100	689,963,033	100.00	7.69	–	607,985,372	100.00

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

4.1.1 Loans and Advances to Customers

As at the end of the Reporting Period, the Company's loans and advances to customers amounted to RMB359.216 billion, representing an increase of RMB26.662 billion or 8.02% as compared with that at the end of the previous year, accounting for 48.34% of the total assets, increased by 0.14 percentage point as compared with that at the end of the previous year. Total loans to customers (excluding accrued interest and provision for impairment, the same below) amounted to RMB368.406 billion, representing an increase of RMB27.716 billion or 8.14% as compared with that at the end of the previous year, and accounting for 49.58% of the total assets, up by 0.20 percentage point as compared with that at the end of last year. During the Reporting Period, the Company increased its support for key areas such as the "Five Major Aspects", carried out differentiated and specialized operations in the "Eight Major Tracks", and continued to increase its credit investment. The following table sets forth the components of the loans and advances to customers of the Company by product type as of the dates indicated.

Unit: RMB'000

Item	30 June 2025		31 December 2024		Compared with the end of last year		31 December 2023	
	Amount	% of total	Amount	% of total	Change in amount (%)	Change in % of total	Amount	% of total
Corporate loans	269,665,839	73.20	242,178,866	71.08	11.35	2.12	201,564,473	67.17
Personal loans	75,794,043	20.57	78,336,127	22.99	(3.25)	(2.42)	79,083,765	26.35
Discounted bills	22,945,945	6.23	20,174,732	5.93	13.74	0.30	19,441,303	6.48
Total loans to customers	368,405,827	100.00	340,689,725	100.00	8.14	-	300,089,541	100.00
Add: Accrued interest	672,052	/	873,146	/	(23.03)	/	758,512	/
Less: Provision for impairment on loans and advances to customers measured at amortised cost	(9,861,556)	/	(9,008,580)	/	9.47	/	(7,855,127)	/
Loans and advances to customers	359,216,323	/	332,554,291	/	8.02	/	292,992,926	/

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

Corporate loans

As at the end of the Reporting Period, the Company's corporate loans amounted to RMB269.666 billion, representing an increase of RMB27.487 billion or 11.35% as compared with that at the end of last year, and accounting for 73.20% of the total loans to customers, representing an increase of 2.12 percentage points as compared with that at the end of last year. During the Reporting Period, the Company focused on the layout of strategic customer groups, important industries, inclusive technology innovation and other areas, and credit allocation performed well in green and blue oceans, science and technology, and manufacturing industries, achieving rapid growth in the corporate loans.

Personal loans

As at the end of the Reporting Period, the Company's personal loans amounted to RMB75.794 billion, representing a decrease of RMB2.542 billion or 3.25% as compared with that at the end of last year, and accounting for 20.57% of the total loans to customers, representing a decrease of 2.42 percentage points as compared with that at the end of last year. During the Reporting Period, the Company endeavored to withstand market pressure, proactively pressed down risks, and adjusted its credit card business strategy to make every effort to stabilize the fundamentals of personal loans.

Discounted bills

As at the end of the Reporting Period, the Company's discounted bills amounted to RMB22.946 billion, representing an increase of RMB2.771 billion or 13.74% as compared with that at the end of last year, and accounting for 6.23% of the total loans to customers, representing an increase of 0.30 percentage point as compared with that at the end of last year. During the Reporting Period, the Company focused on the objectives of expanding customer groups and increasing operating income, and made every effort to promote the development of the bills business with commercial bills and bank bills as the dual product main lines, realizing a relatively rapid growth in discounted bills.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

4.1.2 Financial Investments

As at the end of the Reporting Period, the Company's carrying value of financial investments amounted to RMB280.075 billion, representing an increase of RMB24.420 billion or 9.55% as compared with that at the end of last year. The following table sets forth the components of the Company's financial investment portfolios as of the dates indicated.

Unit: RMB'000

Item	30 June 2025		31 December 2024	
	Amount	% of total	Amount	% of total
Financial investments measured at fair value through profit or loss	68,207,055	24.35	63,986,527	25.03
Financial investments measured at fair value through other comprehensive income	95,783,212	34.20	94,075,023	36.80
Financial investments measured at amortised cost	116,084,699	41.45	97,593,546	38.17
Financial investments	280,074,966	100.00	255,655,096	100.00

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

Financial investments measured at fair value through profit or loss

As at the end of the Reporting Period, the Company's carrying value of financial investments measured at fair value through profit or loss amounted to RMB68.207 billion, representing an increase of RMB4.221 billion or 6.60% as compared with that at the end of last year, mainly attributable to the Company's increase in the scale of its investment in certificates of interbank deposit with a shorter maturity period in order to appropriately hedge the risk of interest rate fluctuations. The following table sets forth the components of the Company's financial investments measured at fair value through profit or loss as of the dates indicated.

Unit: RMB'000

Item	30 June 2025	31 December 2024
Debt securities issued by government and the central bank	42,783	67,130
Debt securities issued by policy banks	349,460	–
Debt securities issued by banks and other financial institutions	17,871,293	10,425,606
Debt securities issued by corporate entities	1,757,796	1,186,074
Fund investments	47,829,568	51,184,364
Asset management plans	356,155	777,284
Trust fund plans	–	346,069
Financial investments measured at fair value through profit or loss	68,207,055	63,986,527

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

Financial investments measured at fair value through other comprehensive income

As at the end of the Reporting Period, the Company's carrying value of financial investments measured at fair value through other comprehensive income amounted to RMB95.783 billion, representing an increase of RMB1.708 billion or 1.82% as compared with that at the end of last year, mainly because the Company increased the scale of debt securities investment in financial institutions with shorter maturities to moderately avoid the risk of interest rate fluctuations. The following table sets forth the components of the Company's financial investments measured at fair value through other comprehensive income as of the dates indicated.

Unit: RMB'000

Item	30 June 2025	31 December 2024
Debt securities issued by government and the central bank	18,118,839	19,374,542
Debt securities issued by policy banks	10,011,404	11,305,709
Debt securities issued by banks and other financial institutions	28,785,777	23,378,215
Debt securities issued by corporate entities	37,754,784	38,355,888
Other equity investments	134,968	134,968
Add: Accrued interest	977,440	1,525,701
Financial investments measured at fair value through other comprehensive income	95,783,212	94,075,023

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

Financial investments measured at amortised cost

As at the end of the Reporting Period, the Company's carrying value of financial investments measured at amortised cost amounted to RMB116.085 billion, representing an increase of RMB18.491 billion or 18.95% as compared with that at the end of last year, mainly because the Company increased debt securities investments measured at amortised cost, which not only helped to avoid the risk of interest rate fluctuations but also expanded the scale of interest-earning assets. Among them, the increased investment in corporate bonds further supported the real economy. The following table sets forth the components of the Company's financial investments measured at amortised cost as of the dates indicated.

Unit: RMB'000

Item	30 June 2025	31 December 2024
Debt securities issued by government and the central bank	38,391,975	36,279,714
Debt securities issued by policy banks	19,503,128	19,250,418
Debt securities issued by banks and other financial institutions	32,171,100	24,304,134
Debt securities issued by corporate entities	26,810,274	15,640,701
Asset management plans	957,830	1,002,080
Trust fund plans	1,546,797	1,595,903
Other investments	1,021,500	3,776,416
Total financial investments measured at amortised cost	120,402,604	101,849,366
Add: Accrued interest	1,092,111	1,240,861
Less: Provision for impairment losses	(5,410,016)	(5,496,681)
Financial investments measured at amortised cost	116,084,699	97,593,546

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

4.2 Liabilities

As at the end of the Reporting Period, the Company's total liabilities amounted to RMB695.944 billion, representing an increase of RMB50.880 billion or 7.89% as compared with that at the end of last year. During the Reporting Period, the Company further strengthened the quality management of liabilities, relied on diversified sources of liabilities to continuously optimize the liability structure, and while the deposits from customers steadily increased, moderately increased the scale of borrowings from the central bank and bonds payable. The following table sets forth the components of the Company's total liabilities as of the dates indicated.

Unit: RMB'000

Item	30 June 2025		31 December 2024		Compared with the end of last year		31 December 2023	
	Amount	% of total	Amount	% of total	Change in amount (%)	Change in % of total	Amount	% of total
Deposits from customers	476,315,305	68.44	443,425,535	68.74	7.42	(0.30)	395,467,359	69.62
Deposits from banks and other financial institutions	17,066,458	2.45	12,355,339	1.92	38.13	0.53	2,242,331	0.39
Placements from banks and other financial institutions	19,820,383	2.85	20,836,633	3.23	(4.88)	(0.38)	21,090,364	3.71
Financial liabilities measured at fair value through profit or loss	1,206,126	0.17	699,788	0.11	72.36	0.06	-	-
Derivative financial liabilities	22,859	-	162,430	0.03	(85.93)	(0.03)	71,107	0.01
Financial assets sold under repurchase agreements	32,033,239	4.60	35,504,160	5.50	(9.78)	(0.90)	36,880,567	6.49
Borrowings from the central bank	38,896,814	5.59	28,240,081	4.38	37.74	1.21	18,235,088	3.21
Income tax payable	699,644	0.10	306,535	0.05	128.24	0.05	477,981	0.08
Debt securities issued	104,712,179	15.05	98,752,059	15.31	6.04	(0.26)	89,269,785	15.72
Lease liabilities	505,980	0.07	514,281	0.08	(1.61)	(0.01)	555,035	0.10
Other liabilities	4,664,628	0.68	4,266,363	0.65	9.34	0.03	3,756,512	0.67
Total liabilities	695,943,615	100.00	645,063,204	100.00	7.89	-	568,046,129	100.00

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

4.2.1 Deposits from Customers

As at the end of the Reporting Period, the Company's deposits from customers amounted to RMB476.315 billion, representing an increase of RMB32.890 billion or 7.42% as compared with that at the end of last year, and accounting for 68.44% of the total liabilities; total deposits from customers (excluding accrued interest, the same below) amounted to RMB466.140 billion, representing an increase of RMB34.116 billion or 7.90% as compared with that at the end of last year. During the Reporting Period, the Company deepened the customer segmentation operation system, and focused on settlement empowerment to expand deposit sources. The balance of corporate deposits was RMB228.550 billion, representing an increase of RMB16.397 billion or 7.73% as compared with that at the end of last year. The Company strengthened theme-based and precise marketing and flexibly deployed products. The balance of personal deposits was RMB237.511 billion, representing an increase of RMB17.714 billion or 8.06% as compared with that at the end of last year. The following table sets forth the components of Company's deposits from customers by product type and customer type as of the dates indicated.

Unit: RMB'000

Item	30 June 2025		31 December 2024		Change from the end of last year		31 December 2023	
	Amount	% of total	Amount	% of total	Change in amount (%)	Change in % of total	Amount	% of total
Corporate deposits	228,550,271	49.03	212,153,468	49.11	7.73	(0.08)	197,228,438	51.09
Demand deposits	86,931,469	18.65	83,069,565	19.23	4.65	(0.58)	89,927,435	23.30
Time deposits	141,618,802	30.38	129,083,903	29.88	9.71	0.50	107,301,003	27.79
Personal deposits	237,511,322	50.95	219,797,572	50.88	8.06	0.07	188,443,994	48.81
Demand deposits	30,499,036	6.54	33,121,069	7.67	(7.92)	(1.13)	29,854,416	7.73
Time deposits	207,012,286	44.41	186,676,503	43.21	10.89	1.20	158,589,578	41.08
Other deposits	78,521	0.02	72,966	0.01	7.61	0.01	389,827	0.10
Total customer deposits	466,140,114	100.00	432,024,006	100.00	7.90	-	386,062,259	100.00
Add: Accrued interests	10,175,191	/	11,401,529	/	(10.76)	/	9,405,100	/
Deposits from customers	476,315,305	/	443,425,535	/	7.42	/	395,467,359	/

As at the end of the Reporting Period, personal deposits accounted for 50.95% of the total customer deposits, representing an increase of 0.07 percentage point as compared with that at the end of last year; corporate deposits accounted for 49.03% of total customer deposits, representing a decrease of 0.08 percentage point as compared with that at the end of last year.

4.2.2 Deposits from Banks and Other Financial Institutions

As at the end of the Reporting Period, the Company's deposits from banks and other financial institutions amounted to RMB17.066 billion, representing an increase of RMB4.711 billion or 38.13% as compared with that at the end of last year, mainly because the Company strengthened its overall interbank liability management and actively expanded low-cost interbank deposits based on its own fund scheduling and asset allocation plan.

4.2.3 Financial Assets Sold under Repurchase Agreements

As at the end of the Reporting Period, the Company's financial assets sold under repurchase agreements amounted to RMB32.033 billion, representing a decrease of RMB3.471 billion or 9.78% as compared with that at the end of last year, mainly because the Company continued to strengthen the refined management of inter-bank liabilities based on a prudent assessment of short-term capital needs, and reduced the scale of financial assets sold under repurchase agreements while increasing deposits from banks.

4.2.4 Borrowings from the Central Bank

As at the end of the Reporting Period, the Company's borrowings from the central bank amounted to RMB38.897 billion, representing an increase of RMB10.657 billion or 37.74% as compared with that at the end of last year, mainly because the Company actively responded to monetary policy guidance and actively expanded diversified sources of liabilities, with the increase in the balances of the medium-term lending facilities and the relending to support the development of micro and small enterprises.

4.2.5 Debt Securities Issued

As at the end of the Reporting Period, the Company's debt securities issued amounted to RMB104.712 billion, representing an increase of RMB5.960 billion or 6.04% as compared with that at the end of last year, mainly due to the Company's increase in the issuance of low-cost certificates of interbank deposit based on its own requirement of capital allocation and combined with capital market dynamics. For details of the debt securities, please refer to "33 DEBT SECURITIES ISSUED under NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS" of this interim report.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

4.3 Equity Attributable to Shareholders

As at the end of the Reporting Period, the shareholders' equity of the Company amounted to RMB47.084 billion, representing an increase of RMB2.184 billion or 4.86% as compared with that at the end of last year; equity attributable to equity shareholders of the Bank amounted to RMB46.078 billion, representing an increase of RMB2.146 billion or 4.88% as compared with that at the end of last year, mainly due to the increase in retained earnings. During the Reporting Period, the Company distributed RMB931 million dividends to ordinary shareholders. The following table sets forth the components of the Company's shareholders' equity as of the dates indicated.

Unit: RMB'000

Item	30 June 2025	31 December 2024
Share capital	5,820,355	5,820,355
Other equity instruments		
Of which: Perpetual bonds	6,395,783	6,395,783
Capital reserve	10,687,091	10,687,091
Other comprehensive income	2,728,790	2,716,533
Surplus reserve	3,106,154	3,106,154
General reserve	8,511,286	8,511,286
Retained earnings	8,828,605	6,695,179
Total equity attributable to equity shareholders of the Bank	46,078,064	43,932,381
Non-controlling interests	1,005,867	967,448
Total equity	47,083,931	44,899,829

V. ANALYSIS OF THE CASH FLOW STATEMENT

As at the end of the Reporting Period, the net cash flows generated from operating activities amounted to RMB-57 million, representing a year-on-year decrease of RMB4.927 billion, which was mainly due to an increase in net cash flows generated from deposits and loans of RMB4.872 billion, while the decrease in net cash flows generated from central bank and interbank transactions of RMB9.647 billion, offsetting the impact of the former. Among them, net cash flows generated from operating assets decreased by RMB10.475 billion and net cash flows generated from operating liabilities increased by RMB5.187 billion.

The net cash flows generated from investing activities amounted to RMB-12.669 billion, representing a year-on-year decrease of RMB20.540 billion, mainly due to an increase in payments for acquisition of investments of RMB35.143 billion and cash received from disposal and redemption of investments of RMB13.710 billion, partially offsetting the impact.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

The net cash flows generated from financing activities amounted to RMB3.819 billion, representing a year-on-year increase of RMB2.438 billion, mainly due to a decrease in cash paid for repayments of borrowings of RMB2.249 billion.

VI. SEGMENT ANALYSIS

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

Unit: RMB'000

Item	January to June 2025		January to June 2024	
	Segment operating income	Ratio (%)	Segment operating income	Ratio (%)
Corporate banking business	3,620,134	47.27	3,231,124	45.98
Retail banking business	1,670,137	21.81	1,818,986	25.88
Financial market business	2,012,464	26.28	1,647,149	23.44
Unallocated items and others	355,275	4.64	330,088	4.70
Total	7,658,010	100.00	7,027,347	100.00

Unit: RMB'000

Item	January to June 2025		January to June 2024	
	Segment profit before taxation	Ratio (%)	Segment profit before taxation	Ratio (%)
Corporate banking business	1,668,096	46.23	1,340,110	41.45
Retail banking business	521,448	14.45	611,945	18.93
Financial market business	1,117,571	30.97	1,049,129	32.45
Unallocated items and others	301,243	8.35	232,060	7.17
Total	3,608,358	100.00	3,233,244	100.00

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VII. ANALYSIS OF ASSETS AND LIABILITIES

7.1 Major Overseas Assets

Not applicable.

7.2 Assets and Liabilities Measured at Fair Value

Unit: RMB'000

Major item	31 December 2024	Profit or loss from change in fair value during the current period	Cumulative changes in fair value recognised in equity	Impairment provided during the current period	30 June 2025
Derivative financial assets	55,310	(30,747)	N/A	N/A	24,563
Loans and advances to customers measured at fair value through other comprehensive income	24,627,582	N/A	9,039	245,824	31,460,537
Financial investments measured at fair value through profit or loss	63,986,527	(14,323)	N/A	N/A	68,207,055
Financial investments measured at fair value through other comprehensive income	94,075,023	N/A	2,299,106	534,591	95,783,212
Sub-total of assets	182,744,442	(45,070)	2,308,145	780,415	195,475,367
Financial liabilities measured at fair value through profit or loss	(699,788)	3,662	N/A	N/A	(1,206,126)
Derivative financial liabilities	(162,430)	139,571	N/A	N/A	(22,859)
Sub-total of liabilities	(862,218)	143,233	N/A	N/A	(1,228,985)

7.3 Restricted Asset Rights as of the End of the Reporting Period

Please refer to “45(6) Pledged assets under NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS” of this interim report.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

VIII. ANALYSIS OF QUALITY OF LOANS

During the Reporting Period, the Company continued to strengthen the management and control over the quality of credit assets. While the credit assets grew steadily, the quality of credit assets continued to improve steadily. As at the end of the Reporting Period, the total loans of the Company (excluding provision for impairment of accrued interest) was RMB368.406 billion; the total non-performing loans amounted to RMB4.132 billion; and the non-performing loan ratio was 1.12%. For the purpose of discussion and analysis, unless otherwise specified, the amount of loans presented in the analysis below excludes accrued interest.

8.1 Distribution of Loans by Five Categories

Unit: RMB'000

Item	30 June 2025		31 December 2024	
	Amount	% of total	Amount	% of total
Normal loans	362,271,516	98.34	334,906,496	98.30
Special mention loans	2,002,236	0.54	1,909,890	0.56
Substandard loans	1,268,606	0.34	1,133,250	0.33
Doubtful loans	479,224	0.13	704,274	0.21
Loss loans	2,384,245	0.65	2,035,815	0.60
Total loans to customers	368,405,827	100.00	340,689,725	100.00
Total non-performing loans	4,132,075	1.12	3,873,339	1.14

Under the five-category classification system for loan, the non-performing loans of the Company included the substandard, doubtful and loss loans. As at the end of the Reporting Period, the proportion of non-performing loans decreased by 0.02 percentage point as compared with that at the end of last year to 1.12%, where substandard loans increased by 0.01 percentage point to 0.34%, doubtful loans decreased by 0.08 percentage point to 0.13% and loss loans increased by 0.05 percentage point to 0.65% as compared with that at the end of last year, respectively.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

8.2 Distribution of Loans by Product Type

Unit: RMB'000

Item	30 June 2025		31 December 2024	
	Amount of loans	% of total	Amount of loans	% of total
Corporate loans	292,611,784	79.43	262,353,598	77.01
Working capital loans	180,834,306	49.09	164,868,972	48.39
Fixed asset loans	77,429,468	21.02	71,631,431	21.03
Import and export bills transactions	2,887,473	0.78	1,225,613	0.36
Discounted bills	22,945,945	6.23	20,174,732	5.92
Forfeiting	8,514,592	2.31	4,452,850	1.31
Retail loans	75,794,043	20.57	78,336,127	22.99
Personal residential mortgages	46,381,150	12.59	47,195,920	13.85
Personal consumption loans	18,457,876	5.01	20,121,229	5.91
Personal business loans	10,955,017	2.97	11,018,978	3.23
Total loans to customers	368,405,827	100.00	340,689,725	100.00

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

8.3 Distribution of Loans by Industry

Unit: RMB'000

Item	30 June 2025				31 December 2024			
	Amount of loans	% of total	Amount of non-performing loans	Non-performing loan ratio %	Amount of loans	% of total	Amount of non-performing loans	Non-performing loan ratio %
Corporate loans	292,611,784	79.43	2,327,302	0.80	262,353,598	77.01	2,288,105	0.87
Wholesale and retail trade	59,142,603	16.05	972,188	1.64	49,560,902	14.55	626,067	1.26
Manufacturing	49,157,366	13.34	626,102	1.27	40,561,826	11.91	909,351	2.24
Construction	39,229,242	10.65	159,333	0.41	38,247,453	11.23	188,782	0.49
Leasing and business services	39,361,902	10.68	3,088	0.01	37,323,602	10.96	88	–
Water conservancy, environment and public utility management	26,168,778	7.10	372	–	23,579,334	6.92	372	–
Real estate	24,555,132	6.67	464,814	1.89	23,063,785	6.77	476,769	2.07
Transportation, storage and postal services	11,862,110	3.22	3,750	0.03	10,541,830	3.09	4,515	0.04
Production and supply of electric, heating power, gas and water	13,769,439	3.74	–	–	10,306,735	3.03	–	–
Financial services	6,774,264	1.84	–	–	9,491,088	2.79	–	–
Scientific research and technological services	5,587,900	1.52	3,297	0.06	5,026,353	1.48	–	–
Others	17,003,048	4.62	94,358	0.55	14,650,690	4.28	82,161	0.56
Retail loans	75,794,043	20.57	1,804,773	2.38	78,336,127	22.99	1,585,234	2.02
Total loans to customers	368,405,827	100.00	4,132,075	1.12	340,689,725	100.00	3,873,339	1.14

8.4 Distribution of Loans by Region

Unit: RMB'000

Region	30 June 2025				31 December 2024			
	Amount of loans	% of total	Amount of non-performing loans	Non-performing loan ratio %	Amount of loans	% of total	Amount of non-performing loans	Non-performing loan ratio %
Shandong Province	368,405,827	100.00	4,132,075	1.12	340,689,725	100.00	3,873,339	1.14
Of which: Qingdao City	181,268,609	49.20	3,050,553	1.68	174,674,095	51.27	2,577,197	1.48

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

8.5 Distribution of Loans by Type of Collateral

Unit: RMB'000

Item	30 June 2025		31 December 2024	
	Amount of loans	% of total	Amount of loans	% of total
Unsecured loans	80,884,619	21.95	75,061,395	22.03
Guaranteed loans	82,221,355	22.32	78,011,013	22.90
Mortgage loans	125,910,706	34.18	122,295,448	35.90
Pledge loans	79,389,147	21.55	65,321,869	19.17
Total loans to customers	368,405,827	100.00	340,689,725	100.00

8.6 Loans to the Top Ten Single Borrowers

Unit: RMB'000

Top ten borrowers	Industry	Amount of loans as at the end of the Reporting Period	Percentage in total loans %
A	Manufacturing	2,764,671	0.75
B	Leasing and business services	2,641,042	0.72
C	Manufacturing	2,541,846	0.69
D	Manufacturing	2,492,000	0.68
E	Manufacturing	2,143,229	0.58
F	Leasing and business services	1,999,000	0.54
G	Leasing and business services	1,908,330	0.52
H	Leasing and business services	1,720,000	0.47
I	Transportation, storage and postal services	1,700,000	0.46
J	Construction	1,647,150	0.44
Total		21,557,268	5.85

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

8.7 Distribution of Loans by Overdue Period

Unit: RMB'000

Overdue period	30 June 2025		31 December 2024	
	Amount of loans	% of total	Amount of loans	% of total
Not yet overdue	363,840,902	98.76	335,866,802	98.58
Overdue for 3 months (inclusive) or less	1,169,399	0.32	1,372,306	0.41
Overdue for over 3 months to 1 year (inclusive)	1,338,826	0.36	1,341,590	0.39
Overdue for over 1 year to 3 years (inclusive)	1,714,515	0.47	1,956,371	0.58
Overdue for over 3 years	342,185	0.09	152,656	0.04
Total loans to customers	368,405,827	100.00	340,689,725	100.00

The Company had adopted a prudential classification standard as to overdue loans, according to which loans overdue for more than 60 days were classified as non-performing loans.

8.8 Repossessed Assets and Allowances for Impairment

As at the end of the Reporting Period, the Bank had total repossessed assets of RMB9.6901 million, allowances for impairment of RMB3.5191 million, and the net repossessed assets was RMB6.1710 million.

8.9 Changes in Provision for Impairment of Loans

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: RMB'000

Item	January to June 2025	2024
Balance at the beginning of the period/year	9,347,203	7,997,497
Provision for the period/year	1,606,134	2,380,293
Write-offs for the period/year	(730,965)	(1,228,963)
Transfer out for the period/year	—	—
Recovery of write-offs for the period/year	238,867	233,075
Other changes	(15,236)	(34,699)
Balance at the end of the period/year	10,446,003	9,347,203

The Company maintained a stable and prudent provision policy. As at the end of the Reporting Period, the Company's provision for impairment of loans (including discounted bills) amounted to RMB10.446 billion, representing an increase of RMB1.099 billion or 11.76% as compared with that at the end of last year. The provision coverage ratio reached 252.80%, representing an increase of 11.48 percentage points as compared with that at the end of last year; the provision rate of loans stood at 2.84%, representing an increase of 0.10 percentage point as compared with that at the end of last year, both satisfying regulatory requirements.

8.10 Countermeasures Taken against Non-performing Assets

During the Reporting Period, the Bank pushed forward its comprehensive credit risk management system and continued to strengthen the management and disposal of non-performing assets. Firstly, the Bank focused on key areas and large-amount risk assets, strengthened forward-looking credit risk research and judgment, and dynamically implemented targeted front-end management to alleviate and release pressure for potential non-performing assets; secondly, the Bank enhanced its non-performing asset management and disposal capabilities, built a full-cycle non-performing asset disposal mode, and comprehensively implemented various measures such as independent collection, judicial disposal, asset write-off and creditor's rights transfer on a categorized basis with focuses on the key issues, in order to enhance the quality and efficiency of the disposal in an all-around way; thirdly, the Bank deeply excavated the potential value of written-off assets by deploying diversified strategic portfolios to enhance operational efficiency, thereby achieving optimal utilization of idle resources.

8.11 Credit Extension to Group Customers and Risk Management

The Company adhered to the principles of “unified credit granting, appropriate limits, classified management, real-time monitoring, and lead bank system” in extending credit to group customers, developed risk management systems for the credit business to group customers and established a management mechanism and management information system adapted to the risk management characteristics of the credit business to group customers, with a complete family tree of the group constructed, so as to strengthen the consolidation of group risk data and optimize the risk monitoring system and post-credit granting management system in group dimension. At the same time, the Company constantly improved the system control scheme for extending credit to group customers and continuously enhanced the control of the entire process of credit extension to group customers, so as to continuously enhance the risk management level of credit extension to group customers.

Firstly, the Company implemented unified management for credit extension to group customers, standardized the unified identification of group customers and related information exchange management by the Bank and its subsidiaries, and centralized risks control of credit extension to group customers. Secondly, it set up a large-amount credit review committee to be responsible for reviewing and approving bank-wide large-amount credit granting services. Thirdly, it established and improved a sound risk monitoring system at group level, focused on risk monitoring of BQD Wealth Management and BQD Financial Leasing, promoted the consolidated management of group risk data to establish a long-term mechanism, and conducted penetrating and unified monitoring against the risks from group customers. Fourthly, it integrated and analyzed various credit risk information related to group customers based on the core enterprises engaged in the group’s principal business. According to the level of risks of group customers and its own risks commitment capacity, it properly determined the credit extension plan to group customers, and prudently determined the general credit limit to group customers and the sub-credit limit to each member unit to prevent the concentration of credit risks. Fifthly, it continued to optimize the mechanism for controlling the concentration of credit extension to group customers, set up relevant concentration monitoring indicators in the system and achieved concentration limit management. Sixthly, it adopted a leading bank system for credit extension to group customers, with the leading bank responsible for the overall credit extension management of group customers, and reporting the material matters on group customers to the head office as required, so as to realize the unified coordination of risk management and control and strictly prevent multi-branch credit.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

8.12 Rescheduled Loans

Unit: RMB'000

Item	30 June 2025		31 December 2024	
	Amount of loans	% of total	Amount of loans	% of total
Rescheduled loans	191,958	0.05	137,928	0.04
Total loans and advances to customers	368,405,827	100.00	340,689,725	100.00

The Company implemented strict management and control on rescheduled loans. As at the end of the Reporting Period, the proportion of rescheduled loans of the Company was 0.05%, which increased 0.01 percentage point as compared with that at the end of last year.

IX. ANALYSIS OF CAPITAL ADEQUACY RATIO AND LEVERAGE RATIO

The Company continuously optimized its business structure, strengthened capital management, continuously aimed to improve capital risk resistance capacities and capital returns, and on this basis, reasonably determined the capital adequacy ratio target, and guided business development comprehensively with performance appraisal, capital allocation and other means, so as to achieve the coordinated development of the overall strategy, business development, and the capital management strategy.

In terms of internal capital management, the Company refined its capital management system, and improved capabilities for refined capital management. The Company strengthened the economic capital allocation management function, overall planned for asset development and capital saving, and enhanced the capital conservation awareness of operating institutions. Taking into account each institution's capital consumption and income in the performance assessment plan, the Company gradually optimized the risk adjustment performance assessment plan, and guided branches and management departments to proactively carry out transactions with high returns on capital, so as to maximize the returns on risk-weighted assets. Meanwhile, the Company established and improved the balance control mechanism between capital occupation and risk assets, to ensure continuously conforming capital adequacy ratio.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

9.1 Capital Adequacy Ratio

The capital adequacy ratio of the Company and the Bank is calculated in accordance with the “Regulation Governing Capital of Commercial Banks” and other relevant regulatory provisions. The credit risk-weighted assets are calculated with different risk weights while considering the effects of qualified pledge and guarantee. Market risk-weighted assets and the operational risk-weighted assets are calculated with the standard approach. During the Reporting Period, the Company’s capital adequacy indicators complied with the regulatory requirements.

As at the end of the Reporting Period, the Company’s capital adequacy ratio was 13.52%, representing a decrease of 0.28 percentage point as compared with that at the end of last year; and the core tier-one capital adequacy ratio stood at 9.05%, representing a decrease of 0.06 percentage point as compared with that at the end of last year. In the first half of the year, the Company stuck to the development orientation of light-capital transformation, strengthened capability of refined management for capital and further enhanced the endogenous capital replenishment by an increase of retained profits. By virtue of reinforced performance evaluation and guidance, optimized structures of assets and liabilities and enhanced the efficiency in capital utilization, the capital adequacy ratios at all levels have remained basically stable under the premise of positive and prudent development of various businesses.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: RMB'000

The Company	30 June 2025	31 December 2024
Total core tier-one capital	40,168,472	38,016,853
Of which: Share capital	5,820,355	5,820,355
Eligible portion of capital reserve	10,687,091	10,687,091
Accumulated other comprehensive income	2,728,790	2,716,533
Surplus reserve	3,106,154	3,106,154
General reserve	8,511,286	8,511,286
Retained earnings	8,828,605	6,695,179
Eligible portion of non-controlling interests	486,191	480,255
Core tier-one capital deductions	(351,159)	(379,124)
Net core tier-one capital	39,817,313	37,637,729
Other tier-one capital	6,460,609	6,459,817
Net tier-one capital	46,277,922	44,097,546
Tier-two capital	13,216,145	12,932,928
Total net capital	59,494,067	57,030,474
Total risk-weighted assets	439,949,947	413,212,378
Of which: Credit risk-weighted assets	412,005,991	389,193,667
Market risk-weighted assets	6,684,704	2,759,459
Operational risk-weighted assets	21,259,252	21,259,252
Core tier-one capital adequacy ratio (%)	9.05	9.11
Tier-one capital adequacy ratio (%)	10.52	10.67
Capital adequacy ratio (%)	13.52	13.80

As at the end of the Reporting Period, the capital adequacy ratio at the parent company level of the Bank was 13.02%, down by 0.34 percentage point from the end of last year; the core tier-one capital adequacy ratio was 8.45%, representing a decrease of 0.10 percentage point as compared with that at the end of last year.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

Unit: RMB'000

The Bank	30 June 2025	31 December 2024
Total core tier-one capital	38,008,815	36,043,250
Of which: Share capital	5,820,355	5,820,355
Eligible portion of capital reserve	10,687,634	10,687,634
Accumulated other comprehensive income	2,728,790	2,716,533
Surplus reserve	3,106,154	3,106,154
General reserve	7,971,637	7,971,637
Retained earnings	7,694,245	5,740,937
Core tier-one capital deductions	(2,396,383)	(2,258,848)
Net core tier-one capital	35,612,432	33,784,402
Other tier-one capital	6,395,783	6,395,783
Net tier-one capital	42,008,215	40,180,185
Tier-two capital	12,890,545	12,613,593
Total net capital	54,898,760	52,793,778
Total risk-weighted assets	421,643,431	395,285,095
Of which: Credit risk-weighted assets	396,134,146	373,701,055
Market risk-weighted assets	6,684,704	2,759,459
Operational risk-weighted assets	18,824,581	18,824,581
Core tier-one capital adequacy ratio (%)	8.45	8.55
Tier-one capital adequacy ratio (%)	9.96	10.16
Capital adequacy ratio (%)	13.02	13.36

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

9.2 Leverage Ratio

According to the provisions of “Regulation Governing Capital of Commercial Banks”, a minimum leverage ratio 4% is required. As of 30 June 2025, the leverage ratio calculated pursuant to the “Regulation Governing Capital of Commercial Banks” by the Company was 5.68%, higher than that stipulated in regulatory requirement, down by 0.11 percentage point from the end of last year, which was mainly due to the increase in asset scale led by the development of various businesses.

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

Unit: RMB’000

Item	30 June 2025	31 March 2025	31 December 2024	30 September 2024
Leverage ratio(%)	5.68	5.74	5.79	5.81
Net tier-one capital	46,277,922	44,964,248	44,097,546	42,783,596
The balance of assets on- and off-balance sheet after adjustments	815,021,161	782,707,297	761,240,357	736,073,044

According to the “Regulation Governing Capital of Commercial Banks”, the third pillar information disclosures concerning risk management, key prudential supervision indicators, risk weighted asset overview, capital composition, leverage ratio of the Company will be further disclosed in the “Investor Relations” on the website of the Bank (<http://www.qdccb.com/>).

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

X. INVESTMENT ANALYSIS

10.1 Overview

Unit: RMB'000

Investees	30 June 2025	31 December 2024	Percentage of equity in investees (%)	Cash dividend for the current period
China Unionpay Co., Ltd.	124,718	124,718	0.34	–
Shandong City Commercial Banks Alliance Co., Ltd.	10,000	10,000	1.14	–
Service Centre for City Commercial Banks	250	250	0.81	–
Total	134,968	134,968	N/A	–

Notes:

1. The above investments were included under financial investments measured at fair value through other comprehensive income in the statement of financial position.
2. The original name of Service Centre for City Commercial Banks was Clearing Center for City Commercial Banks.

As at the end of the Reporting Period, for details of other information concerning the Company's investments, please refer to "4.1.2 Financial Investments" and "XIII. ANALYSIS OF MAIN SHARES HOLDING COMPANIES AND JOINT STOCK COMPANIES" under "SECTION III MANAGEMENT DISCUSSION AND ANALYSIS" of this interim report.

10.2 Significant Equity Investments Acquired during the Reporting Period

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

10.3 Significant Ongoing Non-equity Investments during the Reporting Period

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

10.4 Investments in Securities

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

Unit: RMB'000

Type of security	Investment amount in securities	% of total investment in securities
Debt securities issued by government and the central bank	56,553,419	24.43
Debt securities issued by policy banks	29,863,734	12.90
Debt securities issued by banks and other financial institutions	78,783,144	34.03
Debt securities issued by corporate entities	66,319,004	28.64
Total	231,519,301	100.00

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

Unit: RMB'000

Name of security	Nominal value	Interest rates (%)	Maturity date	Impairment allowances
Bond 1	5,510,000	2.64	2031-01	3,290.53
Bond 2	5,170,000	3.39	2050-03	1,453.84
Bond 3	4,620,000	1.57	2035-01	2,638.45
Bond 4	4,230,000	2.52	2028-05	2,418.75
Bond 5	3,320,000	2.87	2028-02	1,925.53
Bond 6	3,010,000	3.18	2032-03	730.26
Bond 7	2,740,000	3.18	2026-09	1,596.67
Bond 8	2,520,000	2.26	2034-07	1,506.78
Bond 9	2,250,000	3.55	2040-05	1,287.18
Bond 10	2,130,000	3.12	2026-12	622.71

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

10.5 Derivative Investments

Unit: RMB'000

Item	30 June 2025			31 December 2024		
	Nominal amount	Fair value of assets	Fair value of liabilities	Nominal amount	Fair value of assets	Fair value of liabilities
Interest rate swaps and others	68,358,105	24,563	(22,859)	80,740,732	55,310	(162,430)

Notes:

1. Within the risk appetite and its own derivatives market risk framework determined by the Board, the Company followed the requirements for limits and actively conducted various derivatives transactions. As at the end of the Reporting Period, the derivative financial instruments held by the Company included interest rate swaps and others.
2. During the Reporting Period, the Company's accounting policies and specific accounting principles for derivatives had no significant changes compared with the previous reporting period.

10.6 Use of Proceeds Raised

1. General Use of Proceeds Raised

During the Reporting Period, the Bank did not raise any additional proceeds.

2. Commitment of Use of Proceeds Raised

N/A.

3. Change of Use of Proceeds Raised

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

XI. MATERIAL DISPOSAL OF ASSETS AND EQUITY INTEREST

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

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XII. OTHER FINANCIAL INFORMATION

12.1 Analysis of Off-balance Sheet Items

The Company's off-balance sheet items include credit commitments and capital commitments. Credit commitments are the most important component. As at the end of the Reporting Period, the balance of credit commitments amounted to RMB101.736 billion. For details, please refer to "45 COMMITMENTS AND CONTINGENCIES under NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS" of this interim report.

12.2 Overdue and Outstanding Debts

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

12.3 Pledge of Assets

As at the end of the Reporting Period, the Company pledged part of its assets as collaterals under repurchase agreements, collaterals for borrowings from the central bank and deposits from customers. For details, please refer to "45(6) Pledged assets under NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS" of this interim report.

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

Unit: RMB'000

Item	January to June 2025	January to June 2024	Change (%)	Main reason
Net trading gains/ (losses)	60,179	21,847	175.46	Increase in net gains/losses of foreign exchange rate derivative financial instruments and foreign exchange
Other net operating income	26,311	101,087	(73.97)	Decrease in net gains/losses on disposal of precious metals and government grants
Other comprehensive income, net of tax	12,257	1,185,367	(98.97)	Decrease in changes in fair value of financial assets measured at fair value through other comprehensive income

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	30 June 2025	31 December 2024	Change (%)	Main reason
Cash and deposits with the central bank	33,196,367	49,153,266	(32.46)	Decrease in surplus reserve deposits with the central bank
Deposits with banks and other financial institutions	10,832,004	3,495,177	209.91	Increase in deposits with banks for settlement
Placements with banks and other financial institutions	20,072,012	14,844,347	35.22	Increase in placements with other financial institutions
Derivative financial assets	24,563	55,310	(55.59)	Decrease in interest rate derivatives financial assets
Financial assets held under resale agreements	12,975,160	7,496,541	73.08	Increase in scale of bonds purchased under resale agreements
Borrowings from the central bank	38,896,814	28,240,081	37.74	The Company actively responded to monetary policies guidance and expanded diversified sources of liabilities, with the increase in the balances of the medium-term lending facilities and the relending to support the development of micro and small enterprises
Deposits from banks and other financial institutions	17,066,458	12,355,339	38.13	The Company strengthened the overall management of interbank liabilities and actively expanded low-cost interbank deposits, in alignment with its own fund allocation schedules and asset deployment plans
Financial liabilities measured at fair value through profit or loss	1,206,126	699,788	72.36	Increase in scale of structured bills
Derivative financial liabilities	22,859	162,430	(85.93)	Decrease in currency derivatives financial liabilities
Income tax payable	699,644	306,535	128.24	Increase in the deductible temporary difference
Retained earnings	8,828,605	6,695,179	31.87	Increase in retained earnings

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

12.5 Changes in Interest Receivables

As at the end of the Reporting Period, the Company's interest receivables reached RMB29 million, representing an increase of RMB3 million or 9.94% from the end of the previous year, mainly attributable to the increase in interest receivable of long-term receivables. The following table sets forth the changes in various items of interest receivables of the Company during the period indicated.

Unit: RMB'000

Item	31 December 2024	Increase during the period	Recovery during the period	30 June 2025
Loans and advances to customers	25,067	668,242	(669,193)	24,116
Long-term receivables	1,471	14,755	(11,165)	5,061
Total	26,538	682,997	(680,358)	29,177

Note: In accordance with the requirement of the "Format of the Financial Statements of Financial Enterprises for 2018" released by the Ministry of Finance of the People's Republic of China, the "interest receivables" item shall only reflect the interest that has been due and can be collected but has not been received as of the end of the Reporting Period. Since the amount is relatively small, it should be included in the item of "other assets". The Company has made impairment allowances for interest receivables, and implemented bad debt write-off procedures and policies.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

12.6 Allowances for Bad Debts

As at the end of the Reporting Period, the Company's allowances for bad debts was RMB137 million, representing an increase of RMB4 million over the end of the previous year. Among them, the bad debt allowances for other receivables was RMB128 million, representing an increase of RMB4 million from the end of the previous year; the bad debt allowances for interest receivables was RMB9 million, which remained basically stable from the end of the previous year. The bad debt allowances remained stable overall. The following table sets forth the Company's interest receivables, other receivables and their allowances for bad debts as of the dates indicated.

Unit: RMB'000

Item	30 June 2025	31 December 2024	Change
Interest receivables	29,177	26,538	2,639
Less: Bad debt allowances for interest receivables	(9,189)	(9,373)	184
Book value of interest receivables	19,988	17,165	2,823
Other receivables	257,780	300,922	(43,142)
Less: Bad debt allowances for other receivables	(127,859)	(123,992)	(3,867)
Book value of other receivables	129,921	176,930	(47,009)

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

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

13.1 Major Subsidiaries and Investees Accounting for Over 10% of the Net Profit of the Company

Unit: RMB in 100 million

Name of company	Type of company	Main business	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
BQD Financial Leasing	Subsidiary	Finance leasing business; transferring in and out assets under a finance lease; borrowing with a maturity of three months or more from non-bank shareholders; interbank lending and borrowing; borrowing from financial institutions; issuing non-capital bonds; acceptance of leasing margin; disposal of and dealing with leased articles; fixed income investment business; provision of financial leasing-related consultation service and other businesses approved by the National Financial Regulatory Administration. (For projects subject to approval in accordance with the law, the operating activities may only be carried out after obtaining approval from relevant authority(ies))	12.25	190.35	25.15	3.47	2.89	2.19
BQD Wealth Management	Wholly-owned subsidiary	Public offering of wealth management products to the general public, investment and management of properties entrusted by investors; private placement of wealth management products to qualified investors, investment and management of properties entrusted by investors; advisory and consulting service on asset and wealth management and other businesses approved by the National Financial Regulatory Administration.	10.00	22.54	20.71	2.25	1.59	1.19

Note: On 7 January 2025, BQD Financial Leasing completed the renewal of its financial institution licence issued by the Qingdao Bureau of the National Financial Regulatory Administration.

13.2 Acquisition and Disposal of Subsidiaries during the Reporting Period

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

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

13.3.1 BQD Financial Leasing

BQD Financial Leasing was established on 15 February 2017, with a registered capital of RMB1.225 billion. It was registered in Qingdao, and was initiated and established by the Bank. The Bank holds 60% of the share capital of BQD Financial Leasing. As the only approved financial leasing company in Qingdao, BQD Financial Leasing continues to focus on its main responsibility of serving the real economy, advancing the main business of “fund financing + assets financing” and driving steady transformation centered on the guiding ideology of “strengthening foundation, improving capabilities, building images, and seeking development”, so as to comprehensively promote the implementation of the Group and the Company’s strategic plans. Adhering to the concept of “being headquartered in Qingdao with in-depth penetration in Shandong Province to radiate nationwide”, BQD Financial Leasing fully leverages its operational advantages and characteristics, focuses on developing financing lease businesses in equipment manufacturing, green leasing, modern services, infrastructure, etc., and actively creates a value-leading financial leasing company with the characteristics of “quality and efficiency priority, outstanding features and synergy and complementarity”.

BQD Financial Leasing focused on its core business while steadily advancing its business transformation. Firstly, it continued to optimize its business structure and increase its investment in real enterprises. During the Reporting Period, the proportion of manufacturing-related business investment came to 49.70%. As at the end of the Reporting Period, the balance of manufacturing-related business accounted for 33.82% of the total balance, an increase of 6.90 percentage points as compared with that at the end of the previous year. Among them, notable achievements have been made in manufacturing sub-sectors including advanced chemical materials, non-ferrous metals, and electrical equipment manufacturing, which are deeply aligned with the strategic layout of Shandong Province’s “top ten industries” for new-to-old kinetic energy conversion. The balance of direct leasing business was RMB2.712 billion, accounting for 15.75%, an increase of 2.38 percentage points as compared with that at the end of last year. Secondly, BQD Financial Leasing continued to deepen its presence in intra-provincial market while making strategic breakthroughs in out-of-provincial markets. Within the Shandong province, BQD Financial Leasing continued to refine its core team service model and deepen its business presence across 16 prefecture-level cities. Outside the province, BQD Financial Leasing enhanced localized operations of its business teams in the Yangtze River Delta and the Beijing-Tianjin-Hebei areas, accelerating production capacity deployment. As at the end of the Reporting Period, the balance of business outside the province accounted for 34.99%, an increase of 9.81 percentage points as compared with that at the end of the previous year. Thirdly, it intensified efforts to innovate financing instruments. In July 2025, BQD Financial Leasing successfully issued its first trench of financial bonds on the national interbank bond market in China, with a total issuance size of RMB1.0 billion. This issuance further optimized the company’s liability maturity structure and continuously enhanced its capacity to serve the real economy.

13.3.2 BQD Wealth Management

BQD Wealth Management was established on 16 September 2020, with a registered capital of RMB1.0 billion. It was registered in Qingdao, and was wholly initiated and established by the Bank. BQD Wealth Management is the first wealth management subsidiary of a city commercial bank approved in the Northern China and the sixth within the whole country. It is mainly engaged in the public offering of wealth management products to the general public, private placement of wealth management products to qualified investors, investment and management of properties entrusted by investors, and provision of wealth management advisory and consulting services. Guided by new asset management regulations and supporting policies, BQD Wealth Management is committed to focusing on the essence of asset management business and serving the real economy, and building a complete and innovative wealth management product system while adhering to the business philosophy of “establishment with compliance, governance with professionalism, emergence with innovation and enhancement with technology”. Targeting the needs of specific groups of people and relying on strong investment and research capabilities, it creates an innovative wealth management company brand which is “inclusive + distinctive”. During the Reporting Period, BQD Wealth Management was awarded three honors of “Excellent Innovative Wealth Management Company”, “Wealth Management Company with Excellent Channel Expansion Capability” and “Excellent Mixed Bank Wealth Management Product” at the 2025 Asset Management and Wealth Management Industry Development Conference and the fifth “Golden Honor Award” Ceremony for 2025 hosted by PY standard, based on its outstanding performance.

BQD Wealth Management has significantly enhanced its product diversification and further optimized its wealth management funds structure. The number of served customers has reached a new high. During the Reporting Period, BQD Wealth Management continuously improved its product spectrum. Based on the stable and low-volatility product series, BQD Wealth Management launched new products such as “Fixed Income with Minor Options” (固收微含權), “Fixed Income Enhancement” (固收增強), and “Fixed Income +” (固收+) strategies. It also developed new fixed income product strategies such as “Non-target + Deposit” (非標+存款). The stability of wealth management funds continued to improve. The proportion of closed-ended products in the total product scale increased by 3.17 percentage points as compared with that at the end of the previous year, consistently outperforming industry averages. The number of served customers increased continuously, with total customers reaching 3.1538 million, representing an increase of 5.30% as compared with that at the end of the previous year. During the Reporting Period, BQD Wealth Management issued 228 wealth management products, raising a total of RMB245.138 billion, and the fee and commission income from wealth management products reached RMB388 million. As at the end of the Reporting Period, BQD Wealth Management had 678 wealth management products in existence with a balance of RMB189.480 billion. The consignment channels outside the Bank increased to 95. The balance of the investment assets was RMB194.840 billion, and asset types directly and indirectly invested mainly include fixed-income assets, non-standard debt assets and equity assets.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XIV. OVERVIEW OF BUSINESS DEVELOPMENT

The year 2025 is a pivotal year for achieving the objectives and tasks outlined in the “14th Five-Year Plan”, and the last year for the three-year strategic plan of Bank of Qingdao. The Bank fully implemented the decisions and arrangements of the Party Central Committee and the State Council, strictly implemented the spirit of the Third Plenary Session of the 20th Central Committee of the Communist Party of China (CPC) and the spirit of the Economic and Financial Work Conference, and fully supported the “Five Major Aspects”. By serving the local populace and the real economy, the Bank has forged a path of high-quality development characterized by differentiation, specialization, and refinement by optimizing its business structure, highlighting distinctive operation and leveraging digital empowerment.

14.1 Five Major Aspects

Technology finance

The Bank innovated the technology financial services model. The Bank has thoroughly implemented the guiding spirit of Shandong Province’s “Strengthening Innovation in Technology Financial Services” policy document. Aligning with Qingdao’s latest policies such as the regulations on establishing specialized technology finance financing models and industry development trends, the Bank continued to upgrade its technology finance service system. Firstly, the Bank has built a technology finance “ecosystem” with its own characteristics and provided comprehensive financial services for technology enterprises by establishing cooperative relationships with professional institutions such as venture capital. Secondly, the Bank polished and optimized the “full life cycle product system of technology enterprises”, formulated special optimization plans for a number of technology financial products, launched special credit plans for the regional technology industry, cooperated with technical parties to develop and research intellectual property-related financing products, as well as enriched and improved the product system. As at the end of the Reporting Period, the balance of technology finance loans¹ of the Bank amounted to RMB31.225 billion, representing an increase of RMB5.387 billion or 20.85% as compared with that at the end of last year. The Bank had 2,258 customers in technology finance customer segment, representing an increase of 311 customers or 15.97% as compared with that at the end of last year.

¹ Collected according to the “Basic Information Sheet on Technology Finance” issued by the National Financial Regulatory Administration.

Green finance

The Bank continued to create its blue and green finance specialty brands. In terms of green finance, the Bank established a reserve pool for key projects, innovated products and formulated comprehensive service plans to continuously deepen its green finance service system. As at the end of the Reporting Period, the balance of the Bank's green loans amounted to RMB51.609 billion, representing an increase of RMB14.260 billion or 38.18% as compared with that at the end of last year, higher than the average growth rate of the Bank's loans. The Bank had 1,085 customers in green finance customer segment, representing an increase of 235 customers or 27.65% as compared with that at the end of last year. In terms of blue finance, the Bank adopted the "financing + intelligence services" model to improve service efficiency of marine-related businesses and expand the scale of businesses by deploying marine economy options through the credit management system. The Bank established a special research group on marine economy to deepen industry research, and made Weihai as a pilot to create characteristic financial services, formulate special credit plans for marine industry clusters, and gradually replicate and promote them to other coastal areas. By hosting and participating in the "Finance Empowers Enterprises, Sailing Toward the Future" maritime financial needs matchmaking conference, the Bank has effectively broadened business channels and continued to strengthen the characteristics of blue finance brands. As at the end of the Reporting Period, the balance of the Bank's blue loans amounted RMB19.226 billion, representing an increase of RMB2.444 billion or 14.56% as compared with that at the end of last year.

Inclusive finance

The Bank built a high-level inclusive financial support system. Firstly, the Bank strengthened team capacity building, solidly promoted the team development of inclusive customer managers and small and micro financial specialists, and further consolidated the personnel base for refined management of inclusive small and micro customer groups. Secondly, the Bank deeply promoted the "two full and one comprehensive" (兩全一綜) inclusive business strategy of "full life cycle, full product system, and comprehensive services", taking products as the starting point, it also launched Sword Forging Operation 3.0 (鑄劍行動3.0) to optimize and upgrade more than 20 sword forging products. During the Reporting Period, the cumulative amount of sword forging products issued exceeded RMB5 billion. As at the end of the Reporting Period, the balance of the Bank's inclusive loans amounted to RMB48.796 billion, representing an increase of RMB3.707 billion or 8.22% as compared with that at the end of last year, higher than the average growth rate of the Bank's loans; the non-performing ratio was 0.97%, and the weighted average interest rate of inclusive loans was 3.44%, with 49.4 thousand inclusive loans customers. The Bank continued to carry out the special activities of "One County, One Product" and continued to increase county-level financial support. As at the end of the Reporting Period, the balance of agriculture-related loans¹ of the Bank was RMB44.236 billion, representing an increase of RMB7.663 billion or 20.95% as compared with that at the end of last year.

¹ Calculated according to the revised standards of special statistics on agricultural-related loans in the Notice of the Investigation and Statistics Department of the People's Bank of China on Printing and Distributing the Revised Contents of Financial Statistics of Financial Institutions in 2024 (Yin Tiao Fa [2024] No. 2).

Pension finance

The Bank built an integrated “finance + elderly care” ecosystem. Firstly, the Bank built a pension financial service system covering the full life cycle with “suitable for, benefiting and helping the elderly” as the core, clarified the goal of “regional pension finance benchmark bank”, and continued to optimize resource allocation and assessment and incentive mechanisms. Secondly, through improving the product system and focusing on core scenarios, the Bank launched a series of products of “Easy Enterprise Loan for Elderly” (養老企易貸), “Easy Hospital Financing” (院易融) and “Easy Diagnosis Financing” (診易融) to meet the diversified financial needs of the silver-haired customer group. The Bank launched a deposit product called “Happiness • Companionship”, which features a lump-sum deposit and withdrawal structure. Sales amount exceeded RMB700 million during the Reporting Period, and wealth management products on consignment and fund products both achieved breakthroughs in elderly care scenario products. Thirdly, the Bank expanded ecological scenarios, deepened collaborative services, linked up governments, communities, and elderly care institutions to build a “financial + non-financial” ecosystem, and reached cooperation with more than 20 elderly care institutions to provide value-added services such as medical appointments and health lectures. As at the end of the Reporting Period, the Bank had 5,186 customers in hygiene and health segment, representing an increase of 282 or 5.75% as compared with that at the end of last year. Focusing on the hygiene, health and pension finance customer groups, the Bank formed a list of key tasks and promotion plans for pension finance. The balance of loans to the customers in hygiene and health segment was RMB7.495 billion, representing an increase of RMB151 million or 2.06% as compared with that at the end of last year. During the Reporting Period, the Bank was honored with the “2025 Shandong High-Quality Finance” (2025山東好品金融) in recognition of its sustained commitment to the old-age medical care sector and professional financial service performance.

Digital finance

Digital finance has been advancing toward a “digital and intelligent” transformation. Driven by its digital transformation initiative, the Bank has implemented a digital and intelligent strategy centered on four key areas: digital and intelligent marketing, digital and intelligent operations, digital and intelligent risk control, and digital and intelligent office. Focusing on optimizing the customer journey and experience, this strategy aims to enhance the quality and efficiency of its digital financial services. Firstly, the Bank set bank-wide standards for online user experience, developed a multi-dimensional evaluation system, and established an experience management mechanism to form a closed-loop of “monitoring-analysis-improvement-feedback”. Secondly, the Bank upgraded the financial products and services across the whole value chain, consolidating and streamlining the Bank’s sellable products, and established a digitalized management system covering product accountability, product accounting, product review, and product profiling across the entire product lifecycle. The implementation of the digital and intelligent first strategy has enabled the Bank to achieve accurate financial product placement and enhanced service efficiency. Thirdly, the Bank deepened digital channel construction, launched the second phase of remote counters, continuously increased the proportion of online customers, and expanded the coverage of digital services. Fourthly, the Bank strengthened financial technology infrastructure and data empowerment capabilities, reinforced investment in self-controlled technologies, released the value of data assets through data governance, and promoted the in-depth application of intelligent technologies in financial business processes. Fifthly, the Bank enhanced its AI capabilities constructions through the in-house development of a bank-wide unified large model technology platform, enabling a diverse array of AI applications.

14.2 Retail Banking

During the Reporting Period, with respect to retail business, the Bank focused on refined management of customer groups, deepened scenario-based and intelligent digital development, and built an ecosystem closed-loop around agency payment services, pension services, social security, and other scenarios, effectively driving growth in high-value retail customer segments. The scale of deposits has steadily increased, which driving solid growth in financial assets. At the same time, by segmenting customer needs and implementing differentiated product tiering strategies, the Bank provided customers with diversified wealth management services, and continuously enhanced its comprehensive revenue generation capabilities, laying a solid foundation for high-quality development throughout the year. During the Reporting Period, the retail banking business of the Company realized operating income of RMB1.670 billion, accounting for 21.81% of the Company's operating income.

1. *Retail deposits*

The retail deposit scale has achieved steady growth in line with evolving trends in household savings preferences. As at the end of the Reporting Period, the balance of retail deposits of the Bank (excluding accrued interest, the same below) amounted to RMB237.511 billion, representing an increase of RMB17.714 billion or 8.06% as compared with that at the end of last year. Leveraging large-scale model analytics, the Bank identified and targeted key customer segments, enhancing the precision of deposit business outreach. During the Reporting Period, the Bank closely followed the changes in policies and market trends, promptly adjusted pricing strategies and the pace of product issuance. The deposits structure optimized continuously, with the average cost ratio of retail deposits reaching 2.20%, representing a decrease of 0.33 percentage point as compared with the same period of last year. The overall interest rate paid on retail deposits reduced significantly.

2. *Retail loans*

The loan structure has been steadily optimized. While steadily developing its personal housing loan business, the Bank actively promoted its inclusive finance and consumer credit businesses. As at the end of the Reporting Period, the balance of the Bank's retail loans (including credit card) was RMB75.794 billion, and the balance of the Bank's retail loans (excluding credit card) was RMB67.124 billion, representing a decrease of RMB765 million or 1.13% as compared with that at the end of last year. During the Reporting Period, the Bank realized retail loan interest income of RMB1.488 billion, with an average yield for retail loan of 4.12%, down by 0.89 percentage point as compared with the same period of last year.

The Bank has been keenly perceiving market trends and optimizing its business structure. In terms of the personal business loans, in response to weak market demand and declining collateral valuations, the Bank focused on scenario finance through products such as “Fast Mortgage Loans” and “Commercial Easy Loan” to explore new growth opportunities for the business loans. As at the end of the Reporting Period, the balance of the Bank’s personal business loans amounted to RMB10.955 billion, and personal business loans accounted for 14.45% of total retail loans, representing an increase of 0.38 percentage point as compared with that at the end of last year. In terms of the personal consumption loans, the Bank actively carried out the strategic operation transformation of Internet loans, enriching its self-owned “Easy BQD Financing” Internet loan product and launching sub-products such as Merchant Loans and Farmer Loans. As at the end of the Reporting Period, the balance of personal consumption loans of the Bank amounted to RMB18.458 billion, representing a decrease of RMB1.663 billion or 8.27% as compared with that at the end of last year. Among them, the balance of individual Internet loans reached RMB11.911 billion, and the proportion of loans granted in the province steadily increased. In terms of the personal mortgage loans, the Bank actively adapted to structural changes in the real estate market. Under the circumstances of insufficient credit demand and increased repayment pressure, the Bank strove to stabilize mortgage loans placement. As at the end of the Reporting Period, the balance of the Bank’s personal residential mortgage loans came to RMB46.381 billion, representing a decrease of RMB815 million or 1.73% as compared with that at the end of last year.

3. *Retail customers and customer asset management*

Focusing on scenario-based systematic operations, the scale of retail customer groups has grown steadily. In terms of community banking customers, the Bank centered around “Happiness • Companionship” brand, leveraging initiatives such as the “Community Summer & Autumn Cultural Festival” to achieve precise outreach and deepen engagement with community banking customers. As at the end of the Reporting Period, community banking of the Bank served 74.2 thousand customers, representing an increase of 14.15% as compared with that at the end of the last year. In terms of agency payment customer groups, the Bank enhanced the engagement and asset contribution of agency payment customer groups by strengthening coordination between corporate banking and private banking and enriching exclusive product shelves. As at the end of the Reporting Period, the number of value clients served via agency payment of the Bank has reached 243.8 thousand, representing an increase of 6.79% as compared with that at the end of the last year. In terms of mid- to high-end customers, the Bank launched premium value-added privileges on a quarterly basis, encompassing a multi-dimensional services, namely “Travel Enjoyment”, “Fitness Enjoyment”, “Lifestyle Enjoyment”, “Wellness Enjoyment”, and “Exclusive Privileges Enjoyment” to deepen value connections with high net worth clients through a refined equity system.

As at the end of the Reporting Period, the number of retail customers (including credit card users, and pure credit customers within micro-loan category) of the Bank reached 8.5773 million; among which, debit card customers reached 6.1578 million, representing an increase of 146.4 thousand or 2.44% as compared with that at the end of the previous year. The Bank held assets of retail customers amounting to RMB365.515 billion, representing an increase of RMB19.593 billion or 5.66% as compared with that at the end of the previous year. Among which, the total number of mid- to high-end customers with financial assets above RMB200 thousand reached 457.9 thousand, representing an increase of 30.5 thousand customers or 7.14% as compared with that at the end of the previous year. Their assets scale in the Bank was RMB317.370 billion, representing an increase of RMB18.250 billion or 6.10% as compared with that at the end of the previous year, and accounting for 86.83% of assets retained by all retail customers.

4. Agency retail business

The Bank created a systematic and professional path for wealth management products in the agency category. The Bank continued to optimize its product offerings in accordance with the trend of customer risk preferences in the low interest rate environment, and enhance the service capabilities of its personnel teams.

In terms of agency sales of wealth management business, the Bank responded to the needs of customer groups, enriched product types, and constructed a healthy and stable development model. In terms of agency sales of insurance business, the Bank seized the window of predetermined adjustment to the interest rates of products to continue to enrich the product shelves on the one hand, and improved the sales and service capabilities to meet the needs of customers' differentiated placement on the other hand. The total agency premium in Qingdao stood at RMB736 million, and the bancassurance sales volume has achieved a 13.34% market share in Qingdao's peer banking sector, ranking second in the market. In terms of agency sales of precious metals, the Bank created multi-scenario product supply aligning with the collection wishes of customers, improving the quality and efficiency of operation and service for the customer groups. As of the end of the Reporting Period, the cumulative sales of the panda coin special event was RMB55.2309 million, representing a year-on-year increase of 249.78%. In terms of agency sales of funds, the Bank followed the changes in the market trend and customer preferences and dynamically adjusted the product library of agency sales of funds to ensure that the shelf structure's market competitiveness and risk appropriateness, while upgrading the risk appropriateness management of the customer to ensure the sound development of its business.

5. *Private banking business*

The Bank upgraded its private banking specialty operations, strengthening resource coordination and value creation. Adhering to the strategic direction of high-quality development, the Bank has promoted the construction of its private banking specialty management system, and comprehensively enhanced the speed of market response and service effectiveness by promoting the synergistic downward sinking of resources from the head office and branches, enriching the matrix of exclusive products, and creating a platform for special activities, which has significantly strengthened the competitiveness of the private banking business in the market and the level of its value contribution, and led to the sustained increase in the number of customers and the scale of assets. As at the end of the Reporting Period, the number of private banking clients of the Bank and the scale of the assets under management increased by 13.41% and 10.21% respectively as compared with that at the end of last year, and the core business indicators maintained a steady growth trend.

6. *Customer service management*

With a focus on user experience, the Bank consistently drove service optimization and upgrade initiatives. Firstly, the Bank further embedded its “customer-centric” service philosophy, advancing service management toward refinement and specialization. By cultivating customer relationships and operating and developing moving service that exceeds expectations, the Bank has established a differentiated brand identity. Secondly, the Bank’s call center has achieved dual improvements in both answer rate and satisfaction score, injecting strong momentum into service quality enhancement. During the Reporting Period, the Bank commissioned professional market monitoring and data analysis companies to conduct customer satisfaction surveys, which yielded a Net Promoter Score (NPS) of 81.26%, increased by 0.69 percentage point as compared with that at the end of last year. This outcome demonstrates customers’ high recognition and trust in the Bank’s services.

14.3 Corporate Banking

During the Reporting Period, the Bank’s corporate business adhered to its annual operational objectives and high-quality development orientation. Focusing on achieving a strong start in the first quarter through the “Spring Sowing Initiative” and establishing new momentum via the “Summer Growth Drive”, the business demonstrated robust growth across key metrics including assets and liabilities scale, operating income, intermediary income, and customer base management. During the Reporting Period, corporate banking business realized operating income of RMB3.620 billion, representing a year-on-year increase of 12.04% and accounting for 47.27% of the Company’s operating income.

1. *Corporate deposits*

The Bank continued to expand its stable sources of liabilities, and its structural transformation has achieved remarkable results. During the Reporting Period, with a core focus on “increasing settlement deposits and enhancing product allocation across customer groups”, the Bank concentrated its efforts on the main task of “boosting settlements and reforming fund transfer channels”. It strengthened the interaction and linkage of settlement scenarios with financial products, improved existing channels and optimized the structure of the Company’s corporate deposits. As at the end of the Reporting Period, the balance of corporate deposits (excluding accrued interest, the same below) was RMB228.550 billion, representing an increase of RMB16.397 billion or 7.73% as compared with that at the end of last year, accounting for 49.03% of total deposits. Specifically, the balance of corporate demand deposits amounted to RMB86.931 billion, representing an increase of RMB3.862 billion or 4.65% as compared with that at the end of last year; and the balance of corporate time deposits amounted to RMB141.619 billion, representing an increase of RMB12.535 billion or 9.71% as compared with that at the end of last year. The average cost ratio of corporate deposits was 1.50%, down by 0.23 percentage point year-on-year. During the Reporting Period, the average daily deposits from corporate customers of the Bank was RMB218.138 billion, representing a year-on-year increase of RMB23.033 billion or 11.81% .

2. *Corporate loans*

The Company took the initiative in credit allocation and continuously optimized loan structure. During the Reporting Period, adhering to the “early deployment, early returns” principle, the Bank comprehensively enhanced resource allocation efficiency. The Bank prioritized deployments in provincial/municipal key projects, core industries, inclusive technology innovation, and other areas, carried out collaborative marketing, and provided personalized, diversified, and comprehensive financial service solutions to continuously empower the “Five Major Aspects”. The Bank strengthened the management of key projects, deeply explored business growth points in line with regional characteristics, accelerated approval processes, and increased loan allocation. As at the end of the Reporting Period, the balance of corporate loans (including discounted bills and excluding accrued interest) was RMB292.612 billion, representing an increase of RMB30.258 billion or 11.53% as compared with that at the end of last year, and accounting for 79.43% of the total loans (excluding accrued interest). The corporate asset business developed steadily.

3. *Corporate customers*

The Bank deepened its tiered operation framework, further consolidating the customer base. The corporate customers base of the Bank increased steadily, with accelerated expansion in the premium customer segments. As at the end of the Reporting Period, the total number of corporate customers which had opened accounts with the Bank amounted to 289.0 thousand, representing an increase of 13.6 thousand accounts or 4.94% as compared with that at the end of the previous year. During the Reporting Period, 16.8 thousand new accounts were opened for the Bank's corporate customers. As at the end of the Reporting Period, the Bank had 12,801 corporate borrowers (excluding discounted bills customers), representing an increase of 1,192 or 10.27% as compared with that at the end of the last year.

In terms of strategic customer segments and value customer segments, focusing on "acquiring new customers, optimizing fund transfer channels" and improving product allocation, the Bank issued a list of marketing guidelines for key projects, participated in financing consultations for key projects, optimized the Company's marketing order and quota management and issued detailed rules for management of the marketing order of the group's members. As a result, the number of customers and overall business performance improved significantly. As at the end of the Reporting Period, the Bank had 1,332 strategic customers, representing an increase of 177 or 15.32% as compared with that at the end of last year. During the Reporting Period, the average daily deposit of the strategic customers increased by RMB15.709 billion as compared with that of last year, and the balance of the loans increased by RMB26.040 billion as compared with that at the end of last year. As at the end of the Reporting Period, the average daily deposits of the value customers with more than RMB500 thousand amounted to 14.6 thousand, representing an increase of 820 or 5.95% as compared with that at the end of last year.

In terms of institutional customer groups, the Bank strengthened its classification management, continued to deepen its positioning as a "government financial partner", focused on regional strategies and people's needs, and built a "full-cycle + customized" service system. Relying on the advantages as a local corporate bank, the Bank strengthened its policy response and resource inclination, and contributed to the high-quality development of the regional economy, and the stickiness of government-bank cooperation and market reputation continued to improve. During the Reporting Period, the Bank had 3,776 corporate clients with non-zero average daily deposits, representing an increase of 461 or 13.91% as compared with that at the end of last year.

In terms of small- and medium-sized customer groups, the Bank focused on key customer segments such as enterprise above designated size, and launched specialized marketing. It opened up a total of 466 new high-quality customers among enterprise above designated size during the Reporting Period. Relying on the "CARE e-Service" (關愛e通) to consolidate the characteristic resources of customers in the county areas, the Bank strengthened cooperation between banks and enterprises, and tied up in-depth leading inclusive finance customers.

4. *Transaction banking*

The Bank drove business transformation with digital intelligence and built a comprehensive service system. Relying on digital transformation, the Bank's transaction banking business integrates payment and settlement, cross-border finance, supply chain and factoring, bill financing, cash management, trade finance and other businesses and products to provide "client-centric" integrated financial services encompassing domestic and foreign currencies, onshore and offshore, on- and off-balance sheet, and online-to-offline channels. The Bank is the first local corporate bank in Shandong Province to gain authorization for direct participation in the RMB Cross-Border Interbank Payment System (CIPS). During the Reporting Period, the Bank continued to optimize the product systems of "BQD Huitong" (青銀匯通), "BQD Trade Loan" (青銀貿易), "BQD Overseas Connect" (青銀出海通), "Receivable Chain Financing" (應收鏈融), "Quick and Easy Posting" (快易貼) and "Supply Ticket Connect" (供票通), etc., and realized the direct connection between the supply chain system and the Uniform Registration and Publicity System for Movable Property Financing of the People's Bank of China (人民銀行動產融資統一登記公示系統). During the Reporting Period, the total income from intermediary business of transaction banking business (including bills business) reached RMB262 million, representing a year-on-year increase of RMB68.1175 million or 35.04%.

During the Reporting Period, there were 3,582 active customers of international business, and the international settlement volume of the Bank realized US\$10.793 billion, representing a year-on-year increase of US\$2.006 billion or 22.83% over the same period of the previous year. As at the end of the Reporting Period, the Bank had 7,536 supply chain finance customer base upstream and downstream, representing an increase of 1,318 or 21.20% as compared with that at the end of last year; the balance of supply chain financing was RMB17.716 billion, representing an increase of RMB3.739 billion or 26.75% as compared with that at the end of last year; and the effective cash management of contracted customer base contained 17,503 customers, representing an increase of 4,119 or 30.78% as compared with that at the end of last year. During the Reporting Period, there were 781 customers for commercial bills discounted, representing a year-on-year increase of 39.46%, and the amount of commercial bills discounting incurred amounted to RMB17.587 billion, representing a year-on-year increase of 74.38%.

14.4 Financial Market Business

During the Reporting Period, the Bank's financial market business adhered to the core operating philosophy of "risk-based, prudent management, client-focused and synergistic empowerment", proactively adapted to the internal and external environments of interest rate pivot oscillation, credit structural differentiation and tighter regulation, and coordinated to promote the synergistic development of risk prevention and control, optimization of the investment structure and enhancement of the quality of client base management, forming a comprehensive operating pattern of "asset-driven + client base co-operation" for the financial market business. By optimizing the asset structure, adjusting the trading strategy, innovating the business model and strengthening risk control, and based on the macro transformation trend and industrial structure upgrading, the Bank continued to strengthen the synergies between the financial market, corporate banking and investment banking lines. Leveraging local financial resources and platform advantages, the Bank prioritized serving regional economic strategies. With a focus on regional specialty industries such as marine economy, high-end shipbuilding, and new energy sectors, the Bank advanced refined customer groups management to achieve steady growth in investment scale. During the Reporting Period, the Company's financial market business achieved operating income of RMB2.012 billion, representing a year-on-year increase of 22.18%, and accounting for 26.28% of the Company's operating income.

1. *Proprietary investment*

The Bank has enhanced its proprietary investment capabilities and deepened its integration of investment and research. During the Reporting Period, the Bank's proprietary investment business in the financial market closely focused on the three-year strategic plan and continued to deepen the integration of investment and research. By building a refined market monitoring and analysis system and constructing a research framework covering macro, interest rate, credit, foreign exchange and commodities, the Bank accurately grasped the rhythm of the market, and strengthened the study and practice of short-period swing trading strategies. The Bank launched the integrated service of "Green + Technology + Cross-border Financing", and successfully landed the "Green Bond Basket" business transaction by implementing the strategic direction of the national economy, focusing on the structural adjustment of national industries, and participating deeply in the construction of the China Foreign Exchange Trade System Green Bond Index Fund (中國外匯交易中心綠色債券指數基金). The Bank vigorously fostered the technology and innovation bond market, and continued to increase the strength of investment in technological and innovation bonds. The Bank has completed the investment in the first US dollar-denominated "Yulan Notes" (玉蘭債) issued by a non-financial enterprise in China, which provided an innovative sample and had demonstration effect for cross-border financing of enterprises in the province.

As at the end of the Reporting Period, the proprietary investment (including accrued interest) of the Bank amounted to RMB274.560 billion, representing an increase of RMB17.179 billion or 6.67% as compared with that at the end of last year, of which bond investment (including accrued interest) was RMB222.692 billion, representing an increase of RMB24.246 billion or 12.22% as compared with that at the end of last year; investments in public fund products reached RMB47.830 billion, representing a decrease of RMB3.354 billion or 6.55% as compared with that at the end of last year; non-underlying investment assets (including accrued interest) amounted to RMB2.865 billion, representing a decrease of RMB861 million or 23.11% as compared with that at the end of last year; and the value of other debt financing products (including accrued interest) was RMB1.038 billion, representing a decrease of RMB2.852 billion or 73.32% as compared with that at the end of last year.

The Bank has a relatively complete set of interbank market qualification licenses, empowering financial innovation and business development by leveraging license advantages. The Bank is one of the first founding members of China's market interest rate pricing self-regulatory mechanism, the first approved commercial bank in the non-Tenge regional trading territories, and an institution directly connected with Euroclear through the China Foreign Exchange Trade System (CFETS) transaction platform. The Bank is the first comprehensive city commercial bank spot bond market maker in Shandong province, and has the qualifications for "Northbound Bond Connect" and "Southbound Bond Connect" under Bond Connect and the ordinary derivatives trading business. The Bank is a member of the local government bond underwriting syndicate in Shandong Province and Qingdao City. The Bank was reelected as the "Market Presence Institutions of the Year" and "Market Innovative Business Institutions" in the national inter-bank local currency market, and "Top 100 Self-operated Settlement Banks" by China Central Depository & Clearing Co., Ltd.

2. Interbank business

The Bank has optimized its interbank business structure and strengthened its strategic cooperation layout. During the Reporting Period, the Bank continuously optimized the term structure of interbank business, reduced liability costs, and further improved the interbank liability structure and risk hedging system by reasonably guiding the matching of funds' terms and diversifying financing channels, ensuring a stable interest spread and sufficient liquidity. The Bank signed comprehensive strategic cooperation agreements with a number of peer institutions to deepen cooperation in financial bond investment, custody, and other businesses. The Bank focused on two core customer groups within the province, namely rural commercial banks and village and township banks, and conducted targeted marketing to drive steady growth in low-interest interbank deposits. During the Reporting Period, the balance of the Bank's interbank certificates deposit issued was RMB88.506 billion, accounting for 62.33% of the Bank's interbank liabilities and 13.02% of the Bank's total liabilities. The balance of the Bank's RMB interbank deposits was RMB19.278 billion, accounting for 13.58% of the Bank's interbank liabilities and 2.84% of the Bank's total liabilities, among which the balance of interbank time deposits was RMB2.695 billion, accounting for 13.98%, and the balance of interbank demand deposits was RMB16.583 billion, accounting for 86.02%.

3. *Asset custody*

The Bank has consolidated its core strengths and enhanced the value contribution of its business. During the Reporting Period, the Bank's business development achieved new milestones by leveraging unique resource advantages, deepening group synergies, and pursuing service innovation, while reinforcing professional operations and driving technological empowerment to enhance core competitiveness. As at the end of the Reporting Period, the Bank was entrusted with 639 products, with an asset custody scale of RMB202.905 billion, representing an increase of RMB57.893 billion or 39.92% as compared with that at the end of the previous year. The Bank positioned mutual fund custody as a key development direction and successfully launched 4 mutual fund products with a total custody scale of RMB1.519 billion during the Reporting Period. The Bank has launched a special campaign to enhance the marketing, operation and risk control capabilities of the custody business, and systematically built a professional brand in the custody industry. The Bank has further strengthened the refined management of group resources, delved deeply into the customer base of each group sector, and continuously drove the implementation of the strategic cooperation model of "leveraging small-scale custody to catalyze large-scale cooperation" and "achieving large-scale custody through large-scale cooperation" among groups. The Bank has also intensified the construction of a digital and intelligent custody system, explored the application of artificial intelligence technology in business scenarios, and empowered the comprehensive development of business through the integration of business and technology.

4. *Investment banking*

The Bank has strengthened business innovation and optimized the comprehensive operation model of investment banking business. During the Reporting Period, the Bank issued 82 debt financing instruments, with an issuance amount of RMB53.143 billion, representing an increase of RMB459 million year-on-year, and the underwriting quota amounted to RMB15.610 billion. The merger and acquisition loans of the Bank have achieved rapid growth by focusing on "scenario-based" construction. As at the end of the Reporting Period, the balance of merger and acquisition loans of the Bank reached RMB9.230 billion, representing an increase of RMB1.468 billion or 18.91% as compared with that at the end of the previous year. The Bank has established and issued the first redeemable credit-linked note (CLN) in the country and the first floating-rate credit-linked note (CLN) in the banking industry, achieving an innovative integration of floating-rate structures and credit risk mitigation tools, and creating a differentiated competitive advantage. The Bank actively responded to Sci-Tech Board's call for the construction in the bond market. Among the first batch of 36 science and technology innovation bonds nationwide, the Bank participated in the underwriting of two of them and was awarded the "Best Inter-bank Debt Financing Instrument Underwriter" and the "Bond Underwriting Rapid Progress Award" by Wind Information.

14.5 Digital Development

During the Reporting Period, the Bank took the “four digital intelligence capabilities” as the core starting point, and closely focused on the five goals of “professionalization, digital intelligence, systematization, differentiation, and specialization”, and fully promoted the implementation of key projects of digital transformation, and injected strong impetus into high-quality business development. The Bank was awarded the title of “Pioneer Enterprise in Digital Transformation of Financial Institutions in the Sixth Session”. Multiple projects, including the new-generation distributed core business system, the smart fund project, and the new-generation auditing system, won industry awards.

As of the end of the Reporting Period, the Bank had 360 scientific and technological R&D personnel, representing an increase of 5.26% as compared to the end of last year, accounting for 7.09% of the Bank’s total staff. The educational background of R&D personnel was composed of: 198 people with master’s degree or above, accounting for 55.00% of the Bank’s total number of staff, 160 people with bachelor’s degree, and 2 people with college degree or below. The age distribution was as follows: 151 people aged 30 and below, 151 people aged 30-40 (excluding 30, including 40), 49 people aged 40-50 (excluding 40, including 50), and 9 people aged 50-60 (excluding 50, including 60).

1. ***Strengthen strategic top-level design and consolidate the foundation of digital transformation***

The Bank has continuously strengthened top-level design and strategic coordination, advanced the optimization of organizational structure and the upgrading of resource allocation, and continuously improved the governance system for digital transformation. The Bank upgraded the digital transformation office which is responsible for digital strategic transformation and implementation, and established the Digital Finance Department to be responsible for the planning of the online channel service system and the construction of the digital marketing and operation system, together with the Information Technology Department (technical foundation) and the Data Management Department (data foundation), forming the “business-technology-data” fusion matrix of the digital intelligence to comprehensively promote the deeper development of digital transformation.

2. ***Focus on four major digital intelligence fields to accelerate digital transformation***

The four major areas of transformation of digital intelligence have been synergistically promoted, resulting in a double improvement in operational efficiency and service quality. In terms of digital and intelligent marketing, during the Reporting Period, the mobile banking content marketing scenario successfully reached 553.3 thousand customer groups, which employed a multi-dimensional data analysis model to identify potential customers for corporate wealth management, and drove the growth of the average daily balance of agency sales in terms of corporate wealth management products, enhancing the online operation capabilities for the corporate customer base through hierarchical allocation and in-depth tracking. In terms of digital and intelligent risk control, focusing on the core of data-driven risk management, the Bank launched the “Hope Project” to construct the digital risk control capacity, and through planning and construction,

iteration and upgrading of the system group centered on the Intelligent Credit System, the Bank gradually enhanced digital intelligence risk control capabilities. The Bank has successfully put into production the Palm Credit APP, and comprehensively promoted the Intelligent Post-credit Management System and the Risk Management Cockpit. In terms of digital and intelligent operations, the monthly off-counter transaction volume increased by 68.81%, achieving centralized processing across the entire bank for services such as network freezing and unfreezing by public security and central bank, with an average daily centralized processing volume of over 1,000 transactions, reducing manual processing volume by approximately 85%. The first large model application scenario was launched, processing over 43.2 thousand network freezing transactions, with an identification accuracy rate of 98.93% and a 73.58% decrease in manual intervention. In terms of digital and intelligent office, the Bank successfully launched its independently developed large model-based “Star Assistant” (星辰助手), which has provided more than 12 thousand AI question-and-answer services, greatly improving office efficiency. At the same time, the Bank conducted in-depth exploration and application of intelligent office platforms, accumulating 101 knowledge bases and 1,432 entries, with more than 650 thousand API calls.

3. *Deepen the online channels layout and expand digital service channels*

The Bank has been continuously deepening the online digital operation of customer base, piloting the “Photosynthesis Action”, and actively exploring a chain closed-loop business model of “data insight - online strategy operation - value clue delivery - offline customer contact - review and evaluation”. The Bank has launched a non-counter transaction monitoring strategy matrix and introduced an external data program to further enhance the ability to block abnormal transactions and better protect customer transaction security.

In the field of corporate business, as at the end of the Reporting Period, the registered users of the corporate mobile banking of the Bank were 50.5 thousand, representing an increase of 12.6 thousand or 33.25% as compared with that at the end of the previous year. During the Reporting Period, the corporate mobile banking recorded a cumulative non-query transaction volume of 463.8 thousand, representing an increase of 262.06% year-on-year. As at the end of the Reporting Period, the number of corporate online banking customers reached 302.4 thousand, representing an increase of 16.3 thousand, or 5.70% as compared with that at the end of the previous year. During the Reporting Period, the corporate online banking recorded a cumulative non-inquiry transaction volume of 8.2959 million, representing a year-on-year increase of 15.2%. In the field of retail business, as at the end of the Reporting Period, the Bank recorded 5.4043 million personal mobile bank users in existence, representing an increase of 95.9 thousand as compared with that at the end of last year. The number of monthly active users for personal mobile banking reached 1.3773 million. The assets under management of the retail long-tail customer groups reached RMB17.145 billion, representing an increase of RMB9.604 billion compared with the end of last year, with a growth rate of 127.36%. During the Reporting Period, 70.8 thousand retail customers attained the RMB50,000+ asset tier at the Bank.

4. *Improve the data governance system and strengthen data security and value release*

With the improvement of data quality as the core, data security has been strengthened and the value of data management has been explored. Firstly, the Bank further defined the responsible parties for each phase of the data life cycle to ensure the effective management of the whole life cycle of data from collection, processing, storage to application. It carried out special projects to improve the quality of source data, promoted the application of data standards and comprehensively enhanced data governance standards. Secondly, the Bank actively explored the application of new technologies, made breakthroughs in the research and development of AI algorithms, and delivered the innovative project of “default early warning model for corporate customers” to effectively identify potentially risky customers. It utilized big model to construct an “industry research report” intelligent entity, so as to provide accurate and efficient technical support for the Bank’s industry research. Thirdly, the Bank further strengthened data security management, refined the requirements for data security to be protected in accordance to its security hierarchy to comprehensively safeguard data asset security.

5. *Enhance independent controllability and forge a new engine for digital transformation*

The Bank is actively laying out the application of AI large model technology, independently developing a full-stack AI platform, and constructing a complete AI capability system covering underlying infrastructure, model management, application development, and knowledge retrieval. It has successfully implemented AI applications in 9 business scenarios and has been accelerating the integration of AI into 12 business scenarios, providing a powerful engine for the digital and intelligent transformation of its business. The Bank independently developed multiple platform tools such as the Polaris Scheduling system and marketing analysis tools, further enhancing the level of technological autonomy and controllability.

XV. STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

The structured entities controlled by the Company include certain asset-backed securities initiated by the Company and certain asset management plans invested by the Company. As the Company has power over such structured entities to enjoy variable returns by participating in relevant activities, and has the ability to use its power over such structured entities to affect the variable returns, the Company has control over such structured entities.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

XVI. RISK MANAGEMENT

16.1 Comprehensive Risk Management

The Company has established a comprehensive risk management organizational structure in which the Board of Directors assumes the ultimate responsibility, the Board of Supervisors exercises effective supervision, and the senior management directly leads. Such organizational structure is supported by the Bank's Comprehensive Risk Management Committee, with Risk Management Department taking the lead in comprehensive risk management and each risk management department responsible for single type of risk management and control. Each business line management department, branch, sub-branch and affiliated institutions closely cooperates and collaborates, and the internal audit department independently audits, covering all risks, institutions, customers, businesses and processes, forming a comprehensive risk management operation mechanism that is multi-level, interconnected, and effective checks and balances.

During the Reporting Period, the types of risks faced by the Company's operations include credit risk, market risk (including interest rate risk of banking book), liquidity risk, operational risk, reputational risk, strategic risk, information technology risk, country risk, compliance risk, money laundering risk, outsourcing risk, data risk, environmental and social risk and other risks required to be addressed by external regulatory authorities or the Company's Board of Directors.

16.2 Credit Risk Management

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

During the Reporting Period, the Company adhered to a prudent and sound risk appetite, and was committed to the establishment of a credit risk management system with comprehensive functions, controlled and balanced risks, a streamlined structure and high efficiency as well as well-delegated authority and duties. By taking the following measures, the Company achieved continuous optimization of various asset quality indicators and continuous improvement of its credit risk management capability, thus ensuring the Bank's high-quality development. The Company has adopted the following key measures to strengthen its credit risk management:

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

1. Continued to optimize the comprehensive credit risk monitoring system. The Bank focused on promoting the construction of a three-in-one monitoring system in key fields. During the Reporting Period, the visual monitoring function of risk management “cockpit” was launched, which gradually intensified efforts towards the effective identification, measurement, monitoring and control of risks at all levels.
2. Continued to optimize credit asset quality. The Bank implemented the refined dynamic management of various asset quality indicators, strengthened pre-assessment and analysis of the trends of risk migrations and changes, and enhanced pre-processing capabilities for risk signals; strengthened the management of mature loans and overdue loans, reinforced the disposal of non-performing assets, and continued to include loans that were overdue more than 60 days in the management of non-performing loans.
3. Strengthened the application of big data in credit risk prevention and control. The Bank continued to consolidate the foundation of the “Triple Loan Inspections”, enhancing the application of objective data in the triple inspections by introducing multi-dimensional internal and external data, and continuously improving the accuracy and effectiveness of the “Triple Loan Inspections” through digital and intelligent means.
4. Continued to strengthen post-credit risk management. According to “Measures for Post-credit Management of Bank of Qingdao’s Credit Assets”, the Bank continuously enhanced the level of post-credit management. The Bank has continued to optimize its post-credit management mechanism from the perspectives of management system, inspection framework, staffing, and supporting systems, so as to improve the Bank’s credit risk management and business compliance standards.
5. Continued to improve the digital credit management. During the Reporting Period, the Bank continued to advance the construction of its comprehensive smart credit system project. As the core of the Bank’s credit business system, the credit system carries the entire credit business process from due diligence, rating, review and approval to lending, post-loan management and asset disposal, serving as a key system for credit business to maintain competitiveness, achieve risk prevention and control, as well as meet customers’ needs. The Bank has completed the application of intelligent systems such as the mobile post-loan APP for the smart credit system, further enhancing the digitalization and intelligence level of the Bank’s credit system.

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

16.3 Liquidity Risk Management

Liquidity risk refers to the risk that the Company is unable to obtain adequate capital in a timely manner and at reasonable cost to repay matured debts, perform other payment obligations or meet other capital needs for normal business. The Company attaches great importance to the construction of liquidity risk management, and has established a relatively complete liquidity risk management system that meets the current development needs based on the principles of comprehensiveness, prudence, and perspectiveness. The liquidity risk management policies and systems comply with regulatory requirements and the Company's own management needs.

The objective of the Company's liquidity risk management is to ensure that the Company has sufficient cash flows to meet payment obligations and fund business operations on a timely basis. In accordance with its development strategies, the Company continuously improves its liquidity risk management level and dynamically adjusts its liquidity risk management strategies to ensure that the liquidity risk is within the safe range.

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

The Company measures, monitors, and identifies liquidity risks from the perspectives of short-term provision and maturity structure of assets and liabilities, continuously supervises the status of high-quality liquid assets and the compliance with liquidity risk limits, and conducts regular stress tests and emergency drills.

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

The Company pays close attention to the market liquidity trends and regulatory policy changes, and deploys in advance and dynamically adjusts its liquidity management strategy based on the structure of assets and liabilities to ensure that its liquidity risk is within a reasonable and controllable range. During the Reporting Period, the Company focused on strengthening its liquidity risk management in the following areas:

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1. Moderately increased investment in qualified high-quality bonds and maintained sufficient liquidity reserves;
2. Actively expanded the sources of liabilities and comprehensively applied the monetary and credit policy tools provided by the People's Bank of China, such as relending and medium-term lending facilities to expand diversified financing channels and improve financing capacity, and continued to enhance the deposits business while maintaining the stable growth of deposits to consolidate the liability base;
3. Conducted daily liquidity risk management, strengthened market analysis and study and judgment, and improved the capital utilization efficiency on the basis of ensuring the safety of liquidity;
4. Fully considered various macro and micro factors that may affect the Company's liquidity, and improved stress test procedures and conducted stress tests on a quarterly basis in light of changes in the external operating environment, regulatory requirements and the Company's business characteristics and complexity.

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

Unit: RMB'000

Item of liquidity coverage ratio	30 June 2025	31 December 2024
Qualified and high-quality current assets	69,833,778	95,465,058
Net cash outflows in next 30 days	49,878,445	47,023,000
Liquidity coverage ratio (%)	140.01	203.02

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

Unit: RMB'000

Item of net stable funding ratio	30 June 2025		31 March 2025	
	The Company	The Bank	The Company	The Bank
Available stable funding	459,771,322	453,812,084	441,810,836	435,519,030
Required stable funding	390,313,687	367,438,357	372,942,759	351,241,438
Net stable funding ratio (%)	117.80	123.51	118.47	123.99

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

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For more information on the Company's liquidity risk management, please refer to "43(3) Liquidity risk under NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS" of this interim report.

16.4 Market Risk Management

Market risk refers to the risk of loss in commercial banks' on-balance sheet and off-balance sheet operations due to unfavorable changes in market prices (interest rates, exchange rates, stock prices and commodity prices). Market risks affecting the Company's services are mainly interest rate risks and exchange rate risks, including the trading books and banking books. The Company has established a complete and reliable market risk management system that is compatible with the nature, scale and complexity of the business. The Company's sound and compliant market risk management internal control system defines the responsibilities of, and reporting requirements on, the Board, senior management and various departments under the market risk governance structure, clarifies the market risk management policy and identification, measurement, monitoring and control procedures, and makes clear market risk reporting, information disclosure, emergency response and market risk capital measurement procedures and requirements. The Company has a well-established management system for market risk indicators limits and conducts special internal market risk audits regularly, reports market risk management to senior management and the Board, and prepares independent reports.

16.4.1 Analysis of interest rate risks

The Company distinguishes banking books and trading books according to the rules of the regulatory authorities and traditional banking management practices and adopts corresponding market risk identification, measurement, monitoring and control measures based on the different nature and characteristics of banking books and trading books.

Interest rate risks of the Company's trading books are mainly measured and monitored with methods such as sensitivity analysis, stress tests and scenario simulation. During the Reporting Period, the Company continued to implement market risk monitoring and reporting, dynamically adjust the market risk limit management system based on business changes and enhance the market risk policy system to ensure that interest rate risks in trading books were controllable.

Compared with trading books, the Bank's other businesses are recorded in banking books. The Company quantitatively evaluates the impact of interest rate changes on the Company's net interest income and economic value for different currencies and different sources of risks respectively with methods such as repricing gap analysis, net interest income analysis, economic value analysis and stress tests, and prepares reports based on the analysis results to propose management suggestions and the business adjustment strategy.

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During the Reporting Period, the Company optimized and adjusted its annual market risk limit management system based on its market risk preferences and annual operating objectives, and conducted dynamic monitoring as required to continuously improve the level of interest rate risk management. Firstly, the Company paid close attention to external policy trends and changes in the interest rate environment to monitor and analyze changes in various interest rate risks. Secondly, it proactively adjusted its business pricing strategy and its allocation strategy of asset-liability structure, optimized internal and external pricing strategies, and further refined the interest rate risk management of the corporate banking book to ensure that rate risks of the banking book were controllable, so as to realize growth in net interest income.

16.4.2 Analysis of interest rate sensitivity

The Company uses sensitivity analysis to measure the potential impact of changes in interest rates on the Company's net interest income and equity. The following table sets forth the sensitivity analysis results of the Company's net interest income and equity to possible interest rate changes with other variables remaining constant. The impact on net interest income refers to the impact of certain interest rate changes on the net interest income generated by financial assets and liabilities held at the end of the period that are expected to undergo interest rate repricing within one year. The impact on equity includes the impact of certain interest rate changes on equity attributable to the revaluation of fixed interest rate of financial assets measured at fair value through other comprehensive income held at the end of the period.

Unit: RMB'000

Item	30 June 2025 (Decrease)/ Increase	31 December 2024 (Decrease)/ Increase
Change in annualized net interest income		
Interest rate increase by 100 bps	(1,127,750)	(961,661)
Interest rate decrease by 100 bps	1,127,750	961,661

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Unit: RMB'000

Item	30 June 2025 (Decrease)/ Increase	31 December 2024 (Decrease)/ Increase
Change in annualized equity		
Interest rate increase by 100 bps	(2,402,119)	(1,895,430)
Interest rate decrease by 100 bps	2,651,155	2,009,853

The above sensitivity analysis is based on the fact of assets and liabilities having a static interest rate risk structure.

The above analysis reflects the impact of repricing of the Company's assets and liabilities on the Company's annualized calculation of net interest income and equity, mainly based on the following assumptions:

1. Regardless of subsequent changes after the balance sheet date, the analysis is based on the static gap on the balance sheet date;
2. In measuring the effect of changes in interest rates on the Company's net interest income, all assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature in the beginning of the respective periods;
3. Interest rates for deposits with the central bank and demand deposits deposited and absorbed remain unchanged;
4. There is a parallel shift in the yield curve and in interest rates;
5. There are no other changes to the portfolio of assets and liabilities and all positions will be retained and rolled over upon maturity;
6. Other variables (including exchange rates) remain unchanged;
7. No consideration of impact on customers' behavior, market price and off-balance sheet products resulting from interest rate changes.

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

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16.4.3 Analysis of exchange rate risk

The Company's exchange rate risks mainly arise from mismatched currencies in non-RMB assets and liabilities. The Company controls the exchange rate risks to be acceptable to the Company by strictly controlling risk exposures. The Company's exchange rate risk measurement and analysis methods mainly include foreign exchange exposure analysis, scenario simulation analysis and stress tests. During the Reporting Period, the Company paid close attention to exchange rate trends, proactively analyzed the impact of exchange rate changes based on the domestic and foreign macroeconomic situation, and proposed an asset-liability optimization plan. Given the prudent foreign exchange risk appetite, as at the end of the Reporting Period, the scale of the Company's foreign exchange risk exposure had no significant change, and the exchange rate risk level was controllable.

16.4.4 Analysis of exchange rate sensitivity

The Company uses sensitivity analysis to measure the possible impact of exchange rate changes on the Company's net profit and equity. The following table sets forth the results of the analysis of exchange rate sensitivity based on the current assets and liabilities on 30 June 2025 and 31 December 2024.

Unit: RMB'000

Item	30 June 2025 Increase/ (Decrease)	31 December 2024 Increase/ (Decrease)
Change in annualized net profit and equity		
Foreign exchange rate increase by 100 bps	280	91
Foreign exchange rate decrease by 100 bps	(280)	(91)

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

1. The foreign exchange sensitivity is the gain or loss recognised as a result of 100 basis points fluctuation in the foreign currency exchange rates against RMB (central parity rate) at the closing on the reporting date;
2. The fluctuation of exchange rates by 100 basis points at the date of the statement of balance sheet is based on the anticipated exchange rates movement over the next year from the date of the statement of balance sheet;
3. The exchange rates against RMB for all foreign currencies change in the same direction simultaneously;

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4. Since the Company's assets and liabilities in other foreign currencies (excluding in USD) are not significant in proportion to the total assets and total liabilities, the possible impact of other foreign currencies on the Company's net profit and equity is calculated at the amount converted into USD in the above sensitivity analysis;
5. The foreign exchange exposures calculated include both spot foreign exchange exposures, forward foreign exchange exposures and options, and all positions will be retained and rolled over upon maturity;
6. Other variables (including interest rates) remain unchanged;
7. No consideration of impact on customers' behavior and market price resulting from exchange rate changes.

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

16.5 Operational Risk Management

Operational risk refers to the risk of loss arising from problematic internal procedures, employees, information technology systems, and external events. The Board regards operational risk as one of the major risks faced by the Company and assumes the ultimate responsibility for operational risk management. The senior management assumes the responsibility for the implementation of operational risk management.

During the Reporting Period, the Company focused on strengthening operational risk management in the following aspects: firstly, it deepened the cultural construction for operational risk by conducting bank-wide specialized operational risk management training to substantially enhance the operational risk management awareness and standard of all staff; secondly, it optimized monitoring of key risk indicators and launched a review of key operational risk indicators in light of the changes in operational risk faced by business development, thereby enhancing the timeliness and forward-looking capability of risk early warnings; thirdly, it conducted comprehensive reviews of critical business processes to thoroughly identify operational risk points and refine control measures, establishing an operational risk and control matrix system for key processes; fourthly, it strengthened legal risk prevention and control by implementing specialized training for priority business areas, analyzing the impact of the new regulations while proposing countermeasures, and disseminating risk alerts through multiple channels to elevate the Bank's legal risk prevention capabilities.

16.6 Compliance Risk Management

Compliance risk refers to the possibility that financial institutions or their employees will bear criminal, administrative, and civil legal liabilities, property losses, reputation losses, and other negative impacts due to violations of compliance regulations with respect to financial institutions' operating and management behaviors or employee performance behaviors. The Board of Directors assumes the ultimate responsibility for the effectiveness of compliance management, and senior management is responsible for implementing compliance management goals.

During the Reporting Period, the Company aimed at compliance operations and continued to improve its compliance risk management and control capabilities on the premise of risk prevention, firstly, it continued to strengthen the management of internal control systems, paid attention to the external regulatory policies and the actual needs of internal operation management, so as to continuously optimize the rationality and completeness of the system; secondly, it carried out internal control compliance inspections, effectively supervised the implementation of important projects, key measures, and major strategies to improve the effectiveness of utilizing internal and external inspection results; thirdly, it enhanced management of non-local branches, extending internal control review mechanisms to first-tier branches, while reinforcing compliance capacity building at the grassroots level; fourthly, it promoted the construction of internal control and compliance culture, organized compliance training programs and created an online publicity platform, establishing the concept of compliance creating value across the Bank.

16.7 Money Laundering Risk Management

Money laundering risk refers to the risk that the Company faces when it may be used by money laundering activities in the course of conducting business and operating management. The Company has established a money laundering risk management structure with clear responsibilities, and continuously optimized management mechanisms such as policies, systems, execution, and supervision to improve the level of money laundering and terrorist financing risk management, and provide guarantees for the Company's stable operations.

During the Reporting Period, the Company actively fulfilled its anti-money laundering obligations and continuously improved the quality and effectiveness of money laundering risk management. Firstly, it issued the annual anti-money laundering work plan to anchor the direction of money laundering risk management for the whole year and to promote the effective implementation of anti-money laundering work throughout the Company; secondly, it continuously improved the intelligent anti-money laundering monitoring system to optimize and upgrade the applications of intelligent technologies and enhance anti-money laundering monitoring efficiency; thirdly, it strengthened execution management by expanding inspection scope and focusing on operational details to drive continuous quality improvement; fourthly, it actively launched anti-money laundering publicity and training to enhance the awareness of anti-money laundering and safeguard the sound operations of business.

16.8 Country Risk Management

Country risk refers to the risk that due to economic, political and social changes and events in a country or region, the debtor in that country or region is unable or refuses to pay the Company's debts, or make the Company's business presence in that country or region suffer losses, or make the Company suffer other losses.

Based on the scale and complexity of country risk exposure, the Company formulated the Country Risk Management Measures of Bank of Qingdao Co., Ltd., established a country risk assessment and rating system that effectively combines "external rating mapping + internal expert judgment", and set up "country risk exposure ratio of high-risk countries" to monitor the implementation of country risk preferences. During the Reporting Period, the Company had no country risk exposure in high-risk countries or significant country risk exposure. Country risk exposures were small in scale and low in complexity, and most of them were country risk exposures of financial institutions, with low country risks.

16.9 Reputational Risk Management

Reputational risk refers to the risk that the Company might be negatively evaluated by relevant stakeholders, the public and the media due to its operations and management, the behaviors of its employees or external incidents, which is detrimental to the brand value and normal operation of the Company, or, to the extent, affects the stability of the regional financial market as well as social stability.

During the Reporting Period, the Company's ability to manage and control reputational risk continued to strengthen and the overall public opinion was favorable. Firstly, the system and mechanism have been upgraded iteratively. The Company has further refined the tiered classification criteria for reputational events, strengthened its preemptive controls, and improved the normalized and full-process control of reputational risks across multiple dimensions, covering pre-event, mid-event, and post-event phases. Secondly, the management foundation has been solidly advanced, and the Company continued to diversify risk mitigation measures. The Company regularly conducts reputational risk assessments and has established a monthly communication and reporting mechanism for potential public opinion risks to control and mitigate risks at the source. Thirdly, the communication capabilities continued to be refined. The Company made great efforts to innovate its video-based communication and explored video news formats to enhance public trust in the BQD brand.

16.10 Information Technology Risk Management

Information technology risk refers to the uncertain impact on business continuity, customer information security and compliance that may be brought about by potential deficiencies in technical systems, network security, data management or external threats.

During the Reporting Period, the Company continuously refined its comprehensive information technology risk management system. Firstly, the foundation of information technology system has been strengthened. The Company has newly established 18 technology systems, developed a technology-related behavior risk checklist, and independently built the “Compliance Intelligence Review” (合規智瞰) platform to achieve closed-loop management across the entire process, including regulatory coordination, system construction, compliance audits, and corrective accountability. Secondly, it enhanced system availability management, established hardware/software version risk assessment mechanisms and advanced architecture optimization projects including local disaster recovery system deployment and off-site disaster recovery center design, so as to comprehensively improve business continuity assurance capabilities. Thirdly, it continuously upgraded infrastructure capabilities, conducted system switchover drills and full-chain cyber security attack-defense exercises, and deployed automated emergency response tools. Fourthly, it strengthened its network security defense lines. The Company continuously optimized its cyber security defense system, independently developed an intrusion detection platform, and strengthened the comprehensive network and data security assurance system spanning perimeter security, host security, application security, and data security.

16.11 Data Risk Management

As the Company’s operational scale continues to expand and data assets grow steadily, the business development demands increasingly higher data support capabilities. While fully leveraging data to empower the effectiveness of business growth, risks such as data leakage and misuse have become persistent challenges accompanying business development.

The Company has enhanced data risk management and control capabilities through integrated management measures and technical tools. Firstly, it refined the data risk governance framework. Focusing on emerging scenarios including cloud environments and big models, the Company established detailed implementation rules for data security; implemented a real-time data risk monitoring mechanism and planned four critical phases and 13 core data risk monitoring indicators; and clarified the main responsibilities of each department in data risk management and coordinated them to improve data risk management efficiency. Secondly, it strengthened data risk technical management and control capabilities. The Company has developed a strategy system for identifying sensitive data in emails; enhanced the ability of the desktop management system to manage and control online behavior; and created an access signature library for internet-based big models to conduct Internet big model access monitoring, thereby preventing data leakage and misuse risks.

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XVII. ESTABLISHMENT AND IMPLEMENTATION OF THE MARKET VALUE MANAGEMENT SYSTEM AND VALUATION ENHANCEMENT PLAN

In order to strengthen the market value management of the Bank and effectively enhance the Bank's investment value while safeguarding the interests of investors, the Bank has formulated the "Measures for Market Value Management of Bank of Qingdao Co., Ltd." and the "Valuation Enhancement Plan of Bank of Qingdao Co., Ltd." in accordance with the "Guidelines for the Supervision of Listed Companies No. 10 – Market Value Management" and other relevant laws, regulations, rules, normative documents and the requirements prescribed in the Articles of Association, as well as in light of the actual situation of the Bank, specifying the basic principles, division of responsibilities, main methods of market value management and the specific measures to improve corporate quality and investment value. For the specific details of the valuation enhancement plan, please refer to the "Valuation Enhancement Plan of Bank of Qingdao Co., Ltd." published by the Bank on the CNINFO website on 26 March 2025.

XVIII. DEVELOPMENT PLAN IN THE SECOND HALF OF THE YEAR

18.1 Operating Situation Analysis for the Second Half of the Year

At present, in the face of the complex international political and economic situation, China's exports have demonstrated remarkable resilience, and the growth of emerging economies around the world will continue to provide strong support for exports. Thanks to the effect of the policy of "Trade-in of Consumer Goods", emerging consumption and consumption in second- and third-tier cities has grown significantly; the "Renewal and Trade-in" (兩新) policies have led to faster growth in investment in the manufacturing industry, and the accelerated expansion of special debt has laid a sound foundation for boosting infrastructure investment. Industrial production has maintained a relatively fast growth trend, with infrastructure and emerging industries and other industries playing an increasingly prominent role in leading and driving economic growth. China will adopt more active fiscal policy and accelerate the implementation of existing policies, more effectively fulfilling its underlying support function. Monetary policy will be synergistic to increase support for key areas such as the "Five Major Aspects", better meeting the funding needs of the real economy.

18.2 Development Guiding Ideology for the Second Half of the Year

In the second half of the year, the Bank will continue to adhere to the operation guiding ideology of "professional improvement, digital and intelligent empowerment, system optimization, and characteristic driving". The Bank will continue to enhance its professional operational capabilities and service standards to provide customers with efficient and convenient financial services; adhere to the priority of intelligence and mobility, improve the level of technology research and development, and enhance the effectiveness of technology empowerment; refine the five core business systems covering products, services, marketing, operations and approval, and simultaneously optimize the five core management systems involving organization, finance, risk control, supervision and administration; and carry out differentiated operations around the "eight major tracks" (八大賽道) to shape business characteristics with social influence. By leveraging these initiatives, the Bank will comprehensively enhance its five capabilities of professionalism, digital intelligence, systematization, differentiation and specialization, consolidate and expand the momentum of high-quality development in the first half of the year, and promote the quality and efficiency of the Bank's development to a new level.

18.3 Major Work Measures in the Second Half of the Year

- (1) Comprehensively strengthen the customer base to solidify the foundation for business development. In terms of corporate customer groups, the Bank will reshape its operation system of strategic customer groups, deepen cooperation with key institutional customers, and leverage product innovation to enhance its comprehensive management capabilities for small-and micro-enterprise customer groups. In terms of interbank customer groups, the Bank will enhance value exploration from customer groups, establish a platform for interbank customer collaboration and communication, and enhance the Bank's market influence and competitiveness. In terms of retail customer groups, the Bank will comprehensively strengthen customer segmentation and classification management, refine customer segmentation standards, and deliver differentiated products, services, and business teams based on the needs of customers across different tiers.
- (2) Increase high-quality asset allocation to expand scale and boost profitability. In terms of corporate loans, the Bank will prioritize provincial and municipal key projects while expanding support for high-quality manufacturing, marine industries, modern agriculture, and other sectors. In terms of interbank assets, the Bank will optimize asset allocation and trading activities, increase the allocation of low-risk weighted assets, fully leverage its licensing advantages to enhance the comprehensive returns on interbank assets. In terms of retail loans, the Bank will deepen the integration of products and scenarios, continue to increase the allocation of personal business loans, upgrade the functionalities and customer experience of its proprietary consumer loan products, and refine the structure of its loan facilitation business.
- (3) Continuously expand liability scale while optimizing structure and improving quality. In terms of corporate deposits, the Bank will continue to expand liability scale while optimizing its structure, deepening its work approach of "boosting settlements and reforming fund transfer channels". In terms of interbank liabilities, the Bank will optimize the term structure of interbank certificates of deposit issuance and promote the issuance of financial bonds. In terms of retail deposits, the Bank will uphold volume-pricing equilibrium principles to drive scale expansion, increase scene marketing efforts, and increase settlement fund retention.
- (4) Prioritize capital-light business to continuously diversify revenue sources. In terms of the corporate banking, the Bank will advance product and scenario innovation, consolidate its export-oriented and letter of guarantee client base, and enhance its transaction banking service capabilities. In terms of interbank business, the Bank will improve the basic product system for foreign exchange businesses on behalf of customers and promote the transformation and upgrading of business toward high-value-added structured products and comprehensive solutions. In terms of the retail banking, the Bank will expand the scale of wealth management business, increase the proportion of medium and long-term wealth management products on consignment, and strengthen the marketing of insurance products.

SECTION III MANAGEMENT DISCUSSION AND ANALYSIS

- (5) Steadily advance financial leasing transformation and ensure sound operation of wealth management innovation. BQD Financial Leasing will deepen balanced development in the real economy by precisely matching leasing needs in high-end manufacturing, technological innovation, green finance, and other fields, while strengthening business synergies both within and outside the province. BQD Wealth Management will innovate asset allocation models within the province, collaborate with high-quality entities outside the province to expand its business, develop specialized long-term pension finance products, strengthen full-cycle management of its flagship products, and sustainably enhance scale expansion momentum.
- (6) Strengthen digital and intelligent transformation foundations and improve operational management systems. The Bank will continue to advance its digital and intelligent transformation by establishing a more precise and effective marketing system, an intelligently centralized operations system, and a flexible and efficient risk control system. Simultaneously, the Bank will continue to improve its operational management system by expanding the range and functionality of its product portfolio, enhancing the closed-loop management of its service system, deepening its efficient and rigorous operational framework, increasing the independence and differentiation of its credit approval system, and elevating organizational collaboration, financial guidance, and risk management standards, while comprehensively strengthening internal control and supervision.
- (7) Actively explore differentiated race tracks to polish distinctive brand. The Bank will focus on eight major tracks: strengthening technology finance innovation leadership; optimizing green finance product offerings; expanding differentiated blue ocean finance solutions; extending customer acquisition channels along the manufacturing industry chain; supporting for state-owned enterprises' industrial transformation in the public utilities sector; developing tailored products leveraging the county-level advantages and distinctive industries in agriculture-related finance; advancing the expansion and efficiency of inclusive finance; expanding the customer base in the elderly care industry and improving the financial product system for elderly care services; strengthening the distinctive advantages of comprehensive operations and broadening the development pathways for investment banking and custody businesses; and elevating the influence of its "warm service" brand by actively engaging in charitable and public welfare work around the three directions of "financial livelihood, life rescue, and community ecology".

SECTION IV CORPORATE GOVERNANCE, ENVIRONMENT AND SOCIETY

The Bank is committed to being guided by outstanding corporate governance practices, pooling efforts to forge exceptional modern governance capabilities, and establishing standardized and efficient corporate governance mechanisms as a solid cornerstone to underpin high-quality development, thereby laying a firm foundation for sustained and steady growth. During the Reporting Period, the Bank strictly adhered to laws, regulations, and regulatory requirements, resolutely implemented the decisions and plans of the CPC Central Committee and the State Council, and continued to deepen the integration of Party leadership with corporate governance. By strengthening top-level governance design, optimizing the governance structure, and improving governance mechanisms, the Bank has comprehensively solidified the foundation of its governance system. Concurrently, it has enhanced oversight of substantial shareholders through penetrative supervision, imposed rigorous standards to regulate related party transactions, demonstrated transparency via high-quality information disclosure, and fortified market trust through meticulous investor relations management. These efforts have driven a measurable leap in corporate governance standards, injecting robust momentum into the Bank's sustainable development.

I. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors of the Bank are nominated by the Board and elected in accordance with the qualifications of Directors and election procedures as specified in the Articles of Association; the shareholder Supervisors and external Supervisors are nominated by the Board of Supervisors, the employee Supervisors are nominated by the labor union committee, and all of such Supervisors are elected in accordance with the election procedures as specified in the Articles of Association.

As of the date for disclosure of this interim report, there were no changes in the Directors, Supervisors and senior management of the Bank.

II. CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS

1. Mr. ZHOU Yunjie, a non-executive Director, has ceased to be the chairman of Gooday Supply Chain Technologies Co., Ltd. (日日順供應鏈科技股份有限公司) from February 2025 and the chairman of Goodaymart (Shanghai) Investment Co., Ltd. (日日順(上海)投資有限公司) from December 2024.
2. Mr. DENG Youcheng, a non-executive Director, has ceased to be a director and general manager of Qingdao Conson Investment Holdings Co., Ltd. (青島國信投資控股股份有限公司), an executive director and general manager of Qingdao Guoxin Haitian Asset Management Co., Ltd. (青島國信海天資產管理有限公司) from March 2025, and he has ceased to be a director of Zhonglu Property and Casualty Insurance Co., Ltd. (中路財產保險股份有限公司) and an executive director and general manager of Qingdao Jiushi Investment Development Co., Ltd. (青島久實投資發展有限公司) from April 2025.

SECTION IV CORPORATE GOVERNANCE, ENVIRONMENT AND SOCIETY

3. Mr. JIANG Xinglu, an external Supervisor, has been an independent director of Linyi Lingong Machinery Group Co., Ltd. (臨沂臨工機械集團有限公司) and has ceased to be an independent director of Liqun Commercial Group Co., Ltd. (利群商業集團股份有限公司) from May 2025.
4. Mr. LU Kun, an external Supervisor, has been an independent director of Standard Testing Group Co., Ltd. (斯坦德檢測集團股份有限公司) from July 2025.

As of the date for disclosure of this interim report, save as disclosed above, there were no other changes in the information on Directors and Supervisors of the Bank.

III. PROFIT DISTRIBUTION OR CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL DURING THE REPORTING PERIOD

If conditions allow, the Board of the Bank may propose to distribute interim cash dividends for 2025 based on the Bank's operation conditions, while the Bank will not issue bonus shares nor convert reserves into share capital in the interim period of 2025.

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

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

V. RISK MANAGEMENT AND INTERNAL CONTROL

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

The Board of Directors of the Bank has established the Audit Committee to be responsible for the supervision of the effective implementation of the Bank's internal control and the self-assessment of internal control, the coordination of audit on internal control and other relevant matters. The Board of Directors of the Bank has also set up a Risk Management and Consumer Rights Protection Committee, which is responsible for comprehensively supervising the Bank's risk management, and regularly assessing its risk policies, management, tolerance and capacity.

SECTION IV CORPORATE GOVERNANCE, ENVIRONMENT AND SOCIETY

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

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

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

The Bank attaches great importance to the construction of an internal control system and has established an all-round internal control system with comprehensive process control, covering all business activities, risk management activities and support and guarantee activities. In accordance with external laws and regulations, supervisory policies, and internal operation and management needs, the Bank formulated and amended the relevant internal control management system in a timely manner, optimized the business management process and implemented risk control measures, so as to promote the steady operation and sustainable development of the Bank.

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

VI. ENVIRONMENTAL INFORMATION DISCLOSURE

Neither the Bank nor its subsidiaries are included in the list of enterprises required to disclose environmental information pursuant to the law. The Bank operates in the monetary financial services industry, and its main business does not generate pollutants as stipulated in the “Measures on the Administration of the List of Key Units of Environmental Supervision” (《環境監管重點單位名錄管理辦法》). In future production and business activities, the Company will faithfully abide by environmental protection laws and regulations such as the “Environmental Protection Law of the People’s Republic of China”.

VII. SOCIAL RESPONSIBILITY

Vigorously facilitating rural revitalisation. Firstly, the Bank continued to enrich its agriculture-related product lines to meet the diversified financing needs of agriculture-related groups. The Bank attached great importance to financial services in the areas of food, modernized planting, and continuously optimized and innovated its loan products in support of key areas of food, such as “Agriculture-benefit Quick Loan” (惠農快貸) and “Planting Treasure” (種植寶). As at the end of the Reporting Period, the Bank’s loan balance in key areas of food grew by 44.98% as compared with that at the end of the previous year. Secondly, the Bank continued to increase financial support for counties and continued to carry out the featured initiative of “One Region, One Strategy; One County, One Specialty” (一域一策 一縣一品). Focusing on the resource advantages and economic characteristics of counties, the Bank formulated differentiated financial service plans and developed a characteristic development path of “product + scenario + ecology”. As of the end of the Reporting Period, the Bank’s balance of placed loans in more than 20 county-level specialty industries increased by 55.77% compared with the end of last year.

Proactively practicing environmental responsibility. Firstly, the Bank implemented the “dual carbon” initiative and responded to the national call for green and low-carbon development by vigorously promoting the green financial subsidy of “dual-carbon instruments + industrial policies” (雙碳工具+行內政策). As at the end of the Reporting Period, the total amount of the Bank’s dual-carbon instruments declared reached RMB1.306 billion, leading to an annual carbon emission reduction of 12.9 thousand tons of carbon dioxide. Secondly, the Bank continued to carry out green financial innovation. The Bank launched the “New Quality – Carbon Benefit Loan” (新質碳益貸) product for enterprises in the traditional “energy intensive industry with high emission” (兩高) industries, helping to promote the low-carbon transformation of high-carbon industries. The Bank launched a standardised product “Green Water Clean Source Loan” (綠水清源貸) to target the need for upgrading and transformation of the sewage treatment industry, forming a “product-driven, system-enabling” green financial operation mechanism. Thirdly, the Bank practiced the development concept of “green banking and low-carbon operation”, iteratively promoted the transformation and upgrading of business outlets, and empowered high efficient operation and reduced resource consumption through digital means. The Bank vigorously promoted electronic correspondence, and received more than 2,400 electronic correspondences during the Reporting Period, which was approximately 4 times of that in the corresponding period last year. The Bank optimized the remote service process, and the Bank’s remote counters had efficiently handled “urgent, difficult, worrisome and long-pending” problems for 204.0 thousand customers as of the end of the Reporting Period. The Bank continued to deepen the service practice of “streamline processes with data, minimize customer effort”.

Actively devoting in social welfare. Firstly, the Bank's Qingyin Charitable Foundation and Shandong University jointly established the "Bank of Qingdao-Shandong University Humanities and Arts Fund", and supported the Qingdao Red Cross in hosting the "Qingdao Red Cross Microlove Charity Carnival" (青島紅十字微塵公益嘉年華) event and the "Art for Kids" and "Reading for a Better Future" public welfare activities, demonstrating its commitment to fostering urban growth through philanthropy. During the Reporting Period, the Bank's Qingyin Charitable Foundation donated RMB3.4754 million to external causes. Secondly, the Bank continued to promote the community financial service model of "Party Building Leading-Volunteer Service First" and organized the "Happy Neighbourhood" volunteer service teams to serve communities. During the Reporting Period, the Bank's "Happy Neighborhood" volunteer service team organized and participated in 279 community volunteer activities; and created "Happy Neighborhood + Healthy Community" for many communities in Weihai and Qingdao West Coast by focusing on serving "small communities" to address "major livelihood needs", thereby extending its "Better Together" commitment to broader fields.

VIII. PROTECTION OF CONSUMER RIGHTS

The Bank deeply grasped the political and people-oriented nature of financial work, strictly complied with regulatory requirements, and earnestly fulfilled its responsibility as the entity protecting the rights and interests of financial consumers. Through incorporating the consumer rights protection into its corporate governance, corporate culture construction and operation and development strategies, the Bank has promoted the construction of a consumer protection working mechanism of "Liang Quan San Tou" (兩全三頭) to effectively address difficulties and issues encountered by consumers in financial services, thereby enhancing the public's sense of fulfillment and satisfaction with financial services.

During the Reporting Period, the Bank carried out a series of improvement work in consumer rights protection management based on the mindset of "mechanism optimization", "problem orientation" and "full staff participation", including refining special rules for consumer rights protection, strengthening its review functions on consumer rights protection, addressing management of complaints in key areas, coordinating financial education and literacy campaigns, implementing the "Financial Consumer Rights Protection Village-Connected Program" (金融消保村村通工程), enhancing "Funds Chain" governance, and launching the "All Things After the Death of a Citizen" (身後一件事) service. The Bank proactively responded to regulatory initiatives by consistently organizing centralized financial literacy campaigns, including the "3.15 Financial Consumer Rights Protection Education and Publicity Activities" (3.15金融消費者權益保護教育宣傳活動), the "Financial Knowledge Popularisation Journey for Thousands of Miles in Banking Industry" (銀行業普及金融知識萬里行), and the "5.15 Investor Protection Day" (5.15投資者保護宣傳日). Through recording promotional videos, publishing special paper publications, and participating in on-site promotions, the Bank disseminated knowledge and techniques to combat telecom fraud and illegal fundraising among consumers, effectively helping the public to strengthen their awareness of risk prevention, reducing incidents of consumer rights infringement at their source, and creating an innovative consumer education paradigm featuring "visible rights protection and portable wealth security".

SECTION V SIGNIFICANT EVENTS

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

There were no de facto controllers and acquirers of the Bank. During the Reporting Period, neither the Bank nor its shareholders, related parties or other parties involved in undertaking had any undertakings that were fulfilled during the Reporting Period and undertakings not yet fulfilled as of the end of the Reporting Period.

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

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

III. NON-COMPLIANCE WITH EXTERNAL GUARANTEES

During the Reporting Period, there was no violation of external guarantees by the Bank.

IV. ENGAGEMENT OR DISMISSAL OF ACCOUNTING FIRMS

The financial reports in this interim report are unaudited.

By comprehensively taking into account factors such as the actual situation of the Bank and the service term of accounting firms previously engaged, the Bank convened the eighth meeting of the ninth session of the Board on 17 January 2025 and the 2024 annual general meeting on 28 May 2025. At these meetings, the "Resolution on the Selection and Engagement of Accounting Firms of Bank of Qingdao Co., Ltd. for 2025" was considered and approved respectively. The Board agreed to engage Ernst & Young Hua Ming LLP as the domestic auditor of the Bank for 2025 and Ernst & Young as the Bank's overseas auditor for 2025.

V. MATTERS RELATED TO BANKRUPTCY AND REORGANIZATION

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

VI. LITIGATION

Overview	Amount involved	Whether caused estimated liabilities	Current status	Results of trial and effects thereof	Enforcement of judgments	Disclosure date	Disclosure index
The Bank filed a lawsuit in the High Court of the Hong Kong Special Administrative Region on 1 September 2022 regarding a dispute over the agreement with AMTD GLOBAL MARKETS LIMITED.	All entrusted assets under the USD350 million portfolio.	No. The Bank will conduct accounting treatment in accordance with the progress of the litigation and the provisions of the relevant accounting standards.	Officially accepted by the court, not yet in court.	N/A. The litigation will not affect the normal operation of the Bank, and it is expected that there will be no substantial impact on the profit of the Bank.	N/A	2 September 2022	The Announcement on Litigation published by the Bank on the CNINFO website (Announcement No. 2022-052)

Note: AMTD GLOBAL MARKETS LIMITED has been renamed as oOo Securities (HK) Group Limited.

The Bank was not involved in any new material litigation or arbitration during the Reporting Period. As at the end of the Reporting Period, the Bank as the complainant was involved in several litigations in the course of its daily operation due to, among other things, the settlement of loans; the Bank as the defendant was involved in 11 pending litigation cases amounting to RMB33.5229 million. The Bank anticipates that these litigations will not have a material adverse impact on its financial or operating results, and no provision arose from the litigation.

VII. PUNISHMENT AND RECTIFICATION

During the Reporting Period, the Bank was not suspected of any crime and subject to investigation according to the law. Its Directors, Supervisors and senior management were not suspected of any crime and imposed compulsory measures according to the law. The Bank, its Directors, Supervisors and senior management did not receive any criminal punishment, or were not suspected of breach of law or regulation and subject to investigation by the CSRC or administrative penalties by the CSRC, or imposed significant administrative penalties by other competent authorities. Directors, Supervisors and senior management of the Bank were not detained by the discipline inspection and supervision authority that prevented him/her from discharging duties due to suspected serious breach of discipline or law or duty-related crimes, or imposed coercive measures by other competent authorities that prevented him/her from discharging duties due to suspected breaches of laws or regulations.

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

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

SECTION V SIGNIFICANT EVENTS

IX. RELATED PARTY TRANSACTIONS

9.1 Related Party Transactions during the Ordinary Course of Business

The Bank conducted related party transactions by strictly following the relevant regulations of the regulatory authorities and rules for management of related party transactions formulated by the Bank.

According to the requirements of the National Financial Regulatory Administration, the Bank reviews and approves related party transactions based on commercial principles and on terms no more favorable than similar transactions with non-related parties. The terms of such transactions are fair and reasonable and in the interests of all shareholders and the Bank as a whole, and there is no negative impact on the operating results and financial position of the Bank. Among which, all credit-related related party transactions were conducted in accordance with relevant laws and regulations, credit granting conditions of the Bank and the review procedures, and could be recovered normally.

According to the requirements of the National Financial Regulatory Administration, during the Reporting Period, there were 6 proposals on significant related party transactions approved by the Board, which were transactions with 2 related enterprises of Haier Group, Conson Group, Qingdao Financial Guarantee Group Co., Ltd. and with BQD Financial Leasing Company Limited. During the Reporting Period, the Bank's deposit-related significant related party transactions amounted to RMB200 million, which represented time deposits of Tsingtao Brewery Co., Ltd. As at the end of the Reporting Period, the Bank's net of credit-related significant related party transactions was RMB3.469 billion, the details of which are as follows:

SECTION V SIGNIFICANT EVENTS

Unit: RMB in 100 million

Name of related party	Type of business	Balance of credit-related significant related party transactions	Net credit after deducting margin	Percentage of the net capital as at the end of the Reporting Period (%)
BQD Financial Leasing Company Limited	Interbank borrowing, interbank lending and borrowing	11.00	11.00	2.00
Qingdao Haiyun Chuangzhi Business Development Co., Ltd. (青島海雲創智商業發展有限公司)	Residential development loan	5.95	5.95	1.08
Haier Consumer Finance Co., Ltd. (海爾消費金融有限公司)	Interbank borrowing	5.00	5.00	0.91
Haitian (BVI) International Investment Development Limited	Bond investment	3.58	3.58	0.65
Haier Group (Qingdao) Jinying Holdings Co., Ltd. (海爾集團(青島)金盈控股有限公司)	Medium-term working capital loan	3.00	3.00	0.55
Haier Financial Factoring (Chongqing) Co., Ltd. (海爾金融保理(重慶)有限公司)	Short-term working capital loan	2.90	2.90	0.53
Qingdao Haili Living Technology Co., Ltd. (青島海驪住居科技股份有限公司)	Supply chain financing	1.55	1.55	0.28
Qingdao Haishanghai Life Service Group Co., Ltd. (青島海尚海生活服務集團有限公司)	Medium-term working capital loan	0.96	0.96	0.17
Haier Group Finance Co., Ltd.	Interbank bill credit	0.15	0.15	0.03
Qingdao Haichen Real Estate Development Co., Ltd. (青島海宸房地產開發有限公司)	Commercial housing development loan	0.10	0.10	0.02
Qingdao No.1 Courtyard Hotel Co., Ltd. (青島壹號院酒店有限公司)	Short-term working capital loan	0.10	0.10	0.02
Qingdao Mindray Ecological Environment Technology Co., Ltd. (青島邁帝瑞生態環境科技有限公司)	Short-term working capital loan	0.10	0.10	0.02
Qingdao Haishanghai Commercial Operation Co., Ltd. (青島海尚海商業運營有限公司)	Short-term working capital loan	0.10	0.10	0.02
Qingdao Tizhiwang IoT Technology Co., Ltd. (青島梯之網物聯科技有限公司)	Short-term working capital loan	0.10	0.10	0.02
Qingdao Haiyu Qingquan Hot Spring Hotel Co., Ltd. (青島海御清泉溫泉酒店有限公司)	Short-term working capital loan	0.10	0.10	0.02

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

SECTION V SIGNIFICANT EVENTS

According to the provisions of the CSRC and SZSE, the Bank has made a forecast of the ordinary related party transactions in 2025 and published the Announcement on the Estimated Ordinary Related Party Transactions in 2025 (Announcement No.: 2025-010) on CNINFO website dated 26 March 2025. The related party transactions during the Reporting Period have not exceeded the forecast or did not need to be disclosed separately. The details of which are as follows:

- (1) Haier Group Corporation (海爾集團公司) and its related parties: The net amount of credit-related transactions at the end of the Reporting Period was RMB2,152 million and the balance of deposit transactions at the end of the Reporting Period was RMB38 million and there was no actual amount of other non-credit transactions;
- (2) Intesa Sanpaolo S.p.A. and its related parties: There was no balance of credit-related transactions and deposit transactions at the end of the Reporting Period, and the actual amount of other non-credit transactions during the Reporting Period was RMB3 million;
- (3) Qingdao Conson Development (Group) Co., Ltd. and its related parties: The balance of credit-related transactions at the end of the Reporting Period was RMB1,447 million (including the balance of credit-related transactions between BQD Wealth Management and the related parties of Conson Group, which amounted to RMB905 million), the balance of deposit transactions at the end of the Reporting Period was RMB86 million, and there was no actual amount of other non-credit transactions;
- (4) BQD Financial Leasing Company Limited: The balance of credit-related transactions at the end of the Reporting Period was RMB1.1 billion, there was no balance of deposit transactions at the end of the Reporting Period, and there was no actual amount of other non-credit transactions;
- (5) BQD Wealth Management Company Limited: The balance of deposit transactions at the end of the Reporting Period was RMB225 million and the actual amount of other non-credit transactions was RMB654 million;
- (6) Tsingtao Brewery Co., Ltd.: As at the end of the Reporting Period, it has no longer been a related party of the Bank;
- (7) Qingdao Rural Commercial Bank Co., Ltd.: The balance of credit-related transactions at the end of the Reporting Period was RMB320 million, there was no balance of deposit transactions at the end of the Reporting Period, and there was no actual amount of other non-credit transactions;
- (8) Zaozhuang Bank Co., Ltd.: The balance of credit-related transactions at the end of the Reporting Period was RMB0.07 million, there was no balance of deposit transactions at the end of the Reporting Period, and there was no actual amount of other non-credit transactions;

- (9) Shandong Laiwu Rural Commercial Bank Co., Ltd.: There was no balance of credit-related transactions at the end of the Reporting Period, there was no balance of deposit transactions at the end of the Reporting Period, and there was no actual amount of other non-credit transactions;
- (10) Liqun Commercial Group Co., Ltd: The balance of credit-related transactions at the end of the Reporting Period was RMB214 million;
- (11) Mesnac Co., Ltd.: The balance of credit-related transactions at the end of the Reporting Period was RMB0.1 million;
- (12) Qingdao Baiyang Pharmaceutical Co., Ltd.: There was no balance of credit-related transactions at the end of the Reporting Period;
- (13) Function (Qingdao) Marine Technology Co., Ltd.: The balance of credit-related transactions at the end of the Reporting Period was RMB30 million;
- (14) Qingdao Yitong Rubber & Plastic Co., Ltd.: The balance of credit-related transactions at the end of the Reporting Period was RMB0.5 million and there was no balance of deposit transactions at the end of the Reporting Period;
- (15) Qingdao Financial Guarantee Group Co., Ltd.: The balance of credit-related transactions at the end of the Reporting Period was RMB50 million, the balance of deposit transactions at the end of the Reporting Period was RMB82 million and the actual amount of other non-credit transactions was RMB14 million;
- (16) Related natural persons: The balance of credit-related transactions at the end of the Reporting Period was RMB258 million, and the risk exposure was RMB258 million. The balance of deposit transactions at the end of the Reporting Period was RMB991 million and there was no actual amount of other non-credit transactions.

9.2 Related Party Transactions in connection with Acquisition or Sale of Assets or Equity Interest

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

9.3 Related Party Transactions in connection with Joint External Investment

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

SECTION V SIGNIFICANT EVENTS

9.4 Related Creditors' Rights and Debts Transactions

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

9.5 Transactions with Related Financial Companies

During the Reporting Period, there were no deposits, loans, credit extension or other financial business between the Bank and the financial companies that were related to the Bank. As at the end of the Reporting Period, the facilities of RMB200 million granted by the Bank to Haier Group Finance Co., Ltd. was for holders of bank acceptance bills issued by Haier Group Finance Co., Ltd. to pledge of bank acceptance bills with the Bank, in which the Bank has no direct business with Haier Group Finance Co., Ltd.

9.6 Transactions between Financial Companies Controlled by the Bank and Related Parties

The Bank does not control any financial companies.

9.7 Other Significant Related Party Transactions

There was no other significant related party transaction of the Bank during the Reporting Period.

X. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF

10.1 Custody, Contracting and Leasing

There was no matter related to custody, contracting, and leasing of assets of other companies by the Bank, or matter related to custody, contracting, and leasing of assets of the Bank by other companies which occurred during the Reporting Period or in previous periods and carried over into the Reporting Period that resulted in gains or losses to the Bank in excess of 10% of its total profit for the year.

10.2 Significant Guarantees

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

10.3 Entrusted Wealth Management

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

10.4 Other Material Contracts

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

XI. OTHER MATTERS OF SIGNIFICANCE**11.1 Acquisition, Merger and Disposal of Assets during the Reporting Period**

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

11.2 Significant Commitment and Entrusted Asset Management

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

11.3 Publishing of Interim Report

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

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

11.4 Representation on Compliance with the Hong Kong Listing Rules

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

During the Reporting Period, the Bank strictly complied with the provisions set out in the Corporate Governance Code contained in Appendix C1 to the Hong Kong Listing Rules, and adopted the recommended best practices as set out therein as appropriate.

XII. MAJOR ISSUES OF THE BANK'S SUBSIDIARIES

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

SECTION V SIGNIFICANT EVENTS

XIII. REGISTRATION FORM FOR RECEPTION OF ACTIVITIES SUCH AS SURVEYS, COMMUNICATIONS AND INTERVIEWS DURING THE REPORTING PERIOD

Date of reception	Site of reception	Way of reception	Type of recipient	Recipient	Major discussion points and material provided	Index of the basic particulars of the survey
9 January 2025	Head office of the Bank	On-site survey and telephone communication	Institutions	ZHANG Xiaohui from Cinda Securities, DING Huangshi and LIU Rui from Kaiyuan Securities, WANG Xianshuang from China Merchants Securities, YAO Chengyu from Bosera Fund, WANG Zhongqi from China Future Asset Management, MA Huiyu from Capital Securities Asset Management, XU Xinyi from Guotai Junan Securities Asset Management, CHENG Yuchan from CICC Asset Management and other online participants	Oral discussion on the credit products and credit allocation, etc. of the Bank, and the Bank did not provide relevant material	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 9 January 2025
15 January 2025	Head office of the Bank	On-site survey and telephone communication	Institutions	CHEN Shaoxing and CAO Xintong from Industrial Securities, LIN Jiali, XU Ningbi and CHEN Yuhao from Guohai Securities, LIANG Fengjie from Zheshang Securities, DENG Meijun and MA Zhihao from Zhongtai Securities, WANG Zhihao from Bosera Fund, WU Zhinan from China Asset Management, LIN Qiqu from Dacheng Fund, JIANG Weilin from Huashang Fund, ZHOU Lijun and WANG Shilei from PICC AMC, TAN Zhen from Dong Fang Hong Asset Management, REN Keyi from Xiangcai Fund, PI Ling from AXA SPDB Investment Managers, WANG Xin from Capital Asset Management, CUI Bojian from CCB Principal Asset Management, GAO Shaowei from Taikang Asset and other online participants	Oral discussion on the quality of assets and credit products, etc. of the Bank, and the Bank did not provide relevant material	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 15 January 2025

SECTION V SIGNIFICANT EVENTS

Date of reception	Site of reception	Way of reception	Type of recipient	Recipient	Major discussion points and material provided	Index of the basic particulars of the survey
9 April 2025	Head office of the Bank	On-site survey and online live-streaming	Institutions	NI Jun from GF Securities, WANG Jian from Guosen Securities, LIN Jiali from Guohai Securities, MA Xiangyun from Changjiang Securities, ZHANG Yu from Huafu Securities, ZHENG Qingming and LI Yuhao from Shenwan Hongyuan Securities, CHEN Shaoxing from Industrial Securities, YUAN Zheqi from Ping An Securities, LIN Jinlu and XING Zhiguang from Dongxing Securities, DONG Wenxin from Everbright Securities, ZHANG Xiaohui from Cinda Securities, HE Yating from Huatai Securities, MA Zhihao from Zhongtai Securities, WEN Xueyang from China Merchants Securities, DING Huangshi from Kaiyuan Securities, XU Anni from Zheshang Securities, JIA Jing from Huachuang Securities, CHEN Huiqin from Guosheng Securities, YU Bowen from Orient Securities, WANG Xinyu from China Securities, media reporters and other investors who participated in this performance conference through live webcast	Exchanges on the 2024 performance and operating conditions of the Bank and the Bank provided relevant presentations	Please refer to the Investor Relations Activity Record Form and its attachments published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 9 April 2025
12 May 2025	Panorama Network	Online communication on network platform	Others	Investors who participated in the Online Collective Reception Day for Investors through Panorama Network	Oral discussion on the cash dividend, etc. of the Bank, and the Bank did not provide relevant material	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 12 May 2025
15 May 2025	Head office of the Bank	On-site survey	Institutions	MA Tingting from Guosheng Securities, GUAN Peng and GUO Changhao from HuaAn Funds	Oral discussion on the net interest margin, credit businesses, etc. of the Bank, and the Bank did not provide relevant material	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 15 May 2025

SECTION V SIGNIFICANT EVENTS

Date of reception	Site of reception	Way of reception	Type of recipient	Recipient	Major discussion points and material provided	Index of the basic particulars of the survey
16 May 2025	Head office of the Bank	On-site survey	Institutions	MA Xiangyun and XIE Jintong from Changjiang Securities, XIAO Feifei from CITIC Securities, WANG Junzheng from China Asset Management, WU Tinghua from Chang Xin Asset Management, LIU Zhibing from Huatai-Pine Bridge Investments, LIN Qiqu from Dacheng Fund, MA Zhihao from Zhongtai Securities, LIU Yuan from Guotai Haitong, LIU Shuo from Manulife Fund, ZHONG Bo and ZHANG Fuji from Guo Ren P&C, ZHANG Haitao from XingBao International Trust, PENG Mengyuan from ICBC	Oral discussion on the profitability and assets quality, etc. of the Bank, and the Bank did not provide relevant material	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 16 May 2025
20 June 2025	Head office of the Bank	On-site survey	Institutions	LUO Lisi from China Merchants Fund, DENG Meijun from Zhongtai Securities	Oral discussion on the shareholding structure and net interest margin, etc. of the Bank, and the Bank did not provide relevant material	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 20 June 2025

SECTION VI CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN SHAREHOLDINGS

1.1 Changes in Shareholdings

Unit: share

Items	As at 31 December 2024		Increase/decrease (+/-) during the Reporting Period					As at 30 June 2025	
	Number of shares	Percentage %	New issue	Bonus issue	Conversion from reserves	Others	Sub-total	Number of shares	Percentage %
I. Shares with selling restrictions	416,337,229	7.15	-	-	-	-349,391	-349,391	415,987,838	7.15
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. Shares held by state-owned legal entities	-	-	-	-	-	-	-	-	-
3. Shares held by other domestic investors	416,337,229	7.15	-	-	-	-349,391	-349,391	415,987,838	7.15
Of which: Shares held by domestic non-state-owned legal entities	415,169,088	7.13	-	-	-	-10,000	-10,000	415,159,088	7.13
Shares held by domestic natural individuals	1,168,141	0.02	-	-	-	-339,391	-339,391	828,750	0.02
4. Shares held by foreign investors	-	-	-	-	-	-	-	-	-
Of which: Shares held by foreign legal entities	-	-	-	-	-	-	-	-	-
Shares held by foreign natural individuals	-	-	-	-	-	-	-	-	-
II. Shares without selling restrictions	5,404,017,495	92.85	-	-	-	349,391	349,391	5,404,366,886	92.85
1. RMB ordinary shares	3,112,072,021	53.47	-	-	-	349,391	349,391	3,112,421,412	53.47
2. Domestic listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	2,291,945,474	39.38	-	-	-	-	-	2,291,945,474	39.38
4. Others	-	-	-	-	-	-	-	-	-
III. Total number of shares	5,820,354,724	100.00	-	-	-	-	-	5,820,354,724	100.00

Notes:

- During the Reporting Period, the changes in the Bank's shares were mainly due to the release of selling restrictions for shares issued prior to the issuance of A Shares, unverified shareholders have completed share ownership verification and supplementary registration and the lock-up and unlocking of shares held by the Bank's resigned Supervisors in accordance with the laws and regulations. The above changes in the shares do not involve any regulatory approval or share transfer.
- The Bank did not conduct share repurchase during the Reporting Period.
- During the Reporting Period, there was no change in the total number of shares of the Bank and the changes in shares as shown above had no impact on the financial indicators.

SECTION VI CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

1.2 Changes of Shares with Selling Restrictions

During the Reporting Period, the change in the shares with selling restrictions of the Bank was due to the release of selling restrictions for shares issued prior to the issuance of A shares and the lock-up and unlocking of the shares held by the resigned Supervisors of the Bank, the details of which are as follows:

Name of shareholders	Number of restricted shares at the beginning of the period	Number of restricted shares unlocked during the period	Number of restricted shares increased during the period	Number of restricted shares at the end of the period	Reason for the selling restrictions	Date of unlocking the restricted shares
27 natural individual shareholders	186,891	186,891	–	–	Shares with selling restrictions before the initial issue	16 January 2025
YANG Fengjiang	650,000	162,500	–	487,500	Resignation lock-up	Half a year after resignation
Total	836,891	349,391	–	487,500	–	–

Notes:

1. The “number of restricted shares at the beginning of the period” of the 27 natural individual shareholders listed in the above table include both the number of shares held by shareholders who have completed supplementary registration at the beginning of the period and the number of shares that have not completed supplementary registration and are temporarily held in the specialised securities account for the custody of shares without affirmed ownership of the Bank. For details of unlocking the restricted shares, please refer to the Indicative Announcement for the Listing and Circulation of Shares Issued Prior to the Initial Public Offering of A shares which was published by the Bank on CNINFO website dated 14 January 2025 (Announcement No.: 2025-001).
2. Mr. YANG Fengjiang is a Supervisor who resigned before the expiration of his original term of office, so “date of unlocking the restricted shares” filled in is the partial release date of 25% of the total shares held by him. The lock-up and unlocking of the shares held by Directors, Supervisors and senior management shall be implemented in accordance with the Company Law, the Securities Law, and relevant regulations issued by the CSRC, the SZSE and other regulatory authorities.

II. SECURITIES ISSUANCE AND THE LISTING

During the Reporting Period, the Bank did not issue any new ordinary and preference shares, and there were no public offerings of corporate bonds to be listed on stock exchanges.

SECTION VI CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

III. NUMBER OF SHAREHOLDERS AND THEIR SHAREHOLDINGS IN THE BANK

3.1 The Shareholders of the Bank

Unit: share

Total number of ordinary shareholders at the end of the Reporting Period			51,135	Total number of preference shareholders whose voting rights were resumed at the end of the Reporting Period			–	
Shareholdings of shareholders who hold more than 5% of the shares or shareholdings of the top ten shareholders								
Name of shareholders	Nature of shareholders	Percentage of shareholding	Number of shares held as at the end of the Reporting Period	Increase or decrease during the Reporting Period	Number of shares with selling restrictions held	Number of shares without selling restrictions held	Shares pledged, tagged or locked-up	
							Status of shares	Number of shares
Hong Kong Securities Clearing Company Nominees Limited (香港中央結算(代理人)有限公司)	Overseas legal entity	21.87%	1,272,984,494	35,000	–	1,272,984,494	Unknown	Unknown
Intesa Sanpaolo S.p.A (意大利聯合聖保羅銀行)	Overseas legal entity	17.50%	1,018,562,076	–	–	1,018,562,076	–	–
Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd. (青島國信產融控股(集團)有限公司)	State-owned legal entity	11.25%	654,623,243	–	–	654,623,243	–	–
Qingdao Haier Industrial Development Co., Ltd. (青島海爾產業發展有限公司)	Domestic non-state-owned legal entity	9.15%	532,601,341	–	409,693,339	122,908,002	–	–
Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青島海爾空調電子有限公司)	Domestic non-state-owned legal entity	4.88%	284,299,613	–	–	284,299,613	–	–
Haier Smart Home Co., Ltd. (海爾智家股份有限公司)	Domestic non-state-owned legal entity	3.25%	188,886,626	–	–	188,886,626	–	–
Qingdao Hairen Investment Co., Ltd. (青島海仁投資有限責任公司)	Domestic non-state-owned legal entity	2.99%	174,083,000	–	–	174,083,000	–	–
Qingdao China Prosperity State-Owned Capital Investment Operation Group Co., Ltd. (青島華通國有資本投資運營集團有限公司)	State-owned legal entity	2.12%	123,457,855	–	–	123,457,855	–	–
Qingdao Jifa Group Co., Ltd. (青島即發集團股份有限公司)	Domestic non-state-owned legal entity	2.02%	117,417,613	-799,400	–	117,417,613	–	–
Guosen Securities Company Limited (國信證券股份有限公司)	State-owned legal entity	1.17%	68,309,892	-560,350	–	68,309,892	–	–

SECTION VI CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

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

Shareholdings of the top ten shareholders without selling restrictions

Name of shareholders	Reporting Period	Types of shares	Number of shares
Hong Kong Securities Clearing Company Nominees Limited (香港中央結算(代理人)有限公司)	1,272,984,494	Overseas listed foreign shares	1,272,984,494
Intesa Sanpaolo S.p.A. (意大利聯合聖保羅銀行)	1,018,562,076	Overseas listed foreign shares	1,018,562,076
Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd. (青島國信產融控股(集團)有限公司)	654,623,243	RMB ordinary shares	654,623,243
Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青島海爾空調電子有限公司)	284,299,613	RMB ordinary shares	284,299,613
Haier Smart Home Co., Ltd. (海爾智家股份有限公司)	188,886,626	RMB ordinary shares	188,886,626
Qingdao Hairen Investment Co., Ltd. (青島海仁投資有限責任公司)	174,083,000	RMB ordinary shares	174,083,000
Qingdao China Prosperity State-Owned Capital Investment Operation Group Co., Ltd. (青島華通國有資本投資運營集團有限公司)	123,457,855	RMB ordinary shares	123,457,855
Qingdao Haier Industrial Development Co., Ltd. (青島海爾產業發展有限公司)	122,908,002	RMB ordinary shares	122,908,002
Qingdao Jifa Group Co., Ltd. (青島即發集團股份有限公司)	117,417,613	RMB ordinary shares	117,417,613
Guosen Securities Company Limited (國信證券股份有限公司)	68,309,892	RMB ordinary shares	68,309,892

SECTION VI CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

Explanation on the related relationships or acting in concert among the top ten shareholders without selling restrictions and that between the top ten shareholders without selling restrictions and the top ten shareholders	<p>Qingdao Haier Industrial Development Co., Ltd., Qingdao Haier Air-Conditioner Electronics Co., Ltd. and Haier Smart Home Co., Ltd. are all under Haier Group, and Qingdao Haier Industrial Development Co., Ltd. and Qingdao Haier Air-Conditioner Electronics Co., Ltd. have entrusted Haier Smart Home Co., Ltd. to exercise the voting rights of the shareholders corresponding to their shares. The Bank is not aware of any related relationships or acting in concert among the remaining top ten ordinary shareholders without selling restrictions and that between the remaining top ten ordinary shareholders without selling restrictions and the top ten ordinary shareholders.</p>
Explanation on the margin trading and securities lending by top ten ordinary shareholders	<p>The Bank is not aware of margin trading and securities lending business and refinancing business by holder of shares in which Hong Kong Securities Clearing Company Nominees Limited acts as an agent; as at the end of the Reporting Period, the remaining shareholders among the top ten ordinary shareholders did not participate in margin trading and securities lending business and refinancing business.</p>
Notes	<ol style="list-style-type: none">1. Among the total number of ordinary shareholders as at the end of the Reporting Period, there are 50,991 A Share shareholders and 144 H Share registered shareholders;2. The shares held by Hong Kong Securities Clearing Company Nominees Limited are the total number of shares in the Bank's H shareholders accounts traded on the trading platform of Hong Kong Securities Clearing Company Nominees Limited by it as an agent;3. As at the end of the Reporting Period, Intesa Sanpaolo S.p.A., as a H Share registered shareholder of the Bank, held 1,015,380,976 H Shares, and the remaining 3,181,100 H Shares were agented to and under the name of Hong Kong Securities Clearing Company Nominees Limited. In this table, the agent shares have been deducted from the number of shares held by Hong Kong Securities Clearing Company Nominees Limited;4. The top 10 ordinary shareholders and the top 10 ordinary shareholders without selling restrictions of the Bank did not conduct transactions on agreed repurchases during the Reporting Period.

SECTION VI CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

3.2 Participation in Shares Lent Through Securities Lending and Refinancing by Shareholders Who Hold More Than 5% of the Shares, the Top 10 Shareholders and the Top 10 Shareholders Without Selling Restrictions

The Bank is not aware of the participation in shares lent through securities lending and refinancing by holders of shares represented by Hong Kong Securities Clearing Company Nominees Limited. Other shareholders of the Bank, including shareholders who hold more than 5% shares, the top 10 shareholders and the top 10 shareholders without selling restrictions did not participate in shares lent through securities lending and refinancing at the beginning and end of the Reporting Period.

3.3 The Changes Resulting from Shares Lent/Returned Through Securities Lending and Refinancing by the Top 10 Shareholders and the Top 10 Shareholders Without Selling Restrictions as Compared to the Previous Period

Compared with the end of the first quarter of 2025, the changes in the Bank's top 10 shareholders and the top 10 shareholders without selling restrictions as of the end of the first half of 2025 are not relevant to shareholders' participation in the securities lending and refinancing business.

IV. CHANGES IN SHAREHOLDINGS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

There were no changes in the shareholdings of the Bank's Directors, Supervisors and senior management during the Reporting Period. For details, please refer to the 2024 annual report of the Bank.

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

Name of Director/ Supervisor/chief executive	Type of shares	Capacity	Number of shares held	Percentage of the total number of ordinary shares ^{Note}	Percentage of the total number of A Shares ^{Note}	Long position/ Short position
CHEN Shuang	A Shares	Beneficial owner	455,000	0.01%	0.01%	Long position

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

SECTION VI CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

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

V. CHANGES IN CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

As at the end of the Reporting Period, the Bank did not have any controlling shareholder or de facto controller.

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

During the Reporting Period, the Company had not purchased, sold and redeemed any listed securities of the Bank (including sale of treasury shares as ascribed under Hong Kong Listing Rules). As of the end of the Reporting Period, the Bank did not hold any such treasury shares.

VII. SUBSTANTIAL SHAREHOLDERS OF THE BANK

1. Haier Group Corporation (海爾集團公司)

Haier Group Corporation (unified social credit code: 91370200163562681G) was established on 24 March 1980 with its legal representative of ZHOU Yunjie and a registered capital of RMB311.18 million. It is mainly engaged in technology development, technology consultancy, technology transfer, technology services, including industrial internet, etc.; data processing; engaged in digital technology, intelligent technology, software technology; research and development, sales and after-sales services of robots and automation equipment products; logistics information services; the research and development and sales of intelligent household equipment and solution system software technology; the production of household appliances, electronic products, communication equipment, electronic computers and accessories, general machinery, kitchen appliances and robots for industrial purpose; domestic commercial (excluding national restricted, licensed and controlled commodities) wholesale and retail; export and import business (refer to foreign enterprise confirmation certificate for details); economic technology consultancy; and research, development and transfer of technological achievements; lease of self-owned properties.

SECTION VI CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

As at the end of the Reporting Period, Haier Group Corporation held a total of 1,055,878,943 A Shares of the Bank via seven companies within the group, which accounted for 18.14% of the total ordinary share capital. The above shares were not pledged or frozen. Haier Smart Home Co., Ltd. (海爾智家股份有限公司) was one of those seven companies, and the directors recommended to the Bank were ZHOU Yunjie and TAN Lixia. These seven companies were persons acting in concert. The ultimate beneficiary of Haier Group Corporation is itself, and Haier Group Corporation is the de facto controller of Haier Smart Home Co., Ltd. (collectively accounting for 34.47% of equity interests), Qingdao Haier Biomedical Co., Ltd. (collectively accounting for 43.88% of equity interests), INKON Life Technology Co., Ltd. (collectively accounting for 51.09% of equity interests), Qingdao Thunderobot Technology Co., Ltd. (青島雷神科技股份有限公司) (collectively accounting for 30.72% of equity interests), Zhongmiao Holdings (Qingdao) Co., Ltd. (collectively accounting for 45.33% of equity interests), Shanghai Raas Blood Products Co., Ltd. (collectively accounting for 29.01% of equity interests) and Shanghai STEP Electric Corporation (上海新時達電氣股份有限公司) (collectively accounting for 29.24% of equity interests). As at the end of the Reporting Period, the balance of the Bank's credit-related significant related party transactions¹ with Haier Group was RMB2,011 million. No deposit-related or other non-credit-related significant related party transactions occurred as at the end of the Reporting Period.

2. Intesa Sanpaolo S.p.A (意大利聯合聖保羅銀行)

Intesa Sanpaolo S.p.A. (business registration number: 00799960158) was established on 5 January 2007 (through merger of Banca Intesa S.p.A. (意大利聯合銀行) and Sanpaolo IMI S.p.A. (意大利聖保羅意米銀行)) with its legal representative of Gian Maria GROS-PIETRO and a registered capital of EUR10,369 million. Intesa Sanpaolo S.p.A. is a multi-national bank headquartered in Turin, Italy. It is one of the most prominent players of the Eurozone's banking industry as well as the industry-leader of Italy's retail banking, corporate banking business and wealth management businesses. Intesa Sanpaolo S.p.A. has a total of approximately 3,000 branches in Italy, providing approximately 14.00 million customers with high-quality service. Intesa Sanpaolo S.p.A. has established a strategic international layout, including approximately 900 branches serving 7.50 million customers, commercial banking in 12 countries and an international and professional service network for corporate customers in 25 countries.

As at the end of the Reporting Period, Intesa Sanpaolo S.p.A. held 1,018,562,076 H Shares of the Bank, which accounted for 17.50% of the total ordinary share capital. The above shares were not pledged or frozen. The directors recommended to the Bank by Intesa Sanpaolo S.p.A. were Rosario STRANO and Giamberto GIRALDO. Intesa Sanpaolo S.p.A. has no controlling shareholders, no de facto controllers, no persons acting in concert, and its ultimate beneficiary is itself and itself is a listed company. The listed company it can control is RISANAMENTO SPA (accounting for 48.88% of equity interests). Intesa Sanpaolo S.p.A. has declared to the Bank related parties in accordance with regulatory requirements. During the Reporting Period, there was no significant related party transaction between the Bank and Intesa Sanpaolo S.p.A.

¹ Note: The data of related party transactions mentioned in this part are compiled in accordance with the reporting standards specified by the National Financial Regulatory Administration.

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

Qingdao Conson Development (Group) Co., Ltd. (unified social credit code: 913702006752895001) was established on 17 July 2008 with LIU Luqiang as its legal representative and a registered capital of RMB3 billion. It is a wholly state-owned company contributed by the State-owned Assets Supervision and Administration Commission of Qingdao Municipal Government on behalf of the Qingdao Municipal People's Government, and it is mainly engaged in the operation of state-owned capital and state-owned equity interests, investments, capital operation and assets management.

Qingdao Conson Development (Group) Co., Ltd. has closely followed the urban development strategy, served the overall situation of urban development, gradually searched for one road for the development of market-oriented reform of the state-owned investment company and formed the three main businesses of modern ocean, industrial finance, infrastructure and urban operation. The Group has a domestic main credit rating of AAA and an international credit rating of BBB+ (Fitch) and has been assessed as an A-class enterprise by Municipal State-owned Assets Supervision and Administration Commission for many consecutive years.

As at the end of the Reporting Period, Qingdao Conson Development (Group) Co., Ltd. held a total of 872,471,173 shares of the Bank via three subsidiaries, including 654,623,893 A Shares and 217,847,280 H Shares, which together accounted for 14.99% of the total ordinary share capital. The above shares were not pledged or frozen. Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd., was one of the three companies, and the director recommended to the Bank was DENG Youcheng. The controlling shareholder and the de facto controller of Qingdao Conson Development (Group) Co., Ltd. is the State-owned Assets Supervision and Administration Committee of the Qingdao Municipal People's Government. It has no persons acting in concert, and its ultimate beneficiary is itself. The listed company it can control is Baiyang Aquatic Group, Inc (collectively accounting for 30.16% of equity interests). Qingdao Conson Development (Group) Co., Ltd. has declared to the Bank related parties in accordance with regulatory requirements. As at the end of the Reporting Period, the balance of significant related transactions between the Bank and Qingdao Conson Group amounted to RMB358 million.

4. Qingdao East Steel Tower Stock Co., Ltd. (青島東方鐵塔股份有限公司)

Qingdao East Steel Tower Stock Co., Ltd. (unified social credit code: 91370200169675791C) was established on 1 August 1996 with its legal representative of HAN Fangru and a registered capital of RMB1.244 billion. It is a company listed on the SZSE (stock code: 002545). It underwent restructuring in 2016 and was transformed into a listed company with dual main businesses in steel structure and potash fertilizer industry.

SECTION VI CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

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

VIII. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As of the end of the Reporting Period, the Bank was informed by the following persons in relation to their interests and short positions in the issued shares and underlying shares of the Bank as recorded in the register required to be kept under section 336 of the SFO are as follows:

Name of shareholders	Notes	Type of shares	Capacity	Number of shares held	Approximate percentage of the total number of shares ⁽⁸⁾	Approximate percentage of the total number of A Shares ⁽⁸⁾	Approximate percentage of the total number of H Shares ⁽⁸⁾	Long/short position
Haier Group Corporation (海爾集團公司)	1	A Shares	Interest of controlled corporation	1,055,878,943	18.14	29.93	-	Long
Haier Kaaosi Co., Ltd. (海爾卡奧斯股份有限公司)	2	A Shares	Interest of controlled corporation	532,601,341	9.15	15.09	-	Long
Qingdao Haier Industrial Development Co., Ltd. (青島海爾產業發展有限公司)	2	A Shares	Beneficial owner	532,601,341	9.15	15.09	-	Long
Haier Smart Home Co., Ltd. (海爾智家股份有限公司)	-	A Shares	Beneficial owner	188,886,626	3.25	5.35	-	Long
			Interest of controlled corporation	318,085,033	5.46	9.01	-	Long
Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青島海爾空調電子有限公司)	-	A Shares	Beneficial owner	284,299,613	4.88	8.06	-	Long
Qingdao Conson Development (Group) Co., Ltd. (青島國信發展(集團)有限責任公司)	3	A Shares	Interest of controlled corporation	654,623,893	11.25	18.55	-	Long
Qingdao Conson Industrial Co., Ltd. (青島國信實業有限公司)	3	A Shares	Beneficial owner	654,623,893	11.25	18.55	-	Long
Intesa Sanpaolo S.p.A. (意大利聯合聖保羅銀行)	-	H Shares	Beneficial owner	1,018,562,076	17.50	-	44.44	Long

SECTION VI CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

Name of shareholders	Type of			Number of shares held	Approximate percentage of the total number of shares ⁽⁸⁾	Approximate percentage of the total number of A Shares ⁽⁸⁾	Approximate percentage of the total number of H Shares ⁽⁸⁾	Long/short position
	Notes	shares	Capacity					
AMTD Group Inc.	4	H Shares	Interest of controlled corporation	367,675,000	6.32	–	16.04	Long
AMTD IDEA Group	4	H Shares	Interest of controlled corporation	367,675,000	6.32	–	16.04	Long
AMTD Digital Inc.	4	H Shares	Interest of controlled corporation	367,675,000	6.32	–	16.04	Long
World Media and Entertainment Universal Inc.	4	H Shares	Interest of controlled corporation	367,675,000	6.32	–	16.04	Long
Jinan Binhe New District Constructive Investment Group Co., Ltd. (濟南濱河新區建設投資集團有限公司)	–	H Shares	Beneficial owner	158,424,000	2.72	–	6.91	Long
Qingdao Conson Development (Group) Co., Ltd. (青島國信發展（集團）有限責任公司)	5	H Shares	Interest of controlled corporation	217,847,280	3.74	–	9.50	Long
Qingdao Conson Financial Holdings Co., Ltd. (青島國信金融控股有限公司)	5	H Shares	Beneficial owner	217,847,280	3.74	–	9.50	Long
Guosen Securities Company Limited (國信證券股份有限公司) on behalf of Guosen Securities QDII Huisheng No.6 Single Asset Management Scheme	–	H Shares	Investment manager	231,618,500	3.98	–	10.11	Long
Ji'nan Pioneer Investment Group Co., Ltd. (濟南先行投資集團有限責任公司)	–	H Shares	Beneficial owner	231,618,500	3.98	–	10.11	Long

Notes:

- (1) 1,055,878,943 shares of the Bank are held by Haier Group Corporation via its directly or indirectly controlled companies.
- (2) 532,601,341 shares of the Bank are directly held by Qingdao Haier Industrial Development Co., Ltd., which is 100% owned by Haier Kaaosi Co., Ltd. Therefore, Haier Kaaosi Co., Ltd. is deemed to be interested in all the shares of the Bank held by Qingdao Haier Industrial Development Co., Ltd.

SECTION VI CHANGES IN SHAREHOLDINGS AND INFORMATION ON SHAREHOLDERS

- (3) Qingdao Conson Industrial Co., Ltd. (now renamed as Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd.) is 100% owned by Qingdao Conson Development (Group) Co., Ltd. Therefore, Qingdao Conson Development (Group) Co., Ltd. is deemed to be interested in all the shares of the Bank held by Qingdao Conson Industrial Co., Ltd.
- (4) According to the disclosure of interests notices submitted by World Media and Entertainment Universal Inc., AMTD Digital Inc., AMTD IDEA Group, and AMTD Group Inc. in relation to the relevant event on 29 November 2024, Wonderful Time with Co. Ltd directly holds 367,675,000 shares of the Bank. Wonderful Time with Co. Ltd is wholly-owned by World Media and Entertainment Group, and World Media and Entertainment Group is wholly-owned by World Media and Entertainment Universal Inc. AMTD Digital Inc. and AMTD IDEA Group holds 45.42% and 43.40% interests in World Media and Entertainment Universal Inc. respectively. AMTD IDEA Group holds 92.30% interests in AMTD Digital Inc., while AMTD Group Inc. holds 84.14% interests in AMTD IDEA Group. Therefore, World Media and Entertainment Universal Inc., AMTD Digital Inc., AMTD IDEA Group and AMTD Group Inc. are deemed to be interested in all the shares of the Bank held by Wonderful Time with Co. Ltd.
- (5) Qingdao Conson Financial Holdings Co., Ltd. directly holds 217,847,280 H Shares of the Bank. To the best of the Bank's knowledge, Qingdao Conson Financial Holdings Co., Ltd. is an indirectly wholly-owned subsidiary of Qingdao Conson Development (Group) Co., Ltd. Therefore, Qingdao Conson Development (Group) Co., Ltd. is deemed to be interested in all the shares of the Bank held by Qingdao Conson Financial Holdings Co., Ltd. (in the capacity of interest of controlled corporation).
- (6) Save as disclosed in the above table, according to the disclosure of interests notice submitted by Ariana Capital Investment Limited in relation to the relevant event on 26 June 2020, Ariana Capital Investment Limited was interested in 176,766,469 H Shares of the Bank directly held by it. As of the end of the Reporting Period, no other disclosure of interests notices have been submitted by them.
- (7) Under Section 336 of the SFO, notices disclosing of interests shall be submitted by shareholders of the Bank upon satisfaction of certain conditions. Changes of shareholders' shareholdings in the Bank are not required to inform the Bank and the Hong Kong Stock Exchange, except for the satisfaction of certain conditions. Therefore, there could be difference between shareholders' latest shareholdings in the Bank and the shareholdings submitted to the Hong Kong Stock Exchange.
- (8) As of the end of the Reporting Period, the number of the Bank's total issued ordinary shares, A Shares and H Shares are 5,820,354,724 shares, 3,528,409,250 shares and 2,291,945,474 shares, respectively.

As of the end of the Reporting Period, save as disclosed above, in so far as the Directors, Supervisors and chief executives of the Bank are aware, there is no person who had an interest or short position in the shares, underlying shares or equity derivatives of the Bank which is required to be recorded in the register to be kept under section 336 of the SFO.

IX. PREFERENCE SHARES

As at the end of the Reporting Period, the Bank had no outstanding preference shares.

SECTION VII EMPLOYEES AND INSTITUTIONS

I. EMPLOYEES AND HUMAN RESOURCES MANAGEMENT

1.1 Details of Employees

Number of employees on the payroll of the parent company (persons)	5,078
Number of employees on the payroll of the major subsidiaries (persons)	208
Total number of employees on the payroll (persons)	5,286
Total number of employees receiving remuneration in the current period (persons)	5,286
Number of retired employees for whom the parent company and major subsidiaries need to bear expenses (persons)	–

Composition by profession

Composition by profession category	Number of composition by profession (persons)
Management personnel	371
Business personnel	4,012
General administrative personnel	903
Total	5,286

Education background

Education background category	Number (persons)
Master's degree or above	1,326
Bachelor's degree	3,606
College graduates or below	354
Total	5,286

1.2 Policy on Employee Remuneration

The Bank implements a remuneration system of standardize pay grade and contribution-driven remuneration. Employees' remuneration is linked to their sequence, the level of the staff and the results of performance appraisal. The Bank's employee remuneration is composed of fixed remuneration, performance remuneration and welfare remuneration. Fixed remuneration refers to the basic salary, which is determined according to the level corresponding to the employee's sequence. Performance remuneration is the performance-linked compensation paid by the Bank, which represents the incentive rewards paid on the basis of performance appraisal. During the Reporting Period, the Bank did not implement medium- and long-term incentives of equity and other forms of equity, and employees' remuneration was paid in cash.

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

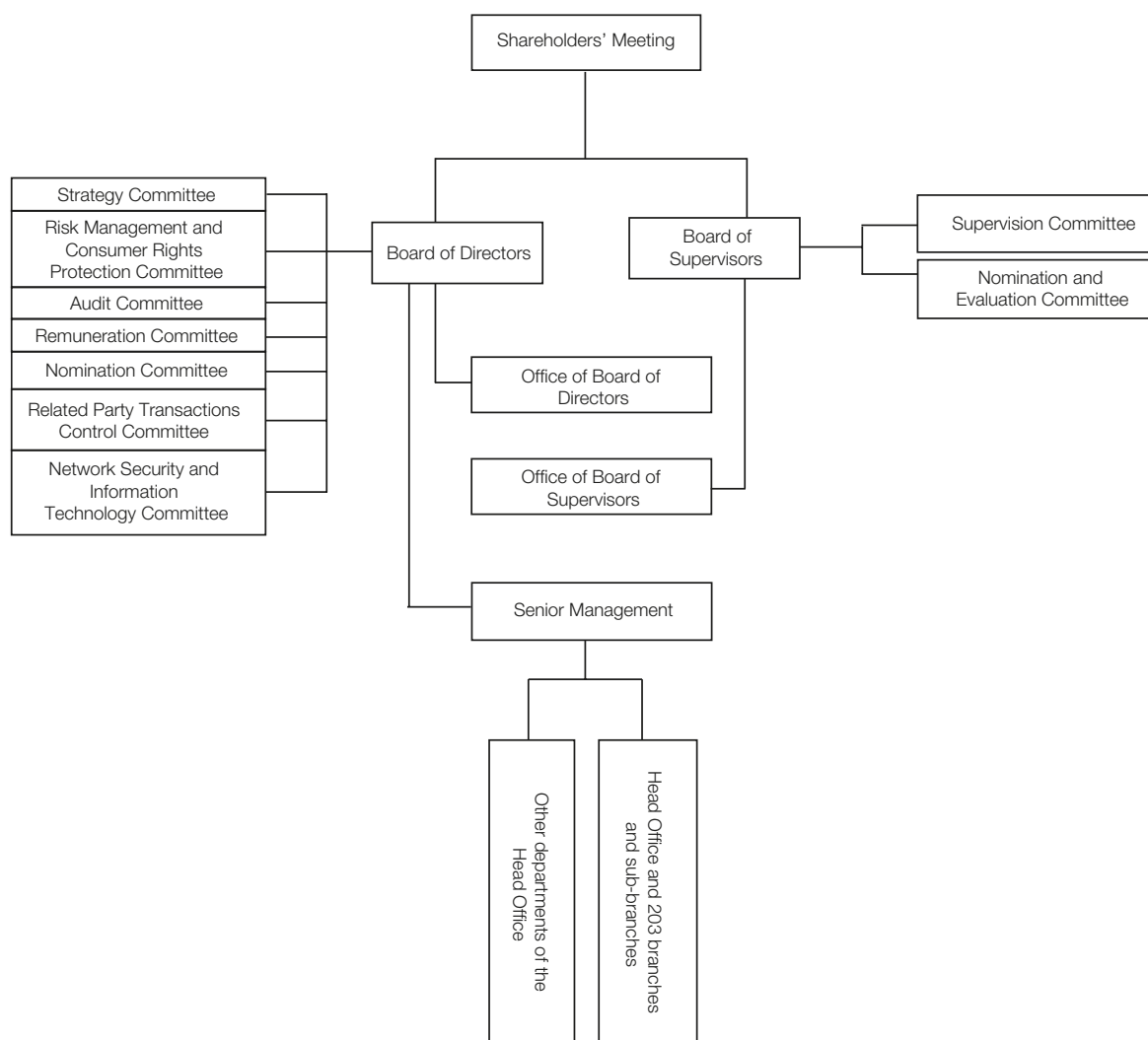
SECTION VII EMPLOYEES AND INSTITUTIONS

The Bank strictly implements the relevant requirements for the supervision of remuneration payment, and has established a mechanism related to performance-based remuneration deferred payment, recourse and deduction and implements the system of deferred payment, recourse and deduction for middle and senior management staff and other personnel in positions that have a significant impact on risk. The formulation and implementation of the annual remuneration scheme of the Bank are determined in strict accordance with the annual salary budget approved by the Board of Directors.

1.3 Training for Employees

To effectively drive the implementation of strategies and precisely align with business development needs, the Bank has systematically planned its annual training initiatives, comprehensively advancing the enhancement of employees' professional capabilities and empowering high-quality business growth through high-standard training. During the Reporting Period, a total of 1,669 training sessions of various types were organized, with a cumulative total of nearly 100 thousand participants; special training programs for key positions such as mid-to-senior managers, junior managers, internal trainers, data analysts and client managers were completed to effectively enhance the comprehensive management and professional execution capabilities of key position holders. The first phase of the new online learning platform was successfully developed and launched, continuously optimizing training functions and learning experiences. Additionally, the Bank further refined its training evaluation mechanism, strengthening closed-loop management across reaction, learning, behavior, and outcome assessments to promote the resonance and in-depth integration of talent cultivation and business development.

II. ORGANIZATIONAL STRUCTURE



SECTION VII EMPLOYEES AND INSTITUTIONS

III. BRANCHES AND SUB-BRANCHES

No.	Name of branch/ sub-branch	Business address	Institutions under its administration	No. of staff (persons)	Total assets (RMB100 million)
1	In Qingdao	–	1 head office, 1 branch and 115 sub-branches	1,819	5,081.24
2	Jinan Branch	Building 6, Yinfeng Fortune Plaza, No. 1 Longaoxi Road, Lixia District, Jinan	10 sub-branches under it	330	354.26
3	Dongying Branch	No. 72 Fuqian Avenue, Dongying District, Dongying	6 sub-branches under it	144	172.19
4	Weihai Branch	No. 112, No. 3-4 Shichang Avenue, Weihai	8 sub-branches under it	214	299.73
5	Zibo Branch	No. 266 Liantong Road, Zhangdian District, Zibo	5 sub-branches under it	146	187.71
6	Dezhou Branch	No. 717 Dexing Middle Avenue, Decheng District, Dezhou	5 sub-branches under it	135	97.43
7	Zaozhuang Branch	Dexin Plaza, No. 2166 Hexie Road, Xuecheng District, Zaozhuang	6 sub-branches under it	131	122.57
8	Yantai Branch	Building 2, No. 15 Ningbo Road, Development Zone, Yantai	6 sub-branches under it	141	171.76
9	Binzhou Branch	No. 471 Huanghe 8th Road, Bincheng District, Binzhou	4 sub-branches under it	99	130.38
10	Weifang Branch	Room 124, Building 7, No. 6636 Fushou East Street, Kuiwen District, Weifang	6 sub-branches under it	149	181.21
11	Laiwu Branch	No. 57, Wanfu North Road, Laiwu District, Jinan	1 sub-branch under it	52	32.67
12	Linyi Branch	Building 9, Hongxing International Plaza, Intersection of Jinan Road and Xiaohe Road, Beicheng New District, Linyi	5 sub-branches under it	130	116.92

SECTION VII EMPLOYEES AND INSTITUTIONS

No.	Name of branch/ sub-branch	Business address	Institutions under its administration	No. of staff (persons)	Total assets (RMB100 million)
13	Jining Branch	Welfare Lottery Building, No. 24 Hongxing Middle Road, Jining	3 sub-branches under it	93	157.21
14	Taian Branch	No. 237 Dongyue Street, Taian	3 sub-branches under it	90	46.56
15	Heze Branch	North side of East Gate of Jindu Huating, middle section of Renmin Road, Heze	1 sub-branch under it	48	43.86
16	Rizhao Branch	No. 79 Tai'an Road, Rizhao	2 sub-branches under it	53	37.46
17	Liaocheng Branch	No. 181 Dongchang Road, Economic and Technological Development Zone, Liaocheng	–	30	6.55

The Bank's business outlets are based in Qingdao, expanding throughout Shandong Province. As at the end of the Reporting Period, the Bank had 204 business outlets, including 17 branches, achieving full coverage across all 16 cities in Shandong Province.

As at the end of the Reporting Period, the Bank had a total of 429 self-service machines, including 6 automated teller machines (ATM), 273 deposit and withdrawal machines, 111 bank self-service terminals and 39 cash teller machines, providing services including withdrawal, deposit, transfer, account inquiry, and payment. During the Reporting Period, the total number of transactions through self-service equipment was 3.1518 million, with a total transaction amount of RMB11.170 billion.

SECTION VIII REVIEW REPORT

To the board of directors of Bank of Qingdao Co., Ltd.

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

INTRODUCTION

We have reviewed the interim financial information of Bank of Qingdao Co., Ltd. (the “Bank”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 126 to 227, which comprise the condensed consolidated statement of financial position as at 30 June 2025 and the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and condensed consolidated explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

THE SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of the interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong, China
28 August 2025

SECTION IX UNAUDITED INTERIM FINANCIAL REPORT

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

		Six months ended 30 June	
	Note	2025 (unaudited)	2024 (unaudited)
Interest income		11,349,804	10,990,839
Interest expense		(5,988,037)	(6,211,846)
Net interest income	3	5,361,767	4,778,993
Fee and commission income		1,038,183	1,161,572
Fee and commission expense		(230,719)	(230,433)
Net fee and commission income	4	807,464	931,139
Net trading gains	5	60,179	21,847
Net gains arising from investments	6	1,402,289	1,194,281
Other operating income	7	26,311	101,087
Operating income		7,658,010	7,027,347
Operating expenses	8	(1,816,002)	(1,874,469)
Expected credit losses	9	(2,232,351)	(1,919,634)
Impairment losses on other assets		(1,299)	–
Profit before taxation		3,608,358	3,233,244
Income tax expense	10	(456,256)	(521,860)
Net profit for the period		3,152,102	2,711,384
Net profit attributable to:			
Equity shareholders of the Bank		3,064,683	2,640,917
Non-controlling interests		87,419	70,467
Basic and diluted earnings per share (in RMB)	11	0.53	0.45

The consolidated notes to the unaudited interim financial report statements form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

		Six months ended 30 June	
	Note	2025 (unaudited)	2024 (unaudited)
Net profit for the period		3,152,102	2,711,384
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
– Remeasurement of defined benefit liability	38(4)	398	(3,968)
– Changes in fair value of financial assets designated at fair value through other comprehensive income	38(4)	–	78,906
Items that may be reclassified subsequently to profit or loss			
– Changes in fair value of financial assets measured at fair value through other comprehensive income	38(4)	(573,452)	986,633
– Credit losses of financial assets measured at fair value through other comprehensive income	38(4)	585,311	123,796
Other comprehensive income, net of tax		12,257	1,185,367
Total comprehensive income for the period		3,164,359	3,896,751
Total comprehensive income attributable to:			
Equity shareholders of the Bank		3,076,940	3,826,284
Non-controlling interests		87,419	70,467

The consolidated notes to the unaudited interim financial report statements form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2025 (unaudited)	31 December 2024 (audited)
Assets			
Cash and deposits with the central bank	12	33,196,367	49,153,266
Deposits with banks and other financial institutions	13	10,832,004	3,495,177
Placements with banks and other financial institutions	14	20,072,012	14,844,347
Derivative financial assets	15	24,563	55,310
Financial assets held under resale agreements	16	12,975,160	7,496,541
Loans and advances to customers	17	359,216,323	332,554,291
Financial investments:			
– Financial investments measured at fair value through profit or loss	18	68,207,055	63,986,527
– Financial investments measured at fair value through other comprehensive income	19	95,783,212	94,075,023
– Financial investments measured at amortised cost	20	116,084,699	97,593,546
Long-term receivables	22	15,535,174	15,516,540
Property and equipment	23	3,351,380	3,437,254
Right-of-use assets	24	741,739	764,450
Deferred tax assets	25	3,938,925	3,553,816
Other assets	26	3,068,933	3,436,945
Total assets		743,027,546	689,963,033
Liabilities			
Borrowings from the central bank	27	38,896,814	28,240,081
Deposits from banks and other financial institutions	28	17,066,458	12,355,339
Placements from banks and other financial institutions	29	19,820,383	20,836,633
Financial liabilities measured at fair value through profit or loss	30	1,206,126	699,788
Derivative financial liabilities	15	22,859	162,430
Financial assets sold under repurchase agreements	31	32,033,239	35,504,160
Deposits from customers	32	476,315,305	443,425,535
Income tax payable		699,644	306,535
Debt securities issued	33	104,712,179	98,752,059
Lease liabilities	34	505,980	514,281
Other liabilities	35	4,664,628	4,266,363
Total liabilities		695,943,615	645,063,204

The consolidated notes to the unaudited interim financial report statements form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

as at 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	30 June 2025 (unaudited)	31 December 2024 (audited)
Equity			
Share capital	36	5,820,355	5,820,355
Other equity instruments			
Including: perpetual bonds	37	6,395,783	6,395,783
Capital reserve	38(1)	10,687,091	10,687,091
Surplus reserve	38(2)	3,106,154	3,106,154
General reserve	38(3)	8,511,286	8,511,286
Other comprehensive income	38(4)	2,728,790	2,716,533
Retained earnings	39	8,828,605	6,695,179
Total equity attributable to equity shareholders of the Bank		46,078,064	43,932,381
Non-controlling interests		1,005,867	967,448
Total equity		47,083,931	44,899,829
Total liabilities and equity		743,027,546	689,963,033

Approved and authorised for issue by the board of directors on 28 August 2025.

Jing Zailun

Legal Representative
(Chairman)

Wu Xianming

President

Chen Shuang

Vice President in charge
of Finance Function

Li Zhenguo

General Manager of the Planning
& Finance Department

(Company Stamp)

The consolidated notes to the unaudited interim financial report statements form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2025
(Expressed in thousands of Renminbi, unless otherwise stated)

For the six months ended 30 June 2025

Note	Attributable to equity shareholders of the Bank								Non-controlling interests	Total equity
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Sub-total		
Balance at 1 January 2025	5,820,355	6,395,783	10,687,091	3,106,154	8,511,286	2,716,533	6,695,179	43,932,381	967,448	44,899,829
Total comprehensive income	-	-	-	-	-	12,257	3,064,683	3,076,940	87,419	3,164,359
Appropriation of profit:										
- Dividends 39	-	-	-	-	-	-	(931,257)	(931,257)	(49,000)	(980,257)
Balance at 30 June 2025 (unaudited)	5,820,355	6,395,783	10,687,091	3,106,154	8,511,286	2,728,790	8,828,605	46,078,064	1,005,867	47,083,931

The consolidated notes to the unaudited interim financial report statements form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

For the six months ended 30 June 2024

Note	Attributable to equity shareholders of the Bank							Sub-total	Non-controlling interests	Total equity
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings			
Balance at 1 January 2024	5,820,355	6,395,783	10,687,634	2,718,114	7,483,824	947,211	5,011,018	39,063,939	875,304	39,939,243
Total comprehensive income	-	-	-	-	-	1,185,367	2,640,917	3,826,284	70,467	3,896,751
Capital injection by shareholders:										
– Capital injection for subsidiaries	21	-	-	(543)	-	24,778	-	(24,778)	(543)	543
Appropriation of profit:										
– Dividends	39	-	-	-	-	-	(931,257)	(931,257)	(49,000)	(980,257)
Balance at 30 June 2024 (unaudited)	5,820,355	6,395,783	10,687,091	2,718,114	7,508,602	2,132,578	6,695,900	41,958,423	897,314	42,855,737

The consolidated notes to the unaudited interim financial report statements form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2025
(Expressed in thousands of Renminbi, unless otherwise stated)

For the year ended 31 December 2024

Note	Attributable to equity shareholders of the Bank								Non-controlling interests	Total equity
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Total		
Balance at 1 January 2024	5,820,355	6,395,783	10,687,634	2,718,114	7,483,824	947,211	5,011,018	39,063,939	875,304	39,939,243
Total comprehensive income	-	-	-	-	-	1,769,322	4,264,120	6,033,442	140,601	6,174,043
Capital injection by shareholders:										
- Capital injection for subsidiaries	21	-	-	(543)	-	24,778	-	(24,778)	(543)	543
Appropriation of profit:										
- Appropriation to surplus reserve	38(2)	-	-	-	388,040	-	-	(388,040)	-	-
- Appropriation to general reserve	38(3)	-	-	-	-	1,002,684	-	(1,002,684)	-	-
- Dividends	39	-	-	-	-	-	(1,164,457)	(1,164,457)	(49,000)	(1,213,457)
Balance at 31 December 2024 (audited)	5,820,355	6,395,783	10,687,091	3,106,154	8,511,286	2,716,533	6,695,179	43,932,381	967,448	44,899,829

The consolidated notes to the unaudited interim financial report statements form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2025 (unaudited)	2024 (unaudited)
Cash flows from operating activities		
Profit before taxation	3,608,358	3,233,244
<i>Adjustments for:</i>		
Expected credit losses	2,232,351	1,919,634
Impairment losses on other assets	1,299	–
Depreciation and amortisation	301,733	295,985
Unrealised foreign exchange (gains) and losses	22,851	101,027
Net losses and (gains) on disposal of property and equipment, intangible assets and other assets	727	(13,824)
Gains/(losses) from changes in fair value	(1,155)	(519,741)
Net gains arising from investments	(1,437,513)	(681,425)
Interest expense on debt securities issued	1,088,602	1,212,794
Interest income from financial investments	(2,842,505)	(2,669,056)
Others	19,959	(9,506)
	2,994,707	2,869,132
<i>Changes in operating assets</i>		
Net increase in deposits with the central bank	(1,880,104)	(1,156,112)
Net decrease in deposits with banks and other financial institutions	376,682	250,000
Net increase in placements with banks and other financial institutions	(4,622,938)	(1,648,000)
Net increase in loans and advances to customers	(28,646,306)	(24,927,904)
Net increase in financial assets held under resale agreements	(5,500,000)	(2,050,000)
Net increase in financial assets held for trading	(7,347,544)	(6,521,404)
Net decrease in long-term receivables	585,669	264,608
Net increase in other operating assets	(182,851)	(953,928)
	(47,217,392)	(36,742,740)

The consolidated notes to the unaudited interim financial report statements form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2025
(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2025 (unaudited)	2024 (unaudited)
<i>Changes in operating liabilities</i>		
Net increase in borrowings from the central bank	10,648,461	6,305,522
Net increase in deposits from banks and other financial institutions	4,724,514	17,074,851
Net (decrease)/increase in placements from banks and other financial institutions	(956,430)	158,345
Net decrease in financial assets sold under repurchase agreements	(3,602,265)	(10,099,544)
Net increase in deposits from customers	34,116,108	25,526,187
Net (decrease)/increase in other operating liabilities	(312,587)	465,597
	44,617,801	39,430,958
Income tax paid	(451,732)	(686,654)
Net cash flows (used in)/generated from operating activities	(56,616)	4,870,696
Cash flows from investing activities		
Cash received from disposal and redemption of investments	47,513,148	33,802,933
Cash received from investment gains and interest	5,039,968	4,170,005
Cash received from disposal of property and equipment, intangible assets and other assets	3,096	33,169
Payments for acquisition of investments	(65,129,085)	(29,985,640)
Payments for acquisition of property and equipment, intangible assets and other assets	(96,006)	(149,777)
Net cash flows (used in)/generated from investing activities	(12,668,879)	7,870,690
Cash flows from financing activities		
Cash received from debt securities issued	53,840,318	53,829,376
Repayment of debt securities issued	(47,801,237)	(50,049,948)
Payments for interest on debt securities issued	(1,167,563)	(1,348,452)
Payments for dividends	(979,388)	(979,385)
Payment for lease liabilities	(73,404)	(71,167)
Net cash flows generated from financing activities	3,818,726	1,380,424

The consolidated notes to the unaudited interim financial report statements form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June	
		2025 (unaudited)	2024 (unaudited)
Effect of foreign exchange rate changes on cash and cash equivalents		10,283	(1,148)
Net (decrease)/increase in cash and cash equivalents		(8,896,486)	14,120,662
Cash and cash equivalents as at 1 January		31,106,085	15,596,772
Cash and cash equivalents as at 30 June	40	22,209,599	29,717,434
Net cash flows generated from operating activities include:			
Interest received		9,482,305	9,215,425
Interest paid		(6,202,271)	(4,214,999)

The consolidated notes to the unaudited interim financial report statements form part of this interim financial report.

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2025
(Expressed in thousands of Renminbi, unless otherwise stated)

1 BACKGROUND INFORMATION

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

The Bank changed its name from Qingdao City Cooperative Bank Co., Ltd. to Qingdao City Commercial Bank Co., Ltd. in 1998 according to Lu Yin Fu [1998] No. 76 issued by Shandong Branch of the PBOC. The Bank changed its name from Qingdao City Commercial Bank Co., Ltd. to Bank of Qingdao Co., Ltd. in 2008 according to Yin Jian Fu [2007] No.485 issued by the former China Banking Regulatory Commission (the “CBRC”, the predecessor of the National Financial Regulatory Administration).

The Bank obtained its financial institution licence No. B0170H237020001 from the Qingdao Office of the former China Banking and Insurance Regulatory Commission (the “CBIRC”). The Bank obtained its business license with a unified social credit code 91370200264609602K from the Qingdao Municipal Bureau of Administrative Services, and the registered office is located at Building No. 3, No. 6 Qinling Road, Laoshan District, Qingdao City, Shandong Province, the People’s Republic of China (the “PRC”). In December 2015, the Bank’s H-shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 3866). In January 2019, the Bank’s A-shares were listed on Shenzhen Stock Exchange (Stock code: 002948). In January and February 2022, the Bank completed the A Share Rights Issue and H Share Rights Issue respectively. The share capital of the Bank increased to RMB5.82 billion after the completion of the above rights issue. The share capital of the Bank is RMB5.82 billion as at 30 June 2025.

The Bank has 17 branches, respectively in Jinan, Dongying, Weihai, Zibo, Dezhou, Zaozhuang, Yantai, Binzhou, Qingdao, Weifang, Linyi, Jining, Taian, Heze, Rizhao and Liaocheng as at 30 June 2025. The principal activities of the Bank and its subsidiaries (collectively the “Group”) are the provision of corporate and personal deposits, loans and advances, settlement, financial market business, financial leasing, wealth management and other services as approved by the regulatory authority. The background information of the subsidiaries is shown in Note 21. The Bank mainly operates in Shandong Province.

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(1) Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue by the Bank’s Board of Directors on 28 August 2025.

The interim financial report and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Accounting Standards (“IFRS Accounting Standards”), and should be read in conjunction with the Group’s previous annual financial report for the year ended 31 December 2024.

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(2) Accounting judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2024.

3 NET INTEREST INCOME

	Six months ended 30 June	
	2025	2024
Interest income arising from		
Deposits with the central bank	185,436	165,560
Deposits with banks and other financial institutions	35,530	20,573
Placements with banks and other financial institutions	275,845	264,321
Loans and advances to customers		
– Corporate loans and advances	5,651,856	5,190,295
– Personal loans and advances	1,487,699	1,797,705
– Discounted bills	274,151	221,528
Financial assets held under resale agreements	92,465	94,332
Financial investments	2,842,505	2,669,056
Long-term receivables	504,317	567,469
Interest income sub-total	11,349,804	10,990,839
Interest expense arising from		
Borrowings from the central bank	(318,301)	(225,487)
Deposits from banks and other financial institutions	(114,266)	(73,960)
Placements from banks and other financial institutions	(202,882)	(346,002)
Deposits from customers	(4,113,323)	(4,137,306)
Financial assets sold under repurchase agreements	(150,663)	(216,297)
Debt securities issued	(1,088,602)	(1,212,794)
Interest expense sub-total	(5,988,037)	(6,211,846)
Net interest income	5,361,767	4,778,993

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025
(Expressed in thousands of Renminbi, unless otherwise stated)

4 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2025	2024
Fee and commission income		
Wealth management service fees	387,664	515,545
Commission and agency service fees	270,014	275,768
Custody and bank card service fees	123,506	171,716
Settlement fees	121,870	84,097
Others	135,129	114,446
Fee and commission income sub-total	1,038,183	1,161,572
Fee and commission expense	(230,719)	(230,433)
Net fee and commission income	807,464	931,139

5 NET TRADING GAINS/(LOSSES)

	Note	Six months ended 30 June	
		2025	2024
Net gains/(losses) from debt securities	(i)	124,908	117,675
Net gains/(losses) of foreign exchange and foreign exchange derivative financial instruments	(ii)	(48,017)	(81,890)
Net gains/(losses) of non-foreign exchange derivative financial instruments		(16,712)	(13,938)
Total		60,179	21,847

Notes:

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

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

6 NET GAINS ARISING FROM INVESTMENTS

	Six months ended 30 June	
	2025	2024
Net gains on financial investments measured at fair value through profit or loss	866,110	971,830
Net gains on disposal of financial assets measured at fair value through other comprehensive income	208,574	223,961
Gains arising from the derecognition of financial assets measured at amortized cost	342,534	–
Others	(14,929)	(1,510)
Total	1,402,289	1,194,281

7 OTHER OPERATING INCOME

	Six months ended 30 June	
	2025	2024
Government grants	26,614	53,856
Net gains on disposal of precious metals	–	33,406
Net (losses)/gains on disposal of property and equipment, intangible assets and other assets	(727)	13,824
Others	424	1
Total	26,311	101,087

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025
(Expressed in thousands of Renminbi, unless otherwise stated)

8 OPERATING EXPENSES

	Six months ended 30 June	
	2025	2024
Staff costs		
– Salaries, bonuses and allowances	609,994	558,104
– Social insurance	40,012	41,758
– Housing allowances	66,261	61,739
– Staff welfare expenses	77,321	71,647
– Labor union expenses and staff education expenses	27,448	26,394
– Post-employment benefits		
– Defined contribution plans	132,815	142,147
– Early retirement and supplementary retirement plans	2,350	5,867
Sub-total	956,201	907,656
Property and equipment expenses		
– Depreciation and amortisation	301,733	295,985
– Electronic equipment operating expenses	58,167	59,516
– Maintenance expenses	58,962	51,828
Sub-total	418,862	407,329
Tax and surcharges	91,559	83,340
Other general and administrative expenses	349,380	476,144
Total	1,816,002	1,874,469

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

9 EXPECTED CREDIT LOSSES

	Six months ended 30 June	
	2025	2024
Deposits with banks and other financial institutions	10,695	437
Placements with banks and other financial institutions	18,614	(3,255)
Financial assets held under resale agreements	22,423	1,522
Loans and advances to customers		
– Loans and advances to customers measured at amortised cost	1,360,310	1,222,549
– Loans and advances to customers measured at fair value through other comprehensive income	245,824	126,600
Financial investments measured at amortised cost	(37,559)	493,318
Financial investments measured at fair value through other comprehensive income		
– Debt instruments	534,591	38,461
Long-term receivables	23,342	61,991
Credit commitments	60,578	(20,703)
Others	(6,467)	(1,286)
Total	2,232,351	1,919,634

10 INCOME TAX EXPENSE

(1) Income tax for the reporting period

	Note	Six months ended 30 June	
		2025	2024
Current tax		844,841	607,390
Deferred tax	25(2)	(388,585)	(85,530)
Total		456,256	521,860

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025
(Expressed in thousands of Renminbi, unless otherwise stated)

10 INCOME TAX EXPENSE (continued)

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

	Six months ended 30 June	
	2025	2024
Profit before taxation	3,608,358	3,233,244
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	902,090	808,311
Tax effect of non-deductible expenses for tax purpose		
– Annuity	5,617	6,696
– Entertainment expenses	1,306	1,339
– Others	16,895	18,088
Sub-total	23,818	26,123
Tax effect of non-taxable income for tax purpose (Note (i))	(469,652)	(312,574)
Income tax	456,256	521,860

Note:

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

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

11 BASIC AND DILUTED EARNINGS PER SHARE

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

	Note	Six months ended 30 June	
		2025	2024
Weighted average number of ordinary shares (in thousands)	11(1)	5,820,355	5,820,355
Net profit attributable to equity shareholders of the Bank		3,064,683	2,640,917
Less: net profit attributable to other equity instruments holders of the Bank		—	—
Net profit attributable to ordinary shareholders of the Bank		3,064,683	2,640,917
Basic and diluted earnings per share (in RMB)		0.53	0.45

Note:

The Bank issued RMB4 billion and RMB2.4 billion of Domestic Perpetual Bonds on 14 July 2022 and 16 August 2022, respectively. Non-cumulative dividend payment method was adopted for Domestic Perpetual Bonds. The Bank classified these Domestic Perpetual Bonds as equity instruments, and the specific terms of these Domestic Perpetual Bonds are disclosed in Note 37.

In calculating the earnings per share for six months ended 30 June 2025, the Bank did not consider the effects of interest that may be paid to holders of the Domestic Perpetual Bonds in July 2025 and August 2025 on the net profit attributable to shareholders of the ordinary shares of the Bank. (An interest payment amounting to RMB233 million in total was distributed to holders of the Domestic Perpetual Bonds in July 2024 and August 2024).

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

	Six months ended 30 June	
	2025	2024
Number of ordinary shares in issue as at 1 January	5,820,355	5,820,355
Increase in weighted average number of new ordinary shares	—	—
Weighted average number of ordinary shares	5,820,355	5,820,355

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025
(Expressed in thousands of Renminbi, unless otherwise stated)

12 CASH AND DEPOSITS WITH THE CENTRAL BANK

	Note	30 June 2025	31 December 2024
Cash on hand		478,110	477,724
Deposits with the central bank			
– Statutory deposit reserves	12(1)	23,172,272	21,367,533
– Surplus deposit reserves	12(2)	9,354,166	27,190,172
– Other deposits with the central bank	12(3)	184,289	108,924
Sub-total		32,710,727	48,666,629
Accrued interest		7,530	8,913
Total		33,196,367	49,153,266

- (1) The Bank places statutory deposit reserves with the PBOC in accordance with the relevant regulations. As at 30 June 2025, the statutory deposit reserve ratios for RMB deposits applicable to the Bank were 5.0% (31 December 2024: 5.0%). As at 30 June 2025, the statutory deposit reserve ratios for foreign currency deposits applicable to the Bank were 4.0% (31 December 2024: 4.0%). The Bank's subsidiaries place statutory deposit reserves with the PBOC in accordance with relevant regulations.

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

- (2) The surplus deposit reserves are placed with the PBOC mainly for the purpose of clearing.
- (3) Other deposits with the central bank primarily represent fiscal deposits and foreign exchange risk reserve placed with the PBOC that are not available for use in the Group's daily operations.

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

13 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2025	31 December 2024
In Chinese Mainland		
– Banks	9,627,241	2,705,226
– Other financial institutions	269,486	190,629
Outside Chinese Mainland		
– Banks	935,525	595,180
Accrued interest	12,571	6,266
Sub-total	10,844,823	3,497,301
Less: Allowances for impairment losses	(12,819)	(2,124)
Total	10,832,004	3,495,177

14 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2025	31 December 2024
In Chinese Mainland		
– Banks	357,930	–
– Other financial institutions	19,578,241	14,575,304
Accrued interest	187,228	301,816
Sub-total	20,123,399	14,877,120
Less: Allowances for impairment losses	(51,387)	(32,773)
Total	20,072,012	14,844,347

15 DERIVATIVE FINANCIAL INSTRUMENTS

The Group primarily enters into foreign exchange rate and interest rate derivative contracts for trading, asset and liability management, and customer-driven transactions.

The contractual/nominal amounts and fair values of the derivative financial instruments entered into by the Group are set out in the following tables. The contractual/nominal amounts of derivative financial instruments provide a basis for comparison with fair values of instruments recognised in the consolidated statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair values of the instruments and, therefore, do not indicate the Group's exposure to credit or market risks. The fair value of derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their contractual terms. The aggregated fair values of derivative financial assets and liabilities can fluctuate significantly during different periods.

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025
(Expressed in thousands of Renminbi, unless otherwise stated)

15 DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	30 June 2025			31 December 2024		
	Nominal amount	Fair value of		Nominal amount	Fair value of	
		Assets	Liabilities		Assets	Liabilities
Interest rate contracts	60,404,483	8,742	(11,565)	71,440,050	35,679	(42,366)
Currency derivatives and others	7,953,622	15,821	(11,294)	9,300,682	19,631	(120,064)
Total	68,358,105	24,563	(22,859)	80,740,732	55,310	(162,430)

16 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(1) Analysed by type and location of counterparty

	30 June 2025	31 December 2024
In Chinese Mainland – Banks	13,000,000	7,500,000
Accrued interest	1,572	530
Sub-total	13,001,572	7,500,530
Less: Allowances for impairment losses	(26,412)	(3,989)
Total	12,975,160	7,496,541

(2) Analysed by type of security held

	30 June 2025	31 December 2024
Debt securities	13,000,000	7,500,000
Accrued interest	1,572	530
Sub-total	13,001,572	7,500,530
Less: Allowances for impairment losses	(26,412)	(3,989)
Total	12,975,160	7,496,541

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by nature

	30 June 2025	31 December 2024
Measured at amortised cost:		
Corporate loans and advances		
– Corporate loans	261,151,247	237,726,016
Sub-total	261,151,247	237,726,016
Personal loans and advances		
– Personal residential mortgages	46,381,150	47,195,920
– Personal consumption loans	18,457,876	20,121,229
– Personal business loans	10,955,017	11,018,978
Sub-total	75,794,043	78,336,127
Accrued interest	672,052	873,146
Less: Allowances for impairment losses of loans and advances to customers measured at amortised cost		
– 12-month expected credit loss (“ECL”)	(6,324,229)	(5,720,689)
– Lifetime ECL		
– not credit-impaired loans	(511,766)	(339,905)
– credit-impaired loans	(3,025,561)	(2,947,986)
Sub-total	(9,861,556)	(9,008,580)
Measured at fair value through other comprehensive income:		
Corporate loans and advances		
– Discounted bills	22,945,945	20,174,732
– Corporate loans (Forfeiting)	8,514,592	4,452,850
Sub-total	31,460,537	24,627,582
Carrying amount of loans and advances to customers	359,216,323	332,554,291

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025
(Expressed in thousands of Renminbi, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

	30 June 2025	31 December 2024
Unsecured loans	80,884,619	75,061,395
Guaranteed loans	82,221,355	78,011,013
Loans secured by mortgages	125,910,706	122,295,448
Pledged loans	79,389,147	65,321,869
Gross loans and advances to customers	368,405,827	340,689,725

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

	30 June 2025				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	383,828	688,579	430,211	18,141	1,520,759
Guaranteed loans	152,527	112,666	302,742	231,747	799,682
Loans secured by mortgages	633,044	536,751	981,562	14,856	2,166,213
Pledged loans	–	830	–	77,441	78,271
Total	1,169,399	1,338,826	1,714,515	342,185	4,564,925
As a percentage of gross loans and advances to customers	0.32%	0.36%	0.47%	0.09%	1.24%

	31 December 2024				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	419,131	755,613	267,909	11,168	1,453,821
Guaranteed loans	314,469	143,439	728,348	129,788	1,316,044
Loans secured by mortgages	638,706	442,538	882,673	11,700	1,975,617
Pledged loans	–	–	77,441	–	77,441
Total	1,372,306	1,341,590	1,956,371	152,656	4,822,923
As a percentage of gross loans and advances to customers	0.41%	0.39%	0.58%	0.04%	1.42%

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

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For the six months ended 30 June 2025

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17 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

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

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

	30 June 2025			
	12-month ECL	Lifetime ECL– not credit- impaired	Lifetime ECL– credit- impaired (Note (i))	Total
Gross loans and advances to customers measured at amortised cost (including accrued interest)	330,166,471	3,316,974	4,133,897	337,617,342
Less: Allowances for impairment losses	(6,324,229)	(511,766)	(3,025,561)	(9,861,556)
Net carrying amount of loans and advances to customers measured at amortised cost	323,842,242	2,805,208	1,108,336	327,755,786

	31 December 2024			
	12-month ECL	Lifetime ECL– not credit- impaired	Lifetime ECL– credit- impaired (Note (i))	Total
Gross loans and advances to customers measured at amortised cost (including accrued interest)	311,140,562	1,919,899	3,874,828	316,935,289
Less: Allowances for impairment losses	(5,720,689)	(339,905)	(2,947,986)	(9,008,580)
Net carrying amount of loans and advances to customers measured at amortised cost	305,419,873	1,579,994	926,842	307,926,709

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17 LOANS AND ADVANCES TO CUSTOMERS (continued)

(ii) Allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income:

	30 June 2025			Total
	12-month ECL	Lifetime ECL– not credit- impaired	Lifetime ECL– credit- impaired (Note (i))	
Gross/Carrying amount of loans and advances to customers at fair value through other comprehensive income	31,460,537	–	–	31,460,537
Allowances for impairment losses included in other comprehensive income	(584,447)	–	–	(584,447)

	31 December 2024			Total
	12-month ECL	Lifetime ECL– not credit- impaired	Lifetime ECL– credit- impaired (Note (i))	
Gross/Carrying amount of loans and advances to customers at fair value through other comprehensive income	24,627,582	–	–	24,627,582
Allowances for impairment losses included in other comprehensive income	(338,623)	–	–	(338,623)

Note:

(i) The definition of the credit-impaired financial assets is set out in Note 43(1).

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

17 LOANS AND ADVANCES TO CUSTOMERS (continued)

(5) Movements of allowances for impairment losses

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

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

	Six months ended 30 June 2025			
	12-month ECL	Lifetime ECL– not credit- impaired	Lifetime ECL– credit- impaired	Total
As at 1 January 2025	5,720,689	339,905	2,947,986	9,008,580
Transfer to				
– 12-month ECL	52,561	(28,357)	(24,204)	–
– Lifetime ECL				
– not credit-impaired loans	(57,535)	68,525	(10,990)	–
– credit-impaired loans	(7,640)	(202,490)	210,130	–
Charge for the period	616,154	334,183	409,973	1,360,310
Write-offs and transfer out	–	–	(730,965)	(730,965)
Recoveries of loans and advances previously written off	–	–	238,867	238,867
Other changes	–	–	(15,236)	(15,236)
As at 30 June 2025	6,324,229	511,766	3,025,561	9,861,556

	2024			
	12-month ECL	Lifetime ECL– not credit- impaired	Lifetime ECL– credit- impaired	Total
As at 1 January 2024	5,000,788	350,943	2,503,396	7,855,127
Transfer to:				
– 12-month ECL	65,482	(24,341)	(41,141)	–
– Lifetime ECL				
– not credit-impaired loans	(19,305)	22,893	(3,588)	–
– credit-impaired loans	(23,189)	(181,330)	204,519	–
Charge for the year	696,913	171,740	1,315,387	2,184,040
Write-offs and transfer out	–	–	(1,228,963)	(1,228,963)
Recoveries of loans and advances previously written off	–	–	233,075	233,075
Other changes	–	–	(34,699)	(34,699)
As at 31 December 2024	5,720,689	339,905	2,947,986	9,008,580

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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17 LOANS AND ADVANCES TO CUSTOMERS (continued)

(ii) Movements of the allowances for impairment losses on loans and advances to customers measured at fair value through other comprehensive income are as follows:

	Six months ended 30 June 2025			
	12-month ECL	Lifetime ECL– not credit- impaired	Lifetime ECL– credit- impaired	Total
As at 1 January 2025	338,623	–	–	338,623
Charge for the period	245,824	–	–	245,824
As at 30 June 2025	584,447	–	–	584,447

	2024			
	12-month ECL	Lifetime ECL– not credit- impaired	Lifetime ECL– credit- impaired	Total
As at 1 January 2024	142,370	–	–	142,370
Charge for the year	196,253	–	–	196,253
As at 31 December 2024	338,623	–	–	338,623

For information about the asset-backed securitisation transactions conducted by the Group in its normal course of business, refer to Note 47(2).

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025

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18 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	30 June 2025	31 December 2024
Financial investments held for trading			
Debt securities, analysed by type of issuers:			
– Governments and the central bank		30,314	40,817
– Policy banks		349,460	–
– Banks and other financial institutions		16,184,349	8,610,645
– Corporate entities		527,309	61,299
Sub-total		17,091,432	8,712,761
Other financial investments measured at fair value through profit or loss			
Debt securities, analysed by type of issuers:			
– Governments and the central bank		12,469	26,313
– Banks and other financial institutions		1,686,944	1,814,961
– Corporate entities		1,230,487	1,124,775
Sub-total		2,929,900	2,966,049
Investment funds		47,829,568	51,184,364
Asset management plans		356,155	777,284
Trust fund plans		–	346,069
Total		68,207,055	63,986,527
Listed	18(1)	1,174,112	921,048
Of which: listed outside Hong Kong		1,025,592	790,536
Unlisted		67,032,943	63,065,479
Total		68,207,055	63,986,527

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

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025
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19 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Note	30 June 2025	31 December 2024
Debt securities, analysed by type of issuers:			
– Governments and the central bank		18,118,839	19,374,542
– Policy banks		10,011,404	11,305,709
– Banks and other financial institutions		28,785,777	23,378,215
– Corporate entities		37,754,784	38,355,888
Sub-total		94,670,804	92,414,354
Other equity investments	19(1)	134,968	134,968
Accrued interest		977,440	1,525,701
Total		95,783,212	94,075,023
Listed	19(2)	42,089,081	22,676,842
Of which: listed outside Hong Kong		39,781,400	19,728,317
Unlisted		53,694,131	71,398,181
Total		95,783,212	94,075,023

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025

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

- (1) The Group holds a number of unlisted equity investments not held for trading. The Group designates them as financial investments measured at fair value through other comprehensive income, and the details are as follows:

	Six months ended 30 June 2025						
	Balance at the beginning of the period	Investment increased	Investment decreased	Gains recognised in other comprehensive income during the period	Balance at the end of the period	Percentage of shareholding in investees (%)	Cash dividend for the period
Investees							
China UnionPay Co., Ltd.	124,718	-	-	-	124,718	0.34	-
Shandong City Commercial Bank Alliance Co., Ltd.	10,000	-	-	-	10,000	1.14	-
City Commercial Banks Clearing	250	-	-	-	250	0.81	-
Total	134,968	-	-	-	134,968	-	-

	2024						
	Balance at the beginning of the year	Investment increased	Investment decreased	Gains recognised in other comprehensive income during the year	Balance at the end of the year	Percentage of ownership in investees (%)	Cash dividend for the year
Investees							
China UnionPay Co., Ltd.	13,000	-	-	111,718	124,718	0.34	5,780
Shandong City Commercial Bank Alliance Co., Ltd.	10,000	-	-	-	10,000	1.14	-
City Commercial Banks Clearing	250	-	-	-	250	0.81	-
Total	23,250	-	-	111,718	134,968		5,780

For the six months ended 30 June 2025 and the year ended 31 December 2024, the Group did not dispose of any such equity investment, nor transfer any cumulative gain or loss from other comprehensive income to retained earning.

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

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025
(Expressed in thousands of Renminbi, unless otherwise stated)

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

- (3) Movements of the allowances for impairment losses on debt instruments of financial investments at fair value through other comprehensive income are as follows:

	Six months ended 30 June 2025			
	12-month ECL	Lifetime ECL– not credit- impaired	Lifetime ECL– credit- impaired	Total
As at 1 January 2025	49,843	77,856	121,778	249,477
Transfer to:				
– Lifetime ECL				
– not credit-impaired	(154,700)	154,700	–	–
Charge for the period	255,847	264,963	13,781	534,591
As at 30 June 2025	150,990	497,519	135,559	784,068

	2024			
	12-month ECL	Lifetime ECL– not credit- impaired	Lifetime ECL– credit- impaired	Total
As at 1 January 2024	75,072	1,051	53,749	129,872
Transfer to:				
– Lifetime ECL				
– not credit-impaired	(923)	923	–	–
(Reversal)/Charge for the year	(24,306)	75,882	68,029	119,605
As at 31 December 2024	49,843	77,856	121,778	249,477

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

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025

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20 FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST

	Note	30 June 2025	31 December 2024
Debt securities, analysed by type of issuers			
– Government and the central bank		38,391,975	36,279,714
– Policy banks		19,503,128	19,250,418
– Banks and other financial institutions		32,171,100	24,304,134
– Corporate entities		26,810,274	15,640,701
Sub-total		116,876,477	95,474,967
Asset management plans		957,830	1,002,080
Trust fund plans		1,546,797	1,595,903
Other investments		1,021,500	3,776,416
Accrued interest		1,092,111	1,240,861
Less: Allowances for impairment losses	20(1)	(5,410,016)	(5,496,681)
Total		116,084,699	97,593,546
Listed	20(2)	56,284,632	27,707,150
Of which: listed outside Hong Kong		54,465,353	25,958,067
Unlisted		59,800,067	69,886,396
Total		116,084,699	97,593,546

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025
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20 FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST (continued)

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

	Six months ended 30 June 2025			
	12-month ECL	Lifetime ECL– not credit- impaired	Lifetime ECL– credit- impaired	Total
As at 1 January 2025	34,648	977,103	4,484,930	5,496,681
Transfer to:				
– Lifetime ECL				
– not credit-impaired	(4,765)	4,765	–	–
Charge/(Reversal) for the period	115,700	(127,642)	(25,617)	(37,559)
Write-offs and transfer out	–	–	(49,106)	(49,106)
As at 30 June 2025	145,583	854,226	4,410,207	5,410,016

	2024			
	12-month ECL	Lifetime ECL– not credit- impaired	Lifetime ECL– credit- impaired	Total
As at 1 January 2024	126,430	22,797	4,331,734	4,480,961
Transfer to:				
– Lifetime ECL				
– not credit-impaired	(99,358)	99,358	–	–
Charge for the year	7,576	854,948	153,196	1,015,720
As at 31 December 2024	34,648	977,103	4,484,930	5,496,681

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

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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21 INVESTMENT IN SUBSIDIARIES

	30 June 2025	31 December 2024
BQD Financial Leasing Company Limited	913,284	913,284
BQD Wealth Management Company Limited	1,000,000	1,000,000
Total	1,913,284	1,913,284

The subsidiaries are as follows:

Name	Percentage of equity interest	Voting rights	Paid-in capital	Amount invested by the Bank	Place of registration and operations	Principal activities
BQD Financial Leasing Company Limited <i>(Note (i))</i>	60.00%	60.00%	1,225,000	913,284	Qingdao, China	Financial leasing
BQD Wealth Management Company Limited <i>(Note (ii))</i>	100.00%	100.00%	1,000,000	1,000,000	Qingdao, China	Wealth management

Notes:

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

In May, 2024, with the Approval upon BQD Financial Leasing Company Limited's Change of Registered Capital and Adjustment of Equity Structure (Qingguojinfu [2024]111) approved by Qingdao Supervision Bureau of the State Financial Supervision and Regulation Administration, the Bank agreed to invest RMB403 million to increase the capital of BQD Financial Leasing Company Limited. Upon completion of the capital injection, the registered capital of BQD Financial Leasing Company Limited increased to RMB1.225 billion, and the Bank's shareholding in BQD Financial Leasing Company Limited increased from 51.00% to 60.00%.

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

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22 LONG-TERM RECEIVABLES

	30 June 2025	31 December 2024
Minimum lease receivables	1,838,664	1,327,668
Less: Unearned finance lease income	(176,465)	(137,014)
Present value of finance lease receivables	1,662,199	1,190,654
Finance leaseback receivables	14,511,368	14,909,477
Sub-total	16,173,567	16,100,131
Accrued interest	146,700	166,360
Less: Allowances for impairment losses		
– 12-month ECL	(559,328)	(508,328)
– Lifetime ECL		
– not credit-impaired	(196,270)	(175,623)
– credit-impaired	(29,495)	(66,000)
Carrying amount	15,535,174	15,516,540

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22 LONG-TERM RECEIVABLES (continued)

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

	Six months ended 30 June 2025			
	12-month ECL	Lifetime ECL– not credit- impaired	Lifetime ECL– credit- impaired	Total
As at 1 January 2025	508,328	175,623	66,000	749,951
Transfer to				
– 12-month ECL	73,908	(73,908)	–	–
– Lifetime ECL				
– not credit-impaired	(11,537)	68,051	(56,514)	–
– credit-impaired	–	(5,310)	5,310	–
(Reversal)/Charge for the period	(11,371)	31,814	2,899	23,342
Recoveries of previously written off	–	–	11,800	11,800
As at 30 June 2025	559,328	196,270	29,495	785,093

	2024			
	12-month ECL	Lifetime ECL– not credit- impaired	Lifetime ECL– credit- impaired	Total
As at 1 January 2024	446,463	174,694	53,393	674,550
Transfer to:				
– 12-month ECL	863	(863)	–	–
– Lifetime ECL				
– not credit-impaired	(18,264)	18,264	–	–
– credit-impaired	(649)	–	649	–
Charge/(Reversal) for the year	79,915	(16,472)	(6,067)	57,376
Write-offs and transfer out	–	–	(20,833)	(20,833)
Recoveries of previously written off	–	–	39,537	39,537
Others	–	–	(679)	(679)
As at 31 December 2024	508,328	175,623	66,000	749,951

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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22 LONG-TERM RECEIVABLES (continued)

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

	30 June 2025		
	Minimum lease receivables	Unearned finance income	Present value of finance lease receivables
Repayable on demand	145	–	145
Less than 1 year (inclusive)	797,396	(87,141)	710,255
1 year to 2 years (inclusive)	500,357	(48,492)	451,865
2 years to 3 years (inclusive)	308,621	(24,264)	284,357
3 years to 4 years (inclusive)	134,064	(10,448)	123,616
4 years to 5 years (inclusive)	65,228	(3,626)	61,602
More than 5 years	32,853	(2,494)	30,359
Indefinite (Note (i))	–	–	–
Total	1,838,664	(176,465)	1,662,199

	31 December 2024		
	Minimum lease receivables	Unearned finance income	Present value of finance lease receivables
Repayable on demand	–	–	–
Less than 1 year (inclusive)	591,309	(66,374)	524,935
1 year to 2 years (inclusive)	392,516	(34,371)	358,145
2 years to 3 years (inclusive)	154,430	(17,242)	137,188
3 years to 4 years (inclusive)	85,398	(10,103)	75,295
4 years to 5 years (inclusive)	68,929	(5,204)	63,725
More than 5 years	35,086	(3,720)	31,366
Indefinite (Note (i))	–	–	–
Total	1,327,668	(137,014)	1,190,654

Note:

- (i) See Note 43(3) for the definition of indefinite finance lease receivables.

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23 PROPERTY AND EQUIPMENT

	Premises	Electronic equipment	Vehicles	Machinery equipment and others	Construction in progress	Total
Cost						
As at 1 January 2024	3,673,550	943,471	76,569	138,528	106,309	4,938,427
Increase	166	104,121	2,452	8,260	2,180	117,179
Construction in progress transfer in	108,489	–	–	–	(108,489)	–
Decrease	(19,254)	(20,170)	(4,063)	(2,908)	–	(46,395)
As at 31 December 2024	3,762,951	1,027,422	74,958	143,880	–	5,009,211
Increase	–	9,915	2,617	4,116	–	16,648
Decrease	–	(16,420)	(4,436)	(1,930)	–	(22,786)
As at 30 June 2025	3,762,951	1,020,917	73,139	146,066	–	5,003,073
Accumulated depreciation						
As at 1 January 2024	(657,070)	(588,660)	(56,833)	(94,875)	–	(1,397,438)
Increase	(88,138)	(92,787)	(5,962)	(13,419)	–	(200,306)
Decrease	–	19,144	3,860	2,783	–	25,787
As at 31 December 2024	(745,208)	(662,303)	(58,935)	(105,511)	–	(1,571,957)
Increase	(45,030)	(46,665)	(2,807)	(6,896)	–	(101,398)
Decrease	–	15,614	4,215	1,833	–	21,662
As at 30 June 2025	(790,238)	(693,354)	(57,527)	(110,574)	–	(1,651,693)
Net book value						
As at 30 June 2025	2,972,713	327,563	15,612	35,492	–	3,351,380
As at 31 December 2024	3,017,743	365,119	16,023	38,369	–	3,437,254

As at 30 June 2025 and 31 December 2024, the Group did not have significant property and equipment which were temporarily idle.

The net book value of the Group's premises with incomplete title deeds of the Group as at 30 June 2025 was RMB86 million (31 December 2024: RMB88 million). Management was of the opinion that the incomplete title deeds would not affect the Group's the rights to these assets.

As at 30 June 2025 and 31 December 2024, the Group was not aware of any indicators for the possibility of property and equipment impairment, hence no impairment loss was recognised.

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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23 PROPERTY AND EQUIPMENT (continued)

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

	30 June 2025	31 December 2024
Held in Chinese Mainland		
– Long-term leases (over 50 years)	47,190	47,922
– Medium-term leases (10 – 50 years)	2,897,968	2,940,099
– Short-term leases (less than 10 years)	27,555	29,722
Total	2,972,713	3,017,743

24 RIGHT-OF-USE ASSETS

	Premises	Others	Total
Cost			
As at 1 January 2024	1,372,152	4,114	1,376,266
Increase	93,437	–	93,437
Decrease	(108,199)	(2,264)	(110,463)
As at 31 December 2024	1,357,390	1,850	1,359,240
Increase	57,019	–	57,019
Decrease	(15,362)	–	(15,362)
As at 30 June 2025	1,399,047	1,850	1,400,897
Accumulated depreciation			
As at 1 January 2024	(534,872)	(3,255)	(538,127)
Increase	(156,580)	(651)	(157,231)
Decrease	98,304	2,264	100,568
As at 31 December 2024	(593,148)	(1,642)	(594,790)
Increase	(78,247)	(137)	(78,384)
Decrease	14,016	–	14,016
As at 30 June 2025	(657,379)	(1,779)	(659,158)
Net book value			
As at 30 June 2025	741,668	71	741,739
As at 31 December 2024	764,242	208	764,450

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025

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25 DEFERRED INCOME TAX ASSETS

(1) Analysed by nature

	30 June 2025		31 December 2024	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
Provision for impairment losses	16,481,663	4,120,415	15,793,591	3,948,397
Deferred interest income from discounted bills	133,957	33,489	122,836	30,709
Change in fair value	(1,731,124)	(432,781)	(2,564,807)	(641,202)
Others	871,205	217,802	863,646	215,912
Total	15,755,701	3,938,925	14,215,266	3,553,816

(2) Analysed by movement

	Provision for Impairment losses	Deferred interest income from discounted bills (Note (i))	Change in fair value	Others (Note (ii))	Total
As at 1 January 2024	3,542,792	21,165	(8,975)	238,905	3,793,887
Recognised in profit or loss	484,570	9,544	(117,830)	(26,570)	349,714
Recognised in other comprehensive income	(78,965)	–	(514,397)	3,577	(589,785)
As at 31 December 2024	3,948,397	30,709	(641,202)	215,912	3,553,816
Recognised in profit or loss	367,122	2,780	16,661	2,022	388,585
Recognised in other comprehensive income	(195,104)	–	191,760	(132)	(3,476)
As at 30 June 2025	4,120,415	33,489	(432,781)	217,802	3,938,925

Notes:

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

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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26 OTHER ASSETS

	Note	30 June 2025	31 December 2024
Continuously involved assets		396,744	583,720
Intangible assets	26(1)	351,159	379,124
Long-term deferred expense		346,417	373,148
Prepayments		167,479	113,968
Interest receivables (Note (i))	26(2)	29,177	26,538
Reposessed assets (Note (ii))		9,690	9,654
Deferred expense		3,131	2,141
Precious metals		1,046	1,046
Prepayments for finance lease assets (Note (iii))		1,053,162	1,113,751
Others (Note (iv))		890,138	1,012,125
Sub-total		3,248,143	3,615,215
Less: Allowances for impairment losses		(179,210)	(178,270)
Total		3,068,933	3,436,945

Notes:

- (i) As at 30 June 2025, the book value of the Group's interest receivables after deducting the allowances for impairment is RMB19.99 million (31 December 2024: RMB17.17 million).
- (ii) As at 30 June 2025, reposessed assets of the Group mainly included premises, etc. The book value of the Group's reposessed assets is RMB6.17 million (31 December 2024: RMB7.43 million). The impairment allowances for reposessed assets of the Group is RMB3.52 million (31 December 2024: RMB2.22 million).
- (iii) Prepayments for finance lease assets are payments made by the subsidiary to suppliers for the construction of financing lease assets on behalf of lessees.
- (iv) Mainly includes other receivables and settlement receivables.

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

26 OTHER ASSETS (continued)

(1) Intangible assets

	Six months ended 30 June 2025	2024
Cost		
As at 1 January	1,276,491	1,167,188
Additions	47,143	110,651
Decrease	–	(1,348)
As at 30 June/31 December	1,323,634	1,276,491
Accumulated amortisation		
As at 1 January	(897,367)	(747,103)
Additions	(75,108)	(151,612)
Decrease	–	1,348
As at 30 June/31 December	(972,475)	(897,367)
Net value		
As at 30 June/31 December	351,159	379,124
As at 1 January	379,124	420,085

Intangible assets of the Group mainly include software.

As at 30 June 2025 and 31 December 2024, the Group was not aware of any indicators for the possibility of intangible assets impairment, hence no impairment loss was recognised.

(2) Interest receivables

	30 June 2025	31 December 2024
Interest receivables arising from:		
– Loans and advances to customers	24,116	25,067
– Long-term receivables	5,061	1,471
Total	29,177	26,538

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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27 BORROWINGS FROM THE CENTRAL BANK

	30 June 2025	31 December 2024
Borrowings	37,887,766	26,219,790
Re-discounted bills	850,614	1,866,591
Accrued interest	158,434	153,700
Total	38,896,814	28,240,081

28 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2025	31 December 2024
In Chinese Mainland		
– Banks	4,092,080	5,600,705
– Other financial institutions	12,959,253	6,726,114
Accrued interest	15,125	28,520
Total	17,066,458	12,355,339

29 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2025	31 December 2024
In Chinese Mainland		
– Banks	19,345,800	20,452,230
– Other financial institutions	350,000	200,000
Accrued interest	124,583	184,403
Total	19,820,383	20,836,633

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025

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30 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2025	31 December 2024
Financial liabilities designated at fair value through profit or loss		
– Structured notes	1,206,126	699,788
Total	1,206,126	699,788

31 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(1) Analysed by type and location of counterparty

	30 June 2025	31 December 2024
In Chinese Mainland		
– Banks	32,030,096	35,499,592
Accrued interest	3,143	4,568
Total	32,033,239	35,504,160

(2) Analysed by types of collateral

	30 June 2025	31 December 2024
Debt securities	26,520,432	31,389,153
Bills	5,509,664	4,110,439
Accrued interest	3,143	4,568
Total	32,033,239	35,504,160

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025
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32 DEPOSITS FROM CUSTOMERS

	30 June 2025	31 December 2024
Demand deposits		
– Corporate customers	86,931,469	83,069,565
– Personal customers	30,499,036	33,121,069
Sub-total	117,430,505	116,190,634
Time deposits		
– Corporate customers	141,618,802	129,083,903
– Personal customers	207,012,286	186,676,503
Sub-total	348,631,088	315,760,406
Other deposits	78,521	72,966
Accrued interest	10,175,191	11,401,529
Total	476,315,305	443,425,535
Including: Security deposits	32,162,101	29,033,286

33 DEBT SECURITIES ISSUED

	30 June 2025	31 December 2024
Debt securities issued (Note (i))	15,993,758	15,993,665
Certificates of interbank deposit issued (Note (ii))	88,506,200	82,539,617
Accrued interest	212,221	218,777
Total	104,712,179	98,752,059

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025

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33 DEBT SECURITIES ISSUED (continued)

Notes:

- (i) The Group has issued several debt securities with fixed interest rates. The details are as follows:
 - (a) Ten-year Tier-two Capital Bonds were issued with an interest rate of 4.80% per annum and with a nominal amount of RMB4.0 billion in March 2021. The debts will mature on 24 March 2031 with annual interest payments. The Group has an option to redeem the debts at the end of the fifth year. As at 30 June 2025, the fair value of the debts was RMB4.139 billion (31 December 2024: RMB4.144 billion).
 - (b) Ten-year Tier-two Capital Bonds were issued with an interest rate of 4.34% per annum and with a nominal amount of RMB2.0 billion in May 2021. The debts will mature on 28 May 2031 with annual interest payments. The Group has an option to redeem the debts at the end of the fifth year. As at 30 June 2025, the fair value of the debts was RMB2.054 billion (31 December 2024: RMB2.069 billion).
 - (c) Three-year Green Bonds were issued with an interest rate of 2.84% per annum and with a nominal amount of RMB8.0 billion in December 2023. The debts will mature on 4 December 2026 with annual interest payments. As at 30 June 2025, the fair value of the debts was RMB8.253 billion (31 December 2024: RMB8.169 billion).
 - (d) Ten-year Tier-two Capital Bonds were issued with an interest rate of 2.15% per annum and with a nominal amount of RMB2.0 billion in December 2024. The debts will mature on 16 December 2034 with annual interest payments. The Group has an option to redeem the debts at the end of the fifth year. As at 30 June 2025, the fair value of the debts was RMB2.028 billion (31 December 2024: RMB2.002 billion).
- (ii) The Group issued a number of transferable certificates of interbank deposit with duration between 1 month to 1 year. On 30 June 2025 and 31 December 2024, the fair value of outstanding certificates of interbank deposit was RMB88.570 billion and RMB82.651 billion, respectively.

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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34 LEASE LIABILITIES

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

	30 June 2025	31 December 2024
Less than 1 year (inclusive)	153,587	152,607
1 year to 2 years (inclusive)	104,162	107,442
2 years to 3 years (inclusive)	90,721	87,115
3 years to 5 years (inclusive)	122,916	131,638
More than 5 years	70,691	83,550
Total undiscounted lease liabilities	542,077	562,352
Lease liabilities on statement of financial position	505,980	514,281

Note:

- (i) The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases or leases of low value assets. For the six months ended 30 June 2025, the Group's operating expenses include lease expenses relating to short-term leases and leases of low-value assets of RMB6.06 million (For the six months ended 30 June 2024: RMB9.98 million).

35 OTHER LIABILITIES

	Note	30 June 2025	31 December 2024
Settlement payable		1,592,549	522,917
Employee benefits payable	35(1)	864,164	1,090,741
ECL on credit commitments	35(2)	470,994	410,416
Continuously involved liabilities		396,744	583,720
Taxes payable	35(3)	245,739	272,349
Risk guarantee deposits for leasing business		144,507	257,456
Payable raising from fiduciary activities		46,805	50,968
Dividend payable		21,799	20,930
Others		881,327	1,056,866
Total		4,664,628	4,266,363

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025

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35 OTHER LIABILITIES (continued)

(1) Employee benefits payable

	30 June 2025	31 December 2024
Salaries, bonuses and allowances payable	689,653	920,424
Staff welfare expenses	8,340	8,341
Labor union expenses and staff education expenses	72,521	67,636
Post-employment benefits		
– defined contribution plans (Note (i))	–	–
Early retirement and supplementary retirement plans (Note (ii))	93,650	94,340
Total	864,164	1,090,741

Notes:

- (i) Pursuant to the relevant laws and regulations of the PRC, the Group participated in a defined contribution basic pension insurance and unemployment insurance under the social insurance system established and managed by government authorities, and annuity plan.

As for defined contribution plan, forfeited contributions may not be used by the Group to reduce the existing level of contributions.

- (ii) Early retirement and supplementary retirement plans

Early retirement plan

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

Supplementary retirement plan

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

In accordance with the projected unit credit method, the Group measures the obligations using actuarial assumptions to estimate the present value of the payables of early retirement and supplementary retirement plan.

Primary assumptions used:

	30 June 2025	31 December 2024
Discount rate – early retirement plans	1.50%	1.25%
Discount rate – supplementary retirement plans	2.00%	2.00%

Assumptions regarding future mortality experience are based on the China Life Insurance Mortality Table (2010-2013), which is published historical statistics in China.

As at 30 June 2025 and 31 December 2024, there was no significant change in liabilities of early retirement and supplementary retirement plans that was attributable to changes in actuarial assumptions.

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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35 OTHER LIABILITIES (continued)

(2) Expected credit loss on credit commitments

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

	Six months ended 30 June 2025			
	12-month ECL	Lifetime ECL– not credit- impaired	Lifetime ECL– credit- impaired	Total
As at 1 January 2025	408,611	1,305	500	410,416
Transfer to				
– 12-month ECL	793	(793)	–	–
– Lifetime ECL				
– not credit-impaired loans	(73)	73	–	–
– credit-impaired loans	(67)	(559)	626	–
Charge/(Reversal) or the period	61,238	466	(1,126)	60,578
As at 30 June 2025	470,502	492	–	470,994

	2024			
	12-month ECL	Lifetime ECL– not credit- impaired	Lifetime ECL– credit- impaired	Total
As at 1 January 2024	564,930	837	–	565,767
Transfer to:				
– 12-month ECL	394	(394)	–	–
– Lifetime ECL				
– not credit-impaired loans	(238)	238	–	–
– credit-impaired loans	(405)	(269)	674	–
(Reversal)/Charge for the year	(156,070)	893	(174)	(155,351)
As at 31 December 2024	408,611	1,305	500	410,416

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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35 OTHER LIABILITIES (continued)

(3) Taxes payable

	30 June 2025	31 December 2024
Value added tax payable	192,195	196,471
Urban construction tax and surcharges payable	39,415	36,685
Others	14,129	39,193
Total	245,739	272,349

36 SHARE CAPITAL

Authorised and issued share capital

	30 June 2025	31 December 2024
Number of shares authorised, issued and fully paid at nominal value (in thousands)	5,820,355	5,820,355

37 OTHER EQUITY INSTRUMENTS

(1) Perpetual bonds outstanding at the end of the accounting period

The Bank's undated capital bonds (the "Perpetual bonds") outstanding in the statement of financial position on 30 June 2025 and 31 December 2024 are as follows:

Financial instruments issued	Issue date	Accounting classification	Interest rate	Issue price	Amount (in thousands of units)	In RMB (in thousands)	Maturity	Conversion
2022 Domestic Perpetual Bond Series 1	14 July 2022	Equity	3.70%	100RMB/Unit	40,000	4,000,000	None	None
2022 Domestic Perpetual Bond Series 2	16 Aug 2022	Equity	3.55%	100RMB/Unit	24,000	2,400,000	None	None
Total						6,400,000		
Less: Issue costs						(4,217)		
Book value						6,395,783		

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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37 OTHER EQUITY INSTRUMENTS (continued)

(2) Main Clauses and Basic information

With the approvals of relevant regulatory authorities, the Bank issued RMB4 billion and RMB2.4 billion of undated capital bonds on 14 July 2022 and 16 August 2022 (hereinafter referred to as “2022 Domestic Perpetual Bond Series 1” and “2022 Domestic Perpetual Bond Series 2” respectively, collectively “Domestic Perpetual Bonds”) in the National Interbank Bond Market. The funds raised by the Bank from these bonds are used to supplement additional tier 1 capital of the Bank in accordance with the relevant laws and approvals by regulatory authorities.

(a) Interest

Each Domestic Perpetual Bond has a par value of RMB100, and the interest rate of the bonds for the first five years are 3.70% for 2022 Domestic Perpetual Bond Series 1 and 3.55% for 2022 Domestic Perpetual Bond Series 2, resetting every 5 years. The rates are determined by a benchmark rate plus a fixed spread. The initial fixed spreads are the difference between the interest rate and the benchmark rate as determined at the time of issuance. The fixed spread once determined will not be adjusted during the duration period. The interest of Domestic Perpetual Bond shall be paid annually.

(b) Interest stopper and setting mechanism

The interest payment for both the Domestic Perpetual Bonds is non-cumulative. The Bank shall have the right to cancel, in whole or in part, distributions of the interest payment and any such cancellation shall not constitute an event of default. The Bank may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. However, the Bank shall not distribute profits to ordinary shareholders until resumption of full interest payment to the Domestic Perpetual Bonds holders.

(c) Order of distribution and liquidation method

The claims in respect of Domestic Perpetual Bonds will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that rank senior to Domestic Perpetual Bonds, and will rank in priority to all classes of shares held by shareholders of the Bank. Domestic Perpetual Bond will rank pari passu with the claims in respect of any other Additional Tier 1 Capital instruments of the Bank that rank pari passu with the perpetual bonds.

(d) Write down conditions

Upon the occurrence of the non survival trigger event, without the need for the consent of the holders of the Domestic Perpetual Bonds, the Bank has the right to write down all or part of the aggregate amount of the Bonds then issued and outstanding. The non survival trigger event means the earlier of the following events: the regulatory authority having concluded that without a write-off of the Bank's capital, the Bank would become non-viable; and the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable. The write down is unrecoverable.

(e) Redemption

The duration of the Domestic Perpetual Bonds is the same as the continuing operation of the Bank. Five years after the issuance date of the Domestic Perpetual Bonds, the Bank have the right to redeem them in whole or in part on each distribution payment date (including the fifth distribution payment date since the issuance). In the event that the Domestic Perpetual Bonds are not classified as additional tier 1 capital due to unpredicted changes in regulations, the Bank shall have the right to redeem Domestic Perpetual Bonds fully instead of partly.

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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37 OTHER EQUITY INSTRUMENTS (continued)

(3) Changes in perpetual bonds outstanding

	31 December 2024		Increase during the period		30 June 2025	
	Amount (in thousands of units)	Book value (in thousands of RMB)	Amount (in thousands of units)	Book value (in thousands of RMB)	Amount (in thousands of units)	Book value (in thousands of RMB)
Perpetual bonds outstanding						
Domestic						
2022 Domestic Perpetual Bond Series 1	40,000	3,997,236	-	-	40,000	3,997,236
2022 Domestic Perpetual Bond Series 2	24,000	2,398,547	-	-	24,000	2,398,547
Total	64,000	6,395,783	-	-	64,000	6,395,783

(4) Relevant information on equity attribute to holders of equity instruments

Items	30 June 2025	31 December 2024
Total equity attribute to equity holders of the Bank	46,078,064	43,932,381
– Equity attribute to ordinary shareholders of the Bank	39,682,281	37,536,598
– Equity attribute to other equity instrument holders of the Bank	6,395,783	6,395,783
Total equity attribute to non-controlling interests	1,005,867	967,448
– Equity attribute to non-controlling interests of ordinary shares	1,005,867	967,448

38 RESERVES

(1) Capital reserve

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

(2) Surplus reserve

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

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

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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38 RESERVES (continued)

(3) General reserve

Pursuant to the “Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No.20)” issued by the MOF in March 2012, the Bank is required to appropriate a general reserve from net profit as profit appropriation which should not be lower than 1.50% of the ending balance of its gross risk-bearing assets.

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

The Bank set aside a general reserve upon approval by the board of directors. The general reserve balance of the Bank as at 31 December 2024 amounted to RMB7.972 billion, which has reached 1.50% of the year ending balance of the Bank’s gross risk-bearing assets.

(4) Other comprehensive income

Items	Six months ended 30 June 2025						Balance at the end of the period
	Balance at the beginning of the period	Before-tax amount	Less: Previously recognised amount transferred to profit or loss	Less: Previously recognised amount transferred to retained earnings	Less: Income tax expense	Net-of-tax amount	
Items that will not be reclassified to profit or loss							
Including: Remeasurements of defined benefit plan	(29,551)	530	-	-	(132)	398	(29,153)
Changes in fair value of financial assets designated at fair value through other comprehensive income	83,788	-	-	-	-	-	83,788
Items that may be reclassified to profit or loss							
Including: Changes in fair value from financial assets measured at fair value through other comprehensive income	2,221,221	(508,647)	(256,565)	-	191,760	(573,452)	1,647,769
Expected credit losses of financial assets measured at fair value through other comprehensive income	441,075	1,211,454	(431,039)	-	(195,104)	585,311	1,026,386
Total	2,716,533	703,337	(687,604)	-	(3,476)	12,257	2,728,790

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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38 RESERVES (continued)

Item	2024						Balance at the end of the year
	Balance at the beginning of the year	Before-tax amount	Less: Previously recognised amount transferred to profit or loss	Less: Previously recognised amount transferred to retained earnings	Less: Income tax expense	Net-of-tax amount	
Items that will not be reclassified to profit or loss							
Including: Remeasurements of defined benefit plan	(18,818)	(14,310)	-	-	3,577	(10,733)	(29,551)
Changes in fair value of financial assets designated at fair value through other comprehensive income	-	111,718	-	-	(27,930)	83,788	83,788
Items that may be reclassified to profit or loss							
Including: Changes in fair value from financial assets measured at fair value through other comprehensive income	761,848	2,399,081	(453,241)	-	(486,467)	1,459,373	2,221,221
Credit losses of financial assets measured at fair value through other comprehensive income	204,181	482,980	(167,121)	-	(78,965)	236,894	441,075
Total	947,211	2,979,469	(620,362)	-	(589,785)	1,769,322	2,716,533

39 PROFIT APPROPRIATION

- (1) At the Bank's 2024 annual general meeting held on 28 May 2025, the directors approved the following profit appropriation for the year ended 31 December 2024:

- Appropriated RMB388 million to surplus reserve;
- Appropriated RMB899 million to general reserve;
- Declared cash dividends to all ordinary shareholders of approximately RMB931 million representing RMB1.60 per 10 shares (before tax).

- (2) A distribution payment related to the 2022 Domestic Perpetual Bond Series 1, at the distribution rate of 3.70% with the total amount of RMB4.0 billion, amounting to RMB148 million in total was distributed on 18 July 2024.

A distribution payment related to the 2022 Domestic Perpetual Bond Series 2, at the distribution rate of 3.55% with the total amount of RMB2.4 billion, amounting to RMB85.20 million in total was distributed on 18 August 2024.

- (3) At the Bank's 2023 annual general meeting held on 31 May 2024, the directors approved the following profit appropriation for the year ended 31 December 2023:

- Appropriated RMB330 million to surplus reserve;
- Appropriated RMB755 million to general reserve;
- Declared cash dividends to all ordinary shareholders of approximately RMB931 million representing RMB1.60 per 10 shares (before tax).

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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40 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Cash and cash equivalents:

	30 June 2025	30 June 2024
Cash	478,110	421,966
Surplus deposit reserves with the central bank	9,354,166	25,764,669
Original maturity within three months:		
– Deposits with banks and other financial institutions	10,230,476	2,638,264
– Placements with banks and other financial institutions	937,929	892,535
– Debt securities investment	1,208,918	–
Total	22,209,599	29,717,434

41 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(1) Relationship of related parties

(a) Major shareholders

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

Major shareholders' information

Company name	Number of ordinary shares of the Bank held by the Company (in thousands)	Proportion of ordinary shares of the Bank held by the Company		Registered location	Principal activities	Legal form	Legal representative
		30 June 2025	31 December 2024				
Intesa Sanpaolo S.p.A. ("ISP")	1,018,562	17.50%	17.50%	Italy	Commercial banking	Joint stock limited company	Gian Maria GROS-PIETRO
Qingdao Conson Industrial Co., Ltd. ("Qingdao Conson")	654,623	11.25%	11.25%	Qingdao	State-owned assets operation and investment, import and export of goods and technology	Limited liability company	Liu Bingbing
Qingdao Haier Industrial Development Co., Ltd. ("Haier Industrial Development")	532,601	9.15%	9.15%	Qingdao	Business services	Limited liability company	Xie Juzhi

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41 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

Changes in ordinary shares of the Bank held by major shareholders

	ISP		Qingdao Conson		Haier Industrial Development	
	Number (in thousands of shares)	Percentage	Number (in thousands of shares)	Percentage	Number (in thousands of shares)	Percentage
As at 1 January 2024	1,018,562	17.50%	654,623	11.25%	532,601	9.15%
Increase	–	–	–	–	–	–
As at 31 December 2024	1,018,562	17.50%	654,623	11.25%	532,601	9.15%
Increase	–	–	–	–	–	–
As at 30 June 2025	1,018,562	17.50%	654,623	11.25%	532,601	9.15%

Changes in registered capital of major shareholders

	Currency	30 June 2025	31 December 2024
ISP	EUR	10,369 Million	10,369 Million
Qingdao Conson	RMB	10,000 Million	10,000 Million
Haier Industrial Development	RMB	4,500 Million	4,500 Million

(b) Subsidiaries of the Bank

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

(c) Other related parties

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

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41 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(2) Related party transactions and balances

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

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

	ISP and its group	Qingdao Conson and its group	Haier Investment Development and its group	Other legal person related parties	Other natural person related parties	Total	Proportion to gross amount/ balance of similar transactions
As at 30 June 2025							
Loans and advances to customers	-	231,447	1,577,550	30,088	257,517	2,096,602	0.58%
Financial investments at fair value through other comprehensive income	-	577,670	-	-	-	577,670	0.60%
Deposits with banks and other financial institutions	1	-	-	-	-	1	0.00%
Placements with banks and other financial institutions	-	-	501,606	-	-	501,606	2.50%
Deposits from customers	50,082	221,806	170,591	321,201	1,017,054	1,780,734	0.37%
Deposits from banks and other financial institutions	-	64,353	3,239	284	-	67,876	0.40%
Credit commitments: Bank acceptances	-	-	48,342	100	-	48,442	0.10%
Six months ended 30 June 2025							
Interest income	-	16,301	43,552	588	4,022	64,463	0.57%
Interest expense	303	734	899	1,184	8,675	11,795	0.20%

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41 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

	ISP and its group	Qingdao Conson and its group	Haier Industrial Development and its group	Other corporate related parties	Other individual related parties	Total	Proportion to gross amount/ balance of similar transactions
As at 31 December 2024							
Loans and advances to customers	-	140,723	1,731,627	29,876	291,177	2,193,403	0.66%
Financial investments measured at fair value through other comprehensive income	-	799,391	-	-	-	799,391	0.85%
Deposits with banks and other financial institutions	17	-	-	-	-	17	0.00%
Placements with banks and other financial institutions	-	-	309,052	-	-	309,052	2.08%
Deposits from customers	67,068	292,515	164,888	3,894,677	1,094,692	5,513,840	1.24%
Deposits from banks and other financial institutions	-	53,710	136,413	207	-	190,330	1.54%
Credit commitments:							
Bank acceptances	-	-	152,746	100	-	152,846	0.32%
Six months ended 30 June 2024							
Interest income	-	17,827	40,686	190	5,399	64,102	0.58%
Interest expense	621	160	1,347	55,819	9,536	67,483	1.09%
Fee and commission income	-	3,401	-	-	-	3,401	0.29%
Fee and commission expense	-	-	-	90	-	90	0.04%
Other net operating losses	-	-	-	500	-	500	0.49%

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41 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(b) Transactions with subsidiaries

	30 June 2025	31 December 2024
Balances at the end of the period/year:		
Placements with banks and other financial institutions	1,102,032	704,797
Deposits from banks and other financial institutions	2,238,146	1,860,699
Other liabilities	688	1,742

	Six months ended 30 June 2025	2024
Transactions during the period:		
Interest income	12,975	3,496
Interest expense	6,549	2,533
Fee and commission income	76,171	99,557
Other net operating income	1,017	1,016

Intra-group balances and transactions are eliminated in full in preparing the consolidated financial statements.

(3) Key management personnel

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

	Six months ended 30 June 2025	2024
Remuneration of key management personnel	9,645	10,951

The Bank enters into banking transactions with key management personnel in the normal course of business. For the reporting period, the Bank had no material banking transactions and balances with key management personnel. As at 30 June 2025, the credit card overdraft balance of the Bank to the key management personnel amounted to RMB7.90 thousand (31 December 2024: RMB55.40 thousand), which have been included in loans and advances to related parties stated in Note 41(2).

(4) Transactions with the annuity

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

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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42 SEGMENT REPORTING

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

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

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

Corporate banking

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

Retail banking

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

Financial market business

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

Unallocated items and others

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

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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42 SEGMENT REPORTING (continued)

	Six months ended 30 June 2025				
	Corporate banking	Retail banking	Financial market business	Unallocated items and others	Total
External net interest income/(expense)	3,980,314	(924,911)	1,957,096	349,268	5,361,767
Internal net interest (expense)/income	(930,536)	2,442,677	(1,512,141)	–	–
Net interest income	3,049,778	1,517,766	444,955	349,268	5,361,767
Net fee and commission income/(expense)	487,492	156,967	164,965	(1,960)	807,464
Net trading (losses)/gains	40,620	43	19,516	–	60,179
Net gains arising from investments	18,886	–	1,383,403	–	1,402,289
Other net operating income	23,358	(4,639)	(375)	7,967	26,311
Operating income	3,620,134	1,670,137	2,012,464	355,275	7,658,010
Operating expenses	(783,147)	(652,428)	(344,048)	(36,379)	(1,816,002)
Expected credit losses	(1,167,592)	(496,261)	(550,845)	(17,653)	(2,232,351)
Impairment losses on other assets	(1,299)	–	–	–	(1,299)
Profit before taxation	1,668,096	521,448	1,117,571	301,243	3,608,358
Other segment information					
– Depreciation and amortisation	(124,194)	(127,421)	(48,204)	(1,914)	(301,733)
– Capital expenditure	37,803	38,785	14,009	5,409	96,006
	30 June 2025				
	Corporate banking	Retail banking	Financial market business	Unallocated items and others	Total
Segment assets	303,366,278	93,436,844	325,296,121	16,989,378	739,088,621
Deferred tax assets					3,938,925
Total assets					743,027,546
Segment liabilities/Total liabilities	272,502,495	247,988,476	160,043,532	15,409,112	695,943,615
Credit commitments	78,869,148	22,867,083	–	–	101,736,231

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025

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42 SEGMENT REPORTING (continued)

	Six months ended 30 June 2024				Total
	Corporate banking	Retail banking	Financial market business	Unallocated items and others	
External net interest income/(expense)	3,346,825	(600,302)	1,698,899	333,571	4,778,993
Internal net interest (expense)/income	(535,625)	2,104,347	(1,568,722)	–	–
Net interest income	2,811,200	1,504,045	130,177	333,571	4,778,993
Net fee and commission income/(expense)	371,651	274,780	286,701	(1,993)	931,139
Net trading (losses)/gains	(30,854)	(569)	53,270	–	21,847
Net gains arising from investments	19,207	–	1,175,074	–	1,194,281
Other net operating income	59,920	40,730	1,927	(1,490)	101,087
Operating income	3,231,124	1,818,986	1,647,149	330,088	7,027,347
Operating expenses	(794,120)	(730,274)	(315,650)	(34,425)	(1,874,469)
Expected credit losses	(1,096,894)	(476,767)	(282,370)	(63,603)	(1,919,634)
Profit before taxation	1,340,110	611,945	1,049,129	232,060	3,233,244
Other segment information					
– Depreciation and amortisation	(121,652)	(132,663)	(40,386)	(1,284)	(295,985)
– Capital expenditure	62,593	68,259	18,019	906	149,777
	31 December 2024				Total
	Corporate banking	Retail banking	Financial market business	Unallocated items and others	
Segment assets	281,849,059	104,590,261	283,154,005	16,815,892	686,409,217
Deferred tax assets					3,553,816
Total assets					689,963,033
Segment liabilities/Total liabilities	249,596,912	231,048,174	148,975,439	15,442,679	645,063,204
Credit commitments	71,459,568	23,799,065	–	–	95,258,633

43 RISK MANAGEMENT

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

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

In accordance with the risk management strategy determined by the board of directors, the senior management keeps abreast of the level of risk and the management status, enabling the Group to have sufficient resources to develop and implement risk management policies and systems, and to monitor, identify and control risks in various businesses.

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

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

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

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

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025

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43 RISK MANAGEMENT (continued)

(1) Credit risk

(a) Definition and scope

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

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

Without taking account of any collateral and other credit enhancements, the maximum exposure to credit risk is represented by the carrying amount of each type of financial assets and the contract amount of credit commitments. In addition to the Group's credit commitments disclosed in Note 45(1), the Group did not provide any other guarantee that might expose the Group to credit risk. The maximum exposure to credit risk in respect of above credit commitments as at the end of the reporting period is disclosed in Note 45(1).

In order to ensure that the current risk classification of financial assets of the Group meets requirements of the Measures for Risk Classification of Financial Assets of Commercial Banks (Order No. 1 [2023] of the China Banking and Insurance Regulatory Commission and People's Bank of China), the risk classification of financial assets of the Group shall be adjusted dynamically at least quarterly. Financial assets are classified by their level of risk into the five categories of Normal, Special-mention, Substandard, Doubtful, and Loss, with the latter three collectively referred to as non-performing assets.

The core of the five categories are defined as follows:

Normal:	The debtor is capable of meeting its contractual obligations and there is no objective evidence indicating that the principal, interests, and income cannot be paid in full and on time.
Special-mention:	The debtor is currently capable of paying the principal, interests, and income notwithstanding a number of factors that might adversely affect its capacity to meet its contractual obligations.
Substandard:	The debtor is incapable of paying the principal, interests, or income in full or the financial assets have undergone credit impairment.
Doubtful:	The debtor has already been incapable of paying the principal, interests, or income in full and the financial assets have undergone significant credit impairment.
Loss:	None or only a minimum fraction of the financial assets can be recovered after exhausting all available options.

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*For the six months ended 30 June 2025
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43 RISK MANAGEMENT (continued)

(b) Credit risk assessment method

Stage of financial instruments

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

The three risk stages are defined as follows:

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

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

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

Financial instruments that have low credit risk

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

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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43 RISK MANAGEMENT (continued)

Significant increases in credit risk

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

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

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

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

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

Definition of default

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

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

43 RISK MANAGEMENT (continued)**Credit impairment assessment**

At the end of each reporting period, the Group assesses whether financial assets carried at amortised cost and financial assets measured at fair value through other comprehensive income are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

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

Measuring ECL – the parameters, assumptions and valuation techniques

Based on whether there is significant increase in credit risk since initial recognition and whether the financial instrument has suffered credit impairment, the Group measures allowances for loss of different financial instruments with 12-month ECL or lifetime ECL respectively. The expected credit loss is the result of the product of three key parameters, namely the probability of default (PD), loss given default (LGD) and exposure at default (EAD), taking into account the time value. The definitions of these terms are as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation. The Group's PD is adjusted based on the results of the internal rating model, taking into account the forward-looking information to reflect the influence on future's point-in-time PD.
- LGD is expressed as a percentage loss per unit of exposure at the time of default. It varies depending on the type of products, collateral and other factors.
- EAD is based on the amounts the Group expects to be at risk at the time of default.

The Group considered credit risk characteristics such as product type, client type and the industry in which the client operates, and has divided exposures with common credit risk characteristics into separate groups. The impairment of expected credit loss is calculated by the method of single evaluation and combination evaluation. The Group obtained sufficient information to ensure it is statistically reliable.

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43 RISK MANAGEMENT (continued)

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

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

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

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

Forward-looking information contained in ECL

Both the assessment of significant increase in credit risk since initial recognition and the measurement of ECL of financial instruments involve forward-looking information.

The Group assumes three economic scenarios: the base scenario in line with the average internal forecast; the upside scenario and the downside scenario. The average scenario has the highest weighting. Weighted credit loss is the expected credit loss calculated by assigning scenario weighting of multiple scenarios.

Based on the analysis on historical data, the Group periodically assessed alternative macroeconomic indicators and identified key economic indicators that affect the credit risk and ECL of business types, including fixed assets investment, industry added value, and broad money supply etc. The Group identified the relations between these economic indicators and the probability of default historically by conducting regression analysis, and identified the expected probability of default by predicting future economic indicators.

For the period ended 30 June 2025, the Group has taken into account different macroeconomic scenarios and made forward-looking forecasts of key economic indicators, including the consumer confidence index, used to estimate ECL, which is about 2.29% in the neutral scenario.

The Group has carried out sensitivity analysis of key economic variables, used in forward-looking measurement. As at 30 June 2025 and 31 December 2024, when the key economic indicators in the neutral scenario move up or down by 5.00%, the ECL will not change by more than 5.00%.

43 RISK MANAGEMENT (continued)

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

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

Write-off policy

When the Group has performed the necessary procedures and the financial asset remains unrecoverable, it is written off. However, the written-off financial assets may still be subject to the Group's collection efforts and enforcement activities related to the recovery of due payments.

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

In order to maximise cash collection, the Group may modify the contractual terms of loans as a result of business negotiations or due to financial difficulties of the borrowers at times.

Such modification may include extended payment term arrangements, payment holidays and payment forgiveness. The Group's loan rescheduling policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review. The restructuring of loans is most common in the management of medium and long-term loans.

(d) Collaterals and other credit enhancements

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

- Real estate and land use rights
- Machinery and equipment
- Right to receive payments and accounts receivable
- Financial instruments such as time deposits, debt securities and equities

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

Collateral held as security for financial assets other than loans and receivables is determined by the nature of the financial instruments. Debt securities are generally unsecured while asset-backed securities and other similar instruments, are usually secured by portfolios of financial instruments.

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For the six months ended 30 June 2025

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43 RISK MANAGEMENT (continued)

(e) Maximum credit risk exposure

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

	30 June 2025	31 December 2024
Deposits with the central bank	32,718,257	48,675,542
Deposits with banks and other financial institutions	10,832,004	3,495,177
Placements with banks and other financial institutions	20,072,012	14,844,347
Derivative financial assets	24,563	55,310
Financial assets held under resale agreements	12,975,160	7,496,541
Loans and advances to customers	359,216,323	332,554,291
Financial investments		
– Financial investments measured at fair value through profit or loss	20,377,487	12,802,163
– Financial investments measured at fair value through other comprehensive income	95,648,244	93,940,055
– Financial investments measured at amortised cost	116,084,699	97,593,546
Long-term receivables	15,535,174	15,516,540
Others	1,796,785	1,976,363
Subtotal	685,280,708	628,949,875
Credit commitments	101,736,231	95,258,633
Total	787,016,939	724,208,508

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43 RISK MANAGEMENT (continued)

(f) Risk concentrations

Credit risk is often greater when transactions are concentrated in one single industry or have comparable economic features. In addition, different industrial sectors have their unique characteristics in terms of economic development, and could present a different credit risk.

The composition of the Group's gross loans and advances to customers (excluding accrued interest) by industry is analysed as follows:

	30 June 2025		31 December 2024	
	Amount	Percentage	Amount	Percentage
Wholesale and retail trade	59,142,603	16.05%	49,560,902	14.55%
Manufacturing	49,157,366	13.34%	40,561,826	11.91%
Leasing and business activities	39,361,902	10.68%	37,323,602	10.96%
Construction	39,229,242	10.65%	38,247,453	11.23%
Water, environment and public utility management	26,168,778	7.10%	23,579,334	6.92%
Real estate	24,555,132	6.67%	23,063,785	6.77%
Production and supply of electric and heating power, gas and water	13,769,439	3.74%	10,306,735	3.03%
Transportation, storage and postal services	11,862,110	3.22%	10,541,830	3.09%
Financial services	6,774,264	1.84%	9,491,088	2.79%
Scientific research and technological services	5,587,900	1.52%	5,026,353	1.48%
Others	17,003,048	4.62%	14,650,690	4.28%
Subtotal for corporate loans and advances (including discounted bills and forfeiting)	292,611,784	79.43%	262,353,598	77.01%
Personal loans and advances	75,794,043	20.57%	78,336,127	22.99%
Total for loans and advances to customers	368,405,827	100.00%	340,689,725	100.00%

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43 RISK MANAGEMENT (continued)

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

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

	30 June 2025					
	Unrated	AAA	AA	A	Below A	Total
Debt securities (analysed by type of issuers)						
Governments and the central bank	–	56,553,597	–	–	–	56,553,597
Policy banks	–	29,863,992	–	–	–	29,863,992
Banks and other financial institutions	100,000	72,841,001	5,776,139	13,586	97,444	78,828,170
Corporate entities	2,866,955	44,902,085	16,277,686	88,069	2,188,059	66,322,854
Total	2,966,955	204,160,675	22,053,825	101,655	2,285,503	231,568,613

	31 December 2024					
	Unrated	AAA	AA	A	Below A	Total
Debt securities (analysed by type of issuers)						
Governments and the central bank	–	55,721,386	–	–	–	55,721,386
Policy banks	–	30,556,127	–	–	–	30,556,127
Banks and other financial institutions	208,569	53,098,426	4,496,043	13,101	291,816	58,107,955
Corporate entities	2,906,056	36,764,857	12,583,890	115,280	2,812,580	55,182,663
Total	3,114,625	176,140,796	17,079,933	128,381	3,104,396	199,568,131

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43 RISK MANAGEMENT (continued)

(g) Analysis on the credit quality of financial instruments

As at 30 June 2025, the Group's credit risk stages of financial instruments are as follows:

	30 June 2025							
	Book balance				Allowances for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and balances with the central bank	33,196,367	-	-	33,196,367	-	-	-	-
Deposits with banks and other financial institutions	10,844,823	-	-	10,844,823	(12,819)	-	-	(12,819)
Placements with banks and other financial institutions	20,123,399	-	-	20,123,399	(51,387)	-	-	(51,387)
Financial assets held under resale agreements	13,001,572	-	-	13,001,572	(26,412)	-	-	(26,412)
Loans and advances to customers								
– Corporate loans and advances	256,940,693	2,427,160	2,328,201	261,696,054	(6,053,773)	(320,828)	(1,629,741)	(8,004,342)
– Personal loans and advances	73,225,778	889,814	1,805,696	75,921,288	(270,456)	(190,938)	(1,395,820)	(1,857,214)
Financial investments	114,788,177	2,296,171	4,410,367	121,494,715	(145,583)	(854,226)	(4,410,207)	(5,410,016)
Long-term receivables	15,257,403	989,755	73,109	16,320,267	(559,328)	(196,270)	(29,495)	(785,093)
Total financial assets measured at amortised cost	537,378,212	6,602,900	8,617,373	552,598,485	(7,119,758)	(1,562,262)	(7,465,263)	(16,147,283)
Financial assets measured at fair value through other comprehensive income								
Loans and advances to customers								
– Discounted bills and forfeiting	31,460,537	-	-	31,460,537	(584,447)	-	-	(584,447)
Financial investments	90,966,430	4,664,726	17,088	95,648,244	(150,990)	(497,519)	(135,559)	(784,068)
Total	122,426,967	4,664,726	17,088	127,108,781	(735,437)	(497,519)	(135,559)	(1,368,515)
Credit commitments	101,729,854	6,377	-	101,736,231	(470,502)	(492)	-	(470,994)

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43 RISK MANAGEMENT (continued)

	31 December 2024							
	Book balance				Allowances for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at amortised cost								
Cash and balances with the central bank	49,153,266	-	-	49,153,266	-	-	-	-
Deposits with banks and other financial institutions	3,497,301	-	-	3,497,301	(2,124)	-	-	(2,124)
Placements with banks and other financial institutions	14,877,120	-	-	14,877,120	(32,773)	-	-	(32,773)
Financial assets held under resale agreements	7,500,530	-	-	7,500,530	(3,989)	-	-	(3,989)
Loans and advances to customers								
– Corporate loans and advances	235,211,933	953,104	2,288,339	238,453,376	(5,460,433)	(124,444)	(1,688,351)	(7,273,228)
– Personal loans and advances	75,928,629	966,795	1,586,489	78,481,913	(260,256)	(215,461)	(1,259,635)	(1,735,352)
Financial investments	95,984,289	2,621,008	4,484,930	103,090,227	(34,648)	(977,103)	(4,484,930)	(5,496,681)
Long-term receivables	14,967,619	1,213,183	85,689	16,266,491	(508,328)	(175,623)	(66,000)	(749,951)
Total financial assets measured at amortised cost	497,120,687	5,754,090	8,445,447	511,320,224	(6,302,551)	(1,492,631)	(7,498,916)	(15,294,098)
Financial assets measured at fair value through other comprehensive income								
Loans and advances to customers								
– Discounted bills and forfeiting	24,627,582	-	-	24,627,582	(338,623)	-	-	(338,623)
Financial investments	93,199,000	718,588	22,467	93,940,055	(49,843)	(77,856)	(121,778)	(249,477)
Total	117,826,582	718,588	22,467	118,567,637	(388,466)	(77,856)	(121,778)	(588,100)
Credit commitments	95,241,360	14,773	2,500	95,258,633	(408,611)	(1,305)	(500)	(410,416)

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For the six months ended 30 June 2025

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43 RISK MANAGEMENT (continued)

(2) Market risk

Market risk is the risk of loss, in respect of the Group's on- and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates and other prices, etc.

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

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

The Group is exposed to market risk in the ordinary course of business, which includes the interest rate risk and the currency risk.

(a) Interest rate risk

Interest rate risk refers to the risk that the adverse changes in interest rate levels and maturity structures will cause the overall revenue and economic value of financial instruments to suffer losses. The Group's interest rate exposures mainly comprise the mismatching of interest-earning assets and interest-bearing liabilities' repricing dates, as well as the effect of interest rate volatility on trading positions.

The Group primarily uses gap analysis to assess and monitor its repricing risk and adjusts the portfolio mix of floating and fixed rate loans, the loan repricing cycle, as well as optimises the term structure of its customer deposits.

The Group implements various methods, such as sensitivity analysis and scenario simulation to measure and monitor interest risk exposure and limits. Such interest rate sensitivity and risk exposure are set regularly, and the respective limits are also monitored, managed and reported on a regular basis.

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For the six months ended 30 June 2025

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43 RISK MANAGEMENT (continued)

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

	30 June 2025					
	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	33,196,367	669,929	32,526,438	-	-	-
Deposits with banks and other financial institutions	10,832,004	12,571	10,217,656	601,777	-	-
Placements with banks and other financial institutions	20,072,012	187,228	5,390,584	13,926,544	567,656	-
Financial assets held under resale agreements	12,975,160	1,572	12,973,588	-	-	-
Loans and advances to customers (Note (i))	359,216,323	669,464	88,344,614	205,045,820	50,108,042	15,048,383
Financial investments (Note (ii))	280,074,966	50,097,224	6,475,355	30,673,965	117,610,192	75,218,230
Long-term receivables	15,535,174	138,165	1,813,933	9,510,099	4,065,140	7,837
Others	11,125,540	11,125,540	-	-	-	-
Total assets	743,027,546	62,901,693	157,742,168	259,758,205	172,351,030	90,274,450
Liabilities						
Borrowings from the central bank	38,896,814	158,434	8,002,304	30,736,076	-	-
Deposits from banks and other financial institutions	17,066,458	15,125	14,651,333	2,400,000	-	-
Placements from banks and other financial institutions	19,820,383	124,583	4,585,800	14,110,000	1,000,000	-
Financial liabilities measured at fair value through profit or loss	1,206,126	-	-	35,594	1,170,532	-
Financial assets sold under repurchase agreements	32,033,239	3,143	32,030,096	-	-	-
Deposits from customers	476,315,305	10,253,712	190,365,999	142,393,945	133,301,649	-
Debt securities issued	104,712,179	212,221	27,768,839	60,737,361	15,993,758	-
Others	5,893,111	5,387,131	46,353	100,544	300,525	58,558
Total liabilities	695,943,615	16,154,349	277,450,724	250,513,520	151,766,464	58,558
Asset-liability gap	47,083,931	46,747,344	(119,708,556)	9,244,685	20,584,566	90,215,892

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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43 RISK MANAGEMENT (continued)

	31 December 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	49,153,266	595,561	48,557,705	-	-	-
Deposits with banks and other financial institutions	3,495,177	6,266	2,539,396	949,515	-	-
Placements with banks and other financial institutions	14,844,347	301,120	6,216,512	8,027,402	299,313	-
Financial assets held under resale agreements	7,496,541	530	7,496,011	-	-	-
Loans and advances to customers (Note (i))	332,554,291	849,983	90,137,635	187,505,917	42,018,660	12,042,096
Financial investments (Note (ii))	255,655,096	54,484,362	7,369,464	24,734,978	97,734,527	71,331,765
Long-term receivables	15,516,540	159,121	1,693,829	9,052,990	4,610,600	-
Others	11,247,775	11,247,775	-	-	-	-
Total assets	689,963,033	67,644,718	164,010,552	230,270,802	144,663,100	83,373,861
Liabilities						
Borrowings from the central bank	28,240,081	153,700	7,418,242	20,668,139	-	-
Deposits from banks and other financial institutions	12,355,339	28,520	12,164,820	161,999	-	-
Placements from banks and other financial institutions	20,836,633	184,403	6,423,930	12,238,300	1,990,000	-
Financial liabilities measured at fair value through profit or loss	699,788	-	-	252,446	447,342	-
Financial assets sold under repurchase agreements	35,504,160	4,568	35,499,592	-	-	-
Deposits from customers	443,425,535	11,474,495	191,225,598	117,130,442	123,595,000	-
Debt securities issued	98,752,059	218,777	21,104,901	61,434,716	15,993,665	-
Others	5,249,609	4,735,328	67,172	81,315	297,810	67,984
Total liabilities	645,063,204	16,799,791	273,904,255	211,967,357	142,323,817	67,984
Asset-liability gap	44,899,829	50,844,927	(109,893,703)	18,303,445	2,339,283	83,305,877

Notes:

- (i) As at 30 June 2025 and 31 December 2024, the category "Less than three months" of the Group's loans and advances to customers includes overdue loans and advances (net of allowances for impairment losses) of RMB1,476 million and RMB1,679 million, respectively.
- (ii) Financial investments include financial investments measured at fair value through profit or loss, financial investments measured at fair value through other comprehensive income, financial investments measured at amortised cost.

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income and equity. The following table sets forth the effect on the Group's net interest income and equity from possible and reasonable interest rate fluctuations with all other variables held constant. The effect on net interest income refers to the effect of certain interest rate changes on the net interest income generated by financial assets and liabilities that are held at the end of the reporting period and whose interest rate are expected to be repriced within one year. The effect on equity refers to the effect of certain interest rate changes on the fair value change generated by debt investments measured at fair value through other comprehensive income that are held at the end of the reporting period.

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43 RISK MANAGEMENT (continued)

	30 June 2025 (Decrease)/ Increase	31 December 2024 (Decrease)/ Increase
Changes in annualised net interest income		
Interest rates increase by 100 bps	(1,127,750)	(961,661)
Interest rates decrease by 100 bps	1,127,750	961,661
Changes in annualised equity		
Interest rates increase by 100 bps	(2,402,119)	(1,895,430)
Interest rates decrease by 100 bps	2,651,155	2,009,853

This sensitivity analysis is based on a static interest rate risk profile of the assets and liabilities and certain simplified assumptions. The analysis shows how annualised interest income and equity would have been affected by the repricing of the Group's assets and liabilities. The analysis is based on the following assumptions:

- Regardless of subsequent changes, the analysis is based on the static gap at the end of the reporting period;
- In measuring the effect of changes in interest rates on the Group's net interest income, all assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature in the beginning of the respective periods;
- Interest rates on deposits with the central bank and demand deposits deposited and absorbed remain unchanged;
- There is a parallel shift in the yield curve and in interest rates;
- There are no other changes to the portfolio and all positions will be retained and rolled over upon maturity;
- other variables (including exchange rates) remain unchanged; and
- no consideration of impact on customers' behavior, market price and off-balance sheet business resulting from interest rate changes.

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

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43 RISK MANAGEMENT (continued)

(b) Currency risk

Currency risk is the risk of losses caused by adverse changes in market exchange rates. The Group's currency risk mainly arises from the foreign currency portfolio within the treasury's proprietary investments, and other foreign currency exposures. The Group manages currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

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

	30 June 2025			
	RMB	USD	Others	Total
	(RMB equivalent)	(RMB equivalent)	(RMB equivalent)	(RMB equivalent)
Assets				
Cash and deposits with the central bank	32,830,175	341,985	24,207	33,196,367
Deposits with banks and other financial institutions	9,571,063	1,102,275	158,666	10,832,004
Placements with banks and other financial institutions	17,237,687	2,834,325	–	20,072,012
Financial assets held under resale agreements	12,975,160	–	–	12,975,160
Loans and advances to customers	358,276,499	939,824	–	359,216,323
Financial investments (Note (i))	274,032,764	6,042,202	–	280,074,966
Long-term receivables	15,535,174	–	–	15,535,174
Others	11,098,473	22,480	4,587	11,125,540
Total assets	731,556,995	11,283,091	187,460	743,027,546
Liabilities				
Borrowings from the central bank	38,896,814	–	–	38,896,814
Deposits from banks and other financial institutions	17,059,006	7,452	–	17,066,458
Placements from banks and other financial institutions	19,820,320	63	–	19,820,383
Financial liabilities measured at fair value through profit or loss	1,206,126	–	–	1,206,126
Financial assets sold under repurchase agreements	32,033,239	–	–	32,033,239
Deposits from customers	471,314,640	4,890,224	110,441	476,315,305
Debt securities issued	104,712,179	–	–	104,712,179
Others	5,749,791	72,075	71,245	5,893,111
Total liabilities	690,792,115	4,969,814	181,686	695,943,615
Net on-balance sheet position	40,764,880	6,313,277	5,774	47,083,931
Net position of foreign exchange swaps and others		(6,051,881)	52	(6,051,829)
Credit commitments	97,321,859	3,252,141	1,162,231	101,736,231

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43 RISK MANAGEMENT (continued)

	31 December 2024			
	RMB	USD	Others	Total
		(RMB equivalent)	(RMB equivalent)	(RMB equivalent)
Assets				
Cash and deposits with the central bank	48,905,493	226,630	21,143	49,153,266
Deposits with banks and other financial institutions	2,495,757	809,308	190,112	3,495,177
Placements with banks and other financial institutions	14,402,951	441,396	–	14,844,347
Financial assets held under resale agreements	7,496,541	–	–	7,496,541
Loans and advances to customers	331,297,277	1,257,014	–	332,554,291
Financial investments (Note (i))	249,366,606	6,288,490	–	255,655,096
Long-term receivables	15,516,540	–	–	15,516,540
Others	10,994,617	249,189	3,969	11,247,775
Total assets	680,475,782	9,272,027	215,224	689,963,033
Liabilities				
Borrowings from the central bank	28,240,081	–	–	28,240,081
Deposits from banks and other financial institutions	12,347,857	7,482	–	12,355,339
Placements from banks and other financial institutions	20,836,570	63	–	20,836,633
Financial liabilities measured at fair value through profit or loss	699,788	–	–	699,788
Financial assets sold under repurchase agreements	35,504,160	–	–	35,504,160
Deposits from customers	440,501,921	2,797,549	126,065	443,425,535
Debt securities issued	98,752,059	–	–	98,752,059
Others	5,168,899	–	80,710	5,249,609
Total liabilities	642,051,335	2,805,094	206,775	645,063,204
Net on-balance sheet position	38,424,447	6,466,933	8,449	44,899,829
Net position of foreign exchange swaps and others		(6,390,488)	2,312	(6,388,176)
Credit commitments	91,608,146	2,691,542	958,945	95,258,633

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 financials investment measured at amortised cost.

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43 RISK MANAGEMENT (continued)

The Group uses sensitivity analysis to measure the potential effect of changes in foreign currency on the Group's net profit and equity. The following table presents the exchange rate sensitivity analysis based on assets and liabilities as at 30 June 2025 and 31 December 2024.

Changes in annualised net profit and equity	30 June 2025 Increase/ (Decrease)	31 December 2024 Increase/ (Decrease)
Foreign exchange rate increase by 100 bps	280	91
Foreign exchange rate decrease by 100 bps	(280)	(91)

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

- the foreign exchange sensitivity is the gain or loss recognised as a result of 100 basis point fluctuation in the foreign currency exchange rates against RMB;
- the fluctuation of exchange rates by 100 basis points at the reporting date is based on the assumption of exchange rates movement over the next 12 months;
- the exchange rates against RMB for all foreign currencies change in the same direction simultaneously;
- Since the Group's assets and liabilities in other foreign currencies (excluding in USD) are not significant in proportion to the total assets and total liabilities, the possible impact of other foreign currencies on the Group's net profit and equity is calculated at the amount converted into USD in the above sensitivity analysis;
- the foreign exchange exposures calculated include both spot foreign exchange exposures, forward foreign exchange exposures and options, and all positions will be retained and rolled over upon maturity;
- other variables (including interest rates) remain unchanged; and
- no consideration of impact on customers' behavior and market price resulting from exchange rate changes.

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

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43 RISK MANAGEMENT (continued)

(3) Liquidity risk

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

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

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

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

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43 RISK MANAGEMENT (continued)

(a) Maturity analysis

The following tables provide an analysis of assets and liabilities of the Group into respective maturity groupings based on the remaining periods to repayment at the end of the reporting period. The actual remaining maturity of the Group's assets and liabilities may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

	30 June 2025							Total
	Indefinite <i>(Note (ii))</i>	Repayable on demand <i>(Note (ii))</i>	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	
Assets								
Cash and deposits with the central bank	23,356,561	9,839,806	-	-	-	-	-	33,196,367
Deposits with banks and other financial institutions	-	9,621,318	-	600,895	609,791	-	-	10,832,004
Placements with banks and other financial institutions	-	-	2,877,292	2,602,833	14,023,878	568,009	-	20,072,012
Financial assets held under resale agreements	-	-	12,975,160	-	-	-	-	12,975,160
Loans and advances to customers	1,165,911	631,125	24,426,930	28,400,777	130,421,334	91,417,880	82,752,366	359,216,323
Financial investments <i>(Note (i))</i>	210,039	-	33,888,842	5,495,672	36,437,213	128,065,539	75,977,661	280,074,966
Long-term receivables	57,043	11,950	582,572	1,161,598	5,204,883	8,243,361	273,767	15,535,174
Others	8,305,234	37,992	407,676	490,954	756,334	601,281	526,069	11,125,540
Total assets	33,094,788	20,142,191	75,158,472	38,752,729	187,453,433	228,896,070	159,529,863	743,027,546
Liabilities								
Borrowings from the central bank	-	-	3,365,671	4,696,217	30,834,926	-	-	38,896,814
Deposits from banks and other financial institutions	-	14,594,126	40,038	30,028	2,402,266	-	-	17,066,458
Placements from banks and other financial institutions	-	-	2,488,131	2,136,634	14,187,177	1,008,441	-	19,820,383
Financial liabilities measured at fair value through profit or loss	-	-	-	-	35,594	1,170,532	-	1,206,126
Financial assets sold under repurchase agreements	-	-	32,033,239	-	-	-	-	32,033,239
Deposits from customers	-	118,681,921	26,933,564	47,268,603	147,339,068	136,092,149	-	476,315,305
Debt securities issued	-	-	7,750,220	20,018,619	60,949,582	7,998,208	7,995,550	104,712,179
Others	485,574	879,172	1,563,350	358,423	810,035	1,572,849	223,708	5,893,111
Total liabilities	485,574	134,155,219	74,174,213	74,508,524	256,558,648	147,842,179	8,219,258	695,943,615
Net position	32,609,214	(114,013,028)	984,259	(35,755,795)	(69,105,215)	81,053,891	151,310,605	47,083,931

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43 RISK MANAGEMENT (continued)

	31 December 2024							
	Indefinite (Note (iii))	Repayable on demand (Note (iii))	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	21,476,457	27,676,809	-	-	-	-	-	49,153,266
Deposits with banks and other financial institutions	-	2,541,062	-	-	954,115	-	-	3,495,177
Placements with banks and other financial institutions	-	-	1,640,395	4,757,458	8,145,639	300,855	-	14,844,347
Financial assets held under resale agreements	-	-	7,496,541	-	-	-	-	7,496,541
Loans and advances to customers	1,163,197	540,864	29,169,397	36,261,251	106,690,705	81,163,454	77,565,423	332,554,291
Financial investments (Note (i))	211,069	-	37,222,969	5,187,451	27,533,141	113,014,765	72,485,701	255,655,096
Long-term receivables	19,523	21,471	744,175	1,050,485	4,885,025	8,635,809	160,052	15,516,540
Others	7,836,222	329,943	207,045	782,094	731,374	787,336	573,761	11,247,775
Total assets	30,706,468	31,110,149	76,480,522	48,038,739	148,939,999	203,902,219	150,784,937	689,963,033
Liabilities								
Borrowings from the central bank	-	-	2,383,440	5,130,520	20,726,121	-	-	28,240,081
Deposits from banks and other financial institutions	-	9,612,040	1,530,764	1,047,841	164,694	-	-	12,355,339
Placements from banks and other financial institutions	-	-	3,399,203	3,148,374	12,289,264	1,999,792	-	20,836,633
Financial liabilities measured at fair value through profit or loss	-	-	-	-	252,446	447,342	-	699,788
Financial assets sold under repurchase agreements	-	-	35,504,160	-	-	-	-	35,504,160
Deposits from customers	-	118,392,476	27,158,700	44,333,158	125,853,686	127,687,515	-	443,425,535
Debt securities issued	-	-	5,762,750	15,491,017	61,504,627	7,998,442	7,995,223	98,752,059
Others	424,997	546,138	941,917	465,107	696,285	2,005,632	169,533	5,249,609
Total liabilities	424,997	128,550,654	76,680,934	69,616,017	221,487,123	140,138,723	8,164,756	645,063,204
Net position	30,281,471	(97,440,505)	(200,412)	(21,577,278)	(72,547,124)	63,763,496	142,620,181	44,899,829

Notes:

- (i) Financial investments include financial investments measured at fair value through profit or loss, financial investment measured at fair value through other comprehensive income, and financial investment measured at amortised cost.
- (ii) For cash and deposits with the central bank, the indefinite period amount represents statutory deposit reserves, fiscal deposits and foreign exchange risk reserves maintained with the PBOC. Other equity instruments are reported under indefinite period. For loans and advances to customers, financial investments and long-term receivables (including finance lease receivables), the "indefinite" period amount represents the balance being credit-impaired or not credit-impaired but overdue for more than one month, and the balance not credit-impaired but overdue within one month is included in "repayable on demand".

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43 RISK MANAGEMENT (continued)

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

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities at the end of the reporting period. The Group's actual cash flows on these non-derivative instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

	30 June 2025								Carrying Amount
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Contractual undiscounted cash flow	
Borrowings from the central bank	-	-	3,369,574	4,714,417	31,221,842	-	-	39,305,833	38,896,814
Deposits from banks and other financial institutions	-	14,594,126	40,057	30,130	2,445,533	-	-	17,109,846	17,066,458
Placements from banks and other financial institutions	-	-	2,490,763	2,186,665	14,465,652	1,034,931	-	20,178,011	19,820,383
Financial liabilities measured at fair value through profit or loss	-	-	5,938	4,950	64,287	1,197,384	-	1,272,559	1,206,126
Financial assets sold under repurchase agreements	-	-	32,034,218	-	-	-	-	32,034,218	32,033,239
Deposits from customers	-	118,708,282	27,026,577	47,553,851	149,855,892	143,319,911	-	486,464,513	476,315,305
Debt securities issued	-	-	7,760,000	20,090,000	62,009,000	9,514,400	8,493,800	107,867,200	104,712,179
Lease liabilities	-	25,433	6,706	18,877	102,571	317,799	70,691	542,077	505,980
Other financial liabilities	-	850,484	134,069	115,522	135,894	473,463	-	1,709,432	1,709,432
Total	-	134,178,325	72,867,902	74,714,412	260,300,671	155,857,888	8,564,491	706,483,689	692,265,916

	31 December 2024								Carrying Amount
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Contractual undiscounted cash flow	
Borrowings from the central bank	-	-	2,385,505	5,200,003	20,746,210	-	-	28,331,718	28,240,081
Deposits from banks and other financial institutions	-	9,612,040	1,530,764	1,047,841	164,694	-	-	12,355,339	12,355,339
Placements from banks and other financial institutions	-	-	3,401,041	3,193,866	12,581,725	2,066,180	-	21,242,812	20,836,633
Financial liabilities measured at fair value through profit or loss	-	-	3,894	880	270,471	461,983	-	737,228	699,788
Financial assets sold under repurchase agreements	-	-	35,508,863	-	-	-	-	35,508,863	35,504,160
Deposits from customers	-	118,392,476	27,188,266	44,500,045	127,594,290	133,657,399	-	451,332,476	443,425,535
Debt securities issued	-	-	5,770,000	15,592,000	62,497,000	9,514,400	8,772,600	102,146,000	98,752,059
Lease liabilities	-	20,778	30,159	18,431	83,239	326,195	83,550	562,352	514,281
Other financial liabilities	-	525,360	49,778	154,091	143,252	728,276	-	1,600,757	1,600,757
Total	-	128,550,654	75,868,270	69,707,157	224,080,881	146,754,433	8,856,150	653,817,545	641,928,633

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

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43 RISK MANAGEMENT (continued)

(c) Analysis on contractual undiscounted cash flows of derivative financial instruments

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

	30 June 2025							Contractual undiscounted cash flow
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Cash flows of derivative financial instruments:								
Derivative financial instruments settled on net basis	-	-	(7,754)	(2,040)	(7,143)	(528)	-	(17,465)
Derivative financial instruments settled on gross basis								
Including: Cash inflow	-	-	14,432	3,578,924	40,088	7,159	-	3,640,603
Cash outflow	-	-	(14,488)	(3,598,309)	(39,838)	(6,860)	-	(3,659,495)
Total	-	-	(56)	(19,385)	250	299	-	(18,892)

	31 December 2024							Contractual undiscounted cash flow
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Cash flows of derivative financial instruments:								
Derivative financial instruments settled on net basis	-	-	(12,371)	(12,838)	(30,136)	(1,108)	-	(56,453)
Derivative financial instruments settled on gross basis								
Including: Cash inflow	-	-	158,106	4,913,753	10,783	-	-	5,082,642
Cash outflow	-	-	(159,098)	(5,038,692)	(10,707)	-	-	(5,208,497)
Total	-	-	(992)	(124,939)	76	-	-	(125,855)

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43 RISK MANAGEMENT (continued)

(4) Operational risk

Operational risk refers to the risk of loss arising from problems with internal procedures, employees, information technology systems, and external events, including legal risk, but excluding strategic risk and reputational risk.

The board of directors of our bank undertakes the ultimate responsibility for operational risk management, while the senior management undertakes the responsibility for implementing operational risk management. The Group has established “three lines of defences” to manage operational risk on an end-to-end basis.

(5) Capital management

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

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

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

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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43 RISK MANAGEMENT (continued)

The Group calculates the capital adequacy ratio in accordance with the Regulation Governing Capital of Commercial Banks and other relevant requirements as at 30 June 2025 and 31 December 2024.

	30 June 2025	31 December 2024
Total core tier-one capital	40,168,472	38,016,853
– Share capital	5,820,355	5,820,355
– Eligible portion of capital reserve	10,687,091	10,687,091
– Accumulated other comprehensive income	2,728,790	2,716,533
– Surplus reserve	3,106,154	3,106,154
– General reserve	8,511,286	8,511,286
– Retained earnings	8,828,605	6,695,179
– Eligible portion of non-controlling interests	486,191	480,255
Core tier-one capital deductions	(351,159)	(379,124)
Net core tier-one capital	39,817,313	37,637,729
Other tier-one capital	6,460,609	6,459,817
– Additional tier-one capital instruments and related premium	6,395,783	6,395,783
– Eligible portion of minority interests	64,826	64,034
Net tier-one capital	46,277,922	44,097,546
Tier two capital	13,216,145	12,932,928
– Eligible portions of tier-two capital instruments issued	8,000,000	8,000,000
– Surplus allowances for impairment	5,086,494	4,804,860
– Eligible portion of non-controlling interests	129,651	128,068
Total net capital	59,494,067	57,030,474
Total risk weighted assets	439,949,947	413,212,378
Core tier-one capital adequacy ratio	9.05%	9.11%
Tier-one capital adequacy ratio	10.52%	10.67%
Capital adequacy ratio	13.52%	13.80%

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44 FAIR VALUE

(1) *Methods and assumptions for measurement of fair value*

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

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

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

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

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

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

(a) *Debt securities investments*

The fair value of debt securities that are traded in an active market is based on their quoted market prices in an active market at the end of the reporting period. The bonds classified into the second level are mainly RMB bonds. Their fair value is determined based on the valuation results provided by the Central Government Bond Registration and Settlement Co., Ltd. All significant valuation parameters that affect the valuation results are based on observable data.

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

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

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

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

(d) *Derivative financial instruments*

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

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025

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44 FAIR VALUE (continued)

(2) Financial instruments measured at fair value

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

	30 June 2025			Total
	Level 1	Level 2	Level 3 Note (i)	
Financial investments measured at fair value through profit or loss				
– Debt securities	–	20,021,332	–	20,021,332
– Asset management plans	–	–	356,155	356,155
– Investment funds	31,183,424	16,646,144	–	47,829,568
Derivative financial assets	–	24,563	–	24,563
Financial investments measured at fair value through other comprehensive income				
– Debt securities	–	95,648,244	–	95,648,244
– Other equity investments	–	–	134,968	134,968
Loans and advances to customers measured at fair value through other comprehensive income	–	–	31,460,537	31,460,537
Total financial assets	31,183,424	132,340,283	31,951,660	195,475,367
Financial liabilities measured at fair value through profit or loss	–	1,206,126	–	1,206,126
Derivative financial liabilities	–	22,859	–	22,859
Total financial liabilities	–	1,228,985	–	1,228,985

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44 FAIR VALUE (continued)

	31 December 2024			Total
	Level 1	Level 2	Level 3 Note (i)	
Financial investments measured at fair value through profit or loss				
– Debt securities	–	11,678,810	–	11,678,810
– Asset management plans	–	–	777,284	777,284
– Trust fund plans	–	–	346,069	346,069
– Investment funds	–	51,184,364	–	51,184,364
Derivative financial assets	–	55,310	–	55,310
Financial investments measured at fair value through other comprehensive income				
– Debt securities	–	93,940,055	–	93,940,055
– Other equity investments	–	–	134,968	134,968
Loans and advances to customers measured at fair value through other comprehensive income	–	–	24,627,582	24,627,582
Total financial assets	–	156,858,539	25,885,903	182,744,442
Financial liabilities measured at fair value through profit or loss	–	699,788	–	699,788
Derivative financial liabilities	–	157,022	5,408	162,430
Total financial liabilities	–	856,810	5,408	862,218

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44 FAIR VALUE (continued)

- (i) Movements in Level 3 of the fair value hierarchy

The following table shows the movement of level 3 financial instruments measured at fair value for the six months ended 30 June 2025:

	As at 1 January 2025	Transfer into level 3	Transfer out of level 3	Total gains or losses for the period		Purchases, issues, disposals and settlements			As at 30 June 2025
				In profit or loss	In other comprehensive income	Purchases	Issues	Disposals and settlements	
Financial investments measured at fair value through profit or loss									
– Asset management plans	777,284	-	-	400,904	-	-	-	(822,033)	356,155
– Trust fund plans	346,069	-	-	251,689	-	-	-	(597,758)	-
Financial investments measured at fair value through other comprehensive income									
– Other equity investments	134,968	-	-	-	-	-	-	-	134,968
Loans and advances to customers measured at fair value through other comprehensive income	24,627,582	-	-	377,733	600	58,500,629	-	52,046,007	31,460,537
Total financial assets	25,885,903	-	-	1,030,326	600	58,500,629	-	53,465,798	31,951,660
Derivative financial liabilities	5,408	-	-	-	-	-	-	(5,408)	-
Total financial liabilities	5,408	-	-	-	-	-	-	(5,408)	-

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44 FAIR VALUE (continued)

The following table shows the movement of level 3 financial instruments measured at fair value during the year of 2024:

	As at 1 January 2024	Transfer into level 3	Transfer out of level 3	Total gains or losses for the year		Purchases, issues, disposals and settlements				As at 31 December 2024
				In profit or loss	In other comprehensive income	Purchases	Issues	Disposals and settlements	Others	
Financial investments measured at fair value through profit or loss										
– Asset management plans	6,895,445	–	–	(593,777)	–	–	–	(445,442)	(5,078,942)	777,284
– Trust fund plans	444,536	–	–	(98,467)	–	–	–	–	–	346,069
Financial investments measured at fair value through other comprehensive income										
– Other equity investments	23,250	–	–	–	111,718	–	–	–	–	134,968
Loans and advances to customers measured at fair value through other comprehensive income	20,976,009	–	–	653,218	15,429	99,619,274	–	(96,636,348)	–	24,627,582
Total financial assets	28,339,240	–	–	(39,026)	127,147	99,619,274	–	(97,081,790)	(5,078,942)	25,885,903
Derivative financial liabilities	1,754	–	–	3,654	–	–	–	–	–	5,408
Total financial liabilities	1,754	–	–	3,654	–	–	–	–	–	5,408

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44 FAIR VALUE (continued)

(3) Transfers between levels

For the six months ended 30 June 2025 and the year ended 31 December 2024, there were no transfers between levels.

(4) Valuation of financial instruments with significant unobservable inputs

A majority of the financial instruments classified as level 3 fair value are discounted bills, asset management plans and trust fund plans. As not all of the inputs needed to estimate the fair value of these assets are observable, the Group classified these underlying assets within Level 3 of the fair value hierarchy. The significant unobservable inputs related to these assets are those parameter relating to credit risk, liquidity and discount rate. Management has made assumptions on unobservable inputs based on observed indicators of impairment, significant changes in yield, external credit ratings and comparable credit spreads, but the fair value of these financial assets could be different from those disclosed.

(5) Level 2 of the fair value hierarchy

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

(6) Fair value of financial assets and liabilities not measured at fair value

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

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

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

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

- (iii) *Debt securities financial investments measured at amortised cost*

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

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025
(Expressed in thousands of Renminbi, unless otherwise stated)

44 FAIR VALUE (continued)

(iv) Deposits from customers

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

(v) Debt securities issued

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

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

	30 June 2025				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost (including accrued interest)					
– Debt securities	114,801,190	121,640,258	–	121,572,484	67,774
Total	114,801,190	121,640,258	–	121,572,484	67,774
Financial liabilities					
Securities issued (including accrued interest)					
– Debt securities	16,205,979	16,473,976	–	16,473,976	–
– Certificates of interbank deposit	88,506,200	88,569,947	–	88,569,947	–
Total	104,712,179	105,043,923	–	105,043,923	–

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

44 FAIR VALUE (continued)

	31 December 2024				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost (including accrued interest)					
– Debt securities	93,640,874	100,631,884	–	100,562,660	69,224
Total	93,640,874	100,631,884	–	100,562,660	69,224
Financial liabilities					
Securities issued (including accrued interest)					
– Debt securities	16,212,442	16,602,977	–	16,602,977	–
– Certificates of interbank deposit	82,539,617	82,650,519	–	82,650,519	–
Total	98,752,059	99,253,496	–	99,253,496	–

45 COMMITMENTS AND CONTINGENCIES

(1) Credit commitments

The Group's credit commitments take the form of bank acceptances bills, credit card limits, letters of credit and financial guarantees, etc.

Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from its customers. The contractual amounts of credit card commitments represent the amounts should the credit and facilities be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

	30 June 2025	31 December 2024
Bank acceptances	46,570,754	48,117,074
Unused credit card commitments	22,867,084	23,799,065
Usance letters of credit	16,112,432	9,977,991
Financing letters of guarantees issued	13,297,959	11,032,397
Sight letters of credit	1,039,985	909,835
Non-financing letters of guarantees issued	1,014,070	1,044,271
Irrevocable loan commitments	833,947	378,000
Total	101,736,231	95,258,633

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025
(Expressed in thousands of Renminbi, unless otherwise stated)

45 COMMITMENTS AND CONTINGENCIES (continued)

(1) Credit commitments (continued)

Irrevocable loan commitments only include unused loan commitments granted to syndicated loans.

The Group may be exposed to credit risk in all the above credit businesses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

For details of ECL of credit commitments, please refer to Note 35(2).

(2) Credit risk-weighted amount

	30 June 2025	31 December 2024
Credit risk-weighted amount of contingent liabilities and commitments	28,724,707	25,534,545

The credit risk-weighted amount represents the amount calculated in accordance with the Regulation Governing Capital of Commercial Banks and other relevant requirements as at 30 June 2025 and 31 December 2024. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors.

(3) Capital commitments

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

	30 June 2025	31 December 2024
Contracted but not paid for	100,360	70,458

(4) Outstanding litigations and disputes

A number of outstanding litigations against the Group had arisen in the normal course of its operation as at 30 June 2025 and 31 December 2024. With the professional advice from counselors, the Group's management believes that the final result of such litigations will not have a material impact on the financial position or operations of the Group.

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

45 COMMITMENTS AND CONTINGENCIES (continued)

(5) Bonds redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity dates is based on the nominal value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with the relevant rules of the MOF and the PBOC. The redemption price may be different from the fair value of similar instruments traded at the redemption date. Management of the Group expects the amount of redemption before the maturity dates of these bonds will not be material.

The redemption obligations below represent the nominal value of government bonds underwritten and sold, but not yet matured at the end of the reporting period:

	30 June 2025	31 December 2024
Bonds redemption obligations	4,657,255	4,167,547

(6) Pledged assets

	30 June 2025	31 December 2024
Investment securities	64,117,531	63,543,344
Discounted bills	5,509,664	4,110,439
Total	69,627,195	67,653,783

Some of the Group's assets are pledged as collateral under repurchase agreements, borrowings from the central bank and deposits from customers.

The Group maintains statutory deposit reserves with the PBOC as required (Note 12). These deposits are not available for the Group's daily operations.

The Group's pledged assets in relation to the purchase of bills under resale agreements can be sold or replighted. As at 30 June 2025 and 31 December 2024, the Group did not have these discounted bills under resale agreements. As at 30 June 2025 and 31 December 2024, the Group did not sell or repledge any pledged assets which it has an obligation to repurchase when they are due.

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025
(Expressed in thousands of Renminbi, unless otherwise stated)

46 INTERESTS IN STRUCTURED ENTITIES

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

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. The Group does not consolidate these structured entities. Such structured entities include asset management plans, trust fund plans, asset-backed securities and investment funds. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through the issue of notes to investors.

The following tables set out an analysis of the carrying amounts of interests held by the Group as at 30 June 2025 and 31 December 2024 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	30 June 2025				
	Financial investments measured at fair value through profit or loss	Financial investments measured at fair value through other comprehensive income	Financial investments measured at amortised cost	Carrying amount	Maximum exposure
Investment funds	47,829,568	–	–	47,829,568	47,829,568
Asset management plans	356,155	–	542,513	898,668	898,668
Asset-backed securities	1,094,319	1,158,677	12,291,041	14,544,037	14,544,037
Total	49,280,042	1,158,677	12,833,554	63,272,273	63,272,273

	31 December 2024				
	Financial investments measured at fair value through profit or loss	Financial investments measured at fair value through other comprehensive income	Financial investments measured at amortised cost	Carrying amount	Maximum exposure
Investment funds	51,184,364	–	–	51,184,364	51,184,364
Asset management plans	777,284	–	515,175	1,292,459	1,292,459
Trust fund plans	346,069	–	–	346,069	346,069
Asset-backed securities	720,268	2,492,185	6,192,895	9,405,348	9,405,348
Total	53,027,985	2,492,185	6,708,070	62,228,240	62,228,240

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

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

46 INTERESTS IN STRUCTURED ENTITIES (continued)

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

The types of unconsolidated structured entities sponsored by the Group mainly include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes fees charged by providing management services to these structured entities. As at 30 June 2025, the carrying amounts of the management and other service fee receivables being recognised was RMB251 million in the consolidated statement of financial position (31 December 2024: RMB192 million).

As at 30 June 2025, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products, which are sponsored by the Group, was RMB189.480 billion (31 December 2024: RMB199.326 billion).

(3) *Unconsolidated structured entities sponsored and issued by the Group after 1 January but matured before the end of the reporting period in which the Group no longer holds an interest*

During the six months ended 30 June 2025, the amount of fee and commission income recognised from the above mentioned structured entities by the Group was RMB1.9443 million (For the six months ended 30 June 2024: RMB0.934 million).

During the six months ended 30 June 2025, the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2025 but matured before 30 June 2025 was RMB1.741billion (For the six months ended 30 June 2024: RMB1.793 billion).

(4) *Consolidated structured entities*

The consolidated structured entities of the Group are primarily asset-backed securities initiated by the Group and certain asset management plans invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has rights to variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns.

47 TRANSFERS OF FINANCIAL ASSETS

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

(1) *Repurchase transactions and securities lending transactions*

Transfers of financial assets that do not qualify for derecognition mainly include debt securities held by counterparties as collateral under repurchase agreements and debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities sold under repurchase agreements in the absence of default by the Group, but has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them.

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

*For the six months ended 30 June 2025
(Expressed in thousands of Renminbi, unless otherwise stated)*

47 TRANSFERS OF FINANCIAL ASSETS (continued)

(2) **Asset securitisation**

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

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

For the six months ended 30 June 2025 and for the year ended 31 December 2024, the Group did not carry out new asset securitisation business.

(3) **Transfer of non-performing loans**

For the six months ended 30 June 2025, the Group transferred loans and advances to customers to independent third parties with principal amount of RMB9 million, and with the transfer price (including overdue interest, penalty interest, etc.) of RMB10 million. For the year ended 31 December 2024, the Group transferred loans and advances to customers to independent third parties with principal amount of RMB11 million, and with the transfer price (including overdue interest, penalty interest, etc.) of RMB12 million. The Group carried out an assessment and concluded that these transferred assets qualified for full derecognition in the statement of financial position.

48 FIDUCIARY ACTIVITIES

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

As at 30 June 2025, the entrusted loans balance of the Group was RMB7.655 billion (31 December 2024: RMB5.651 billion).

CONSOLIDATED NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

For the six months ended 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

49 SUBSEQUENT EVENTS

(1) *Financial bond issuance*

The 2025 financial bonds (first tranche) of BQD Financial Leasing Company Limited were bookbuilding on 7 July 2025. On 9 July 2025, the Group completed the issuance of RMB1 billion financial bonds, with a 3-year term and a fixed coupon rate of 1.78%.

The 2025 financial bonds of Bank of Qingdao Co., Ltd. were bookbuilding on 14 July 2025. On 16 July 2025, the Group completed the issuance of RMB4.00 billion financial bonds, with a 3-year term and a fixed coupon rate of 1.71%.

(2) *The distribution payment of undated capital bonds*

A distribution payment related to the 2022 Undated Capital Bonds (first tranche) of Bank of Qingdao Co., Ltd., at the distribution rate of 3.70% with the total amount of RMB4.0 billion, amounting to RMB148 million in total was distributed on 18 July 2025.

A distribution payment related to the 2022 Undated Capital Bonds (second tranche) of Bank of Qingdao Co., Ltd., at the distribution rate of 3.55% with the total amount of RMB2.4 billion, amounting to RMB85.20 million in total was distributed on 18 Aug 2025.

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

SECTION X UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the unaudited interim financial report, and is included herein for information purposes only.

In accordance with the Listing Rules and Banking (Disclosure) Rules, the Group discloses the unaudited supplementary Financial Information as follows:

1 LIQUIDITY COVERAGE RATIO, LEVERAGE RATIO AND NET STABLE FUNDING RATIO

Liquidity coverage ratio, leverage ratio and net stable funding ratio are calculated in accordance with the relevant regulations promulgated by the National Financial Regulatory Administration and the former CBRC and based on the financial information prepared in accordance with the requirements of the Accounting Standards for Business Enterprises issued by the MOF.

(1) Liquidity coverage ratio

	30 June 2025	31 December 2024
Qualified and high-quality current assets	69,833,778	95,465,058
Net cash outflows in the next 30 days	49,878,445	47,023,000
Liquidity coverage ratio (RMB and foreign currency)	140.01%	203.02%

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

(2) Leverage ratio

	30 June 2025	31 December 2024
Leverage ratio	5.68%	5.79%

The leverage ratio calculated in accordance with the Regulation Governing Capital of Commercial Banks and other relevant requirements as at 30 June 2025 and 31 December 2024. Pursuant to the Regulation Governing Capital of Commercial Banks, a minimum leverage ratio 4% is required.

(3) Net stable funding ratio

	30 June 2025	31 March 2025
Available stable funding	459,771,322	441,810,836
Required stable funding	390,313,687	372,942,759
Net stable funding ratio	117.80%	118.47%

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

SECTION X UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 CURRENCY CONCENTRATIONS

	30 June 2025			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	11,283,091	7,359	180,101	11,470,551
Spot liabilities	(4,969,814)	(433)	(181,253)	(5,151,500)
Forward purchases	758,568	–	52	758,620
Forward sales	(6,810,449)	–	–	(6,810,449)
Net long position	261,396	6,926	(1,100)	267,222
Structural exposure	–	–	–	–

	31 December 2024			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	9,272,027	7,395	207,829	9,487,251
Spot liabilities	(2,805,094)	(344)	(206,431)	(3,011,869)
Forward purchases	176,547	–	2,312	178,859
Forward sales	(6,567,035)	–	–	(6,567,035)
Net long position	76,445	7,051	3,710	87,206
Structural exposure	–	–	–	–

SECTION X UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

3 INTERNATIONAL CLAIMS

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

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

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

	30 June 2025			
	Public sector entities	Banks and other financial institutions	Non-bank private sector institutions	Total
– Asia Pacific	328,367	3,603,491	6,614,551	10,546,409
– of which attributed to Hong Kong	–	3,227,884	10,312	3,238,196
– North and South America	–	803,894	–	803,894
– Europe	–	77,836	–	77,836
	328,367	4,485,221	6,614,551	11,428,139

	31 December 2024			
	Public sector entities	Banks and other financial institutions	Non-bank private sector institutions	Total
– Asia Pacific	214,116	4,889,767	3,849,358	8,953,241
– of which attributed to Hong Kong	–	3,971,076	10,158	3,981,234
– North and South America	–	437,383	–	437,383
– Europe	–	82,083	–	82,083
	214,116	5,409,233	3,849,358	9,472,707

SECTION X UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

4 TOTAL AMOUNT OF OVERDUE LOANS AND ADVANCES TO CUSTOMERS

	30 June 2025	31 December 2024
Total loans and advances whose principal or interest has been overdue		
– between 3 and 6 months (inclusive)	622,901	629,331
– between 6 months and 1 year (inclusive)	715,925	712,259
– over 1 year	2,056,700	2,109,027
Total	3,395,526	3,450,617
As a percentage of total loans and advances (excluding accrued interest)		
– between 3 and 6 months (inclusive)	0.17%	0.18%
– between 6 months and 1 year (inclusive)	0.19%	0.21%
– over 1 year	0.56%	0.62%
Total	0.92%	1.01%