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BQD  **青島銀行**
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)

Annual Results for the year ended 31 December 2025

The board of directors (the “**Board**” or “**Board of Directors**”) of Bank of Qingdao Co., Ltd. (the “**Bank**” or “**Bank of Qingdao**”) is pleased to announce the audited annual results (the “**Annual Results**”) of the Bank and its subsidiaries (the “**Company**”) for the year ended 31 December 2025 (the “**Reporting Period**”) prepared in accordance with IFRS Accounting Standards (“**IFRS Accounting Standards**”) promulgated by the International Accounting Standards Board. The Board and its audit committee have reviewed and confirmed the Annual Results.

Unless otherwise stated, the currency of the amounts referred to in this results announcement is Renminbi (“**RMB**”). The financial information presented in this results announcement is the consolidated financial information of the Company.

SECTION 1 CORPORATE BASIC INFORMATION

1.1 Corporate Basic Information

Legal name in Chinese:	青島銀行股份有限公司 (Abbreviation: 青島銀行)
Legal name in English:	BANK OF QINGDAO CO., LTD. (Abbreviation: BANK OF QINGDAO)
Legal representative:	Jing Zailun
Authorised representatives:	Jing Zailun, Zhang Qiaowen

Class of Shares	Stock Abbreviation	Stock Code	Listing Exchange
A shares	BQD	002948	Shenzhen Stock Exchange (the “ SZSE ”)
H shares	BQD	3866	The Stock Exchange of Hong Kong Limited (the “ Hong Kong Stock Exchange ”)

1.2 Contact Persons and Contact Details

Secretary to the Board:	Zhang Qiaowen
Joint company secretaries:	Zhang Qiaowen, Yu Wing Sze
Registered and office address:	Building No. 3, No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, China Postal code: 266061
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SECTION 2 FINANCIAL HIGHLIGHTS

Key Accounting Data and Financial Indicators

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

Item	2025	2024	Year-on- year	2023	2022	2021
Business performance (RMB'000)			Change (%)			
Net interest income	11,069,992	9,873,824	12.11	9,281,969	8,288,314	7,645,625
Net non-interest income	3,490,682	3,540,867	(1.42)	3,199,382	3,360,941	3,492,748
Operating income	14,560,674	13,414,691	8.54	12,481,351	11,649,255	11,138,373
Operating expenses	(4,782,001)	(4,884,559)	(2.10)	(4,516,428)	(4,218,441)	(3,915,738)
Expected credit losses	(3,533,201)	(3,533,691)	(0.01)	(4,014,079)	(4,288,828)	(3,966,971)
Profit before taxation	6,243,835	4,995,129	25.00	3,933,397	3,135,959	3,225,410
Net profit	5,356,601	4,404,721	21.61	3,671,420	3,167,525	2,993,213
Net profit attributable to shareholders of the Bank	5,187,741	4,264,120	21.66	3,548,599	3,082,775	2,922,664
Per share (RMB/share)			Change (%)			
Basic earnings per share ⁽¹⁾	0.85	0.69	23.19	0.57	0.45	0.51
Diluted earnings per share ⁽¹⁾	0.85	0.69	23.19	0.57	0.45	0.51
Dividend per share ⁽²⁾	0.18	0.16	12.50	0.16	0.16	0.16

Item	31	31	Year-on-year	31	31	31
	December 2025	December 2024		December 2023	December 2022	December 2021
Scale indicators (RMB'000)			Change (%)			
Total assets ⁽³⁾	814,960,084	689,963,033	18.12	607,985,372	529,613,992	522,249,610
Loans and advances to customers:						
Total loans to customers ⁽³⁾	397,008,292	340,689,725	16.53	300,089,541	269,029,452	244,205,480
Add: Accrued interest	1,107,454	873,146	26.83	758,512	598,681	829,555
Less: Provision for impairment on loans and advances to customers measured at amortised cost	(10,422,779)	(9,008,580)	15.70	(7,855,127)	(7,109,471)	(6,426,337)
Loans and advances to customers	387,692,967	332,554,291	16.58	292,992,926	262,518,662	238,608,698
Allowances for loan impairment	(11,227,850)	(9,347,203)	20.12	(7,997,497)	(7,137,141)	(6,439,606)
Of which: Impairment allowances for loans and advances to customers measured at fair value through other comprehensive income	(805,071)	(338,623)	137.75	(142,370)	(27,670)	(13,269)
Total liabilities ⁽³⁾	764,705,628	645,063,204	18.55	568,046,129	493,020,697	488,921,882
Deposits from customers:						
Total deposits from customers ⁽³⁾	502,899,144	432,024,006	16.41	386,062,259	341,347,176	313,524,923
Add: Accrued interest	9,222,311	11,401,529	(19.11)	9,405,100	6,696,131	4,440,884
Deposits from customers	512,121,455	443,425,535	15.49	395,467,359	348,043,307	317,965,807
Share capital	5,820,355	5,820,355	–	5,820,355	5,820,355	4,509,690
Equity attributable to equity shareholders of the Bank	49,167,148	43,932,381	11.92	39,063,939	35,816,312	32,635,495
Equity attributable to shareholders	50,254,456	44,899,829	11.93	39,939,243	36,593,295	33,327,728
Net capital base	62,591,418	57,030,474	9.75	49,247,594	45,212,218	47,075,226
Of which: Net core tier-one capital	40,580,540	37,637,729	7.82	32,404,879	29,169,606	24,910,985
Other tier-one capital	8,462,615	6,459,817	31.00	6,483,769	6,473,571	7,912,511
Tier-two capital	13,548,263	12,932,928	4.76	10,358,946	9,569,041	14,251,730
Total risk-weighted assets	468,015,731	413,212,378	13.26	384,977,512	333,440,925	297,412,693
Per share (RMB/share)			Change (%)			
Net assets per share attributable to ordinary shareholders of the Bank ⁽⁴⁾	7.00	6.45	8.53	5.61	5.05	5.20

Item	2025	2024	Year-on-year	2023	2022	2021
Profitability indicators (%)			Change			
Return on average total assets ⁽⁵⁾	0.71	0.68	0.03	0.65	0.60	0.61
Weighted average return on net assets ⁽¹⁾	12.68	11.51	1.17	10.71	8.95	10.40
Net interest spread ⁽⁶⁾	1.68	1.76	(0.08)	1.85	1.85	1.87
Net interest margin ⁽⁷⁾	1.66	1.73	(0.07)	1.83	1.76	1.79
Net fee and commission income to operating income	9.97	11.25	(1.28)	12.71	12.41	17.55
Cost-to-income ratio ⁽⁸⁾	31.65	35.16	(3.51)	34.93	34.95	33.90
	31	31		31	31	31
	December	December	Year-	December	December	December
Item	2025	2024	on-year	2023	2022	2021
Asset quality indicators (%)			Change			
Non-performing loan ratio	0.97	1.14	(0.17)	1.18	1.21	1.34
Provision coverage ratio	292.30	241.32	50.98	225.96	219.77	197.42
Loan provision ratio	2.83	2.74	0.09	2.67	2.65	2.64
Indicators of capital adequacy ratio (%)			Change			
Core tier-one capital adequacy ratio ⁽⁹⁾	8.67	9.11	(0.44)	8.42	8.75	8.38
Tier-one capital adequacy ratio ⁽⁹⁾	10.48	10.67	(0.19)	10.10	10.69	11.04
Capital adequacy ratio ⁽⁹⁾	13.37	13.80	(0.43)	12.79	13.56	15.83
Total equity to total assets ratio	6.17	6.51	(0.34)	6.57	6.91	6.38
Other indicators (%)			Change			
Liquidity coverage ratio	213.25	203.02	10.23	158.11	122.83	179.54
Liquidity ratio	105.87	88.66	17.21	78.23	88.21	73.28

Notes: (1) Earnings per share and weighted average return on net assets were calculated in accordance with the Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Computation and Disclosure of Return on Net Assets and Earnings per Share (2010 Revision) (《公開發行證券的公司信息披露編報規則第9號—淨資產收益率和每股收益的計算及披露》(2010年修訂)). The Bank completed A share and H share rights issue in January and February 2022 respectively. In accordance with the Accounting Standards for Enterprises No. 34 – Earnings per Share and the relevant application guidelines, the earnings per share indicator for the comparative period was recalculated taking into account the bonus issue factors included in the rights issue. Before the recalculation, the basic earnings per share and diluted earnings per share for 2021 were both RMB0.54 per share. Both basic earnings per share and weighted average return on net assets for the year achieved an increase as compared with that of the previous year, which was mainly due to the increase in net profit attributable to ordinary shareholders of the Bank. The Bank issued offshore preference shares in 2017, which were redeemed in September 2022 and paid dividends for the current period. In July-August 2022

and October 2025, the Bank issued perpetual bonds respectively, which were classified as other equity instruments. In calculating earnings per share and weighted average return on net assets, the dividends of preference shares and the interest of perpetual bonds paid for the current year have been deducted from the “net profit attributable to ordinary shareholders of the Bank”, and the effect of the preference shares and perpetual bonds for the corresponding period has been deducted from the “weighted average net assets”.

- (2) Dividend per share represents actual dividend per share attributable to ordinary shareholders of the Bank (not adjusted with taking account of the bonus issue factors included in rights issue), and the dividend per share of 2025 is subject to approval by the shareholders’ meeting.
- (3) For details of the structure of total assets, total liabilities, total loans to customers and total deposits from customers, please refer to “6. Analysis of Major Items of the Statement of Financial Position” under “SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS” of this results announcement.
- (4) Net assets per share attributable to ordinary shareholders of the Bank = (equity attributable to shareholders of the Bank – other equity instruments)/the number of ordinary shares as at the end of the period. The net assets per share attributable to ordinary shareholders of the Bank at the end of 2021 has taken account of the bonus issue factors included in the rights issue and was presented as adjusted.
- (5) Return on average total assets = net profit/average balance of total assets at the beginning and at the end of the period.
- (6) Net interest spread = average yield of interest-earning assets – average cost rate of interest-bearing liabilities.
- (7) Net interest margin = net interest income/average balance of interest-earning assets.
- (8) Cost-to-income ratio = (operating expenses – tax and surcharges)/operating income.
- (9) The relevant indicators of capital adequacy ratio as of the end of 2025 and 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, and the relevant indicators of capital adequacy ratio as of the end of 2021 to the end of 2023 were calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) and other relevant regulatory provisions.

SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS

I. THE PRINCIPAL BUSINESS IN WHICH THE BANK ENGAGED 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, aiming to achieve a balance between “effective improvement in quality” and “reasonable growth in quantity”, building itself to a regional value-leading bank characterized by “ability-driven, organizational

agility, simultaneous improvement in both quantity and quality, and healthy sustainability”. 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 and financial market business, which have formed a solid customer base and shaped a 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, there were 17 branches in major cities of Shandong Province such as Jinan, Yantai and Weihai. The total number of branch offices reached 206. In February 2025, the Liaocheng Branch officially opened, enabling the Bank to achieve a strategic layout covering all 16 cities in Shandong, building a group layout of “one body with two wings”, with banks as the main body and BQD Financial Leasing Company Limited (“**BQD Financial Leasing**”) and BQD Wealth Management Company Limited (“**BQD Wealth Management**”) as the two wings to expand comprehensive services. In February 2017, the Bank initiated the establishment of BQD Financial Leasing, which is 60% owned by the Bank. In September 2020, the Bank initiated the establishment of 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 5,500 employees.

During the Reporting Period, the status of the Company’s key operational indicators achievements is as follows:

- (1) Total assets amounted to RMB814.96 billion, representing an increase of RMB124.997 billion or 18.12% as compared with that at the end of last year;
- (2) Total loans to customers amounted to RMB397.008 billion, representing an increase of RMB56.319 billion or 16.53% as compared with that at the end of last year;
- (3) Total deposits from customers amounted to RMB502.899 billion, representing an increase of RMB70.875 billion or 16.41% as compared with that at the end of last year;
- (4) Operating income amounted to RMB14.561 billion, representing a year-on-year increase of RMB1.146 billion or 8.54%; net profit amounted to RMB5.357 billion, representing a year-on-year increase of RMB952 million or 21.61%; net profit attributable to shareholders of the Bank amounted to RMB5.188 billion, representing a year-on-year increase of RMB924 million or 21.66%;

- (5) Non-performing loan ratio was 0.97%, representing a decrease of 0.17 percentage point as compared with that at the end of last year; provision coverage ratio was 292.30%, representing an increase of 50.98 percentage points as compared with that at the end of last year; capital adequacy ratio was 13.37%, representing a decrease of 0.43 percentage point as compared with that at the end of last year, and core tier-one capital adequacy ratio was 8.67%, representing a decrease of 0.44 percentage point as compared with that at the end of last year;
- (6) Return on average total assets was 0.71%, representing an increase of 0.03 percentage point as compared with that in last year;
- (7) Basic earnings per share were RMB0.85, representing a year-on-year increase of RMB0.16 or 23.19%; weighted average return on net assets was 12.68%, representing an increase of 1.17 percentage points as compared with that in last year.

II. STATUS OF THE INDUSTRY WHICH THE BANK WAS ENGAGED IN DURING THE REPORTING PERIOD

In 2025, against a complex and severe domestic and international environment, led and united by the Party Central Committee with Comrade Xi Jinping at its core, China's economy forged ahead against pressures, embracing innovation and pursuing higher quality. The full-year GDP reached RMB140,187.9 billion, representing a year-on-year increase of 5.0% at constant prices, successfully achieving the growth target. Macro policies became more proactive and effective. Fiscal policy was more vigorous and consistently applied, injecting momentum into the market. Monetary policy remained moderately accommodative, providing ample liquidity for the real economy. The "troika" of consumption, investment, and export coordinated their efforts, leading to significant progress in industrial upgrading and accelerated growth of new quality productive forces. Specifically, the consumer market achieved stable growth, with total retail sales of consumer goods increasing by 3.7% year-on-year. Within this, services consumption and new types of consumption performed notably well, growing by 5.5% and 8.6% year-on-year respectively. Trade-in programs drove sales of related goods to RMB2.61 trillion, benefiting 366 million people. The investment structure continued to optimise. Driven by policies to expand domestic demand and industrial upgrading, investment in key areas such as high-end manufacturing, green energy, and high-tech services maintained relatively fast growth. Investment in the general equipment manufacturing industry, automobile manufacturing industry, and railway, ship, aerospace and other transport equipment manufacturing industry increased by 6.2%, 11.7%, and 17.5% respectively. Exports demonstrated strong resilience, with the total value of goods exports reaching RMB26.99 trillion, representing a year-on-year increase of 6.1%. For the first time, the export proportion of electromechanical products exceeded 60%, and exports to countries along the "Belt and Road" increased by 11.2%, showcasing a remarkable performance characterised by steady growth in total value, an optimised product structure, and diversified trading partners.

Against the backdrop of the national economic upturn, Shandong Province and Qingdao City both maintained a stable and positive economic trajectory in 2025, progressing and improving in quality, with key indicators outperforming the national average. Shandong Province's regional GDP exceeded the RMB10 trillion mark, reaching RMB10,319.7 billion, representing a year-on-year increase of 5.5%. The growth rates of industrial added value above designated size, services added value, total retail sales of consumer goods, and imports/exports were all higher than the national averages, with continued release of industrial momentum and domestic demand vitality. Qingdao City's economic highlights were prominent. In 2025, Qingdao's regional GDP reached RMB1,756.067 billion, representing a year-on-year increase of 5.4%. The "10+1" innovative industrial system was rapidly constructed, with revenue growth exceeding 10% in industries such as next-generation information technology, artificial intelligence ("AI"), intelligent connected new energy vehicles, and intelligent equipment. The comprehensive strength of the marine economy ranked third among marine cities nationwide. The high-quality development of Shandong and Qingdao laid a solid foundation for the Bank to deepen its presence in the regional market and serve the real economy.

In 2025, against a backdrop of persistently narrowing net interest margins and insufficient effective credit demand, China's banking sector accelerated its shift from scale orientation to value creation, firmly anchoring itself to the direction of high-quality development and achieving a situation of steady scale growth. By the end of 2025, the total assets of commercial banks in China reached RMB414.79 trillion, representing a year-on-year increase of 9.0%, with the industry's development resilience continuing to strengthen. Commercial banks increased their support for the high-quality development of the real economy, continuously tilting credit resources towards key areas of the real economy and solidly advancing the "Five Major Aspects". By the end of 2025, the balance of inclusive loans to micro and small enterprises stood at RMB37 trillion, representing a year-on-year increase of 11.0%. Loan distribution in key areas such as high-end manufacturing, green energy, and high-tech services continued to accelerate, effectively aiding industrial upgrading and economic transformation. Commercial banks strictly adhered to all regulatory requirements and continuously improved their risk management levels. By the end of 2025, the non-performing loan balance of commercial banks was RMB3.5 trillion, with a non-performing loan ratio of 1.50%. The quality of credit assets remained generally stable, providing a solid guarantee for the smooth operation of the economy and finance.

III. ANALYSIS OF CORE COMPETITIVENESS AND DEVELOPMENT STRATEGIES

3.1 Core Competitiveness

Centering on the development vision of “Innovative Finance, Brilliant Banking”, the Bank achieved high-quality improvement in both scale and profitability as well as unremitting enhancement of market competitiveness. It is mainly reflected in:

- 1. Party leadership and corporate governance are closely integrated to lay a solid foundation for development.** The Bank has always adhered to Party leadership to lead high-quality development and promoted the integration of Party leadership into all aspects of enterprise decision-making, implementation, and supervision. The Bank has continuously improved the market-oriented operating mechanism and maintained a scientific and effective equity structure and governance structure with multiple checks and balances, laying a solid governance foundation for the Bank’s steady and high-quality development.
- 2. The implementation of the strategy has been solidly advanced and the foundation for sustainable development has been continuously consolidated.** Taking the three-year strategic plan as the starting point, the Bank continues to optimize its business structure, consolidates its customer base, comprehensively deepens cost reduction and efficiency improvement, further promotes high-quality, refined and professional development, with strategic promotion mechanism operating efficiently, with clear planning implementation paths and remarkable results, so as to continuously consolidate the foundation for long-term sustainable development.
- 3. Deeply cultivate regional markets and create characteristic business brands.** Being headquartered in Qingdao with in-depth penetration in Shandong Province, the Bank deeply integrates the “Five Major Aspects” of finance with regional industrial characteristics, focusing on the “eight major tracks” to carry out differentiated operations. We create a blue finance brand of “Qing Chu Yu Lan” (青出於藍), and a green finance brand of “BQD Green Finance, Exceed Project”. We improve the full-cycle system of the products of technology finance and expand the business of technology finance scenarios and cooperation channels, which continuously increase financial support for high-growth and high-potential enterprises. By virtue of the “Happiness • Companionship” brand, we have refined the management of communities, elderly care and other customer base; continued to deepen the “customer-oriented” service concept, and won the “Five Star Diamond Brand” for ten consecutive years.

- 4. Leveraging the advantages of licenses to improve the level of comprehensive operations continuously.** The Bank continued to strengthen business linkage with BQD Financial Leasing and BQD Wealth Management in financial markets, custody, investment banking, financial management, financial leasing, etc., forming a group layout of “one body with two wings” and comprehensively consolidating the foundation of comprehensive financial service capabilities. The Bank has relatively complete qualifications and licenses and is the first local bank corporation in Shandong Province to receive approval for fund custody qualifications and the first to gain authorization for direct participation in the RMB Cross-Border Interbank Payment System (CIPS). The Bank is the only local bank corporation in Shandong Province with the lead underwriting qualification for debt financing instruments of non-financial enterprises, laying a solid foundation for financial innovation and business development. The Bank continued to deepen the group combat model of collaboration between parent and subsidiary companies and fully revitalized rich license resources, to provide customers with tailor-made “package solutions” with professional, standardized and comprehensive financial services, leading to continuous improvement in integrated business capabilities.
- 5. The level of risk management continued to improve and asset quality steadily improved.** The Bank adhered to compliance first, continued to strengthen the comprehensive risk management system, established a three-in-one risk monitoring system, and achieved effective linkage between risk identification, analysis and management. On the basis of adhering to centralized and unified credit management, the Bank continued to deepen innovation in its approval mechanisms, solidified the independent approver mechanism, established differentiated approval mechanisms for technology and green finance, continuously enhanced the effectiveness of industry research, and fortified the foundation of asset quality management.
- 6. The acceleration of digital intelligence transformation comprehensively empowers business development.** The Bank has thoroughly implemented the digital intelligence-driven strategy, and has sped up the transformation of digital finance business to “digital intelligence”, including building strategic priorities around the four major digital and intelligence areas of digital intelligence-drive marketing, digital intelligence-drive operations, digital intelligence-drive risk control, and digital intelligence-drive office, and independently planning a digital and intelligence transformation path that suits its own endowment, building an efficient and collaborative digital governance structure, focusing on customer journey optimization and customer experience improvement, which has promoted the dual upgrading of the quality and efficiency of financial services.

3.2 Completion of “Strategic Plan for 2023-2025”

During the 2023-2025 strategic planning period, the Bank closely focused on the core of the “high-quality development” strategy, implemented various mechanisms to promote the implementation of the strategic plan, and achieved remarkable results in the three strategic goals of “quality and efficiency first, distinctive characteristics, flexible mechanism”, achieving reasonable growth in scale alongside effective quality improvements, thereby comprehensively achieving strategic goals.

Quality and efficiency first. The quality and efficiency of the Bank’s operations continued to improve, and the weighted average return on net assets increased significantly by 3.73 percentage points as compared with that of 2022, achieving the established strategic goals. Asset quality has steadily improved, and core indicators such as non-performing loan ratio and provision coverage ratio have continued to be optimized. In particular, the non-performing loan ratio decreased by 0.24 percentage point compared to the end of 2022, while the provision coverage ratio increased by 72.53 percentage points compared to the end of 2022; various performances have been widely recognized by the market, and indicators such as total market value and price-to-book ratio have increased significantly as compared with that at the end of 2022.

Distinctive characteristics. The Bank’s characteristics in retail banking, light banking, blue finance and comprehensive operation became increasingly prominent. In terms of retail banking, we continuously drove the growth of retail assets under management and the number of high-value customers. In terms of light banking, we advanced the “light capitalization” transformation and continuously optimized our business structure. In terms of blue finance, relying on international business and marine industry, we continuously improved the product system, deepened business cooperation areas, and achieved steady improvement in blue loans. In terms of comprehensive operations, we made full use of the advantages of multiple licenses to build a comprehensive operating model to drive business development.

Flexible mechanism. The Bank continued to strengthen market-oriented and agile mechanism innovation and improved organizational efficiency and talent vitality. In terms of talent construction, we adhered to the principle of “being able to be promoted and demoted, matching people and posts”, promoted the selection and appointment of cadres, and improved the assessment and ranking system of staff, to stimulate the vitality of the team. In terms of organizational construction, we promoted agile transformation, streamlined decision-making levels, implemented management assessment mechanisms, and empowered “business, technology and digital” to respond in a coordinated manner.

3.3 Formulation of “Strategic Plan for 2026-2028”

In order to further promote the high-quality development, the Bank formulated the “Bank of Qingdao’s Strategic Plan for 2026-2028”. Continuing the development vision of “Innovative Finance, Brilliant Banking”, adhering to Party leadership in advancing high-quality development and focusing on the five strategic themes of “improving capabilities, increasing agility, strengthening digital intelligence, optimizing customer base, and adjusting structure”, we create a regional value-leading bank that is “ability-driven, organizational agility, simultaneous improvement in quantity and quality, healthy and sustainable”.

Firstly, take corporate business as the ballast stone for the Bank’s entire development.

The Bank will deepen segmented operations, strengthen industry and sector research, and create differentiated competitive advantages for the corporate business; optimize the systematic construction of Seven Colours of Light products and create professional blockbuster products; deepen comprehensive operations and transform from “leading bank” to “corporate value partner”; create two major characteristics of public utilities and blue and green finance.

Secondly, take transaction banking as the innovation engine for corporate banking.

The Bank will deeply cultivate key customer bases such as international business, supply chain, and cash management; expand light capitalization businesses in the way of agile iterative settlement, supply chain finance and cross-border financing products; improve the level of automation and intelligent risk control, cultivate a compound product manager team, and support continuous business innovation.

Thirdly, take retail business as the cornerstone of the Bank’s sustainable development.

With the account management business model as the core and the improvement of branches efficiency as the support, we will lay a solid foundation for development; focus on core capabilities such as customer base management, product strategy, and sales transformation, the Bank will deepen professional and refined operations, strengthen cross-business private-public linkage, and deepen the integration of front, center and back office and coordinate with asset and liability management functions to promote agile response in “business, technology, and digital”.

Fourthly, to build a regional leading integrated service provider for financial market business.

The Bank will optimize the customer base and create a high-value inter-bank ecosystem; lay out diversified transactions and create a multi-variety trading system; optimize intermediary business and focus on foreign exchange and asset custody business on behalf of customers; optimize asset structure and stabilize debt sources; build a professional risk management system and team, strengthen the construction of investment research teams, and empower business decision-making.

4. HONORS AND AWARDS

In January 2025, the Bank was recognized as the 2024 “Excellent Comprehensive Business Institution” and “Excellent Supply Chain Bill Participating Institution” by the Shanghai Commercial Paper Exchange Corporation Ltd.

In May 2025, the Bank was selected as a 2024 “Best Practice Case in Investor Relations Management” by the China Association for Public Companies.

In June 2025, the Bank’s subsidiary, BQD Wealth Management was awarded three golden honors of “Excellent Innovative Wealth Management Company”, “Wealth Management Company with Excellent Channel Expansion Capability” and “Excellent Mixed Bank Wealth Management Products”.

In June 2025, the Bank was included in the “China’s 500 Most Valuable Brands” with a brand value of RMB36.236 billion, rising from 326th to 317th place.

In July 2025, The Banker magazine (UK) released its 2025 ranking of the Top 1000 World Banks, in which the Bank ranked 270th.

In July 2025, the Bank was listed in the Fortune China 500 for the first time (ranking 495th), making it the only financial institution from Shandong on the list.

In September 2025, the Bank’s subsidiary, BQD Wealth Management, was honored with both the “Product Innovation Award” and the “High-Quality Development Award” at the “Wind·AM 88” Annual Selection.

In October 2025, the Bank was awarded the highest rating of A again in the information disclosure assessment of the SZSE for the fifth consecutive year.

In October 2025, the Bank’s self-developed “StarMap Product Spectrum Platform” was awarded the second prize of the People’s Bank of China’s “2024 Fin-Tech Development Award”, the only ministerial-level technology award in China’s financial industry.

In November 2025, the Bank was awarded the “2025 Best Practice Case of Board of Listed Companies” for its quality improvement initiatives and outstanding performance in Board governance.

In November 2025, the Bank received the “2025 Corporate Governance Golden Bull Award” for Hong Kong-listed companies from China Securities Journal.

In December 2025, the 27th Listed Company Golden Bull Award was announced. In virtue of the transparent information disclosure and efficient, smooth communication with the capital market, the Bank won the Golden Bull “Best Information Disclosure Award” for the third consecutive year.

In December 2025, the Bank’s subsidiary, BQD Financial Leasing, won the “Leading Enterprise in Leasing Serving the Real Economy” award at the 8th China Financial Leasing “Take-off Award” selection.

In December 2025, the Bank was named “Best International Business Bank” at the 15th Golden Trade Award, which recognizes the most trusted financial service providers by Chinese economic and trading enterprises.

In December 2025, the Bank was shortlisted for the tenth time with “Five-Star Diamond Brand”, the highest global honor in the service industry.

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

5.1 Financial Performance Summary

In 2025, the Company’s net profit amounted to RMB5.357 billion, representing a year-on-year increase of RMB952 million or 21.61%; net profit attributable to shareholders of the Bank amounted to RMB5.188 billion, representing a year-on-year increase of RMB924 million or 21.66%. During the Reporting Period, the Company proactively responded to operational challenges such as declining returns on assets, integrated the implementation of financial policies directives with its distinctive business operations, remained rooted in the local market, and served the real economy. It steadily expanded its business scale, continuously optimized its business structure, and advanced its efforts to reduce costs and enhance efficiency. The Company achieved steady growth in operating income, a stable decrease in operating expenses, and a relatively rapid increase in profits. Its profitability improved significantly, leading to strong operating performance.

Unit: RMB'000

Item	2025	2024	Change in amount	Change (%)
Net interest income	11,069,992	9,873,824	1,196,168	12.11
Net fee and commission income	1,451,525	1,509,553	(58,028)	(3.84)
Other net non-interest income	2,039,157	2,031,314	7,843	0.39
Operating expenses	(4,782,001)	(4,884,559)	102,558	(2.10)
Expected credit losses	(3,533,201)	(3,533,691)	490	(0.01)
Impairment losses on other assets	(1,637)	(1,312)	(325)	24.77
Profit before taxation	6,243,835	4,995,129	1,248,706	25.00
Income tax expense	(887,234)	(590,408)	(296,826)	50.27
Net profit	5,356,601	4,404,721	951,880	21.61
Of which: Net profit attributable to shareholders of the Bank	5,187,741	4,264,120	923,621	21.66
Net profit attributable to non-controlling interests	168,860	140,601	28,259	20.10

5.2 Operating Income

In 2025, the Company's operating income amounted to RMB14.561 billion, representing a year-on-year increase of RMB1.146 billion or 8.54%. During the Reporting Period, the Company focused on serving the real economy, steadily expanded business scale, effectively reduced the costs of liabilities, 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 76.03%, representing a year-on-year increase of 2.43 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	2025		2024		Percentage changes (percentage point)
	Amount	Percentage (%)	Amount	Percentage (%)	
Net interest income	11,069,992	76.03	9,873,824	73.60	2.43
Interest income	23,191,992	159.28	22,421,432	167.14	(7.86)
Among which: Loans and advances to customers	14,955,251	102.71	14,545,262	108.43	(5.72)
Financial investments	5,953,992	40.89	5,584,536	41.63	(0.74)
Deposits with banks and other financial institutions	106,505	0.73	43,690	0.32	0.41
Placements with banks and other financial institutions	551,423	3.79	558,861	4.16	(0.37)
Financial assets held under resale agreements	228,738	1.57	250,412	1.87	(0.30)
Deposits with the central bank	391,893	2.69	343,133	2.56	0.13
Long-term receivables	1,004,190	6.90	1,095,538	8.17	(1.27)
Interest expense	(12,122,000)	(83.25)	(12,547,608)	(93.54)	10.29
Net non-interest income	3,490,682	23.97	3,540,867	26.40	(2.43)
Including: Net fee and commission income	1,451,525	9.97	1,509,553	11.25	(1.28)
Other net non-interest income	2,039,157	14.00	2,031,314	15.15	(1.15)
Operating income	14,560,674	100.00	13,414,691	100.00	-

5.3 Net Interest Income

In 2025, the Company's net interest income amounted to RMB11.07 billion, representing a year-on-year increase of RMB1.196 billion or 12.11%. 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 robust growth in net interest income. The following table sets forth the average balance of interest-earning assets and interest-bearing liabilities items, interest income/expense and average yield/cost rate of the Company for the periods indicated. The average balances of interest-earning assets and interest-bearing liabilities represent the daily average balances.

Unit: RMB'000

Item	2025			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	360,986,460	14,955,251	4.14%	315,545,746	14,545,262	4.61%
Financial investments	216,441,042	5,953,992	2.75%	177,861,134	5,584,536	3.14%
Deposits and placements with banks and assets held under resale agreements ⁽¹⁾	43,501,891	886,666	2.04%	34,648,098	852,963	2.46%
Deposits with the central bank	27,442,388	391,893	1.43%	24,273,120	343,133	1.41%
Long-term receivables	16,843,442	1,004,190	5.96%	16,884,742	1,095,538	6.49%
Total	665,215,223	23,191,992	3.49%	569,212,840	22,421,432	3.94%
Interest-bearing liabilities						
Deposits from customers	465,735,574	8,158,572	1.75%	405,996,845	8,461,984	2.08%
Deposits and placements from banks and assets sold under repurchase agreements ⁽²⁾	60,631,622	1,041,004	1.72%	56,168,304	1,290,635	2.30%
Debt securities issued	105,923,276	2,208,331	2.08%	88,627,702	2,288,089	2.58%
Borrowings from the central bank	38,699,533	714,093	1.85%	23,860,624	506,900	2.12%
Total	670,990,005	12,122,000	1.81%	574,653,475	12,547,608	2.18%
Net interest income	/	11,069,992	/	/	9,873,824	/
Net interest spread	/	/	1.68%	/	/	1.76%
Net interest margin	/	/	1.66%	/	/	1.73%

- 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 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.

In 2025, the Company's average balance of interest-earning assets was RMB665.215 billion, representing a year-on-year increase of RMB96.002 billion or 16.87%; net interest spread was 1.68%, representing a year-on-year decrease of 0.08 percentage point; net interest margin was 1.66%, representing a year-on-year decrease of 0.07 percentage point. During the Reporting Period, in response to the continuous decline in return on assets, the Company strengthened the management of net interest margin by implementing coordinated efforts on both the asset and liability sides to stabilize the net interest margin. On the asset side, the Company increased efforts in loan disbursement and financial investment and continuously expanded the scale of interest-earning assets to solidify the foundation for growth in interest income. On the liability side, multiple measures were adopted to reduce 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, and 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.

Unit: RMB'000

Item	2025 vs. 2024		Net increase (decrease)
	Due to volume	Due to rate	
Interest-earning assets			
Loans and advances to customers	1,893,054	(1,483,065)	409,989
Financial investments	1,063,114	(693,658)	369,456
Deposits and placements with banks and assets held under resale agreements	179,225	(145,522)	33,703
Deposits with the central bank	43,905	4,855	48,760
Long-term receivables	(1,859)	(89,489)	(91,348)
Interest income changes	3,177,439	(2,406,879)	770,560
Interest-bearing liabilities			
Deposits from customers	1,036,378	(1,339,790)	(303,412)
Deposits and placements from banks and assets sold under repurchase agreements	76,145	(325,776)	(249,631)
Debt securities issued	363,381	(443,139)	(79,758)
Borrowings from the central bank	271,617	(64,424)	207,193
Interest expense changes	1,747,521	(2,173,129)	(425,608)
Net interest income changes	1,429,918	(233,750)	1,196,168

5.4 Interest Income

In 2025, the Company's interest income was RMB23.192 billion, representing a year-on-year increase of RMB771 million or 3.44%, mainly due to the expansion of the Company's scale of interest-earning assets, such as loans and financial investments, which offset the impact of the downward return on assets and drove steady growth 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.

Interest income from loans and advances to customers

In 2025, the Company's interest income from loans and advances to customers amounted to RMB14.955 billion, representing a year-on-year increase of RMB410 million or 2.82%. 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 RMB45.441 billion or 14.40%. At the same time, adhering to risk-based pricing and implementing differentiated pricing strategies based on market conditions and industry attributes, although the rate of return of loans declined due to factors including the decline of loan 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	2025			2024		
	Average balance	Interest income	Average yield	Average balance	Interest income	Average yield
Corporate loans	267,248,001	11,568,121	4.33%	223,691,850	10,621,928	4.75%
Personal loans	71,335,718	2,859,773	4.01%	71,976,930	3,460,762	4.81%
Discounted bills	22,402,741	527,357	2.35%	19,876,966	462,572	2.33%
Total	360,986,460	14,955,251	4.14%	315,545,746	14,545,262	4.61%

Interest income from financial investments

In 2025, the Company's interest income from financial investments amounted to RMB5.954 billion, representing a year-on-year increase of RMB369 million or 6.62%. The increase was mainly due to the increase in scale of financial investments and strengthening investment portfolio management, resulting in an increase in the average balance of financial investments, which offset the impact of overall 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

In 2025, the Company's interest income from deposits and placements with banks and assets held under resale agreements amounted to RMB887 million, representing a year-on-year increase of RMB34 million or 3.95%. The increase was mainly attributable to the Company's strategic adjustments to asset allocation in line with the interbank market conditions, and the 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.

5.5 Interest Expense

In 2025, the Company's interest expense amounted to RMB12.122 billion, representing a year-on-year decrease of RMB426 million or 3.39%. The decrease was primarily driven by 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 0.37 percentage point year-on-year to 1.81%, which effectively offset the impact of liability scale expansion and led to the overall decline in interest expense. Interest expenses on deposits from customers and debt securities interest payable were 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 decreases.

Interest expense on deposits from customers

In 2025, the Company's interest expense on deposits from customers was RMB8.159 billion, representing a year-on-year decrease of RMB303 million or 3.59%. The decrease was mainly due to the fact that the average cost ratio of the Company's deposits was 1.75%, representing a year-on-year decrease of 0.33 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, the Company actively implemented market-driven adjustment mechanisms and self-regulatory requirements of interest rates for deposits by closely aligning with market changes, adopting flexible pricing strategies, implementing effective control over the volume and cost of high-cost deposits, 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	2025			2024		
	Average balance	Interest expense	Average cost ratio	Average balance	Interest expense	Average cost ratio
Corporate deposits						
Demand	88,050,830	519,135	0.59%	86,475,308	677,043	0.78%
Time	142,090,535	2,758,835	1.94%	117,217,190	2,808,676	2.40%
Sub-total	230,141,365	3,277,970	1.42%	203,692,498	3,485,719	1.71%
Personal deposits						
Demand	30,262,792	18,694	0.06%	28,906,558	46,662	0.16%
Time	205,331,417	4,861,908	2.37%	173,397,789	4,929,603	2.84%
Sub-total	235,594,209	4,880,602	2.07%	202,304,347	4,976,265	2.46%
Total	465,735,574	8,158,572	1.75%	405,996,845	8,461,984	2.08%

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

In 2025, the Company's interest expense on deposits and placements from banks and assets sold under repurchase agreements amounted to RMB1.041 billion, representing a year-on-year decrease of RMB250 million or 19.34%, mainly due to the Company's efforts to optimize its interbank liability structure. By clearing high-cost placements from banks and other financial institutions and actively expanding low-cost interbank deposits, coupled with the downward trend in interbank market rates, interbank liabilities cost rates decreased significantly, enabling a reduction in corresponding interest expense despite the expansion of the interbank liability scale.

Interest expense on debt securities issued

In 2025, the Company's interest expense on debt securities payable amounted to RMB2.208 billion, representing a year-on-year decrease of RMB80 million or 3.49%. The decrease was mainly due to the fact that the Company seized the opportunity presented by the downward trend in market interest rates on debt securities to optimize the issuance of certificates of interbank deposit and financial bonds and reduce the cost ratio of debt securities payable. While achieving growth in the scale of debt securities payable, the Company reduced its corresponding interest expenses.

Interest expense arising from borrowings from the central bank

In 2025, the Company's interest expense arising from borrowings from the central bank amounted to RMB714 million, representing a year-on-year increase of RMB207 million or 40.87%. The increase was primarily due to the Company's active application for the use of monetary policy tools and its efforts to diversify low-cost financing channels. The average balances of medium-term lending facilities and relending to support the development of micro and small enterprises increased, resulting in corresponding growth in interest expenses.

5.6 Net Non-interest Income

In 2025, the Company's net non-interest income was RMB3.491 billion, representing a year-on-year decrease of RMB50 million or 1.42%. The following table sets forth the principal components of the Company's net non-interest income for the periods indicated.

Unit: RMB'000

Item	2025	2024
Fee and commission income	1,882,475	1,993,954
Less: Fee and commission expense	(430,950)	(484,401)
Net fee and commission income	1,451,525	1,509,553
Other net non-interest income	2,039,157	2,031,314
Net non-interest income	3,490,682	3,540,867

5.7 Net Fee and Commission Income

In 2025, the Company's net fee and commission income amounted to RMB1.452 billion, representing a year-on-year decrease of RMB58 million or 3.84%. The decrease was mainly attributable to the decrease in fee income from the Company's wealth management business. During the Reporting Period, the Company vigorously developed its capital-light businesses such as transaction banking, debt securities underwriting, securities custody by leveraging its advantages in multiple licenses and qualifications. The following table sets forth the principal components of the Company's net fee and commission income for the periods indicated.

Unit: RMB'000

Item	2025	2024
Fee and commission income	1,882,475	1,993,954
Of which: Wealth management service fees	725,735	928,870
Agency service fees	549,774	459,183
Custody and bank card service fees	249,237	316,846
Settlement fees	170,419	127,634
Others	187,310	161,421
Less: Fee and commission expense	(430,950)	(484,401)
Net fee and commission income	1,451,525	1,509,553

In 2025, wealth management service fees amounted to RMB726 million, representing a year-on-year decrease of RMB203 million or 21.87%. The decrease was primarily attributable to strengthened market risk management and optimized layout of bond asset allocation amid bond market volatility by BQD Wealth Management, a subsidiary of the Company. However, wealth management service fees income contracted to some extent, constrained by structural factors such as the high proportion of fixed-income products; agency service fees amounted to RMB550 million, representing a year-on-year increase of RMB91 million or 19.73%, mainly due to the increase in syndicated loan service fees; custody and bank card service fees amounted to RMB249 million, representing a year-on-year decrease of RMB68 million or 21.34%, mainly due to the decrease in credit card service fees; settlement fees amounted to RMB170 million, representing a year-on-year increase of RMB43 million or 33.52%, mainly due to the increase in settlement-type transaction banking income; others amounted to RMB187 million, representing a year-on-year increase of RMB26 million or 16.04%, mainly due to the increase in service fees from letters of guarantees. Meanwhile, the Company strictly controlled the fee expenditure rate, the fee and commission expense amounted to RMB431 million, representing a year-on-year decrease of RMB53 million, or 11.03%.

5.8 Other Net Non-interest Income

In 2025, the Company's other net non-interest income amounted to RMB2.039 billion, representing a year-on-year increase of RMB8 million or 0.39%. Net gains arising from investments was the main component of other net non-interest income, which reached RMB1.866 billion during the period, representing a year-on-year increase of RMB11 million or 0.61% and remained stable in general. The net trading gains/(losses) was RMB159 million, representing a year-on-year increase of RMB148 million, which was mainly attributable to the decrease in the cost of the Company's foreign exchange swap business and increase in the net gain from financial investments held for trading. The following table sets forth the main composition of the Company's other non-interest income during the periods indicated.

Unit: RMB'000

Item	2025	2024
Net trading gains/(losses)	158,691	10,687
Net gains arising from investments	1,865,652	1,854,294
Other net operating income	14,814	166,333
Other net non-interest income	2,039,157	2,031,314

5.9 Operating Expenses

In 2025, the Company's operating expenses amounted to RMB4.782 billion, representing a year-on-year decrease of RMB103 million or 2.10%, mainly due to the establishment and implementation of a long-term mechanism for cost reduction and efficiency enhancement on the expense front, the introduction of comprehensive and precise expense control measures, the innovation of a procurement collaboration system to lower costs, and the continuous improvement in the efficiency of expense resource utilization. As a result, despite business expansion and an increase in headcount, the Company achieved a stable decline in operating expenses. The following table sets forth the components of the Company's operating expenses for the periods indicated.

Unit: RMB'000

Item	2025	2024
Staff costs	2,608,972	2,508,089
Property and equipment expenses	883,279	879,662
Tax and surcharges	173,699	167,428
Other general and administrative expenses	1,116,051	1,329,380
Operating expenses	4,782,001	4,884,559

5.10 Expected Credit Losses

In 2025, the Company's expected credit losses amounted to RMB3.533 billion, basically the same as the previous year. 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 RMB2.883 billion, representing a year-on-year increase of RMB502 million or 21.11%, mainly due to the Company's enhanced industry risk identification amid loan scale expansion, prudent assessment of credit risks, and appropriate additions to impairment provisions. The impairment losses of financial investments amounted to RMB108 million, representing a year-on-year decrease of RMB1.028 billion, which was mainly due to the Company's strengthened post-investment management, which led to the decline in credit risk levels within the financial investment. The impairment loss of credit commitment amounted to RMB451 million, representing a year-on-year increase of RMB606 million, mainly due to the Company's prudent risk assessment and classification amid the growth in off-balance-sheet loan commitments, resulting in an appropriate increase in 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	2025	2024
Loans and advances to customers	2,882,692	2,380,293
Financial investments measured at amortised cost	(135,363)	1,015,720
Financial investments measured at fair value through other comprehensive income	242,998	119,605
Long-term receivables	61,535	57,376
Deposits with banks and other financial institutions	10,109	475
Placements with banks and other financial institutions	13,192	(9,604)
Financial assets held under resale agreements	24,770	(4,141)
Credit commitment	450,597	(155,351)
Others	(17,329)	129,318
Expected credit losses	3,533,201	3,533,691

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

6.1 Assets

As of the end of 2025, the Company's total assets amounted to RMB814.96 billion, representing an increase of RMB124.997 billion or 18.12% as compared with that at the end of last year. During the Reporting Period, the Company closely followed financial policy directions, focused on the "Five Major Aspects", and leveraged its own characteristics to allocate major categories of assets. It continuously expanded the scale of loans and financial investments, and while reducing excess reserves deposited with the central bank, it increased higher-yielding deposits and placements with banks. As a result, the Company's asset scale grew steadily, and its asset structure further optimized. The following table sets forth the components of the Company's total assets as of the dates indicated.

Unit: RMB'000

Item	31 December 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	387,692,967	47.57	332,554,291	48.20	16.58	(0.63)	292,992,926	48.19
Financial investments measured at fair value through profit or loss	74,688,589	9.16	63,986,527	9.27	16.73	(0.11)	58,269,523	9.58
Financial investments measured at fair value through other comprehensive income	97,786,595	12.00	94,075,023	13.63	3.95	(1.63)	114,985,134	18.91
Financial investments measured at amortised cost	137,024,491	16.81	97,593,546	14.14	40.40	2.67	52,756,509	8.68
Cash and deposits with the central bank	42,979,933	5.27	49,153,266	7.12	(12.56)	(1.85)	31,043,664	5.11
Deposits with banks and other financial institutions	9,953,265	1.22	3,495,177	0.51	184.77	0.71	2,210,368	0.36
Placements with banks and other financial institutions	18,254,853	2.24	14,844,347	2.15	22.98	0.09	14,021,225	2.31
Financial assets held under resale agreements	17,975,490	2.21	7,496,541	1.09	139.78	1.12	13,944,652	2.29
Derivative financial assets	507,591	0.06	55,310	0.01	817.72	0.05	149,377	0.02
Long-term receivables	17,461,304	2.14	15,516,540	2.25	12.53	(0.11)	16,741,773	2.75
Property and equipment	3,331,500	0.41	3,437,254	0.50	(3.08)	(0.09)	3,540,989	0.58
Right-of-use assets	743,558	0.09	764,450	0.11	(2.73)	(0.02)	838,139	0.14
Deferred tax assets	4,372,950	0.54	3,553,816	0.52	23.05	0.02	3,793,887	0.63
Other assets	2,186,998	0.28	3,436,945	0.50	(36.37)	(0.22)	2,697,206	0.45
Total assets	814,960,084	100.00	689,963,033	100.00	18.12	-	607,985,372	100.00

6.1.1 Loans and Advances to Customers

As at the end of 2025, the Company's loans and advances to customers amounted to RMB387.693 billion, representing an increase of RMB55.139 billion or 16.58% as compared with that at the end of last year. Total loans to customers (excluding accrued interest and allowances for impairment losses, the same below) amounted to RMB397.008 billion, representing an increase of RMB56.319 billion or 16.53% as compared with that at the end of last year. During the Reporting Period, in response to conditions in the credit market, the Company optimized its credit structure, focused on the "eight major tracks", deployed resources in key areas, and effectively carried out credit allocation. As a result, the loan scale grew steadily. 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	31 December 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	296,655,906	74.72	242,178,866	71.08	22.49	3.64	201,564,473	67.17
Personal loans	74,000,736	18.64	78,336,127	22.99	(5.53)	(4.35)	79,083,765	26.35
Discounted bills	26,351,650	6.64	20,174,732	5.93	30.62	0.71	19,441,303	6.48
Total loans to customers	397,008,292	100.00	340,689,725	100.00	16.53	-	300,089,541	100.00
Add: Accrued interest	1,107,454	/	873,146	/	26.83	/	758,512	/
Less: Provision for impairment on loans and advances to customers measured at amortised cost	(10,422,779)	/	(9,008,580)	/	15.70	/	(7,855,127)	/
Loans and advances to customers	387,692,967	/	332,554,291	/	16.58	/	292,992,926	/

Corporate loans

As of the end of 2025, corporate loans amounted to RMB296.656 billion, representing an increase of RMB54.477 billion or 22.49% as compared with that at the end of last year, and accounting for 74.72% of the total loans to customers, representing an increase of 3.64 percentage points as compared with that at the end of last year. During the Reporting Period, the Company comprehensively upgraded its strategic customer base business model, leveraged the advantages of distinctive and differentiated products, and increased credit in green, blue ocean, technology, high-quality manufacturing, and inclusive areas, and achieved rapid growth in the corporate loans.

Personal loans

As of the end of 2025, personal loans amounted to RMB74.001 billion, representing a decrease of RMB4.335 billion or 5.53% as compared with that at the end of last year, and accounting for 18.64% of the total loans to customers, representing a decrease of 4.35 percentage points as compared with that at the end of last year. During the Reporting Period, the Company increased its investment in inclusive loans and high-quality housing mortgage projects, proactively strengthened risk management and control, and adjusted its consumer loan operating strategy. The overall scale of personal loans has declined.

Discounted bills

As of the end of 2025, the discounted bills amounted to RMB26.352 billion, representing an increase of RMB6.177 billion or 30.62% as compared with that at the end of last year, and accounting for 6.64% of the total loans to customers, representing an increase of 0.71 percentage point as compared with that at the end of last year. During the Reporting Period, the Company actively responded to policy guidance and enhanced support from its bill business for supply chains across various industries, which led to significant growth in the scale of bills.

6.1.2 Financial Investments

As of the end of 2025, the Company's carrying value of financial investments amounted to RMB309.5 billion, representing an increase of RMB53.845 billion or 21.06% 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	31 December 2025		31 December 2024	
	Amount	% of total	Amount	% of total
Financial investments measured at fair value through profit or loss	74,688,589	24.13	63,986,527	25.03
Financial investments measured at fair value through other comprehensive income	97,786,595	31.60	94,075,023	36.80
Financial investments measured at amortised cost	137,024,491	44.27	97,593,546	38.17
Total financial investments	309,499,675	100.00	255,655,096	100.00

Financial investments measured at fair value through profit or loss

As of the end of 2025, the Company's carrying value of financial investments measured at fair value through profit or loss amounted to RMB74.689 billion, representing an increase of RMB10.702 billion or 16.73% as compared with that at the end of last year. The increase was primarily attributable to the Company's efforts to deepen the transformation of its financial investment trading operations. It increased allocations to standardized assets with trading attributes and expanded its investments in short-term certificates of interbank deposit to moderately hedge against 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	31 December 2025	31 December 2024
Debt securities issued by government and the central bank	43,022	67,130
Debt securities issued by policy banks	251,589	–
Debt securities issued by banks and other financial institutions	23,188,582	10,425,606
Debt securities issued by corporate entities	1,543,456	1,186,074
Fund investments	49,125,042	51,184,364
Asset management plans	286,067	777,284
Trust fund plans	–	346,069
Investments in wealth management products	250,831	–
Financial investments measured at fair value through profit or loss	74,688,589	63,986,527

Financial investments measured at fair value through other comprehensive income

As of the end of 2025, the Company's carrying value of financial investments measured at fair value through other comprehensive income amounted to RMB97.787 billion, representing an increase of RMB3.712 billion or 3.95% as compared with that at the end of last year, mainly due to the fact that the Company moderately adjusted its investment structure in order to hedge against interest rate fluctuation risk and strengthen its core capital stability. Such investments overall remained stable with a slight increase. 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	31 December 2025	31 December 2024
Debt securities issued by government and the central bank	17,578,543	19,374,542
Debt securities issued by policy banks	8,382,152	11,305,709
Debt securities issued by banks and other financial institutions	32,020,581	23,378,215
Debt securities issued by corporate entities	38,181,781	38,355,888
Other equity investments	139,176	134,968
Add: Accrued interest	1,484,362	1,525,701
Financial investments measured at fair value through other comprehensive income	97,786,595	94,075,023

Financial investments measured at amortised cost

As of the end of 2025, the Company's carrying value of financial investments measured at amortised cost amounted to RMB137.024 billion, representing an increase of RMB39.431 billion or 40.40% as compared with that at the end of last year, mainly because the Company focused on market risk management and control, enhanced the overall return stability of financial investments, and strengthened the allocation of high-quality held-to-maturity credit assets. 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	31 December 2025	31 December 2024
Debt securities issued by government and the central bank	38,400,893	36,279,714
Debt securities issued by policy banks	20,039,890	19,250,418
Debt securities issued by banks and other financial institutions	43,891,030	24,304,134
Debt securities issued by corporate entities	35,568,376	15,640,701
Asset management plans	696,080	1,002,080
Trust fund plans	1,546,797	1,595,903
Other investments	721,500	3,776,416
Total financial investments measured at amortised cost	140,864,566	101,849,366
Add: Accrued interest	1,472,137	1,240,861
Less: Allowances for impairment losses	(5,312,212)	(5,496,681)
Financial investments measured at amortised cost	137,024,491	97,593,546

6.2 Liabilities

As of the end of 2025, the Company's total liabilities amounted to RMB764.706 billion, representing an increase of RMB119.642 billion or 18.55% as compared with that at the end of last year. During the Reporting Period, the Company further strengthened its liability quality management. Leveraging diversified liability sources, it continued to optimize its liability structure. While deposits from customers grew steadily, debt securities payable, borrowings from the central bank, and interbank deposit businesses also increased. The following table sets forth the components of the Company's total liabilities as of the dates indicated.

Unit: RMB'000

Item	31 December 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	512,121,455	66.97	443,425,535	68.74	15.49	(1.77)	395,467,359	69.62
Deposits from banks and other financial institutions	29,028,245	3.80	12,355,339	1.92	134.94	1.88	2,242,331	0.39
Placements from banks and other financial institutions	22,638,702	2.96	20,836,633	3.23	8.65	(0.27)	21,090,364	3.71
Financial liabilities measured at fair value through profit or loss	1,849,403	0.24	699,788	0.11	164.28	0.13	-	-
Financial assets sold under repurchase agreements	23,090,548	3.02	35,504,160	5.50	(34.96)	(2.48)	36,880,567	6.49
Derivative financial liabilities	10,460	-	162,430	0.03	(93.56)	(0.03)	71,107	0.01
Borrowings from the central bank	48,579,376	6.35	28,240,081	4.38	72.02	1.97	18,235,088	3.21
Income tax payable	770,248	0.10	306,535	0.05	151.28	0.05	477,981	0.08
Debt securities issued	121,902,730	15.94	98,752,059	15.31	23.44	0.63	89,269,785	15.72
Lease liabilities	511,017	0.07	514,281	0.08	(0.63)	(0.01)	555,035	0.10
Other liabilities	4,203,444	0.55	4,266,363	0.65	(1.47)	(0.10)	3,756,512	0.67
Total liabilities	764,705,628	100.00	645,063,204	100.00	18.55	-	568,046,129	100.00

6.2.1 Deposits from Customers

As of the end of 2025, the Company's deposits from customers amounted to RMB512.121 billion, representing an increase of RMB68.696 billion or 15.49% as compared with that at the end of last year, accounting for 66.97% of total liabilities; total deposits from customers (excluding accrued interest, the same below) amounted to RMB502.899 billion, representing an increase of RMB70.875 billion or 16.41% as compared with that at the end of last year. During the Reporting Period, in response to conditions in the deposit market, the Company strengthened its scientific pricing management and adopted differentiated pricing strategies to promote deposit growth. In terms of corporate deposits, it placed equal emphasis on deepening existing accounts and exploring new ones, driving deposit growth in a phased, focused, and progressive manner. The balance of corporate deposits was RMB250.518 billion, representing an increase of RMB38.364 billion or 18.08% as compared with that at the end of last year. In terms of personal deposits, the Company implemented refined management of maturities and sales, and offered differentiated products. The balance of personal deposits was RMB252.231 billion, representing an increase of RMB32.433 billion or 14.76% 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	31 December 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 deposits	250,517,687	49.81	212,153,468	49.11	18.08	0.70	197,228,438	51.09
Demand deposits	94,623,911	18.82	83,069,565	19.23	13.91	(0.41)	89,927,435	23.30
Time deposits	155,893,776	30.99	129,083,903	29.88	20.77	1.11	107,301,003	27.79
Personal deposits	252,230,554	50.16	219,797,572	50.88	14.76	(0.72)	188,443,994	48.81
Demand deposits	31,590,628	6.28	33,121,069	7.67	(4.62)	(1.39)	29,854,416	7.73
Time deposits	220,639,926	43.88	186,676,503	43.21	18.19	0.67	158,589,578	41.08
Other deposits	150,903	0.03	72,966	0.01	106.81	0.02	389,827	0.10
Total customer deposits	502,899,144	100.00	432,024,006	100.00	16.41	-	386,062,259	100.00
Add: Accrued interests	9,222,311	/	11,401,529	/	(19.11)	/	9,405,100	/
Deposits from customers	512,121,455	/	443,425,535	/	15.49	/	395,467,359	/

As of the end of 2025, corporate deposits accounted for 49.81% of the total customer deposits, representing an increase of 0.70 percentage point as compared with that at the end of last year; personal deposits accounted for 50.16% of total customer deposits, representing a decrease of 0.72 percentage point as compared with that at the end of last year.

6.2.2 Deposits from Banks and Other Financial Institutions

As of the end of 2025, the Company's deposits from banks and other financial institutions amounted to RMB29.028 billion, representing an increase of RMB16.673 billion or 134.94% as compared with that at the end of last year, mainly attributable to the Company's efforts in developing its interbank customer base to expand funding sources, which led to a notable increase in interbank demand deposits.

6.2.3 Financial Assets Sold under Repurchase Agreements

As of the end of 2025, the Company's financial assets sold under repurchase agreements amounted to RMB23.091 billion, representing a decrease of RMB12.414 billion or 34.96% as compared with that at the end of last year, mainly attributable to the Company's prudent assessment of short-term funding needs and its ongoing efforts to strengthen refined management of interbank liabilities. As a result, while maintaining an increase in interbank placements, it reduced the scale of financial assets sold under repurchase agreements.

6.2.4 Borrowings from the Central Bank

As of the end of 2025, the Company's borrowings from the central bank amounted to RMB48.579 billion, representing an increase of RMB20.339 billion or 72.02% as compared with that at the end of last year, mainly due to the Company's efforts to actively expand low-cost financing channels by utilizing monetary policy instruments such as the medium-term lending facilities and relending to support the development of micro and small enterprises, thereby diversifying its sources of liabilities.

6.2.5 Debt Securities Issued

As of the end of 2025, the Company's debt securities issued amounted to RMB121.903 billion, representing an increase of RMB23.151 billion or 23.44% as compared with that at the end of last year, mainly because the Company issued low-cost certificates of interbank deposit in a timely manner based on its own fund allocation needs and market interest rate trends, and opportunistically issued financial bonds, which consequently led to an increase in the scale of debt securities payable. For details of the debt securities, please refer to "35 Debt Securities Issued under Notes to the Financial Statements" of this results announcement.

6.3 Equity Attributable to Shareholders

As of the end of 2025, the shareholders' equity of the Company amounted to RMB50.254 billion, representing an increase of RMB5.355 billion or 11.93% as compared with that at the end of last year; equity attributable to equity shareholders of the Bank amounted to RMB49.167 billion, representing an increase of RMB5.235 billion or 11.92% as compared with that at the end of last year, mainly due to the increase in the Company's retained earnings and reserves, and the issuance of perpetual bonds of RMB2 billion in October 2025, with the corresponding increase in other equity instruments. During the Reporting Period, the Company distributed RMB931 million of dividends to ordinary shareholders and paid interest of perpetual bonds amounting to RMB233 million. The following table sets forth the components of the Company's shareholders' equity as of the dates indicated.

Unit: RMB'000

Item	31 December 2025	31 December 2024
Share capital	5,820,355	5,820,355
Other equity instruments		
Of which: Perpetual bonds	8,395,783	6,395,783
Capital reserve	10,686,506	10,687,091
Other comprehensive income	1,928,188	2,716,533
Surplus reserve	3,603,377	3,106,154
General reserve	10,256,969	8,511,286
Retained earnings	8,475,970	6,695,179
Total equity attributable to equity shareholders of the Bank	49,167,148	43,932,381
Non-controlling interests	1,087,308	967,448
Total equity	50,254,456	44,899,829

7. ANALYSIS OF THE CASH FLOW STATEMENT

In 2025, the Company's net cash flows generated from operating activities amounted to RMB8.8 billion, representing a year-on-year decrease of RMB14.152 billion, mainly due to the decrease in net cash flows generated from interbank transactions of RMB17.272 billion. Among them, net cash flows generated from operating assets decreased by RMB44.179 billion and net cash flows generated from operating liabilities increased by RMB29.2 billion.

The net cash flows generated from investing activities amounted to RMB-34.551 billion, representing a year-on-year decrease of RMB21.272 billion, mainly due to an increase in cash paid for investments of RMB33.516 billion, the impact of which was partially offset by an increase in cash received from disposal and redemption of investments of RMB11.197 billion.

The net cash flows generated from financing activities amounted to RMB21.561 billion, representing a year-on-year increase of RMB15.728 billion, mainly due to an increase in cash received from debt securities issued of RMB18.376 billion.

8. 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	2025		2024	
	Segment operating income	Ratio (%)	Segment operating income	Ratio (%)
Corporate banking	7,334,595	50.38	6,187,109	46.12
Retail banking	3,559,094	24.44	3,631,485	27.07
Financial market business	2,971,038	20.40	2,921,238	21.78
Unallocated items and others	695,947	4.78	674,859	5.03
Total	14,560,674	100.00	13,414,691	100.00

Unit: RMB'000

Item	2025		2024	
	Segment profit before taxation	Ratio (%)	Segment profit before taxation	Ratio (%)
Corporate banking	2,970,603	47.58	2,787,770	55.81
Retail banking	629,016	10.07	674,697	13.51
Financial market business	2,087,239	33.43	1,055,821	21.14
Unallocated items and others	556,977	8.92	476,841	9.54
Total	6,243,835	100.00	4,995,129	100.00

9. ANALYSIS OF ASSETS AND LIABILITIES

9.1 Significant Changes in Major Assets

9.1.1 Significant Changes in Major Assets

During the Reporting Period, there was no significant change in the Company's major assets. For details of changes in assets, please refer to "6. Analysis of Major Items of the Statement of Financial Position" under "SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS" of this results announcement.

9.1.2 Major Overseas Assets

Not applicable.

9.2 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	31 December 2025
Derivative financial assets	55,310	452,281	N/A	N/A	507,591
Loans and advances to customers measured at fair value through other comprehensive income	24,627,582	N/A	(519)	466,448	33,918,775
Financial investments measured at fair value through profit or loss	63,986,527	(192,740)	N/A	N/A	74,688,589
Financial investments measured at fair value through other comprehensive income	94,075,023	N/A	1,310,791	242,998	97,786,595
Sub-total of assets	182,744,442	259,541	1,310,272	709,446	206,901,550
Financial liabilities measured at fair value through profit or loss	(699,788)	2,824	N/A	N/A	(1,849,403)
Derivative financial liabilities	(162,430)	151,970	N/A	N/A	(10,460)
Sub-total of liabilities	(862,218)	154,794	N/A	N/A	(1,859,863)

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

Please refer to "48(6) Pledged Assets under Notes to the Financial Statements" of this results announcement.

10. 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 amount of loans of the Company (excluding accrued interest and allowances for impairment) was RMB397.008 billion; the total non-performing loans amounted to RMB3.841 billion; and the non-performing loan ratio was 0.97%. For the purpose of discussion and analysis, unless otherwise specified, the amount of loans presented in the analysis below excludes accrued interest.

10.1 Distribution of Loans by Five Categories

Unit: RMB'000

Item	31 December 2025		31 December 2024	
	Amount	% of total	Amount	% of total
Normal loans	390,947,258	98.47	334,906,496	98.30
Special mention loans	2,219,763	0.56	1,909,890	0.56
Substandard loans	1,117,821	0.28	1,133,250	0.33
Doubtful loans	482,305	0.12	704,274	0.21
Loss loans	2,241,145	0.57	2,035,815	0.60
Total loans to customers	397,008,292	100.00	340,689,725	100.00
Total non-performing loans	3,841,271	0.97	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 0.17 percentage point as compared with that at the end of last year to 0.97%, where substandard loans decreased by 0.05 percentage point to 0.28%, doubtful loans decreased by 0.09 percentage point to 0.12% and loss loans decreased by 0.03 percentage point to 0.57% as compared with that at the end of last year, respectively.

10.2 Distribution of Loans by Product Type

Unit: RMB'000

Item	31 December 2025		31 December 2024	
	Amount of loans	% of total	Amount of loans	% of total
Corporate loans	323,007,556	81.36	262,353,598	77.01
Working capital loans	206,776,896	52.08	164,868,972	48.39
Fixed asset loans	80,209,041	20.20	71,631,431	21.03
Import and export bills transactions	2,102,844	0.53	1,225,613	0.36
Discounted bills	26,351,650	6.64	20,174,732	5.92
Forfeiting	7,567,125	1.91	4,452,850	1.31
Retail loans	74,000,736	18.64	78,336,127	22.99
Personal residential mortgages	45,490,360	11.46	47,195,920	13.85
Personal consumption loans	16,234,367	4.09	20,121,229	5.91
Personal business loans	12,276,009	3.09	11,018,978	3.23
Total loans to customers	397,008,292	100.00	340,689,725	100.00

10.3 Distribution of Loans by Industry

Unit: RMB'000

Item	31 December 2025				31 December 2024			
	Amount of loans	% of total	Amount of non-performing loans	Non-performing loan ratios %	Amount of loans	% of total	Amount of non-performing loans	Non-performing loan ratios %
Corporate loans	323,007,556	81.36	1,933,646	0.60	262,353,598	77.01	2,288,105	0.87
Wholesale and retail trade	68,912,474	17.36	990,343	1.44	49,560,902	14.55	626,067	1.26
Manufacturing	49,601,536	12.49	387,768	0.78	40,561,826	11.91	909,351	2.24
Leasing and business activities	47,195,220	11.89	3,088	0.01	37,323,602	10.96	88	-
Construction	42,568,524	10.72	80,585	0.19	38,247,453	11.23	188,782	0.49
Water, environment and public utility management	29,165,760	7.35	8,000	0.03	23,579,334	6.92	372	-
Real estate	23,685,466	5.97	381,611	1.61	23,063,785	6.77	476,769	2.07
Production and supply of electric and heating power, gas and water	16,181,409	4.08	-	-	10,306,735	3.03	-	-
Transportation, storage and postal services	12,926,150	3.26	5,598	0.04	10,541,830	3.09	4,515	0.04
Financial services	9,956,444	2.51	-	-	9,491,088	2.79	-	-
Scientific research and technological services	6,344,307	1.60	6,282	0.10	5,026,353	1.48	-	-
Others	16,470,266	4.13	70,371	0.43	14,650,690	4.28	82,161	0.56
Retail loans	74,000,736	18.64	1,907,625	2.58	78,336,127	22.99	1,585,234	2.02
Total loans to customers	397,008,292	100.00	3,841,271	0.97	340,689,725	100.00	3,873,339	1.14

10.4 Distribution of Loans by Region

Unit: RMB'000

Region	31 December 2025				31 December 2024			
	Amount of loans	% of total	Amount of non-performing loans	Non-performing loan ratios %	Amount of loans	% of total	Amount of non-performing loans	Non-performing loan ratios %
Shandong Province	397,008,292	100.00	3,841,271	0.97	340,689,725	100.00	3,873,339	1.14
Of which: Qingdao City	192,443,427	48.47	2,944,334	1.53	174,674,095	51.27	2,577,197	1.48

10.5 Distribution of Loans by Type of Collateral

Unit: RMB'000

Item	31 December 2025		31 December 2024	
	Amount of loans	% of total	Amount of loans	% of total
Unsecured loans	98,077,862	24.70	75,061,395	22.03
Guaranteed loans	89,380,827	22.52	78,011,013	22.90
Mortgage loans	127,734,432	32.17	122,295,448	35.90
Pledge loans	81,815,171	20.61	65,321,869	19.17
Total loans to customers	397,008,292	100.00	340,689,725	100.00

10.6 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	Leasing and business services	3,600,000	0.91
B	Construction	2,596,000	0.65
C	Construction	2,586,319	0.65
D	Leasing and business services	2,549,400	0.64
E	Leasing and business services	2,516,037	0.63
F	Manufacturing	2,343,229	0.59
G	Manufacturing	2,306,002	0.58
H	Manufacturing	2,278,000	0.57
I	Manufacturing	2,152,293	0.54
J	Leasing and business services	2,000,330	0.50
Total		24,927,610	6.28

10.7 Distribution of Loans by Overdue Period

Unit: RMB'000

Overdue period	31 December 2025		31 December 2024	
	Amount of loans	% of total	Amount of loans	% of total
Not yet overdue	392,258,528	98.80	335,866,802	98.58
Overdue for 3 months (inclusive) or less	1,192,051	0.30	1,372,306	0.41
Overdue for over 3 months to 1 year (inclusive)	1,719,695	0.44	1,341,590	0.39
Overdue for over 1 year to 3 years (inclusive)	1,474,955	0.37	1,956,371	0.58
Overdue for over 3 years	363,063	0.09	152,656	0.04
Total loans to customers	397,008,292	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.

10.8 Repossessed Assets and Allowances for Impairment

As at the end of the Reporting Period, the Company had total repossessed assets of RMB26.0998 million, allowances for impairment of RMB5.9979 million, and the net repossessed assets was RMB20.1019 million.

10.9 Changes in Allowances for Impairment of Loans

The Company has performed loan impairment accounting and confirmed loss allowances 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 allowances based on expected credit losses for the future 12 months; in other situations, the Company measures their loss allowances based on lifetime expected credit losses.

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 allowances 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 allowances for impairment of loans are detailed in the following table:

Unit: RMB'000

Item	2025	2024
Balance at the beginning of the period/year	9,347,203	7,997,497
Allowances for the period/year	2,882,692	2,380,293
Write-offs for the period/year	(1,482,091)	(1,228,963)
Transfer out for the period/year	-	-
Recovery of write-offs for the period/year	437,070	233,075
Other changes	42,976	(34,699)
Balance at the end of the period/year	11,227,850	9,347,203

The Company maintained a stable and prudent provision policy. As at the end of the Reporting Period, the Company's allowances for impairment of loans (including discounted bills) amounted to RMB11.228 billion, representing an increase of RMB1.881 billion or 20.12% as compared with that at the end of last year. The provision coverage ratio reached 292.30%, representing an increase of 50.98 percentage points as compared with that at the end of last year; the provision rate of loans stood at 2.83%, representing an increase of 0.09 percentage point as compared with that at the end of last year, both provision indicators satisfying regulatory requirements.

10.10 Countermeasures Taken against Non-performing Assets

During the Reporting Period, the Company continued to intensify efforts in the disposal and resolution of non-performing assets, adopting multiple measures to enhance the quality and efficiency of recovery and disposal, thereby effectively safeguarding the stability of the asset quality and the security of its operational development. Firstly, focusing on key assets, the Company launched specialized initiatives to address existing risks. Targeted actions were implemented for long-standing large corporate non-performing assets, written-off assets, and risk assets in key sectors, establishing a "one policy for one account" disposal mechanism. Internal and external collaboration was strengthened through in-depth engagement with professional institutions such as law firms, judicial authorities, and licensed asset management companies, consolidating multi-party efforts to enhance recovery efficiency. By achieving breakthroughs in individual cases, the Company improved the overall recovery effectiveness, increased the recovery rate of existing non-performing assets, and minimized asset losses to the greatest extent possible. Secondly, the Company diversified its disposal methods by building a multi-faceted and market-oriented disposal system. Anchored on the core objective

of improving quality and efficiency, the Company deepened the collaborative mechanism for non-performing asset disposal. It comprehensively utilized traditional methods, including self-recovery, judicial disposal, asset write-offs, and debt transfer, in accordance with laws and regulations. Simultaneously, the Company actively explored market-oriented disposal channels such as non-performing asset securitization, broadening disposal channels and achieving dual improvements in disposal efficiency and asset recovery value.

10.11 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, with a complete family tree and a unified credit granting mechanism of the group constructed, so as to strengthen the consolidation of group risk data and optimize the risk monitoring system, post-credit granting management system and group approval model 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 subsidiaries, 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.

10.12 Rescheduled Loans

Unit: RMB'000

Item	31 December 2025		31 December 2024	
	Amount of loans	% of total	Amount of loans	% of total
Rescheduled loans	175,407	0.04	137,928	0.04
Total loans and advances to customers	397,008,292	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 0.04%, which remained stable as compared with that at the end of last year.

11. LIABILITY QUALITY ANALYSIS

The Company places emphasis on the liability quality management. Based on the “Measures for Liability Quality Management of Commercial Banks” (《商業銀行負債質量管理辦法》), the “Measures for Liability Quality Management of Bank of Qingdao” has been formulated, and the Company has established a liability quality management system that is compatible with the scale and complexity of the liability, and defined the responsibilities of liability quality management of the Board, senior management and relevant departments. Liability quality management strategies and procedures were aligned with the business strategy, risk appetite and overall business characteristics.

The Company continued to improve its level of liability quality management to promote the steady development of liability operations. Firstly, the Company intensified efforts to expand deposits from customers, promoted the steady growth of the deposit size to consolidate the liability base. Secondly, the Company proactively expanded liability sources, optimized the liability structures, and reduced liability costs. Thirdly, the Company adhered to the principles of initiative and foresight, and reasonably arranged the scale and maturity of liabilities in conjunction with regulatory policies, market environment, and business strategy.

The liability quality of the Company remained sound with all indicators within a reasonable range. As at the end of 2025, the Company’s net stable funding ratio was 119.89% and the liquidity coverage ratio was 213.25%, both of which complied with the regulatory requirements. In 2025, the Company’s cost rate of interest-bearing liabilities was 1.81%, representing a year-on-year decrease of 0.37 percentage point; and the average cost ratio of deposits from customers was 1.75%, representing a year-on-year decrease of 0.33 percentage point.

12. ANALYSIS OF CAPITAL ADEQUACY RATIO AND LEVERAGE RATIO

The Company's capital management aimed to meet regulatory requirements, continuously improve capital risk resistance 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 resources management strategy.

In terms of internal capital management, the Company continuously refined our capital management system, and improved capabilities for refined capital management. The Company strengthened the economic capital allocation management function, balanced asset scale expansion with capital saving, and enhanced the awareness of operating institutions saving capital. By integrating considerations of capital consumption and returns into 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.

12.1 Capital Adequacy Ratio

The capital adequacy ratio indicators of the Company and the Bank are calculated in accordance with the "Regulation Governing Capital of Commercial Banks" and other relevant regulatory provisions. The credit risk-weighted assets are measured by the weighted approach. 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 ratio indicators at all levels complied with the regulatory requirements.

As at the end of the Reporting Period, the Company's capital adequacy ratio was 13.37%, representing a decrease of 0.43 percentage point as compared with that at the end of last year; and the core tier-one capital adequacy ratio stood at 8.67%, representing a decrease of 0.44 percentage point as compared with that at the end of last year. In 2025, the Company stuck to the development orientation of light-capital transformation, continuously strengthened capability of refined management for capital with further increase in retained profits. During the year, the Company successfully issued perpetual bonds amounting to RMB2 billion, leveraging synergies between internal and external sources to strengthen net capital through multiple measures. By virtue of continuously 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 relatively stable under the premise of positive and prudent development of various businesses.

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	31 December 2025	31 December 2024
Total core tier-one capital	41,272,602	38,016,853
Of which: Share capital	5,820,355	5,820,355
Qualifying portion of capital reserve	10,686,506	10,687,091
Accumulated other comprehensive income	1,928,188	2,716,533
Surplus reserve	3,603,377	3,106,154
General reserve	10,256,969	8,511,286
Retained earnings	8,475,970	6,695,179
Qualifying portion of non-controlling interests	501,237	480,255
Core tier-one capital deductions	(692,062)	(379,124)
Net core tier-one capital	40,580,540	37,637,729
Other tier-one capital	8,462,615	6,459,817
Net tier-one capital	49,043,155	44,097,546
Tier-two capital	13,548,263	12,932,928
Net capital base	62,591,418	57,030,474
Total risk-weighted assets	468,015,731	413,212,378
Of which: Credit risk-weighted assets	438,582,614	389,193,667
Market risk-weighted assets	6,154,125	2,759,459
Operational risk-weighted assets	23,278,992	21,259,252
Core tier-one capital adequacy ratio (%)	8.67	9.11
Tier-one capital adequacy ratio (%)	10.48	10.67
Capital adequacy ratio (%)	13.37	13.80

As at the end of the Reporting Period, the capital adequacy ratio at the parent company level of the Bank was 12.87%, down by 0.49 percentage point from the end of last year; the core tier-one capital adequacy ratio was 8.06%, representing a decrease of 0.49 percentage point as compared with that at the end of last year.

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

Unit: RMB'000

The Bank	31 December 2025	31 December 2024
Total core tier-one capital	39,062,096	36,043,250
Of which: Share capital	5,820,355	5,820,355
Qualifying portion of capital reserve	10,687,049	10,687,634
Accumulated other comprehensive income	1,928,188	2,716,533
Surplus reserve	3,603,377	3,106,154
General reserve	9,598,150	7,971,637
Retained earnings	7,424,977	5,740,937
Core tier-one capital deductions	(2,886,436)	(2,258,848)
Net core tier-one capital	36,175,660	33,784,402
Other tier-one capital	8,395,783	6,395,783
Net tier-one capital	44,571,443	40,180,185
Tier-two capital	13,210,127	12,613,593
Net capital base	57,781,570	52,793,778
Total risk-weighted assets	448,862,373	395,285,095
Of which: Credit risk-weighted assets	422,020,312	373,701,055
Market risk-weighted assets	6,154,125	2,759,459
Operational risk-weighted assets	20,687,936	18,824,581
Core tier-one capital adequacy ratio (%)	8.06	8.55
Tier-one capital adequacy ratio (%)	9.93	10.16
Capital adequacy ratio (%)	12.87	13.36

12.2 Leverage Ratio

According to the provisions of “Regulation Governing Capital of Commercial Banks”, the leverage ratio of commercial banks shall not be less than 4%. As of 31 December 2025, the leverage ratio calculated pursuant to the “Regulation Governing Capital of Commercial Banks” by the Company was 5.49%, higher than that stipulated in regulatory requirement, down by 0.30 percentage point from the end of last year, which was mainly due to the increase in both on- and off-balance sheet 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	31 December 2025	30 September 2025	30 June 2025	31 March 2025
Leverage ratio (%)	5.49	5.44	5.68	5.74
Net tier-one capital	49,043,155	45,928,123	46,277,922	44,964,248
The balance of assets on- and off-balance sheet after adjustments	892,865,491	843,596,030	815,021,161	782,707,297

According to the “Regulation Governing Capital of Commercial Banks” (《商業銀行資本管理辦法》), 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/>).

13. INVESTMENT ANALYSIS

13.1 Overview

Unit: RMB'000

Investees	31 December 2025	31 December 2024	Percentage of equity in investees (%)	Cash dividend for the current year
China Unionpay Co., Ltd.	128,926	124,718	0.34	6,460
Shandong City Commercial Banks Alliance Co., Ltd.	10,000	10,000	1.14	–
Service Centre for City Commercial Banks	250	250	0.81	–
Total	139,176	134,968	N/A	6,460

Notes: 1. The said 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 of the end of 2025, for details of other information concerning the Company’s investments, please refer to “6.1.2 Financial Investments” and “16 Analysis of Main Shares Holding Companies and Joint Stock Companies” under “SECTION 3 MANAGEMENT DISCUSSION AND ANALYSIS” of the results announcement.

13.2 Significant Equity Investments Acquired during the Reporting Period

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

13.3 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.

13.4 Financial Asset Investment

1. 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	% of total investment
Debt securities issued by government and the central bank	56,021,981	21.63
Debt securities issued by policy banks	28,671,789	11.07
Debt securities issued by banks and other financial institutions	99,052,352	38.24
Debt securities issued by corporate entities	75,284,006	29.06
Total	259,030,128	100.00

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

Unit: RMB'000

Name of security	Nominal value	Interest rates (%)	Maturity date	Impairment allowances
2025 bonds issued by policy banks	5,600,000	1.47	2028-02	2,943.84
2024 bonds issued by policy banks	5,510,000	2.64	2031-01	3,037.63
2020 treasury bonds with interest payable	5,170,000	3.39	2050-03	1,329.67
2023 bonds issued by policy banks	4,790,000	2.52	2028-05	2,540.83
2025 bonds issued by policy banks	4,620,000	1.57	2035-01	2,431.79
2023 bonds issued by policy banks	3,320,000	2.87	2028-02	1,783.24
2016 bonds issued by policy banks	2,740,000	3.18	2026-09	1,438.99
2025 bonds issued by policy banks	2,609,787	1.65	2035-06	1,359.43
2024 bonds issued by policy banks	2,520,000	2.26	2034-07	1,360.83
2020 local government bonds	2,250,000	3.55	2040-05	1,176.80

2. *Derivative Investments*

Unit: RMB'000

Item	31 December 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	75,391,563	507,591	(10,460)	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 of 31 December 2025, 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 accounting principles for derivatives had no significant changes compared with the previous reporting period.

14. MATERIAL DISPOSAL OF ASSETS AND EQUITY INTEREST

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

15. OTHER FINANCIAL INFORMATION

15.1 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 RMB107.708 billion. For details, please refer to "48 Commitments and Contingencies under Notes to the Financial Statements" of this results announcement.

15.2 Overdue and Outstanding Debts

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

15.3 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, and debt securities lending. For details, please refer to "48(6) Pledged Assets under Notes to the Financial Statements" of this results announcement.

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

Unit: RMB'000

Item	2025	2024	Change (%)	Main Reason
Net trading gains/ (losses)	158,691	10,687	1,384.90	Decrease in the cost of foreign exchange swap transactions and increase in net gains from financial investments held for trading
Other net operating income	14,814	166,333	(91.09)	Decrease in incentive funds from the inclusive small and micro enterprise loan support tool and decrease in net income from the precious metals sales business
Income tax expense	(887,234)	(590,408)	50.27	Increase in total profits
Other comprehensive income, net of tax	(788,345)	1,769,322	(144.56)	Decrease in change of fair value of financial assets measured at fair value through other comprehensive income

Item	31 December 2025	31 December 2024	Change (%)	Main Reason
Deposits with banks and other financial institutions	9,953,265	3,495,177	184.77	Increase in deposits with banks for settlement
Derivative financial assets	507,591	55,310	817.72	Increase in precious metals swap derivative financial assets
Financial assets held under resale agreements	17,975,490	7,496,541	139.78	Increase in scale of bonds purchased under resale agreements
Financial investments measured at amortized costs	137,024,491	97,593,546	40.40	Mainly because the Company focused on market risk management and control, enhanced the overall return stability of financial investments, and strengthened the allocation of held-to-maturity credit assets with high-quality
Other assets	2,186,998	3,436,945	(36.37)	Decrease in the subsidiary's prepayments for the acquisition of finance lease assets
Borrowings from the central bank	48,579,376	28,240,081	72.02	The Company actively expanded low-cost financing channels and utilized monetary policy tools such as medium-term lending facilities and relending to support the development of micro and small enterprises to diversify its sources of liabilities
Deposits from banks and other financial institutions	29,028,245	12,355,339	134.94	The Company's efforts in developing its interbank customer base to expand funding sources, which led to a notable increase in interbank demand deposits
Financial liabilities measured at fair value through profit or loss	1,849,403	699,788	164.28	Increase in scale of structured bills
Derivative financial liabilities	10,460	162,430	(93.56)	Decrease in financial liabilities from currency derivatives

Unit: RMB'000

Item	31 December 2025	31 December 2024	Change (%)	Main Reason
Financial assets sold under repurchase agreements	23,090,548	35,504,160	(34.96)	The Company continued to strengthen refined management of interbank liabilities based on its prudent assessment of short-term funding needs. While maintaining an increase in interbank placements, it reduced the scale of financial assets sold under repurchase agreements
Income tax payable	770,248	306,535	151.28	The parent company's income tax provision exceeded the amount paid
Other equity instruments	8,395,783	6,395,783	31.27	Issuance of perpetual bonds

15.5 Changes in Interest Receivables

As at the end of the Reporting Period, the Company's interest receivables reached RMB28 million, representing an increase of RMB2 million or 6.93% from the end of the previous year, mainly attributable to an increase in interest receivables arising from long-term receivables of the BQD Financial Leasing, a subsidiary of the Bank. 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 current period	Recovery during the current period	31 December 2025
Loans and advances to customers	25,067	1,460,842	(1,462,032)	23,877
Long-term receivables	1,471	39,407	(36,379)	4,499
Total	26,538	1,500,249	(1,498,411)	28,376

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.

15.6 Allowances for Bad Debts

As at the end of the Reporting Period, the Company's allowances for bad debts was RMB146 million, representing an increase of RMB13 million or 9.53% over the end of the previous year. Among them, the bad debt allowances for other receivables was RMB136 million, representing an increase of RMB12 million from the end of the previous year; the bad debt allowances for interest receivables was RMB10 million, which remained largely unchanged compared to the end of the previous year. 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	31 December 2025	31 December 2024	Change
Interest receivables	28,376	26,538	1,838
Less: Bad debt allowances for interest receivables	(9,736)	(9,373)	(363)
Book value of interest receivables	18,640	17,165	1,475
Other receivables	237,234	300,922	(63,688)
Less: Bad debt allowances for other receivables	(136,345)	(123,992)	(12,353)
Book value of other receivables	100,889	176,930	(76,041)

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

16.1 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	Financial 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; selling and disposal of leased items; fixed income investment business; providing consulting services related to financial leasing; and other business approved by the National Financial Regulatory Administration.	12.25	211.24	27.18	6.98	5.58	4.22
BQD Wealth Management	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 business approved by National Financial Regulatory Administration.	10.00	21.64	19.89	4.02	2.51	1.87

16.2 Acquisition and Disposal of Subsidiaries during the Reporting Period

Name of company	Methods for acquisition and disposal of subsidiaries during the Reporting Period	Impact on overall production operations and performance
Qingdao Laixi Yuantai Rural Bank Company Limited	Pursuant to the approval upon the change of equity in Qingdao Laixi Yuantai Rural Bank (Qing Jin Fu [2025] No. 265) from Qingdao Supervision Bureau of the State Financial Supervision and Regulation Administration (《國家金融監督管理總局青島監管局關於青島萊西元泰村鎮銀行股權變更的批覆》(青金覆[2025]265號)) issued by the Qingdao Supervision Bureau of the State Financial Supervision and Regulation Administration in November 2025, the Bank acquired 50 million shares of Qingdao Laixi Yuantai Rural Bank Company Limited by way of transfer in November 2025, increasing its shareholding ratio in the said bank to 100%.	No significant impact

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

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

16.3.1 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 the main theme of 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 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 financial leasing in manufacturing related business investment of BQD Financial Leasing reached 27.25%. As at the end of the Reporting Period, the balance of financial leasing in manufacturing-related business accounted for 26.83% of the total balance, being the largest business area. 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. 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 financial leasing business outside the province accounted for 33.11%, representing an increase of 7.93 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 tranche 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 liability maturity structure and continuously enhanced its capacity to serve the real economy.

BQD Financial Leasing was awarded the “Leading Enterprise of Serving the Real Economy” in the 2025 (the 8th) China’s Financial Leasing Soaring Award, for its outstanding contribution and professional ability in serving the real economy, reflecting BQD Financial Leasing positive actions to continuously empower industrial upgrading and help high-quality development of the real economy.

16.3.2 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. With “high-quality, stable and prudent management” as its core, BQD Wealth Management deeply focuses on high-quality development. Through deep concentration on the provincial market, it gradually radiates to the whole country, creates a distinctive product line, expands the allocation of large categories of assets, and it has continued to promote the construction of a comprehensive risk management system and creates a data-centered system architecture to build a professional and excellent wealth management company that is “capability-driven, agile in organization, and advances in quantity and quality”, striving to become a leading professional wealth management platform in China and trusted by customers.

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 innovated and 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-standard + Deposit” (非標+存款) for private equity. The performance of “Fixed Income +” products has been outstanding. The annualized rate of return of the “Fixed Income with Minor Options” series products has reached 4.08% since its establishment, and the annualized rate of return of the “Fixed Income Enhancement” series products has reached 4.22% since its establishment. The number of served customers increased continuously, with total number of BQD Wealth Management’s customers reaching 3.2955 million, representing an increase of 10.03% as compared with that at the end of the previous year. During the Reporting Period, BQD Wealth Management issued 516 wealth management products, raising a total of RMB538.012 billion, and the fee and commission income from wealth management products reached RMB726 million. As at the end of the Reporting Period, BQD Wealth Management had 768 wealth management products in existence with a balance of RMB205.613 billion. The consignment channels outside the Bank increased to 107. The balance of the investment assets was RMB206.869 billion, and asset types directly and indirectly invested mainly include fixed-income assets, non-standard debt assets and equity assets.

BQD Wealth Management won the “Golden Bull Growth Award for Wealth Management Companies” in the appraisal of the “Sixth Golden Bull Awards for Banking of Dacheng Cup” organized by China Securities Journal due to its outstanding performance, and the product of “BQD Wealth Management Open Net Worth RMB Personal Wealth Management Plan of Bright Life Struggle Series E (Open Odd Week)” won the “Golden Bull Award for Fixed Income Wealth Management Products”, which is the fifth consecutive year since its establishment that BQD Wealth Management has won the “Double Golden Bull” award for the company and product.

17. OVERVIEW OF BUSINESS DEVELOPMENT

The year 2025 was a crucial year for fully achieving the goals of the “14th Five Year Plan”, as well as the last and decisive year for the three-year strategic plan of Bank of Qingdao. The Bank resolutely implemented the decisions and arrangements of the Party Central Committee, the State Council, and provincial and municipal level, adhered to the theme of high-quality development, advanced the execution of its strategies in greater depth, and fully implemented various operational and management tasks.

17.1 Five Major Aspects

The Bank consistently embraced the mission of serving national strategies and regional economic development, thoroughly embodying the political and people-oriented nature of financial work. Guided by the “Five Major Aspects” as our action framework, the Bank was deeply rooted in local communities and dedicated to serving the real economy. The Bank continued to intensify its efforts in technology finance, green finance, inclusive finance, pension finance, and digital finance, while steadily advancing its comprehensive business layout, and built a distinctive financial service system.

Technology finance

The Bank built a comprehensive technology finance service model. Adhering to the principle of “platform specialization and system professionalism”, the Bank has focused on establishing a “Five Specialized Systems” for technology finance, and building a “financial and non-financial” comprehensive service platform, aiming to create a service model that offers “full lifecycle and comprehensive product” support. Firstly, the Bank established a specialized operating system for technology finance, implementing differentiated assessment to enhance professional service capabilities. Secondly, the Bank strengthened the supply of tailored products, continuously upgrading and optimizing dedicated credit offerings for technology enterprises such as “Financial Credit for Technological Innovation” (科融信贷), “Quick Loan for Technological Innovation” (科创快贷), “Easy Loan for Technology Innovation”

(科創易貸), and “Pilot Easy Loan” (領航易貸). Thirdly, the Bank increased policy support for technology finance by introducing differentiated subsidies. Fourthly, the Bank deepened and implemented specialized approval processes, preparing key points for differentiated evaluation of technology enterprises. Fifthly, the Bank expanded collaboration channels, establishing cooperative mechanisms with government agencies, guarantee institutions, investment entities, and other institutions. As at the end of the Reporting Period, the balance of technology finance loans of the Bank amounted to RMB31.458 billion, representing an increase of RMB5.620 billion or 21.75% as compared with that at the end of last year. The Bank had 2,363 customers in technology finance customer segment, representing an increase of 416 customers or 21.37% as compared with that at the end of last year.

Green finance

The Bank continued to deepen the green finance service system. The Bank has further developed its special brand of “BQD Green Finance”, leveraging carbon-neutrality policy tools, establishing a robust green financial system, and enhancing the specialization and refinement of green financial management, fully supporting green and low-carbon development. Firstly, the Bank has strengthened the application of policy tools and mechanism development by actively utilizing carbon emission reduction support instruments and related policies. The Bank has steadily promoted carbon account pilot programs, with the declared amount under carbon-neutrality tools significantly exceeding the same period last year. Secondly, by refining the green finance system and issuing management approach based on the new industry catalog, the Bank has improved identification and management efficiency. Through initiatives such as the “Spring Rain” and “Win-Win Co-Creation” campaigns, the Bank has built platforms to precisely connect with the market, driving the expansion and scaling of green finance. As at the end of the Reporting Period, the balance of the Bank’s green loans amounted to RMB58.813 billion, representing an increase of RMB21.464 billion or 57.47% as compared with that at the end of last year, which was higher than the loan average growth rate of the whole Bank. It had 1,321 customers in green finance customer segment, representing an increase of 471 customers or 55.41% as compared with that at the end of last year. It continued to build the special brand of “Qing Chu Yu Lan” (青出於藍) of blue finance, focusing on key industrial clusters such as marine fishing, aquaculture, and maritime agency services, and introduced replicable promotion models. The Bank’s research on blue finance standards was recognized as a “National Key Research Project in Financial Standardization”. As at the end of the Reporting Period, the balance of the Bank’s blue loans amounted to RMB22.754 billion, representing an increase of RMB5.972 billion or 35.59% as compared with that at the end of last year. During the Reporting Period, the Bank was ranked first among city commercial banks in green finance list released by southern weekend, honored with the Financial Times’ 2025 golden dragon—financial power case award, and recognized as an outstanding green finance practice case for facilitating corporate green transformation under the “BQD Green Finance, Qing Chu Yu Lan” (綠金青銀、青出於藍) brand.

Inclusive finance

The Bank improved the long-term service mechanism for inclusive finance. Guided by the “High-Quality Development White Paper” on Inclusive Finance, the Bank has established a high-quality development system for inclusive finance through conceptual, functional, and managerial reforms. Firstly, it optimized resource allocation and mechanism development by launching the “Marketing Incentive Campaign for Inclusive Small and Micro Loans”, improving the flexible loan pricing and agile response mechanisms, and establishing mechanisms such as “Tiered Approval Authority for Inclusive Loan Interest Rates” and “Integrated Professional Approval for Inclusive Loans”. Secondly, it strengthened the development of grassroots teams, laying a solid talent foundation for inclusive growth. Thirdly, it continuously refined the credit product system for small and micro enterprises, promoting the implementation of business across 27 key industrial clusters in the province. Through the “Sword Forging Operation 3.0” (鑄劍3.0行動), it optimized over ten small and micro financial products, including “Inclusive e-Financing” (普惠e融), enhancing the applicability and functionality of credit products. The Bank was recognized as an advanced unit of the small and micro financial services for consecutive years, with the latest regulatory rating of “2A” for small and micro financial services. During the Reporting Period, the cumulative issuance of inclusive loans reached RMB64.202 billion. As at the end of the Reporting Period, the Bank had 60.6 thousand inclusive loans customers, representing an increase of 5.9 thousand as compared with that at the end of last year or 10.79%; the balance of inclusive loans amounted to RMB53.220 billion, representing an increase of RMB8.131 billion or 18.03% as compared with that at the end of last year, which was higher than the loan average growth rate of the whole Bank; the non-performing ratio was 1.03%, and the weighted average interest rate of inclusive loans was 3.47%. The balance of agriculture-related loans of the Bank was RMB48.184 billion, representing an increase of RMB11.611 billion or 31.75% as compared with that at the end of last year.

Pension finance

The Bank systematically advanced the specialized development of pension finance. The Bank has established pension finance as a strategic and distinctive business, centering on the core strategy of “leveraging the healthcare ecosystem to build a distinctive pension finance brand”. It continued to optimize resource allocation and assessment and incentive mechanisms. Firstly, the Bank deepened financial services for the pension industry by leveraging specialized products such as the “Easy Enterprise Loan for Elderly” (養老企易貸). We innovatively designed credit solutions and expanded our customer base across the entire ecosystem, targeting nursing homes and upstream and downstream in the industry chain, effectively broadening service coverage. The Bank was honored with the 2025 Shandong Province “Good Product Finance” award. Secondly, the Bank focused on retirement scenarios for retail customers, enhancing our comprehensive product offering capabilities. We launched a deposit product called “Happiness • Companionship” with the theme of elderly care during the Reporting Period, which features a lump-sum deposit and withdrawal structure, with sales of RMB1.694 billion. We also developed and launched a publicly offered fund investment advisory portfolio with a pension theme, with sales of RMB14.1985 million. Simultaneously, we created an elderly-friendly pension finance section named “Happy Retirement Years” on our online channels, continuously improving the financial service experience for elderly customers. Thirdly, the Bank innovatively integrated industry needs with financial product design, completing iterative upgrades for products such as “Easy Hospital Financing” (院易融) and “Easy Diagnosis Financing” (診易融) in the hygiene, health and pension sector. As at the end of the Reporting Period, the Bank had 5,823 customers in hygiene, health and pension segment, representing an increase of 919 or 18.74% as compared with that at the end of last year. The balance of hygiene, health and pension loans was RMB7.884 billion, representing an increase of RMB916 million or 13.15% as compared with that at the end of last year.

Digital finance

Digital finance has been advancing toward a “digital and intelligent” transformation. Driven by its digital transformation initiative, the Bank has implemented four digital and intelligent strategies featuring digital and intelligent marketing, digital and intelligent operations, digital and intelligent risk control, and digital and intelligent office. Focusing on optimizing the customer experience, these strategies aim to enhance the quality and efficiency of its digital financial services. Firstly, the Bank established a dual-driven digital management paradigm of “products + agility”, creating a “business-technology-digital” collaboration mechanism and deepening product lifecycle management. The Bank’s self-developed “Star Map Product Lineage Platform”(星圖產品譜系平台) won the second prize of People’s Bank of China’s “2024 Financial Technology Development Award”. Secondly, the Bank established a long-term closed-loop management mechanism for online user experience. Building upon unified online experience standards and a multi-dimensional evaluation system, the Bank piloted a “Voice of the Customer” feedback mechanism, integrating the entire process of “monitoring-analysis-improvement-feedback”. Thirdly, the Bank continuously enhanced digital channel service capabilities, successfully launching the second phase of remote counters covering 19 high-frequency services. The scale of online customers and the proportion of online business steadily increased. Fourthly, the Bank solidified the foundation for technology self-reliance and data empowerment. Focusing on improving data quality, the Bank continuously refined its data governance system, strengthened technological empowerment, and strictly upheld security standards. Fifthly, the Bank enhanced its enterprise-level AI capability system by fully self-developing a unified large-scale model technology platform and launching multi-scenario AI applications such as the “Star Intelligent Assistant” (星辰智能助手) to empower business innovation and operational efficiency improvements.

17.2 Retail Banking

With respect to retail banking business, the Company focused on refined management of customer groups, deepened scenario-based and intelligent digital development, anchored its core direction in wealth management, built an ecosystem closed-loop around agency payment services, pension services, social security, and other scenarios, continuously strengthened distinctive features, enriched its wealth management product offerings, and solidified the foundation for high-quality retail development. During the Reporting Period, the retail banking business of the Company realized operating income of RMB3.559 billion, accounting for 24.44% of the Company's operating income.

1. Retail deposits

Retail deposits registered steady growth, while interest expenses continued to improve. The overall scale of retail deposit has achieved steady growth in line with evolving household savings preferences. As at the end of the Reporting Period, the balance of retail deposits of the Company (excluding accrued interest, the same below) amounted to RMB252.231 billion, representing an increase of RMB32.433 billion or 14.76% as compared with that at the end of last year. Retail deposits accounted for 50.16% of total deposits. During the Reporting Period, the Company 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 2.07%, representing a decrease of 0.39 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 retail loan business maintained steady progress while its structure was further optimized. While consolidating its personal housing loan business, the Company has intensified efforts to promote its inclusive finance and consumer credit businesses. As at the end of the Reporting Period, the balance of the Company's retail loans (including credit card) was RMB74.001 billion, and the balance of the Company's retail loans (excluding credit card) was RMB66.387 billion, representing a decrease of RMB1.501 billion or 2.21% as compared with that at the end of last year. During the Reporting Period, the Bank realized retail loan interest income of RMB2.860 billion, with an average yield for retail loan of 4.01%.

The Bank has continuously optimized its business structure in response to evolving market demands. In terms of the personal business loans, in response to challenges such as weak market demand and fluctuations in collateral valuations, the Company focused on scenario finance through products such as “Fast Mortgage Loans” (房抵快貸), “Commercial Easy Loan” (商易貸) and “Agriculture Benefit Loan” (惠農貸) to explore new growth opportunities. As at the end of the Reporting Period, the balance of the Company’s personal business loans amounted to RMB12.276 billion, and personal business loans accounted for 16.59% of total retail loans, representing an increase of 2.52 percentage points as compared with that at the end of last year. In terms of the personal consumption loans, the Company actively carried out the strategic operation transformation of Internet loans, enriching its self-owned “Easy BQD Financing” (青易融) Internet loan product and launching sub-products such as personal tax loans and personal tax exclusive versions. And we actively implemented regulatory policy guidance, strengthened risk management and compliance operations, and optimized and adjusted cooperative institutions and business models. As at the end of the Reporting Period, the balance of personal consumption loans of the Company amounted to RMB16.234 billion, representing a decrease of RMB3.887 billion or 19.32% as compared with that at the end of last year. Among them, the balance of individual Internet loans reached RMB10.330 billion, and the proportion of loans granted in the province steadily increased. In terms of the personal mortgage loans, the Company 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 asset quality and loans placement scale. As at the end of the Reporting Period, the balance of the Company’s personal residential mortgage loans came to RMB45.490 billion, representing a decrease of RMB1.706 billion or 3.61% as compared with that at the end of last year.

3. *Retail customers and customer asset management*

Deepening segmented customer management to enhance the value of our retail clients. The Bank steadfastly pursued its “strengthening the customer base” strategy, establishing a retail customer management enhancement system focused on “activating mass-market customers, cultivating potential customers, and deepening engagement with mid-to-high-end customers”. The Bank diversified its operational approaches, tailoring differentiated products, pricing structures, and value-added service activities to meet the needs of customers across different tiers, providing robust support for specialized asset planning for customers and the expansion of assets held outside the Bank. 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 8.1816 million; among which, debit customers reached 6.3076 million, representing an increase of 296.2 thousand or 4.93% as compared with that at the end of the previous year. The Bank held assets of retail customers amounting to RMB379.195 billion, representing an increase of RMB33.273 billion or 9.62% 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 473.2 thousand, representing an increase of 10.72% as compared with that at the end of the previous year. Their assets scale in the Bank was RMB329.654 billion, and accounting for 86.94% of assets retained by all retail customers. The proportion of mid-to-high-end customers and their share of financial assets continued to rise steadily, indicating a continuously optimized customer structure.

Advancing segmented management of priority customer segments to strengthen scenario-based service capabilities. In terms of community banking customers, the Bank launched a series of activities centered around the “Happiness • Companionship” brand. As at the end of the Reporting Period, community banking of the Bank served 82.3 thousand customers, representing an increase of 17.3 thousand or 26.62% as compared with that at the end of the last year. In terms of agency payment customer groups, the Bank restructured its agency payment business operations, established an external market expansion team, and focused on agency payment customer acquisition and customer base operation. During the Reporting Period, cumulative agency payment amount reached RMB24.458 billion, representing an increase of RMB1.837 billion or 8.12% as compared with that of the last year. For social security customer base, the Bank focused on public welfare services and consumption through the “Social Security Card Benefits Tour of Shandong” campaign, which was deeply integrated into multiple public service scenarios including supermarket shopping, medical payments, and transportation. The campaign attracted a cumulative total of 33,800 customer participations. As of the end of the Reporting Period, the cumulative issuance of social security cards reached 617,200.

4. *Agency retail business*

Improving the multi-category product agency sales layout to strengthen integrated retail service capabilities. During the Reporting Period, the Company actively seized the opportunities of structural changes in the agent retail market, and by means of digital transformation, and deep cultivation in product innovation and channel optimization, continuously improved wealth management and allocation service capabilities, achieving strong resilience in many fields such as agency business for insurance, precious metals, and funds. During the Reporting Period, the Company's retail banking business realized net fee and commission income of RMB375 million, accounting for 25.84% of the Company's net fee and commission income.

In terms of agency sales of wealth management products, the Bank has enhanced the coordination between the parent bank and subsidiaries and actively coordinated BQD Wealth Management to create and expand the types of wealth management products. While deepening the brand recognition of the "Low-Wave Series", the Bank focused on customers' financial investment needs for the equity market, responded quickly to the market, and launched strategies 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+) to continuously enrich and optimize the product portfolios and drive the expansion of product types from stable to enterprising, and strengthen differentiated configuration of different customer groups. In terms of agency business for insurance, combining changes in the capital market and the window for adjusting predetermined interest rates for insurance products, the Bank could meet differentiated needs of customers at all levels such as interest lock-in, pension, education, and inheritance by improving team sales capabilities and optimizing product supply. As at the end of the Reporting Period, the Bank's total agency premiums in Qingdao were RMB1.679 billion, and the agency insurance sales volume accounted for 16.98% of the inter-bank market in Qingdao, ranking first in the market. In terms of agency sales of funds, the Bank closely followed market trends and changes in customer needs, dynamically adjusted its product library to ensure shelf market competitiveness and demand adaptability. During the Reporting Period, the Bank's scale of agency sales of funds reached RMB1.842 billion, representing an increase of RMB457 million or 33.00% from the previous year. In terms of agency sales of precious metals, the Bank launched investment gold and silver products, commemorative coins, and craft gold and silver products during the reporting period. These products feature premium quality, diverse designs, and convenient trading. During the Reporting Period, the Bank achieved commission fee and commission income of RMB12.3587 million on agency sales of precious metals, representing an increase of 0.46% over the previous year.

5. *Private banking business*

Advancing the quality and scale of private banking, with brand influence growing steadily. The Bank's private banking business adheres to the "customer-centered" philosophy, promotes the all-round development of its business scale, structure, capabilities and brand, and is committed to becoming a leading wealth management and comprehensive financial service provider in the region. As at the end of the Reporting Period, the number of private banking clients of the Bank increased by 22.05% as compared with the end of the previous year. The balance of financial assets of private banking clients under management increased by 16.25% as compared with the end of the previous year. The Bank ranked among the top city commercial banks in the Shandong region in terms of both customer and asset growth, and won the fifth Jinyu Award for "Private Bank with Excellent Regional Services".

Establishing a collaborative service model for private banking to strengthen comprehensive services for high-net-worth clients. Focusing on the needs of high-net-worth customers, the Bank has provided efficient and accurate comprehensive financial solutions through a dedicated service team, and created a "1+1+1+N" collaborative service model. Firstly, the Bank refined our exclusive product offerings system to build a diversified exclusive product system encompassing differentiated deposits, multi-strategy private funds, standardized asset management, and wealth succession trusts. Furthermore, we achieved a breakthrough in standardized asset management, addressing clients' needs for wealth management, asset allocation, and succession planning throughout their life cycles. Secondly, the Bank deepened technology empowerment and smart services by deploying AI tools such as the "Star Intelligent Assistant". By integrating data intelligence into client insights and asset allocation processes, we have enhanced the professionalism and forward-looking of our services. Thirdly, the Bank actively fostered an integrated "financial + non-financial" ecosystem. Throughout the year, we hosted client events on various topics including investment strategy reports, executive education, health and wellness, and arts and culture. We also entered into strategic partnerships with renowned institutions to offer clients exclusive benefits spanning "travel, healthcare, education, and lifestyle", continuously elevating the customer service experience and strengthening brand stickiness.

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 81.99%, increased by 1.42 percentage points as compared with that of last year, reaching a new record high. This outcome demonstrates customers’ high recognition and trust in the Bank’s services. In 2025, the Bank was granted the 19th “Five Star Diamond Brand” award, the highest honor in the global service field, in recognition of its warm customer experience and outstanding customer service capabilities. The Bank was the only city commercial bank that had been honored such award for ten consecutive years.

17.3 Corporate Banking

Centered on the theme of high-quality development, the Company’s corporate banking business diversified its income streams, and positioned itself with a forward-looking approach to cultivate new drivers of high-quality growth. We strengthened our customer base through integrated and differentiated operations, achieving precise outreach via multi-layered and segmented strategies. By optimizing product portfolio, innovating and designing its offerings to empower growth, the Bank steadily enhanced the quality and efficiency of our financial services and comprehensive service capabilities. During the Reporting Period, the Company’s corporate banking realized operating income of RMB7.335 billion, accounting for 50.38% of the Company’s operating income.

1. *Corporate deposits*

Corporate deposits registered both quantitative growth and qualitative improvement. During the Reporting Period, the Company continued to tackle the core strategy of “boosting deposits and reforming fund transfer channels”, adhered to the concept of stable and sustainable development, strengthened channel capacity building, enriched the marketing of debt scenarios, and implemented differentiated pricing strategies, realizing a continuously optimized debt structure, and an effective debt cost control. As at the end of the Reporting Period, the Company’s total corporate deposits (excluding accrued interest, the same below) was RMB250.518 billion, accounting for 49.81% of total deposits, representing an increase of RMB38.364 billion or 18.08% as compared with that at the end of last year. Specifically, the corporate demand deposits amounted to RMB94.624 billion, accounting for 37.77% of the balance of corporate deposits, and corporate time deposits amounted to RMB155.894 billion, accounting for 62.23% of the balance of corporate deposits. During the Reporting Period, the Company’s average cost ratio of corporate deposits was 1.42%, down by 0.29 percentage point as compared with that of last year and the Company’s average daily deposits from corporate customers of the Bank was RMB230.141 billion, representing an increase of RMB26.449 billion or 12.98% as compared with that of last year.

2. *Corporate loans*

Increasing corporate credit extension in key sectors. The Company carried out special expansion of key industries and core customer groups, continued to innovate credit products and service models, and strengthened linkage marketing and process supervision. Focusing on key areas such as technology finance, blue and green finance, public utilities and small and micro inclusive benefits, the Bank implemented differentiated marketing strategies, cultivated target customers through list management, improved market coverage and marketing conversion rate, and consolidated the foundation for loan growth. In response to the pain points of the financing needs of market entities, the Bank optimized and upgraded product innovation and scenario-based service solutions, built differentiated competitive advantages, effectively increased loan scale, and achieved simultaneous growth in both scale and growth rate. As at the end of the Reporting Period, the Company’s balance of corporate loans (including discounted bills and excluding accrued interest) was RMB323.007 billion, representing an increase of RMB60.653 billion or 23.12% as compared with that at the end of last year, and accounting for 81.36% of the total loans (excluding accrued interest).

3. *Corporate customers*

Continuously deepening segmented customer management and establishing an industry-specialized service model. The Bank comprehensively strengthened the quality and efficiency of customer base operations by implementing a tiered customer management approach and forging professional service capabilities. As at the end of the Reporting Period, the total number of corporate customers which had opened accounts with the Bank amounted to 301.9 thousand, representing an increase of 26.5 thousand or 9.62% as compared with that at the end of last year. During the Reporting Period, 33.2 thousand new accounts were opened for the Bank's corporate customers, and the provincial market entities coverage ratio reached 2.03%, representing an increase of 0.06 percentage point as compared with that at the end of last year. As at the end of the Reporting Period, the Bank had 14,284 corporate borrowers (excluding discounted bills customers), representing an increase of 2,675 or 23.04% as compared with that at the end of the last year.

In terms of strategic customer segments, the Bank has comprehensively upgraded its business model, and created an agile service organization with "one enterprise, one strategy" coordinates operations. During the Reporting Period, the Bank redefined its strategic customers based on customer scale and industry classification, and implemented list-based management. As at the end of the Reporting Period, the Bank had 2,024 strategic customers, representing an increase of 149 or 7.95% as compared with that at the end of last year. During the Reporting Period, the average daily deposit of the strategic customers increased by RMB15.857 billion as compared with that of last year, and the balance of the loans increased by RMB37.586 billion as compared with that at the end of last year.

In terms of institutional customer groups, the Bank has built a closed-loop ecosystem centered on government-bank collaboration, following a "service-deposit-value add" model to consolidate its leading position in the regional market. 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 basic customer base, the Bank deepened tiered and categorized integrated operations, optimized resource allocation, cross-divisional collaboratively carried out targeted marketing through a "white list" approach. As at the end of the Reporting Period, the Bank had 15.5 thousand valuable customers with daily average deposits of more than RMB500 thousand per annum, among its corporate customers, representing an increase of 1,730 or 12.55% as compared with that at the end of last year. The Bank also had 95.2 thousand active customers with daily average deposits between RMB10 thousand (inclusive) and RMB500 thousand per annum, representing an increase of 9,126 or 10.60% as compared with that at the end of last year.

4. *Corporate products*

Advancing systematic product development. The Bank continuously optimized the “Seven-Colored Light” product framework, systematically streamlined the product portfolio, enhanced product data tracking, and improved user engagement management, thereby increasing market competitiveness of its products. Through the “Sword Forging Operation 3.0”, the Bank focused on key areas, priority products, and regional industrial clusters aligned with the Five Major Aspects on Finance and Eight Major Tracks. It completed the optimization and innovation of its product system and developed tailored cluster-based solutions for regional characteristics, enhancing its comprehensive service capabilities in complex market environments. During the Reporting Period, the Bank successfully launched the “Easy Campus Financing” (校易融) product in the education sector, achieving full coverage across all key scenarios within the “Science, Education, Culture, and Health” industries, reaching new heights in terms of capability in segmented industry financial services and laying a solid foundation for building a diversified, scenario-based industry ecosystem service model.

5. *Transaction banking*

Leveraging digital and intelligent upgrades, the Bank established a new paradigm of integrated financial services. Its transaction banking business, supported by digital technologies, integrates multiple business segments, including payment and settlement, cross-border finance, supply chain financing, bill financing, cash management, and trade finance, to create a comprehensive, one-stop financial service system centered on client needs. This system covers both domestic and foreign currencies, onshore and offshore markets, on- and off-balance sheet activities, and online and offline channels. The Bank is the first local corporate bank in Shandong Province to obtain direct participation rights in the Cross-Border Interbank Payment System (CIPS), which was successfully launched within the year. During the Reporting Period, the Bank continued to optimize its product suite, including “BQD Huitong” (青銀匯通), “BQD Trade Loan” (青銀貿貸), “BQD Overseas Connect” (青銀出海通), “Receivables Chain Financing” (應收鏈融), “Distributor Easy Loan” (經銷易貸), “Quick and Easy Discount” (快易貼), and “Commercial Bill Connect” (商票通), using chain-based marketing to penetrate industrial ecosystems and continuously deepen engagement with key transaction banking clients.

During the Reporting Period, total fee and commission income and foreign exchange gains from transaction banking business reached RMB360 million, representing an increase of RMB86.0738 million or 31.45% as compared with that of last year. There were 4,782 active customers of international business, with international settlement volume amounting to USD22.293 billion, representing an increase of USD4.605 billion or 26.03% as compared with that of last year. The cross-border RMB business amounted to RMB66.423 billion, representing an increase of 60.46% as compared with that of last year. The number of customers for commercial bills discounted amounted to 1,316, representing an increase of 37.08% as compared with that of last year, with transaction volume reaching RMB35.381 billion, representing an increase of 55.80% as compared with that of last year. As of the end of Reporting Period, the Bank had 8,639 supply chain finance customer base upstream and downstream, representing an increase of 2,421 or 38.94% as compared with that at the end of last year. The balance of supply chain financing was RMB20.286 billion, representing an increase of RMB6.309 billion or 45.14% as compared with that at the end of last year. The effective cash management of contracted customer base contained 20,234 customers, representing a net increase of 6,850 or 51.18% as compared to the end of last year.

17.4 Financial Market Business

Amid an operating environment characterized by deepening interest rate marketization, normalized market fluctuations, and continuously tightening regulatory requirements on liquidity and capital constraints, the Company's financial markets business has adhered to the overall operating principle of "maintaining stable duration, optimizing structure, strengthening trading capabilities, and controlling risks". Centered on the coordinated management of assets and liabilities, and driven by the refined operation of the yield curve and the enhancement of tactical trading capabilities, the Bank has balanced the allocation of carry income, trading income, and liquidity safety margins. This approach has enabled the achievement of stable and sustainable investment returns in a complex environment. During the Reporting Period, the Company's financial market business achieved operating income of RMB2.971 billion, accounting for 20.40% of the Company's operating income.

1. Proprietary investment

Optimizing the asset allocation structure to enhance the quality and efficiency of the investment portfolio. Guided by the strategy of “stabilizing returns, optimizing structure, and controlling capital”, the Bank continuously optimized its asset allocation, steadily increasing the proportion of capital-light instruments such as high-grade credit assets, policy financial bonds, and asset-backed securities. This shift transitioned the investment portfolio from “scale-driven expansion” to “quality and efficiency-oriented growth”.

In terms of credit assets, the Bank focused on issuers with strong credit profiles, stable cash flows, and favorable industry prospects to enhance portfolio stability and resilience against volatility. In securitized assets, the Bank systematically increased allocations to low-risk-weight varieties, forming an asset portfolio characterized by “low capital consumption, stable cash flows, and diversified maturities”, effectively improving risk-adjusted returns and capital efficiency.

In terms of customer groups, the Bank optimized asset structures, adjusted trading strategies, innovated business models, and strengthened risk controls. Aligned with macroeconomic trends and local industrial upgrading, it enhanced collaboration between financial markets, corporate banking, and investment banking divisions. Leveraging Qingdao’s local financial resources and platform advantages, the Bank prioritized serving regional economic strategies, focusing on marine economy, high-end shipbuilding, new energy, and other regional industries to refine client management. These efforts contributed to steady growth in investment scale.

Strengthening the precision of interest rate risk management to improve the level of asset-liability matching. Against the backdrop of increasing interest rate volatility and rising regulatory requirements for banking book interest rate risk management, the Company continuously strengthened refine management of duration and sensitivity, dynamically optimized asset maturity structures, and balanced coupon income, capital consumption, and interest rate risk exposures. By increasing the proportion of assets measured at amortized cost and enhancing stress testing and scenario analysis for key interest rate scenarios, the Bank maintained overall interest rate risk exposure within a prudent range, further improving asset-liability matching and income stability.

As at the end of the Reporting Period, the proprietary investment (including accrued interest) of the Company amounted to RMB302.613 billion, representing an increase of RMB45.232 billion or 17.57% as compared with that at the end of last year, of which bond investment (including accrued interest) was RMB250.087 billion, representing an increase of RMB51.641 billion or 26.02% as compared with that at the end of last year; investments in public fund products reached RMB49.125 billion, representing a decrease of RMB2.059 billion or 4.02% as compared with that at the end of last year; non-underlying investment assets (including accrued interest) amounted to RMB2.532 billion, representing a decrease of RMB1.194 billion or 32.05% as compared with that at the end of last year; and the value of other debt financing products (including accrued interest) was RMB730 million, representing a decrease of RMB3.160 billion or 81.23% as compared with that at the end of last year.

The Bank holds a relatively comprehensive range of interbank market qualifications and licences, laying a solid foundation for financial innovation and business development. The Bank is a member of the local government bond underwriting syndicates for Shandong Province and Qingdao Municipality and 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 one of the first founding members of China’s market interest rate pricing self-regulatory mechanism, the first batch of commercial bank in the non-Tenge regional trading territories, and an institution directly connected with Euroclear through the China Foreign Exchange Trade System (CFETS) platform. During the Reporting Period, the Bank was re-elected as the “Market Presence Institutions of the Year” and “Market Innovative Business Institutions” in the national inter-bank local currency market, and was selected as one of the “Top 100 Self-operated Settlement Banks” by China Central Depository & Clearing Co., Ltd.

2. *Fixed income, currencies and commodities (FICC) trading and market-making capabilities*

Advancing integrated FICC development to strengthen comprehensive trading and market-making capabilities. The Bank advanced the integrated development of its FICC business, improving coordinated pricing and risk hedging mechanisms for interest rates, credit, foreign exchange, and derivatives. It focused on enhancing market-making, strategic trading, and liquidity management capabilities.

In government bonds, policy financial bonds, and high-grade credit bonds, the Bank maintained high market activity and bilateral quoting capabilities, with trading volume growing steadily. Its refined research and execution capabilities regarding yield curves, term structures, and spread differentials continued to strengthen, increasing the contribution of trading activities to the overall stability and resilience of the financial markets business.

In terms of derivatives, within the risk appetite and limits approved by the Board, the Bank steadily expanded the use of interest rate and foreign exchange derivatives, strengthening hedging and risk management functions. It gradually established a derivatives framework centered on standardized instruments for risk hedging and liquidity management, providing robust support for stable operations in complex market environments.

3. *Interbank business*

Optimizing the structure of interbank liabilities to strengthen the foundation for liquidity security. The Bank adhered to a multi-channel, multi-tenor, and multi-layer approach to liability management, continuously optimizing its interbank liability structure to increase the proportion of low-cost, stable funding sources and achieve a more balanced maturity profile. Through diversified channels such as interbank deposits, interbank certificates of deposit, central bank facilities, and policy-based funding, the Bank achieved steady growth in interbank liabilities, with average funding costs continuing to improve. The increase in low-cost, demand-like interbank funds effectively enhanced funding stability and maturity mismatch management capabilities. In liquidity risk management, the Bank strengthened its monitoring and management system centered on the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), improving stress testing and scenario analysis for key tenors to ensure sufficient high-quality liquid asset reserves under various market conditions and shock scenarios, maintaining a prudent and ample liquidity safety margin.

As at the end of the Reporting Period, the balance of the Bank's interbank certificates deposit issued was RMB99.849 billion, accounting for 62.85% of the Bank's interbank liabilities and 13.39% of the Bank's total liabilities. The balance of the Bank's RMB interbank deposits was RMB31.563 billion, accounting for 19.87% of the Bank's interbank liabilities and 4.13% of the Bank's total liabilities, among which the balance of interbank time deposits was RMB7 billion, accounting for 22.18%, and the balance of interbank demand deposits was RMB24.563 billion, accounting for 77.82%.

4. *Asset custody*

Asset custody scale has grown steadily, creating a capital-light profit engine. The Bank's asset custody business consistently adhered to a principle of steady operation and innovative development, effectively navigating volatile market conditions and seizing market opportunities. The Bank strengthened proactive marketing and deepened its focus on corporate client groups, achieving balanced growth across various custody segments. As at the end of the Reporting Period, the value of assets under custody exceeded RMB300 billion, reaching RMB308.499 billion, representing an increase of RMB163.487 billion or 112.74% as compared with that at the end of the previous year. This growth rate ranked among the top in the industry, and the business value of the "low-capital-profit engine" became increasingly prominent. The Bank focused on the main track of public fund custody, launching eight public fund products during the Reporting Period and raising the total number of public funds under custody to 19, further consolidating the income base. The model of group synergy was deepened, gradually realizing the benefits of mutual cooperation and win-win mechanisms among partner institutions. Among the custodian banks operating in the same period, the Bank took the lead in obtaining approval to conduct custody business for government-related private equity funds. As of the end of the Reporting Period, three such products had been successfully launched, further extending the scope of its business. Digital transformation continued to advance with the successful launch of functions such as interbank direct connectivity and automated valuation, steadily enhancing the integration of business and technology. Professional brand building was persistently pursued, earning the Bank several prestigious awards, including the "Golden Wisdom Award – Outstanding Asset Custody Service Award" by JRJ, the "2025 Excellence in Competitiveness Custody Bank" by China Elite Times, the "2025 Emerging Custody Bank" by Hexun.com, the "Annual Bank with Custody Potential" by East Money, and the "2025 Outstanding Growth Custody Bank" by Jiemian News. These recognitions reflect the market's high regard for the Bank's custody capabilities and service quality.

5. *Investment banking*

Advancing underwriting capabilities for debt financing instruments to consolidate our regional investment banking strengths. During the Reporting Period, the issuance amount of the Bank's debt financing instruments was RMB110.426 billion with the underwriting quota being RMB42.354 billion. During the Reporting Period, the number of clients served and the products underwrote under the Bank's underwriting performance for debt financing instruments reached a new high. The Bank served a total of 83 clients in underwriting business, ranking first in Shandong Province; underwrote 175 debt financing instruments, ranking first in Shandong Province; and achieved an underwriting scale of RMB42.124 billion, ranking third in Shandong Province. During the Reporting Period, the Bank received the "Outstanding City Commercial Bank in Debt Financing Instrument Underwriting" award from Wind Information. Leveraging its professional expertise in debt financing instrument underwriting, the Bank actively implemented the "Five Major Aspects on Finance" in depth and successfully underwrote and issued one of the nation's first science and technology innovation bonds and Shandong Province's first elderly care industry bond.

17.5 Digital Development

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. During the Reporting Period, the Bank was awarded the "FinTech Development Awards" from the People's Bank of China and "Financial Data Intelligence Solution Awards – Pioneer Enterprise in Digital Transformation of Financial Institutions in the Sixth Session". Multiple projects of the Bank, including the new-generation distributed core business system, the smart fund project, and the new-generation auditing system, won industry awards. During the Reporting Period, the investment in information technology amounted to RMB580 million, accounting for 3.98% of the Company's operating income.

As at the end of the Reporting Period, the Bank had 359 scientific and technological research and development ("R&D") personnel, representing an increase of 4.97% as compared with that at the end of last year, accounting for 6.77% of the Bank's total staff. The educational background of R&D personnel was composed of: 198 people with master's degree or above, 159 people with bachelor's degree, and 2 people with college graduates. The age distribution was as follows: 133 people aged 30 and below, 164 people aged 30-40 (excluding 30, including 40), 51 people aged 40-50 (excluding 40, including 50), and 11 people aged 50-60 (excluding 50, including 60).

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

The Bank has comprehensively deepened top-level design and strategic coordination, iteratively upgrading organizational structures and resource allocation models. The Bank has further strengthened the digital transformation governance system, elevating the digital transformation office to a first-tier department at the head office level to oversee transformation planning and implementation; established the Digital Finance Department to focus on reshaping online channel services and constructing a digital marketing and operation system; collaborated with the Information Technology Department (technical foundation) and the Data Management Department (data foundation) to efficiently operate the “business-technology-data” fusion matrix of the digital intelligence, propelling digital transformation from “laying the groundwork” to “building momentum” for deeper advancement.

Relying on organizational support and based on the development perspective in the next three years, the Bank formulated the “New Three-Year Strategic Plan for Digital Transformation of Bank of Qingdao”, clearly outlined the implementation path to build the Bank into an “intelligent benchmark for regional banks”, and built a “4+3+2+1” digital transformation strategic system, which focuses on the “four core areas” of digital intelligence marketing, digital intelligence risk control, digital intelligence operations, and digital intelligence office to achieve direct breakthroughs in business value; established the “three major supporting systems” of product system, user experience management, and online ecology to solve the problem of integration of user experience and ecology; created the “two major intelligent engines” with AI capabilities and data value, and established an AI empowerment strategy, and formed a value closed-loop of data “promotes governance through use”; consolidated the “one technological foundation” of sensitivity and stability by taking into account safety and stability with business agility and innovation.

2. *Deep advancement of transformation of digital intelligence, with technological empowerment achieving remarkable results*

The Bank adhered to innovation-driven and deeply promoted collaborative transformation in four major areas: digital intelligence marketing, digital intelligence risk control, digital intelligence operations and digital intelligence office. In terms of digital intelligence marketing, the Bank improved the efficiency of customer management in mid-to-high-end retail and special customer groups, and accurately reached out through strategic automated execution optimization; upgraded corporate marketing systems and mobile channels to promote leapfrog growth in online customer base operation and transaction scales. In terms of digital intelligence risk control, the Bank reshaped the entire credit process and built a data-based due diligence and post-loan model; relied on a visualization platform to achieve full link penetration of risk data; consolidated the internal rating system to empower risk quantitative pricing and refined limit management. The “Digital and Intelligent Transformation of Credit Risk Control” project developed by the Bank won the Third Prize of the “2024 FinTech Development Award” from the People’s Bank of China. In terms of digital intelligence operations, remote counters were extended to cover most common personal transactions, which significantly enhanced consolidated service capabilities. The risk monitoring system was upgraded to achieve integrated processing of early warning, monitoring, and account management and control, yielding remarkable results in fraud prevention and governance. In terms of digital intelligence office, the internal collaboration ecosystem was restructured, and the application of technologies such as large models was deepened, which in turn supported the transition of management toward intelligent operations.

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

The Bank launched the “Rongxi” (融義) intelligent marketing platform, which seamlessly integrates service channels such as mobile banking, personal online banking, SMS platforms, and intelligent outbound calling. Leveraging this platform, the Bank conducts digital customer management online to enhance customer loyalty and create differentiated service experiences. The Bank launched a non-counter transaction monitoring strategy matrix and introduced external data, as well as expanded the coverage of channel and business scenario controls 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 62.8 thousand, representing an increase of 24.9 thousand or 65.70% 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 1,130.2 thousand, representing an increase of 138.76% as compared with that of last year. As at the end of the Reporting Period, the number of corporate online banking customers reached 318.5 thousand, representing an increase of 32.4 thousand, or 11.32% as compared with that at the end of the previous year. During the Reporting Period, the corporate online banking recorded a cumulative non-query transaction volume of 18.745 million, representing an increase of 8.73% as compared with that of last year.

In the field of retail business, as at the end of the Reporting Period, the Bank recorded 5.5354 million personal mobile bank users in existence, representing an increase of 227 thousand as compared with that at the end of last year. The number of monthly active users for personal mobile banking reached 1,466.8 thousand. The assets under management of the retail long-tail customer groups reached RMB21.991 billion, representing an increase of RMB14.433 billion as compared with that at the end of last year, with a growth rate of 190.96%. During the Reporting Period, 116.8 thousand retail customers attained the RMB50,000+ asset tier at the Bank.

4. *Optimize the data governance structure to forge a new engine driven by innovation*

The Bank focused on a dual-track strategy of data governance and technological innovation. It systematically advanced both data security control and data value extraction, thereby enhancing self-reliance and controllability. Firstly, the Bank improved its data governance framework. It clarified the responsible entities for the entire data lifecycle, including data collection, processing, and application; launched a targeted campaign to enhance the quality of source data and advanced the implementation of data standards. These efforts collectively elevated data governance effectiveness comprehensively. Secondly, the Bank strictly defined data security boundaries. It established a dual-control mechanism for data circulation; embedded self-assessments of data security risks into the entire project lifecycle and implemented managed-list protocols for external data sharing. This effectively prevented the risks of data misuse and leakage. Thirdly, adhering to an innovation-driven approach, the Bank solidified its digital-intelligent foundation. The first phase of the new-generation distributed core system was put into operation, and the second phase was initiated. Simultaneously, the reshaping of seven major business platforms was advanced to build a reusable and extensible capability base. Fourthly, the Bank deepened AI application and actively expanded the integration of new technologies. It achieved significant progress in AI algorithm R&D and fully implemented the Business Data Platform “Intelligent Data Workshop” (數智工場), which lowered the barrier to data usage for business units and enhanced the bank-wide efficiency of data application. Furthermore, the Bank actively pursued its strategy in large AI models by independently developing a full-stack AI platform and launching applications such as “Star Intelligent Assistant” (星辰智能助手). These services supported diverse business scenarios and continuously elevated the level of technological empowerment.

18. 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. The Company does not provide financial support to the structured entities it controls. For details, please refer to “Equity in Structured Entities under Note 49 to the Financial Statements” of this results announcement.

19. RISK MANAGEMENT

19.1 Comprehensive Risk Management

The Company has established a comprehensive risk management organizational structure in which the Board of Directors assumes the ultimate responsibility, the audit committee under the Board 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 types 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, liquidity risk, operational risk, reputational risk, strategic risk, information technology risk, interest rate risk of banking book, country risk, compliance risk, money laundering risk, outsourcing risk, data risk, environmental, social and governance risk and other risks required by external regulatory authorities or the Company’s Board of Directors.

19.2 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:

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 Company further expanded the application breadth and depth of visual monitoring function of risk management "cockpit", which gradually intensified efforts towards the effective identification, measurement, monitoring and control of risks at all levels.
2. Strengthened classified risk management of credit customers. Improve the active credit asset management mechanism, strengthen the company's credit business customer exit management, classify and control the substantial risks of the company's credit customers, promote the adjustment and optimization of the credit asset structure, carry out classified management and policies for different risk customers, and enhance the effectiveness and pertinence of customer risk management.
3. Strengthened substantive risk management. By deepening industry analysis and application, as well as the standardized product risk analysis, strengthening collateral management, focusing on post-credit inspection in key areas, strengthening the monitoring of capital flow for loan use, consolidating the application of risk assessment results and taking other measures, the Bank comprehensively strengthened the substantive analysis and management of key areas, key industries, and key products, so as to comprehensively improve the monitoring and management capabilities of substantive risks.

4. Continued to optimize credit asset quality. The Company 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 maturing loans and overdue loans, strengthened the disposal of non-performing assets. The loans that were overdue more than 60 days continued to be managed as non-performing loans ratio.
5. Strengthened the application of big data in credit risk prevention and control. Continuously consolidate the foundation of the “Triple Loan Inspections”, strengthen the application of objective data in triple inspections through the introduction of multi-dimensional internal and external data, and continue to improve the accuracy and effectiveness of the Triple Loan Inspections through digital and intelligent means.
6. Continued to strengthen post-credit risk management. According to “Measures for Post-credit Management of Bank of Qingdao’s Credit Assets”, the Bank has continued to improve its post-credit management 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.
7. 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 successfully completed the application of intelligent systems such as the mobile tuning APP and smart tuning for the smart credit system, further enhancing the digitalization and intelligence level of the Bank’s credit system.

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

19.3 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 complete liquidity risk management system that aligns with the Company's overall development strategy and comprehensive risk management system, and is commensurate with the Company's business scale, business nature, and complexity based on the principles of comprehensiveness, prudence, and perspectiveness.

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 roles, responsibilities and reporting lines of the Board, senior management, special committees and the relevant departments 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 adheres to a stable and prudent liquidity management strategy, closely monitoring market liquidity trends and regulatory policy changes. By considering its asset-liability structure, it makes proactive arrangements to ensure liquidity risks remain within a reasonable and controllable range. During the Reporting Period, the Company focused on strengthening liquidity risk management in the following areas: Firstly, it revised the management measures related to liquidity risk, further improving the liquidity risk early warning system and risk limit system. Secondly, it actively expanded liability sources, promoted stable deposit growth, and enhanced the stability of liabilities. Thirdly, it moderately increased investment in high-quality eligible bonds to maintain sufficient liquidity reserves. Fourthly, taking into account market conditions and business realities, it fully considered various risk factors that could potentially affect the liquidity position and refined the stress testing procedures.

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

Liquidity coverage ratio item	31 December 2025	31 December 2024
Qualified and high-quality current assets	115,770,660	95,465,058
Net cash outflows in next 30 days	54,288,634	47,023,000
Liquidity coverage ratio (%)	213.25	203.02

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

Unit: RMB'000

Net stable fund ratio item	31 December 2025		30 September 2025	
	The Company	The Bank	The Company	The Bank
Stable funds available	497,585,360	489,860,431	480,142,670	474,375,318
Stable funds required	415,025,723	389,330,103	397,141,152	375,137,270
Net stable fund ratio (%)	119.89	125.82	120.90	126.45

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

For more information on the Company's liquidity risk management, refer to "46(3) Liquidity Risk under Notes to the Financial Statements" of this results announcement.

19.4 Market Risk Management

Market risk is the risk of loss, in respect of the commercial banks' on- and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, stock prices and commodity prices. The Company actively responded to changes in the market environment and solidly promoted market risk management and control. Under the overall risk preferential framework of the Group determined by the Board, the Bank will implement effective market risk management measures to optimize market risk capital allocation and achieve balanced matching of risks and returns.

The Company has established a market risk management system that is appropriate to the nature, scale and complexity of the business, and the supporting internal control system is sound and compliant. Focusing on the key aspects of market risk management, the Company clarifies management specifications from the following three dimensions: firstly, the responsibilities of the Board, senior management and various departments under the market risk governance structure; secondly, implement market risk management policies and identification, measurement, monitoring and control procedures; thirdly, the procedures and requirements for market risk reporting, information disclosure, emergency response, and market risk capital measurement. On this basis, the Company strictly implements regulatory requirements, continues to improve the quality and effectiveness of market risk management, strengthens risk monitoring capabilities of various businesses, and builds a solid risk defense line for the steady development of the business.

19.4.1 Analysis of interest rate risk

The Company distinguishes between the banking book and the trading book in accordance with regulatory requirements and traditional banking practices. Based on the different nature and characteristics of the banking book and the trading book, the Company adopts corresponding methods for identifying, measuring, monitoring and controlling market risk.

Interest rate risk in the Company's trading book is primarily measured and monitored using methods such as sensitivity analysis, stress testing and scenario simulation. The Company dynamically adjusts its market risk limit management system based on business changes and improves its market risk policy and system framework to ensure that interest rate risk in the trading book remains within a controllable range.

Corresponding to the trading book, the Bank's other businesses are included in the banking book. The Company uses methods such as repricing gap analysis, net interest income analysis, economic value analysis and stress testing to quantitatively assess the impact of interest rate changes on the Company's net interest income and economic value for different currencies and different risk sources. Based on the analysis results, reports are generated to propose management recommendations and business adjustment strategies.

During the Reporting Period, the Company closely followed the guidance of regulatory policies, continued to optimize the interest rate risk management system, and steadily improved the professional level of market risk management: firstly, to track the macroeconomic situation and financial market fluctuations, dynamically monitor the trend of key market indicators such as interest rates and exchange rates, and comprehensively sort out potential risks in business processes, aiming to consolidate the foundation for market risk prevention and control; secondly, to improve the risk measurement and management system for new products and new businesses, and formulate differentiated risk limits and monitoring indicators for new products and new businesses to ensure that business scale expansion is compatible with the improvement of risk management and control capabilities; thirdly, to deepen risk management capabilities for models, continuously improve the full life cycle management mechanisms such as development, verification, and re-inspection of measurement models, and regularly carry out model effectiveness assessments and tests to ensure the robustness and applicability of risk measurement tools.

19.4.2 Analysis of interest rate sensitivity

The Company uses sensitivity analysis to measure the potential impact of interest rate changes on its net interest income and equity. The following table presents the results of the sensitivity analysis of the Company's net interest income and equity to reasonably possible changes in interest rates, with all other variables held constant. The impact on net interest income represents the effect on net interest income arising from financial assets and liabilities held at the end of the period that are expected to undergo interest rate repricing within the following year due to a given change in interest rates. The impact on equity includes the effect on equity from the change in fair value resulting from the revaluation of fixed-rate financial assets measured at fair value through other comprehensive income held at the end of the period due to a given change in interest rates.

Unit: RMB'000

Item	31 December 2025 (Decrease)/ Increase	31 December 2024 (Decrease)/ Increase
Change in annualized net interest income		
Interest rate increase by 100 bps	(1,228,498)	(961,661)
Interest rate decrease by 100 bps	1,228,498	961,661

Unit: RMB'000

Item	31 December	31 December
	2025	2024
	(Decrease)/	(Decrease)/
	Increase	Increase
Change in annualized equity		
Interest rate increase by 100 bps	(2,162,502)	(1,895,430)
Interest rate decrease by 100 bps	2,473,183	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 end of the Reporting Period, the analysis is based on the static gap at the date of the balance sheet;
2. In measuring the effect of changes in interest rates on net interest income, all assets and liabilities that are repriced or matured within three months, after three months but within one year, or already matured are assumed to be repriced or matured at the beginning of the respective periods;
3. Interest rates for deposits with the central bank and demand deposits placed and taken remain unchanged;
4. There is a parallel shift in the yield curve and in interest rates;
5. There are no other changes to the assets and liabilities portfolio 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 business resulting from interest rate changes.

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

19.4.3 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 of the end of the Reporting Period, the scale of the Company's foreign exchange risk exposure has no significant change, and the exchange rate risk level was controllable.

19.4.4 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 31 December 2025 and 31 December 2024.

Unit: RMB'000

Item	31 December 2025 Increase/ (Decrease)	31 December 2024 Increase/ (Decrease)
Change in annualized net profit and equity		
Foreign exchange rate increase by 100 bps	267	91
Foreign exchange rate decrease by 100 bps	(267)	(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 end of the reporting period is based on the anticipated exchange rates movement over the next year from the end of the reporting period;

3. the exchange rates against RMB for all foreign currencies change in the same direction simultaneously;
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 does 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.

19.5 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 cultivation of its operational risk culture by conducting bank-wide specialized training on operational risk management, effectively enhancing the awareness and proficiency of all employees in operational risk management; secondly, it optimized the monitoring of key risk indicators by reviewing critical operational risk indicators to improve the timeliness and foresight of risk warnings; thirdly, it carried out reviews of key business processes and performed operational risk and control self-assessments to strengthen all employees' risk identification and prevention capability; fourthly, it reinforced legal risk prevention and control by providing targeted training in key business areas, analyzing the impact of new regulations and proposing corresponding countermeasures, and disseminating risk alerts through multiple channels, thereby enhancing the bank-wide standard of legal risk prevention.

19.6 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 member of senior management is responsible for implementing compliance management goals. The Chief Compliance Officer bears specific leadership responsibility for the compliance management of the Bank and its employees. The compliance management department, under the leadership of the Chief Compliance Officer, takes the lead in being responsible for compliance management. The principal heads of each department, branch and sub-branch, and subsidiary of the Bank are responsible for implementing the compliance management objectives of their respective departments and institutions, and bear primary responsibility for compliance management within their respective departments and institutions.

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 institutional development by paying attention to the actual needs of external regulatory policies and internal operation management, implementing the requirements of financial institution compliance management measures and continuously optimizing 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, strengthened the rectification of problems, and improved the effectiveness of utilizing internal and external inspection results; thirdly, it reinforced compliance capacity building at the grassroots level by enhancing the management of municipal branches, clarifying responsibilities and work requirements, and extending the internal control review mechanism to first-tier branch institutions; fourthly, it promoted the construction of internal control and compliance culture by organizing compliance training programs for senior executives at the Head Office and branches, creating an online publicity platform for compliance culture, publishing various compliance guidelines, risk warnings, training and education guidance on a regular basis to reinforce proactive compliance awareness of all employees.

19.7 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 continuously improved its anti-money laundering internal control system. It closely followed new anti-money laundering regulatory requirements, refined work directives, strictly enforced standards, and consolidated the foundation for policy execution. Secondly, it continuously improved its anti-money laundering monitoring mechanisms, enhanced intelligent monitoring tools, strengthened system function configurations, and elevated its “machine-controlled” capabilities for identifying money laundering risks. Thirdly, it continuously improved its supervision and management mechanisms, increased the frequency of routine checks, expanded the scope and intensity of on-site inspections, and used inspections to drive corrections, thereby effectively enhancing the quality and effectiveness of work implementation. Fourthly, it continuously improved its internal training mechanisms. Through various online and offline thematic training sessions and risk alerts, it clarified responsibility demarcations, highlighted key risk control points, strengthened conceptual understanding, and improved professional competency. Through these multi-dimensional efforts, the Company ensured its long-term, stable business development, effective risk control, and compliant operations.

19.8 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.

19.9 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.

Reputational risk management is a core component of the corporate governance and the overall risk management system of the Bank, covering all types of business activities, operational areas, and behavioral processes across the Bank and its subsidiaries. The Company actively prevented and controlled reputational risks and efficiently handled reputational incidents by strengthening its reputational risk management framework, thereby minimizing the impact of such risks to the greatest extent. During the Reporting Period, the Company strictly adhered to the regulatory requirements of the “Rules on Reputational Risk Management of Banking and Insurance Institutions”, and constantly enhanced its capability of managing reputational risk. On the one hand, it upheld the principle of prevention first and source control, enhancing risk screening, monitoring and early warning, and contingency plan management to eliminate potential reputation risks at the front end. On the other hand, it focused on fulfilling its social responsibilities, conducting thematic campaigns centered on serving the real economy and protecting consumer rights. These efforts positively communicated the Company’s corporate values, continuously enhancing its brand image and social reputation.

19.10 Information Technology Risk Management

Information technology risk refers to the potential adverse impact on business continuity, customer information security, and compliance that may arise from latent deficiencies or external threats in technology systems, cybersecurity, and data management.

The Company continuously refined its technology risk prevention and control system to solidify the security foundation for digital transformation. Firstly, it enhanced technology governance and compliance management mechanisms by independently developing the “Compliance Intelligence Review” (合規智瞰) platform, enabling closed-loop online management for regulatory responses, policy administration, compliance audits, and rectification accountability. Secondly, it elevated business continuity assurance by advancing the data center’s transformation and upgrading to a multi-active architecture comprising “production center – production expansion center – disaster recovery center – offsite disaster recovery center”, while improving hardware lifecycle management. Thirdly, it strengthened infrastructure reliability assurance by conducting critical infrastructure switchover drills and full-chain cybersecurity offensive-defensive exercises to continuously validate emergency response and rapid recovery capabilities. Fourthly, it built a proactive cybersecurity defense system by establishing a comprehensive protection chain covering perimeter, host, application, and data security, while enhancing cybersecurity risk assessment and control for new technology applications.

19.11 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 business growth, risks such as data leakage and misuse have become persistent challenges accompanying business development.

The Company consistently treats data risk management as a vital component of its operational governance and 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.

20. PROSPECTS FOR THE FUTURE DEVELOPMENT OF THE COMPANY

20.1 Industry Landscape and Trend for the New Year

In 2026, the focus of China’s economic policy will shift toward “expanding domestic demand, stabilizing growth, and adjusting structure”, with accelerated efforts to cultivate new productive forces such as artificial intelligence and biopharmaceuticals, while continuously enhancing consumption’s contribution to economic growth. Exports are also projected to maintain moderate growth. Macroeconomic policies will adhere to the orientation of pursuing progress while ensuring stability and enhancing quality and efficiency. A “more proactive” fiscal policy and a “moderately accommodative” monetary policy will inject robust momentum into expanding domestic demand, promoting investment, and advancing technological innovation. In this process, new productive forces, the expansion and upgrading of service consumption, and key infrastructure projects will bring new opportunities for banking business development. Sectors such as technology finance, green finance, and pension finance will provide broad development space for the Company.

20.2 Development Guiding Ideology for the New Year

The year 2026 marks the beginning of the new journey under the “15th Five-Year Plan” and the foundational year for Bank of Qingdao to launch its new strategic cycle. Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company will implement the spirit of the Fourth Plenary Session of the 20th CPC Central Committee and the requirements of the “15th Five-Year Plan”. Under the leadership of the Party Committee of the Head Office, the Company will adhere to the operational principles of “incremental growth and quality enhancement, strengthening foundations to boost capabilities, improving agility to increase efficiency, and pursuing steady and sustainable growth”. The Company will remain steadfast in advancing the implementation of its new strategic plan and will continue to comprehensively promote high-quality development.

Incremental growth and quality enhancement: Focusing on the “Five Major Aspects” of finance, we will continue to strengthen credit support for the real economy, deepen the transformation of retail wealth management, and maintain reasonable growth in asset and liability scales. We will persistently optimize our income structure, expand new revenue streams, sustain robust growth in revenue and profits, and steadily improve the level of the weighted average return on equity.

Strengthening foundations to boost capabilities: We will continue to reinforce the development of grassroots management teams and specialized marketing teams, diligently advancing foundational work such as improving branch efficiency, standardizing marketing management, and building technological support systems. We will elevate capabilities in specialization, digital intelligence, precision, and systematization, gradually shifting business growth from resource-driven to capability-driven models to achieve differentiated and distinctive development.

Improving agility to increase efficiency: We will refine agile organizational operating mechanisms and expand their coverage to achieve efficient integration of “business, technology, and digital”; continue improving business collaboration mechanisms to enable seamless coordination among front, middle, and back offices, and support multi-license integrated operations; and strengthen head office capabilities to enhance strategic planning and leadership, while reinforcing its support efficiency for frontline operations.

Pursuing steady and sustainable growth: We will continuously refine the comprehensive risk management system, enhance risk prevention and control capabilities in key areas, strictly adhere to risk thresholds, continue optimization of asset quality; enhance efficiency in risk capital allocation, improve the precision of capital management, effectively address capital constraints, and ensure steady and sustainable development.

20.3 Main Work Measures for the New Year

In 2026, the Bank will continue to uphold the concept of high-quality development and align with the four strategic goals of “capability-driven, organizational agility, balanced growth in scale and quality, and healthy sustainability”, attaching importance to the following nine aspects:

1. Corporate business: specialize in industries to build competitive advantages and achieve simultaneous growth in scale and quality;
2. Transaction banking: iterate product offerings, deepen customer engagement, and improve the quality and efficiency of capital-light businesses;
3. Retail sector: strengthen the customer base through segmentation and classification, aiming for market leadership;

4. Financial market business: improve the quality and efficiency of investment and trading activities, while strengthening synergies and distinctive features;
5. Subsidiaries: enhance collaboration, deepen transformation, and steadily improve operational quality and efficiency;
6. Technological support: strengthen the technology foundation in an all-round way and achieve breakthroughs through digital and intelligent empowerment;
7. Risk management: deepen reforms in approval mechanisms and continuously improve the risk control system;
8. Internal control over operation: streamline operations for greater profitability and efficiency, while strengthening internal controls to support development;
9. Comprehensive management: drive development through party-building initiatives, strengthen foundational capabilities of the workforce, and advance all tasks in an orderly manner.

21. RECEPTION OF ACTIVITIES SUCH AS SURVEYS, COMMUNICATIONS AND INTERVIEWS DURING THE REPORTING PERIOD

The contact telephone of the Bank's investor relations: +86 40066 96588 ext. 6

The official website of the Bank: <http://www.qdccb.com/>

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

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

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
1 September 2025	Head office of the Bank	Online survey	Institutions	DENG Meijun from Zhongtai Securities, JIA Jing and LIN Wanhui from Huachuang Securities, FU Siyu from Huafu Securities, YU Bowen from Orient Securities and other institutional investors in attendance	Oral discussion on the Bank's profitability and credit allocation, etc., 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 1 September 2025
5 September 2025	Head office of the Bank	Online communication on network platform	Others	Investors who participated in the Bank's 2025 Interim Results Presentation through the "Investor Relations Interactive Platform" via www.p5w.net	Oral discussion on net gains arising from investments and intermediary business income, 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 5 September 2025

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
11 September 2025	Head office of the Bank	On-site survey	Institutions	LIN Yingying and FENG Siyuan from Shenwan Hongyuan Securities, WU Tinghua from Chang Xin Asset Management, GUO Changhao from HuaAn Funds, YAN Yijiang from China Asset Management, WANG Xin from Changsheng Fund, WANG Chenxi from Muxin Asset	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 11 September 2025
18 September 2025	Head office of the Bank	On-site survey	Institutions	SUN Yin, ZHOU Antong and CHENG Xiaokai from Western Securities, WANG Shaohuai from Guotai Fund, GUO Song from Ping An Annuity Insurance	Oral discussion on the investment strategy and credit 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 18 September 2025

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
14 November 2025	Head office of the Bank	On-site survey	Institutions	NI Jun and WANG Yu from GF Securities, MA Tingting from Guotai Haitong Securities, QU Jun from Orient Securities, LIANG Fengjie and XU Anni from Zheshang Securities, WANG Xianshuang and WEN Xueyang from China Merchants Securities, MA Xiangyun and XIE Jintong from Changjiang Securities, CHEN Shaoxing and CAO Xintong from Industrial Securities, DONG Wenxin from Everbright Securities, LIN Jinlu from Dongxing Securities, ZHANG Yinxin from China Post Securities, JIA Jing and LIN Wanhui from Huachuang Securities, DENG Mejun from Zhongtai Securities, ZHU Guangyue from Guosheng Securities, CHENG Xiaokai and YU Linjing from Western Securities, XU Ningbi from Guohai Securities, FU Siyu from Huafu Securities, DING Huangshi from Kaiyuan Securities, CUI Wei from China Life Asset Management, ZENG Zheng from CITIC Asset Management, ZHAO Dahui from Founder Securities, CHEN Jianyu from Cinda-AXA Fund Management, LI Xin from Taikang Asset Management, GUO Changhao from Huaan Fund, YUAN Luxin from ICBC Credit Suisse Fund, WANG Shaohuai from Guotai Fund, BEI Min from HFT Investment, ZHANG Qinxuan from Penghua Fund, ZHANG Xinyi from E Fund Management, XIE Shuyu from Ping An Fund, CHEN Wei from China Europe Fund	Oral discussion on the profitability and asset 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 14 November 2025

SECTION 4 OTHER EVENTS

4.1 Use of Proceeds Raised

The proceeds raised from previously issued ordinary shares and preference shares of the Bank, less issuance expenses, had been fully used to replenish the capital of the Bank. During the Reporting Period, there was no additional proceeds of the Bank.

4.2 Corporate Governance Code

During the Reporting Period, the Bank strictly complied with the code provisions applicable to the annual report for the Reporting Period set out in the Corporate Governance Code as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”), and, where appropriate, adopted the recommended best practices therein.

4.3 Securities Transactions by Directors

The Bank has adopted the required standard in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions by directors of the Bank.

Having made enquiries to the directors, the Bank has confirmed that they had complied with the above Model Code during the Reporting Period regarding securities transactions on H shares of the Bank.

4.4 Changes in Directors and Senior Management Personnel

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 of the Bank. During the Reporting Period and as of the date of this results announcement, there were no changes in the Bank’s directors and senior management personnel.

4.5 Profits and Dividends

The Company’s profit for the year ended 31 December 2025 and the Company’s financial position as at the same date are set out in the section headed Financial Statements of this results announcement.

1. Pursuant to the relevant resolutions considered and passed at the 2024 annual general meeting of the Bank on 28 May 2025, the Bank distributed to holders of A shares and holders of H shares whose names appear on the register of members of the Bank at the close of business on their respective share registration date, dividends in cash for 2024 in an aggregate amount of RMB931 million (tax inclusive), according to the dividend distribution plan to distribute a cash dividend of RMB0.16 per share (tax inclusive) on 26 June 2025.

2. The Board has proposed to pay a final dividend in cash of RMB1.80 per 10 shares (tax inclusive) for the year ended 31 December 2025 to all ordinary shareholders of the Bank. The total cash dividends will be calculated based on the total number of the share capital as at the record date of the dividend distribution. The dividend distribution plan will be submitted to the 2025 annual shareholders' meeting of the Bank (the "**2025 Annual Shareholders' Meeting**") for consideration. In 2025, there were no bonus shares nor any conversion of capital reserve into share capital by the Bank.

If the proposal is approved by the 2025 Annual Shareholders' Meeting, the dividend will be distributed to holders of A shares and holders of H shares whose names appear on the register of members of the Bank at the close of business on their respective record date. The proposed dividends mentioned above will be denominated in RMB. Dividends to holders of A shares shall be paid in RMB, and dividends to holders of H shares shall be paid in Hong Kong dollars. The applicable exchange rate for dividends payable in Hong Kong dollars shall be the average of the central parity rates of RMB in the interbank foreign exchange market of the five business days preceding the date of declaration of such dividends at the 2025 Annual Shareholders' Meeting (including the date of the 2025 Annual Shareholders' Meeting to be held) as announced by the People's Bank of China. In order to determine the holders of H shares who are entitled to receive the 2025 final dividend, the register of members of the Bank will be closed from Wednesday, 3 June 2026 to Sunday, 7 June 2026 (both days inclusive), during such period no transfer of H shares will be registered. In order to be entitled to the 2025 final dividend distribution, holders of H shares of the Bank who have not registered the related transfer documents are required to lodge the transfer documents together with the relevant share certificates with the Bank's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 2 June 2026. Shareholders whose names appear on the register of members of the Bank on Sunday, 7 June 2026 are entitled to the final dividend distribution.

The Board proposed to pay the final dividends for 2025 on or before Monday, 27 July 2026. If there are any changes to the expected dividend payment date, an announcement will be published regarding such changes.

4.6 2025 Annual Shareholders' Meeting and Closure of Register of Members

The Bank's 2025 Annual Shareholders' Meeting is proposed to be held on Thursday, 28 May 2026. In order to determine the list of holders of H shares who are entitled to attend and vote at the 2025 Annual Shareholders' Meeting, the H share register of members of the Bank will be closed from Thursday, 21 May 2026 to Thursday, 28 May 2026 (both days inclusive), during such period no share transfer will be registered. Holders of H shares of the Bank who intend to attend and vote at the annual shareholders' meeting must lodge all the transfer documents accompanied by the relevant share certificates with the Bank's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 20 May 2026.

4.7 Purchase, Sale or Redemption of Listed Securities

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

4.8 Changes in Accounting Policies and Accounting Estimates or Correction of Significant Accounting Errors

During the Reporting Period, there was no change in significant accounting policies, accounting estimates or correction of significant accounting errors of the Company.

4.9 Review of Annual Results

Ernst & Young Hua Ming LLP and Ernst & Young audited the 2025 annual financial statements prepared by the Company in accordance with Accounting Standards for Business Enterprises and IFRS Accounting Standards, respectively, and issued unqualified auditor's reports. The Board and its audit committee have reviewed the Annual Results and the financial statements of the Company for the year ended 31 December 2025.

Ernst & Young is Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance.

SECTION 5 INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of Bank of Qingdao Co., Ltd.

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

Opinion

We have audited the consolidated financial statements of Bank of Qingdao Co., Ltd. (the "**Bank**") and its subsidiaries (the "**Group**") set out on pages 112 to 250, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Accounting Standards ("**IFRS Accounting Standards**") as issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**") as issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKCPA's *Code of Ethics for Professional Accountants* (the "**Code**"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter:	How our audit addressed the key audit matter:
<p><i>Expected credit losses for loans and advances to customers and financial investments measured at amortised cost</i></p>	
<p>The Group uses a number of significant judgements and assumptions in the measurement of expected credit losses, for example:</p> <ul style="list-style-type: none"> • Significant increase in credit risk – Criteria for identifying whether significant increase in credit risk is highly dependent on judgement and may have a significant impact on the expected credit losses for loans and advances to customers and financial investments measured at amortised cost with longer remaining periods to maturity; • Models and parameters – Inherently complex models are used to measure expected credit losses. Modelled parameters have numerous inputs and the parameter estimation involves many judgements and assumptions; • Forward-looking information – Expert judgement is used to create macroeconomic forecasts and to consider the impact on expected credit losses under multiple economic scenarios given different weights; 	<p>We evaluated and tested the design and operating effectiveness of key internal controls over credit granting, post approval credit management, loan credit rating system, collateral management as well as expected credit losses, including:</p> <ul style="list-style-type: none"> • With the support of our IT audit specialists, we evaluated and tested the data and processes used to determine expected credit losses, including loan business data, internal credit rating data, macroeconomic data, as well as the computational logic, inputs and system interfaces of the impairment assessment system. • We evaluated and tested key internal controls over the management, implementation and monitoring of expected credit losses approach, including approval of key policies and procedures, key models and related parameters and their adjustments, and ongoing monitoring of model performance, model validation and parameter calibration.

Key audit matter:	How our audit addressed the key audit matter:
<p><i>Expected credit losses for loans and advances to customers and financial investments measured at amortised cost (Continued)</i></p>	
<ul style="list-style-type: none"> • Whether financial assets are credit-impaired <ul style="list-style-type: none"> – The determination of credit impairment requires consideration of multiple factors, and measurement of expected credit losses depends on estimates of future cash flows. <p>As at 31 December 2025, loans and advances to customers and financial investments measured at amortised cost amounted to RMB540.452 billion, accounting for 66.32% of total assets and impairment allowance for such loans and advances to customers totalled RMB16.54 billion. As the measurement of expected credit losses involves many significant judgements and assumptions, the materiality of amounts is taken into consideration, impairment of loans and advances is considered a key audit matter.</p> <p>Relevant disclosures are included in Note II.4, Note 19 and Note 22 to the financial statements.</p>	<p>We adopted a risk-based sampling approach to review the expected credit losses on loans and advances to customers and financial investments measured at amortised cost. We assessed the debtors' repayment capacity and evaluated the Group's judgement in loan rating and staging, taking into consideration post-lending or post-investment inspection reports, debtors' financial information, collateral valuation reports and other available information. For credit-impaired loans and advances to customers, we analysed the amount, timing and probability of management's estimated future cash flows, especially recoverable cash flows from collaterals.</p> <p>With the support of our modelling specialists, we evaluated and tested the expected credit loss model for loans and advances to customers, key parameters, and management's significant judgements and assumptions, mainly focusing on the following aspects:</p> <ul style="list-style-type: none"> • Taking into account macroeconomic changes, industry risk factors, and results of validation, reassessment and optimisation of ECL model, we assessed the appropriateness of ECL model methodology and related parameters, including probability of default, loss given default, exposure at default, risk grouping, and whether there had been a significant increase in credit risk. • We assessed the appropriateness of forward-looking information used by management to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions and weightings of multiple macroeconomic scenarios. <p>We evaluated and tested the design and operating effectiveness of key internal controls related to disclosures of credit risk exposures and expected credit losses.</p>

Key audit matter:	How our audit addressed the key audit matter:
<i>Assessment of fair value of financial instruments</i>	
<p>The fair value of the Group’s financial instruments measured at fair value is determined either by active markets quotes or valuation techniques. Valuation techniques are used to determine the fair value of financial instruments that do not have quoted prices in active markets, These techniques may involve the use of significant unobservable inputs requiring assumptions and estimates based on management’s subjective judgements. Valuation results can vary significantly under different valuation techniques or assumptions.</p> <p>Financial instruments measured at fair value constitute a significant component of the Group’s assets and liabilities. Adjustments to the fair value of financial instruments impact profit or loss or other comprehensive income. The Group primarily holds financial instruments measured at Level 2 and Level 3 of the fair value hierarchy. Given the materiality of the balance and the significant uncertainties involved in the estimation of fair value for Level 3 financial instruments, we consider valuation of financial instruments a key audit matter.</p> <p>Relevant disclosures are included in Note II.2and Note 47 to the financial statements.</p>	<p>We evaluated and tested the design and operating effectiveness of key internal controls related to the valuation of financial assets, including the validation and approval of valuation models and assumptions, the review and approval of valuation results, and key controls over general IT controls, system interfaces, and automated calculations within the relevant systems.</p> <p>We performed audit procedures to evaluate the valuation techniques, parameters and assumptions used by the Group on a sample basis.</p> <p>We compared the quoted price in active market with the valuation results of the Group.</p> <p>We compared the valuation techniques commonly used in the market by industry peers, validated observable inputs using external market data, and compared with valuation results calculated using various pricing sources.</p> <p>For financial assets whose valuations were calculated using significant unobservable inputs, we involved our valuation specialists to assess the valuation model for such financial assets, performed independent valuations on selected samples and compared the valuation results with those of the Group.</p> <p>We evaluated and tested the design and operating effectiveness of key internal controls related to disclosures of fair value.</p>

Key audit matter:	How our audit addressed the key audit matter:
<i>Consolidation of structured entities</i>	
<p>The Group holds interests in many different structured entities as a result of its business activities in financial investment and asset management, such interests in structured entities include wealth management products, funds and asset management plans. The Group needs to comprehensively consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns to determine whether it has control over such structured entities, and therefore whether it should include them in the scope of consolidation.</p> <p>The assessment of the Group's control over structured entities involves significant judgements on factors such as the purpose and design of structured entities, the Group's ability to direct relevant activities, direct and indirect beneficial interests and returns, performance fees, and returns earned or losses incurred from providing credit enhancement or liquidity support. Comprehensive analysis of these factors and concluding on whether the Group has control involve significant management judgements and estimates.</p> <p>In view of the significance and the complexity of management judgements, we consider consolidation assessment and disclosures of structured entities a key audit matter.</p> <p>Relevant disclosures are included in Note II.24, Note II.25 and Note 49 to the financial statements.</p>	<p>We evaluated and tested the design and operating effectiveness of the key internal controls related to the Group's assessment of whether it controls a structured entity.</p> <p>We assessed the Group's analysis and conclusions on whether it controls structured entities based on the management's analysis on the Group's power over structured entities, the magnitude and variability of the variable returns from its involvement with the structured entities and the linkage between these two matters, taking into consideration of all relevant facts and circumstances.</p> <p>We reviewed the contract documents on a sample basis to examine the purpose of the establishment of the structured entities, and analysed the Group's rights and variability of the variable returns from its involvement with the structured entities, including whether the Group has legal or constructive obligations to the structured entities and ultimately bears the losses of the structured entities (such as whether the Group has provided liquidity support and credit enhancement to the structured entities initiated by it).</p> <p>We evaluated and tested the design and operating effectiveness of key internal controls related to disclosures of unconsolidated structured entities.</p>

Other Information included in the Annual Report

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cheung Bing Yin Benny (practising certificate number: P06447).

Ernst & Young

Certified Public Accountants

Hong Kong

26 March 2026

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2025	2024
Interest income		23,191,992	22,421,432
Interest expense		<u>(12,122,000)</u>	<u>(12,547,608)</u>
Net interest income	3	<u>11,069,992</u>	<u>9,873,824</u>
Fee and commission income		1,882,475	1,993,954
Fee and commission expense		<u>(430,950)</u>	<u>(484,401)</u>
Net fee and commission income	4	<u>1,451,525</u>	<u>1,509,553</u>
Net trading gains/(losses)	5	158,691	10,687
Net gains arising from investments	6	1,865,652	1,854,294
Other operating income	7	<u>14,814</u>	<u>166,333</u>
Operating income		14,560,674	13,414,691
Operating expenses	8	(4,782,001)	(4,884,559)
Expected credit losses	11	(3,533,201)	(3,533,691)
Impairment losses on other assets		<u>(1,637)</u>	<u>(1,312)</u>
Profit before taxation		6,243,835	4,995,129
Income tax expense	12	<u>(887,234)</u>	<u>(590,408)</u>
Net profit for the year		<u>5,356,601</u>	<u>4,404,721</u>
Net profit attributable to:			
Equity shareholders of the Bank		5,187,741	4,264,120
Non-controlling interests		<u>168,860</u>	<u>140,601</u>
Basic and diluted earnings per share (in RMB)	13	<u>0.85</u>	<u>0.69</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2025	2024
Net profit for the year		<u>5,356,601</u>	<u>4,404,721</u>
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
– Remeasurement of defined benefit liability	40(4)	2,100	(10,733)
– Changes in fair value of financial assets designated at fair value through other comprehensive income	40(4)	2,940	83,788
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	40(4)	(1,325,470)	1,459,373
– Credit losses of financial assets measured at fair value through other comprehensive income	40(4)	<u>532,085</u>	<u>236,894</u>
Other comprehensive income, net of tax		<u>(788,345)</u>	<u>1,769,322</u>
Total comprehensive income for the year		<u>4,568,256</u>	<u>6,174,043</u>
Total comprehensive income attributable to:			
Equity shareholders of the Bank		4,399,396	6,033,442
Non-controlling interests		<u>168,860</u>	<u>140,601</u>

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	31 December 2025	31 December 2024
Assets			
Cash and deposits with the central bank	14	42,979,933	49,153,266
Deposits with banks and other financial institutions	15	9,953,265	3,495,177
Placements with banks and other financial institutions	16	18,254,853	14,844,347
Derivative financial assets	17	507,591	55,310
Financial assets held under resale agreements	18	17,975,490	7,496,541
Loans and advances to customers	19	387,692,967	332,554,291
Financial investments:			
– Financial investments measured at fair value through profit or loss	20	74,688,589	63,986,527
– Financial investments measured at fair value through other comprehensive income	21	97,786,595	94,075,023
– Financial investments measured at amortised cost	22	137,024,491	97,593,546
Long-term receivables	24	17,461,304	15,516,540
Property and equipment	25	3,331,500	3,437,254
Right-of-use assets	26	743,558	764,450
Deferred tax assets	27	4,372,950	3,553,816
Other assets	28	2,186,998	3,436,945
Total assets		814,960,084	689,963,033
Liabilities			
Borrowings from the central bank	29	48,579,376	28,240,081
Deposits from banks and other financial institutions	30	29,028,245	12,355,339
Placements from banks and other financial institutions	31	22,638,702	20,836,633
Financial liabilities measured at fair value through profit or loss	32	1,849,403	699,788
Derivative financial liabilities	17	10,460	162,430
Financial assets sold under repurchase agreements	33	23,090,548	35,504,160
Deposits from customers	34	512,121,455	443,425,535
Income tax payable		770,248	306,535
Debt securities issued	35	121,902,730	98,752,059
Lease liabilities	36	511,017	514,281
Other liabilities	37	4,203,444	4,266,363
Total liabilities		764,705,628	645,063,204

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

	<i>Note</i>	31 December 2025	31 December 2024
Equity			
Share capital	38	5,820,355	5,820,355
Other equity instruments			
Including: perpetual bonds	39	8,395,783	6,395,783
Capital reserve	40(1)	10,686,506	10,687,091
Surplus reserve	40(2)	3,603,377	3,106,154
General reserve	40(3)	10,256,969	8,511,286
Other comprehensive income	40(4)	1,928,188	2,716,533
Retained earnings	41	8,475,970	6,695,179
Total equity attributable to equity shareholders of the Bank		49,167,148	43,932,381
Non-controlling interests		1,087,308	967,448
Total equity		<u>50,254,456</u>	<u>44,899,829</u>
Total liabilities and equity		<u>814,960,084</u>	<u>689,963,033</u>

Approved and authorised for issue by the board of directors on 26 March 2026.

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 financial statements form part of this financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

For the year ended 31 December 2025

	Note	Attributable to equity shareholders of the Bank							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 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		-	-	-	-	-	(788,345)	5,187,741	4,399,396	168,860	4,568,256
Capital injection by shareholders:											
– Contributions from holders of other equity instruments	39	-	2,000,000	(585)	-	-	-	-	1,999,415	-	1,999,415
– Acquisition of subsidiaries	23	-	-	-	-	24,118	-	(23,705)	413	-	413
Appropriation of profit:											
– Appropriation to surplus reserve	40(2)	-	-	-	497,223	-	-	(497,223)	-	-	-
– Appropriation to general reserve	40(3)	-	-	-	-	1,721,565	-	(1,721,565)	-	-	-
– Dividends	41	-	-	-	-	-	-	(1,164,457)	(1,164,457)	(49,000)	(1,213,457)
Balance at 31 December 2025		<u>5,820,355</u>	<u>8,395,783</u>	<u>10,686,506</u>	<u>3,603,377</u>	<u>10,256,969</u>	<u>1,928,188</u>	<u>8,475,970</u>	<u>49,167,148</u>	<u>1,087,308</u>	<u>50,254,456</u>

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

For the year ended 31 December 2024

	Attributable to equity shareholders of the Bank								Non-controlling interests	Total equity	
	Note	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	23	-	-	(543)	-	24,778	-	(24,778)	(543)	543	-
Appropriation of profit:											
– Appropriation to surplus reserve	40(2)	-	-	-	388,040	-	-	(388,040)	-	-	-
– Appropriation to general reserve	40(3)	-	-	-	-	1,002,684	-	(1,002,684)	-	-	-
– Dividends	41	-	-	-	-	-	-	(1,164,457)	(1,164,457)	(49,000)	(1,213,457)
Balance at 31 December 2024		<u>5,820,355</u>	<u>6,395,783</u>	<u>10,687,091</u>	<u>3,106,154</u>	<u>8,511,286</u>	<u>2,716,533</u>	<u>6,695,179</u>	<u>43,932,381</u>	<u>967,448</u>	<u>44,899,829</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

	2025	2024
Cash flows from operating activities		
Profit before taxation	6,243,835	4,995,129
<i>Adjustments for:</i>		
Expected credit losses	3,533,201	3,533,691
Impairment losses on other assets	1,637	1,312
Depreciation and amortisation	611,060	598,198
Unrealised foreign exchange losses	15,615	106,505
Net gains on disposal of property and equipment, intangible assets and other assets	(498)	(12,002)
Dividend income	(6,460)	(5,780)
Gains from changes in fair value	174,163	(325,188)
Net gains arising from investments	(2,091,680)	(1,525,756)
Interest expense on debt securities issued	2,208,331	2,288,089
Interest income from financial investments	(5,953,992)	(5,584,536)
Others	28,759	(1,886)
	4,763,971	4,067,776
<i>Changes in operating assets</i>		
Net increase in deposits with the central bank	(3,646,357)	(2,479,884)
Net decrease/(increase) in deposits with banks and other financial institutions	198,346	(150,000)
Net increase in placements with banks and other financial institutions	(3,155,277)	(2,077,304)
Net increase in loans and advances to customers	(56,909,984)	(41,976,241)
Net (increase)/decrease in financial assets held under resale agreements	(10,500,000)	6,450,000
Net increase in financial assets held for trading	(13,820,097)	(5,170,905)
Net (increase)/decrease in long-term receivables	(519,543)	1,080,597
Net increase in other operating assets	(933,596)	(783,544)
	(89,286,508)	(45,107,281)

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

	<i>Note</i>	2025	2024
Cash flows from operating activities (continued)			
<i>Changes in operating liabilities</i>			
Net increase in borrowings from the central bank		20,215,453	10,014,871
Net increase in deposits from banks and other financial institutions		16,981,879	10,102,076
Net increase/(decrease) in placements from banks and other financial institutions		1,412,390	(264,805)
Net decrease in financial assets sold under repurchase agreements		(12,411,457)	(4,262,229)
Net increase in deposits from customers		69,453,126	45,961,747
Net (decrease)/increase in other operating liabilities		(1,348,905)	3,551,008
		<u>94,302,486</u>	<u>65,102,668</u>
Income tax paid		(980,323)	(1,111,570)
Net cash flows generated from operating activities		<u>8,799,626</u>	<u>22,951,593</u>
Cash flows from investing activities			
Cash received from disposal and redemption of investments		63,294,916	52,097,783
Cash received from investment gains and interest		8,062,230	6,960,621
Cash received from disposal of property and equipment, intangible assets and other assets		7,620	37,789
Payments for acquisition of investments		(105,519,693)	(72,003,845)
Payments for acquisition of property and equipment, intangible assets and other assets		(377,733)	(371,514)
Net Cash paid for acquisition of subsidiaries	<i>43(3)</i>	(18,827)	—
Net cash flows used in investing activities		<u>(34,551,487)</u>	<u>(13,279,166)</u>

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

	<i>Note</i>	2025	2024
Cash flows from financing activities	<i>43(2)</i>		
Cash received from other equity instruments		2,000,000	–
Cash received from debt securities issued		120,462,490	102,086,676
Repayment of debt securities issued		(97,344,718)	(92,520,716)
Payments for interest on debt securities issued		(2,175,432)	(2,371,775)
Payments for dividends		(1,212,643)	(1,212,614)
Payment for lease liabilities		(168,148)	(148,450)
Other cash paid related to financing activities		(620)	–
Net cash flows generated from financing activities		<u>21,560,929</u>	<u>5,833,121</u>
Effect of foreign exchange rate changes on cash and cash equivalents		<u>(4,308)</u>	<u>3,765</u>
Net (decrease)/increase in cash and cash equivalents		(4,195,240)	15,509,313
Cash and cash equivalents as at 1 January		<u>31,106,085</u>	<u>15,596,772</u>
Cash and cash equivalents as at 31 December	<i>43(1)</i>	<u>26,910,845</u>	<u>31,106,085</u>
Net cash flows generated from operating activities include:			
Interest received		<u>18,032,053</u>	<u>17,739,520</u>
Interest paid		<u>(12,062,683)</u>	<u>(8,272,856)</u>

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 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 Yin Fu [1996] No. 220 “Approval upon the Preparing of Qingdao City Cooperative Bank” and Yin Fu [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 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 RMB5.820 billion after the completion of the above rights issue. The share capital of the Bank is RMB5.820 billion as at 31 December 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 31 December 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 23. 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 MATERIAL ACCOUNTING POLICY INFORMATION

(1) Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with IFRS Accounting Standards and related interpretations, issued by the International Accounting Standards Board, as well as with the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The financial statements are presented in Renminbi (“**RMB**”), rounded to the nearest thousands, which is the functional currency of the Group.

The preparation of the financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for judgements on the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. Judgements that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 2(25).

The measurement basis used in the preparation of financial statements is historical cost, with the exception of certain financial assets and financial liabilities, which are measured at fair value, as stated in Note 2(4).

(2) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rates ruling at the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates ruling at the transaction dates.

A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange (the “**SAFE**”), or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined under a systematic and rational method, such as the average exchange rate of the current period.

Monetary assets and liabilities denominated in foreign currencies are translated to RMB at the spot exchange rates ruling at the end of the reporting period. Changes in the fair value of monetary assets denominated in foreign currency classified as financial investments at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income. The translation differences of other monetary assets and liabilities denominated in foreign currency are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to RMB using the exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated using the exchange rates ruling at the dates the fair value is determined. The resulting exchange differences are recognised in profit or loss, except for the differences arising from the re-translation of equity instrument at fair value through other comprehensive income, which are recognised in other comprehensive income.

(3) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with the central bank, short-term deposits and placements with banks and other financial institutions, financial assets held under resale agreements, and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(4) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

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

A financial asset or financial liability is measured initially at fair value. For financial assets and financial liabilities measured at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. A trade receivable, without significant financing component or practical expedient applied for one year or less contracts, is initially measured at the transaction price.

Measurement of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group shall take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date (including the condition and location of the asset; and restrictions, if any, on the sale or use of the asset, etc.), and use valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. The adopted valuation techniques mainly include market approach, income approach and cost approach.

(ii) Classification and subsequent measurement of financial assets

(a) Classification of financial assets

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income (“**FVOCI**”), or at fair value through profit or loss (“**FVTPL**”).

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

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

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

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

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

For non-trading equity instruments, the Group may irrevocably designate the investment at initial recognition as measured at fair value through other comprehensive income (“**FVOCI**”), provided that the designation is made on an individual investment basis and the investment meets the definition of an equity instrument from the issuer’s perspective.

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

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

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

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

(b) Subsequent measurement of financial assets

- Financial assets measured at FVTPL

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

- Financial assets measured at amortised cost

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

- Debt investments measured at FVOCI

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

- Equity investments designated as at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income, without provision for impairment. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(iii) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as financial liabilities measured at FVTPL and other financial liabilities.

- Financial liabilities measured at FVTPL

A financial liability is classified as at FVTPL if it is classified as held-for-trading (including derivative financial liability, separately stated in the statement of financial position) or it is designated as such on initial recognition.

Financial liabilities, which satisfy any of the following conditions, can be designated as financial liabilities measured at FVTPL on initial recognition:

- Able to eliminate or significantly reduce accounting mismatches;
- It is specified in official written file of risk management or investment strategy that the financial instrument set is managed, evaluated and reported to key managers on the basis of fair value.

Financial liabilities designated as financial liabilities measured at FVTPL on initial recognition shall not be reclassified as other financial liabilities; nor shall other financial liabilities be reclassified as financial liabilities measured at FVTPL after initial recognition.

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

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, except for financial liabilities, financial guarantee contracts and credit commitments arising from transfers of financial assets which did not qualify for derecognition or continuing involvement (see Note 2(4)(iv)).

(iv) Financial guarantee contracts and credit commitments

Financial guarantee contracts

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

Financial guarantee contracts are initially recognised at fair value on the date the guarantee was given. Subsequent to initial recognition, income related to financial guarantee is allocated and recognised in profit or loss in accordance with the revenue recognition policies in Note 2(17). A financial guarantee contract is measured at the higher of the amount of the loss allowance determined in accordance with impairment policies of financial instruments (see Note 2(4)(v)) and the amount initially recognised less the cumulative amount of income.

Credit commitments

Credit commitments are commitments to grant credit under the established contract terms and conditions.

The impairment allowance of credit commitments provided by the Group is measured using the expected credit loss (ECL) model.

For credit commitments and financial guarantee contracts, the loss allowance is recognised as a provision.

(v) Impairment

The Group recognises loss allowances for ECL on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI;
- lease receivables; and
- financial guarantee contracts issued and loan commitments, which are not measured at FVTPL.

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

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value, discounted at effective interest rate or the credit-adjusted effective interest rate on purchased or originated credit-impaired (POCI) financial assets, of all cash shortfalls (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The Group's method of measuring ECLs of financial instruments reflects the following elements: (i) unbiased weighted average probability determined by the results of evaluating a range of possible outcomes; (ii) time value of money; (iii) reasonable and evidence-based information about past events, current conditions, and future economic forecasts that are available at no additional cost or effort at the end of the reporting period.

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

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

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

The Group applies a 'three-stage model' for measuring ECL. For the measurement and segmentation of ECL of financial instruments of the Group, (see Note 46(1)).

Presentation of allowance for ECL

ECLs are remeasured at the end of each reporting period to reflect changes in the financial instruments' credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt investments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income. The Group recognises loss allowances for loan commitments and financial guarantee contracts that are not measured at FVTPL in contingent liabilities. (See Note 37(2)).

Write-off

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

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

(vi) *Offsetting*

Financial assets and financial liabilities are generally presented separately in the statement of financial position, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the statement of financial position when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts; and
- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(vii) *Derecognition of financial assets and financial liabilities*

Financial asset is derecognised (or part of it, or part of a group of similar financial assets) when one of the following conditions is met:

- The Group’s contractual rights to the cash flows from the financial asset expire;
- The rights to receive cash flows from the financial asset have been transferred, or the obligations of paying all the collected cash flow to a third party are undertaken under “pass-through” agreements, and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

If the Group neither transfers nor retains substantially all of the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

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

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

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Securitisation

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to structured entities which then issue securities to investors. Further details on prerequisites for derecognition of financial assets are set out above. When a securitisation of financial assets does not qualify for derecognition, the relevant financial assets are not derecognised, and the consideration paid by third parties are recorded as a financial liability; when the securitisation of financial assets partially qualifies for derecognition, the Group continue to recognise the transferred assets to the extent of its continuing involvement, and derecognise the remaining. The carrying amount of the transferred assets is apportioned between the derecognised portion and the retained portion based on their respective relative fair values, and the difference between the carrying amount of the derecognised portion and the total consideration paid for the derecognised portion is recorded in profit or loss.

Sales of assets on condition of repurchase

The derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a return, the Group will not derecognise the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in case of transferor sells such financial asset), the Group will derecognise the financial asset.

(viii) *Modification of financial assets contracts*

In some cases, the Group may modify or otherwise renegotiate the financial assets contracts. The Group would assess whether or not the modified or renegotiated contractual terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a new asset under the revised terms.

If the modification or renegotiation does not result in derecognition, but leads to changes in contractual cash flows, the Group recalculates the carrying amount of the financial asset and recognised the relevant gain or loss in profit or loss for the period. When assessing whether a significant increase in credit risk has occurred, the Group compares the risk of a default occurring under the revised terms as at the end of the reporting period with that as at the date of initial recognition under original terms.

(ix) *Derivative financial instruments*

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

An embedded derivative and the host contract together form the hybrid contract. If the host contract included in the hybrid contract is an asset within the scope of IFRS 9, *Financial Instruments*, the embedded derivative is no longer split from the host contract of the financial asset, but the hybrid financial instrument as a whole is related to the classification of the financial asset provision. If the host contract included in the hybrid contract is not an asset within the scope of IFRS 9, *Financial Instruments*, when their economic characteristics and risks are not closely related to those of the hybrid contract, those separate instruments with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid instrument is not carried at FVTPL, certain derivatives embedded in other financial instruments should be split from the hybrid contract and treated as separate derivatives. These embedded derivatives are measured at fair value with the changes in fair value recognised in profit or loss.

For less complex derivative products, the fair values of derivative products are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.

(x) *Equity instrument*

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. The costs paid for the issuance is adjusted against shareholders' equity (capital reserve), with any excess deducted from surplus reserve and retained earnings sequentially. Consideration and transaction costs paid by the Bank for repurchasing self-issued equity instruments are deducted from shareholders' equity.

When the Bank repurchases its own shares, those shares are treated as treasury shares. All expenditure relating to the repurchase is recorded in the cost of the treasury shares, with the transaction recording in the share register. Treasury shares are excluded from profit distributions and are presented as a deduction under shareholders' equity in the statement of financial position.

When treasury shares are cancelled, the share capital should be reduced to the extent of the total par value of the treasury shares cancelled. Where the cost of the treasury shares cancelled exceeds the total par value, the excess is deducted from capital reserve (share premium), surplus reserve and retained earnings sequentially. If the cost of treasury shares cancelled is less than the total par value, the difference is credited to the capital reserve (share premium).

When treasury shares are disposed of, any excess of proceeds above cost is recognised in capital reserve (share premium); otherwise, the shortfall is deducted against capital reserve (share premium), surplus reserve and retained earnings sequentially.

(5) *Preference shares and perpetual bonds*

At initial recognition, the Group classifies the preference shares and perpetual bonds issued or their components as financial assets, financial liabilities or equity instruments based on their contractual terms and economic substance with reference to the definition of financial assets, financial liabilities and equity instruments.

Preference shares and perpetual bonds issued by the Group that should be classified as equity instruments are recorded at their actual issuance price as other equity instruments. Transaction costs incurred in issuing such equity instruments, including underwriting fees and registration fees, are recognized as part of capital surplus. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the preference shares and perpetual bonds are redeemed according to the contractual terms, the redemption amount is recognised as a deduction from equity.

(6) Resale and repurchase agreements transactions (including securities borrowing and lending)

Financial assets held under resale agreements refers to the funds paid by the Group in transactions where the Group acquires financial assets which will be resold at a predetermined price at a future date under the resale agreement. Financial assets sold under repurchase agreements refers to the funds received by the Group in transactions where the Group sells financial assets which will be repurchased at a predetermined price at a future date under the repurchase agreement.

The cash advanced or received is recognised as amounts held under resale or sold under repurchase agreements in the statement of financial position. Assets held under resale agreements are not recognised. Assets sold under repurchase agreements continue to be recognised in the statement of financial position.

The difference between the purchase and resale consideration, and that between the sale and repurchase consideration, is amortised over the period of the respective transaction using the effective interest method and is included in interest income and interest expenses respectively.

Securities borrowing and lending transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

(7) Precious metals

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realizable value.

The Group determines the net realizable value of precious metals at the end of the reporting period. When the factors that previously led to the write-down of the value of precious metals have disappeared, the amount of the write-down shall be reversed, up to the original provision for inventory write-down, and the reversal amount shall be recognized in the current period's profit or loss.

The precious metals acquired by the Group for trading purposes are initially recognized at fair value at acquisition and subsequently measured at fair value at the balance sheet date, with changes therein recognized in profit or loss for the period.

(8) Property and equipment

Property and equipment are tangible assets held by the Group for operation and administration purposes with useful lives over one year.

The cost of a purchased property and equipment asset comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. No depreciation is provided against construction in progress.

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns, each part is depreciated separately.

Any subsequent costs including the cost of replacing part of an item of property and equipment are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Property and equipment assets are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see Note 2(12)).

The cost of a property and equipment, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the property and equipment is classified as held for sale.

The estimated useful lives, residual values and annual depreciation rates of each class of property and equipment are as follows:

	Estimated useful lives	Estimated net residual value	Annual depreciation rate
Premises	30 – 50 years	5%	1.90% – 3.17%
Machinery equipment and others	5 – 10 years	5%	9.50% – 19.00%
Vehicles	5 years	5%	19.00%
Electronic equipment	5 – 7 years	5%	13.57% – 19.00%

Useful lives, residual values and depreciation methods of property and equipment are reviewed, and adjusted if appropriate, at least at each financial year end.

The carrying amount of a property and equipment is derecognised:

- When the property and equipment is holding for disposal; or
- When no future economic benefit is expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

(9) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated in the statements of financial position at cost less accumulated amortisation and impairment losses (see Note 2(12)). The cost of intangible assets less residual value and impairment losses is amortised on a straight-line basis over the estimated useful lives, unless the intangible asset is classified as held for sale.

The amortisation period for intangible assets is as follows:

	Amortisation period
Software	3 – 5 years

Useful lives and amortisation methods of intangible asset with finite useful life are reviewed at least at each year-end.

(10) Long-term deferred expenses

Long-term deferred expenses include improvements to operating leased fixed assets and other expenses that have already been incurred but should be amortized by the current period and future periods, with amortization periods exceeding one year, which are amortised using a straight-line method within the expected benefit period and stated in “other assets” at actual cost less accumulated amortisation and impairment losses (see Note 2(12)).

(11) Repossessed assets

Repossessed assets refer to the physical assets or property rights of the debtor, guarantor or a third party that the Group exercises its creditor’s rights or security rights in accordance with the law.

Transferred financial repossessed assets are initially measured at their fair value, and classified and subsequently measured by the Group according to the accounting policies in Note 2(4)(ii).

Transferred non-financial repossessed assets are initially measured at the fair value of the relinquished creditor’s rights and other costs such as taxes directly attributable to the asset, and subsequently measured at the lower of cost and net realizable value by the Group. Please refer to Note 2(12) for the method of impairment test and allowances for impairment.

(12) Impairment of non-financial assets other than precious metals

The carrying amounts of the following assets are reviewed at the end of the reporting period based on the internal and external sources of information to determine whether there is any indication of impairment:

- property and equipment
- right-of-use assets
- intangible assets
- investments in subsidiaries, associates and joint ventures
- non-financial repossessed assets
- long-term deferred expenses, etc.

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A Cash-Generating Unit (the “CGU”) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group’s operations and how management makes decisions about continuing or disposing of the Group’s assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called “asset”) is the greater of its fair value less costs of disposal and value in use.

An asset’s fair value less costs of disposal is the amount determined by the price of a sale agreement in an arm’s length transaction, less the costs that are directly attributable to the disposal of the asset. The value in use of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. An allowance for an impairment loss of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill (if any is held) allocated to the asset group or set of asset groups and then, to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs of disposal (if measurable), value in use (if measurable) and zero.

An impairment loss in respect of goodwill is not reversed. If, in a subsequent period, the amount of impairment loss of the non-financial asset, except for goodwill, decreases and the decrease can be linked objectively to an event occurring after impairment is recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss is limited to the asset’s carrying amount that would have been determined had no impairment loss been recognised in prior periods.

(13) Employee benefits

Employee benefits refer to various forms of compensation or payments provided by the Group to obtain services from employees or to settle employment relationships. Employee benefits include short-term employee benefits, post-employment benefits, and termination benefits.

(i) *Short-term employee benefits*

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, and housing fund, measured at the amount incurred or at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(ii) *Post-employment benefits – defined contribution plans*

Pursuant to the relevant laws and regulations of the Chinese Mainland, the Group participated in a defined contribution basic pension insurance, unemployment insurance and enterprise annuity in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans and unemployment insurance based on the applicable benchmarks and rates stipulated by the government. In addition to the basic social pension insurance and unemployment insurance, the Group has established an enterprise annuity for its employees in accordance with relevant policies on the national enterprise annuity system. The contributions are recognised as liability, charged to profit or loss or recognised as part of the cost of related assets during the accounting period in which employees provide services.

(iii) *Post-employment benefits – defined benefit plans*

In accordance with the projected unit credit method, the Group measures the obligations under defined benefit plans using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, and discount obligations under the defined benefit plans to determine the present value of the defined benefit liability.

The Group attributes benefit obligations under a defined benefit plan to periods of service provided by respective employees. Service cost and interest expense on the defined benefit liability are charged to profit or loss or recognised as part of the cost of assets, and remeasurements of defined benefit liability are recognised in other comprehensive income, which shall not be reversed into profit or loss in a subsequent period.

(iv) *Termination benefits*

Termination benefits are payable as a result of either the Group's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment. The Group recognise termination benefits in profit or loss at the earlier of:

- When the Group can no longer withdraw an offer of those benefits;
- When the Group has a specific, concrete restructure plan involving payment of termination benefits, and the plan has started or been informed to each affected party, therefore each party has formed reasonable expectation.

(14) *Income tax*

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, as well as the difference between the carrying amounts and the tax bases of items that are not recognised as assets or liabilities but whose tax base can be determined under tax laws, which include deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for temporary differences arising from the initial recognition of assets or liabilities in a single transaction that is not a business combination, affects neither accounting profit nor taxable profit (or deductible loss) and does not give rise to equal taxable and deductible temporary differences. Deferred tax is also not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the end of the reporting period, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amounts of the assets and liabilities, using tax rates that are expected to be applied in the period when the asset is recovered or the liability is settled in accordance with tax laws, and reflect the income tax effects based on the expected method of recovering assets or settling liabilities at the end of the reporting period.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period, and is reduced to the extent that it is no longer probable that the related tax benefits will be utilised. Such reductions are reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the end of the reporting period, deferred tax assets and liabilities are offset if all the following conditions are met:

- The taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- They relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

(15) Provisions and contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events. It can also be a present obligation arising from past events which is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably. The obligation is not recognised, and only contingent liabilities are disclosed in Note 48 to the financial statements.

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the outflow required to settle the related present obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where there is a continuous range of possible outcomes for the outflow required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

- Where the contingency involves a single item, the best estimate is the most likely outcome.
- Where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

The Group reviews the carrying amount of a provision at the end of the reporting period and adjusts the carrying amount to the current best estimate.

(16) Fiduciary activities

The Group acts in fiduciary activities as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (the “**entrusted funds**”) to the Group, and the Group grants loans to third parties (the “**entrusted loans**”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No allowance for impairment loss is made for entrusted loans.

(17) Income recognition

Revenue is the gross inflow of economic benefits arising in the course of the Group’s ordinary activities when the inflows result in increase in shareholders’ equity, other than increase relating to contributions from shareholders.

Revenue is recognised when the Group satisfies the performance obligation in the contract by transferring the control over relevant goods or services to the customers.

Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation. The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group considers all information that is reasonably available to the entity, maximises the use of observable inputs to estimate the stand-alone selling price, and apply consistent estimation methods to similar situations.

(i) Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is calculated at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the book value of the financial asset, or the amortised cost of financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but does not include expected credit losses.

The Group recognises interest income based on the effective interest method. Interest income is calculated by applying the effective interest rate to the book value of financial assets, except for:

- POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit adjusted effective interest rate to their amortised cost; and
- Purchased or originated financial assets that are not credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss allowances). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

(ii) Fee and commission income

The Group earns fee and commission income from a diverse range of services which provides to the customers. Fee and commission income is recognised when the Group fulfills its performance obligation, either at a point in time or over time when a customer obtains control of the service.

The Group satisfies a performance obligation over time if one of the following criteria is met; otherwise, the performance obligation is satisfied at a point in time:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The customer controls the service provided by the Group in the course of performance; or
- The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.

(iii) Dividend income

Dividend income from equity instrument is recognised in profit or loss when the Group's right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(18) Government grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Group at no consideration except for any capital contribution from the government as an investor in the Group.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount that is received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at its fair value, and if fair value cannot be measured reliably, it is measured at nominal value.

Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. Grants related to income are government grants other than those related to assets. A government grant related to an asset is offset against the carrying amount of the related asset or recognised as deferred income and amortised to profit or loss over the useful life of the related asset on a reasonable and systematic manner. If the government grant related to an asset is sold, transferred, retired, or impaired before the end of its useful life, the unallocated balance of the associated deferred revenue is recognised in the profit or loss of the period in which the asset is disposed of. A grant that compensates the Group for cost, expenses or loss to be incurred in the future is recognised as deferred income and offset against the related expenses or recognised in profit or loss in the same periods in which the expenses are recognised. Or recognised in profit or loss or offset against the related expenses directly.

(19) Expenses recognition

(i) Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

(ii) Other expenses

Other expenses are recognised on an accrual basis.

(20) Leases

A contract is lease if the lessor conveys the right to control the use of an identified asset to lessee for a period of time in exchange for consideration.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly specified in a contract and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;
- The lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The lessee has the right to direct the use of the asset.

For a contract that contains more separate lease components, the lessee and the lessor separate lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate lease components from non-lease components. For a contract that contains lease and non-lease components, the lessee allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The lessor allocates the consideration in the contract in accordance with the accounting policy in Note 2(17).

(i) As a lessee

Except for short-term leases and leases of low-value assets, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease. When the Group remeasures the lease liability due to changes in lease payments, the carrying amount of the right-of-use asset is adjusted accordingly.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note 2(12).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

- There is a change in the payments that are effectively fixed;
- There is a change in the amounts expected to be payable under a residual value guarantee;
- There is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- There is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and exclude the purchase option, and leases of low-value assets that the underlying assets are individually of low value when new. The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease, including initial direct costs.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note 2(4). Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases is recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

(21) Dividends

Dividends proposed in the profit appropriation plan which are authorised and declared after the end of the reporting period are not recognised as a liability at the end of the reporting period but disclosed separately in the notes.

(22) Related parties

The related parties of the Group include but are not limited to:

- (i) A person, or a close member of that person's family, if that person:
 - (a) has significant influence over the Group; or
 - (b) is a member of the key management personnel of the Group.
- (ii) An entity, if that entity:
 - (a) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (b) has significant influence over the Group;
 - (c) controls an entity identified in (ii)(b);
 - (d) is controlled or jointly controlled by an entity identified in (ii)(b) and (ii)(c);
 - (e) is controlled or jointly controlled by a person identified in (i).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(23) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system after taking the materiality principle into account. Two or more operating segments may be aggregated into a single operating segment if the segments have the similar economic characteristics and are same or similar in respect of the nature of each segment's products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Management monitors the operating results of the Group's business units separately for the purpose of making decisions about resources allocation and performance assessment. Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding. Segment accounting policies are consistent with those for the consolidated financial statements.

(24) Subsidiaries and non-controlling interests

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity if it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held (e.g. those resulting from a lending relationship) become substantive and lead to the Group having power over an entity.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual or other arrangements.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and any unrealised profits or loss arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

An investment in a subsidiary is stated at cost less impairment losses in the Bank's statements of financial position.

For the method of impairment test and allowances for impairment of an investment in a subsidiary, see Note 2(12).

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank.

Non-controlling interests are presented in the consolidated statements of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Bank.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated statement of shareholders' equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

(25) Significant accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies, the disclosure and the reported amounts of assets, liabilities, income and expenses, as well as the disclosure of contingencies at the end of the reporting period. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In the process of applying the Group's accounting policies, management is required to make judgements, estimates and assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements, estimates and assumptions concerning the uncertainty of the future at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

(i) *Measurement of ECLs*

The measurement of the ECLs for loans and advances to customers and debt investments measured at amortised cost and measured at FVOCI, loan commitments and financial guarantee contracts, is subject to complex models and a number of assumptions about future economic conditions and credit conditions (for example, the possibility of customers defaulting and the resulting losses). For the descriptions of the inputs, assumptions and estimation techniques used in measuring ECLs, please refer to Note 46(1).

(ii) *Fair value of financial instruments*

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs.

(iii) *Income taxes*

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reviewed periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will be available against which deductible temporary differences can be utilised.

(iv) *Impairment of non-financial assets (excluding precious metals)*

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the related operating income and expenses of the asset (the asset group) and discount rate to calculate the present value. All relevant materials which can be obtained are used for the estimation of the recoverable amount, including the estimation of operating revenue and related costs based on reasonable and supportable assumptions.

(v) *Depreciation and amortisation*

Property and equipment and intangible assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account their residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in the reporting period. The estimated useful lives are determined based on the historical experiences of similar assets and anticipated technology changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the estimated useful lives of property and equipment and intangible assets will be revised.

(vi) *Determination of control over structured entities*

The Group acts as manager to a number of investment funds, asset management plans, trust plans, assets-backed securities and wealth management products. When assessing whether controls such a structured entity, the Group would determine whether it exercises the decision-making rights as a principal or an agent and usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. The Group would also determine whether another entity with decision-making rights is acting as an agent for it.

For further disclosure in respect of unconsolidated investment funds, asset management plans, trust plans ,assets-backed securities and wealth management products in which the Group has an interest or for which it is a sponsor, see Note 49.

3 NET INTEREST INCOME

	2025	2024
Interest income arising from		
Deposits with the central bank	391,893	343,133
Deposits with banks and other financial institutions	106,505	43,690
Placements with banks and other financial institutions	551,423	558,861
Loans and advances to customers		
– Corporate loans and advances	11,568,121	10,621,928
– Personal loans and advances	2,859,773	3,460,762
– Discounted bills	527,357	462,572
Financial assets held under resale agreements	228,738	250,412
Financial investments	5,953,992	5,584,536
Long-term receivables	1,004,190	1,095,538
Sub-total	<u>23,191,992</u>	<u>22,421,432</u>
Interest expense arising from		
Borrowings from the central bank	(714,093)	(506,900)
Deposits from banks and other financial institutions	(328,703)	(248,640)
Placements from banks and other financial institutions	(383,365)	(646,995)
Deposits from customers	(8,158,572)	(8,461,984)
Financial assets sold under repurchase agreements	(328,936)	(395,000)
Debt securities issued	(2,208,331)	(2,288,089)
Sub-total	<u>(12,122,000)</u>	<u>(12,547,608)</u>
Net interest income	<u>11,069,992</u>	<u>9,873,824</u>

4 NET FEE AND COMMISSION INCOME

	2025	2024
Fee and commission income		
Wealth management service fees	725,735	928,870
Agency service fees	549,774	459,183
Custody and bank card service fees	249,237	316,846
Settlement fees	170,419	127,634
Others	187,310	161,421
Sub-total	1,882,475	1,993,954
Fee and commission expense	<u>(430,950)</u>	<u>(484,401)</u>
Net fee and commission income	<u>1,451,525</u>	<u>1,509,553</u>

5 NET TRADING GAINS/(LOSSES)

	<i>Note</i>	2025	2024
Net gains/(losses) from debt securities	(i)	284,096	228,620
Net losses of foreign exchange and foreign exchange derivative financial instruments	(ii)	(100,763)	(174,693)
Net losses of non-foreign exchange derivative financial instruments		<u>(24,642)</u>	<u>(43,240)</u>
Total		<u><u>158,691</u></u>	<u><u>10,687</u></u>

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 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.

6 NET GAINS ARISING FROM INVESTMENTS

	2025	2024
Net gains on financial investments measured at FVTPL	1,190,747	1,412,961
Net gains on disposal of financial assets measured at FVOCI	282,656	453,241
Gains on derecognition of financial assets at amortized cost	423,502	–
Others	<u>(31,253)</u>	<u>(11,908)</u>
Total	<u><u>1,865,652</u></u>	<u><u>1,854,294</u></u>

7 OTHER OPERATING INCOME

	2025	2024
Government grants	20,814	116,737
Net gains on disposal of precious metals	–	33,406
Net gains on disposal of property and equipment, intangible assets and other assets	498	12,002
Others	<u>(6,498)</u>	<u>4,188</u>
Total	<u><u>14,814</u></u>	<u><u>166,333</u></u>

8 OPERATING EXPENSES

	2025	2024
Staff costs		
– Salaries, bonuses and allowances	1,819,421	1,732,459
– Social insurance	89,974	84,902
– Housing allowances	138,427	128,650
– Staff welfare expenses	165,179	188,899
– Labor union expenses and staff education expenses	81,973	81,346
– Post-employment benefits		
– Defined contribution plans	312,378	288,543
– Early retirement and supplementary retirement plans	1,620	3,290
	<u>2,608,972</u>	<u>2,508,089</u>
Sub-total	----- 2,608,972	----- 2,508,089
Property and equipment expenses		
– Depreciation and amortisation	611,060	598,198
– Electronic equipment operating expenses	141,385	146,626
– Maintenance expenses	130,834	134,838
	<u>883,279</u>	<u>879,662</u>
Sub-total	----- 883,279	----- 879,662
Tax and surcharges	173,699	167,428
Other general and administrative expenses	1,116,051	1,329,380
	<u>1,116,051</u>	<u>1,329,380</u>
Total	<u><u>4,782,001</u></u>	<u><u>4,884,559</u></u>

Note:

- (i) Other general and administrative expenses include auditor's remunerations (after tax) of RMB4.39 million for the year ended 31 December 2025 (2024: RMB6.10 million).
- (ii) The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases or leases of low value assets. In 2025, the Group's operating expenses include lease expenses relating to short-term leases and leases of low-value assets of RMB16.61 million (2024: RMB18.19 million).

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments before individual income tax in respect of the directors and supervisors of the Bank during the reporting period are as follows:

Name	Year ended 31 December 2025				Total emoluments before tax
	Fees	Salaries and discretionary bonuses	Contributions to pension schemes	Other benefits	
Executive directors					
JING Zailun	–	1,868	161	89	2,118
WU Xianming	–	1,710	161	89	1,960
CHEN Shuang	–	1,217	161	87	1,465
LIU Peng	–	1,189	161	87	1,437
Non-executive directors					
ZHOU Yunjie	127	–	–	–	127
Rosario STRANO (Note (2))	–	–	–	–	–
TAN Lixia	127	–	–	–	127
Giamberto GIRALDO (Note (1)(i), Note (2))	–	–	–	–	–
DENG Youcheng	134	–	–	–	134
Independent non-executive directors					
XING Lecheng	193	–	–	–	193
ZHANG Xu	207	–	–	–	207
CHEUNG Man Chor, Elton	193	–	–	–	193
DU Ning	193	–	–	–	193
Fan Xuejun (Note (1)(iv))	200	–	–	–	200
Supervisors					
WANG Dawei (Note (1)(vi))	–	1,445	148	65	1,658
LIU Wenjia (Note (1)(ii) (vi))	–	1,252	148	65	1,465
HE Liangjun (Note (1)(vi))	76	–	–	–	76
JIANG Xinglu (Note (1)(vi))	115	–	–	–	115
LU Kun (Note (1)(vi))	115	–	–	–	115
Total	<u>1,680</u>	<u>8,681</u>	<u>940</u>	<u>482</u>	<u>11,783</u>

Year ended 31 December 2024

Name	Fees	Salaries and discretionary bonuses	Contributions to pension schemes	Other benefits	Total emoluments before tax
Executive directors					
JING Zailun	–	2,068	153	277	2,498
WU Xianming	–	1,864	153	277	2,294
CHEN Shuang	–	1,361	153	234	1,748
LIU Peng	–	1,361	153	236	1,750
Non-executive directors					
ZHOU Yunjie	127	–	–	–	127
Rosario STRANO (<i>Note (2)</i>)	–	–	–	–	–
TAN Lixia	127	–	–	–	127
Giamberto GIRALDO (<i>Note (1)(i), Note (2)</i>)	–	–	–	–	–
DENG Youcheng	134	–	–	–	134
Marco MUSSITA (<i>Note (1)(i), Note (2)</i>)	–	–	–	–	–
Independent non-executive directors					
XING Lecheng	230	–	–	–	230
ZHANG Xu	237	–	–	–	237
CHEUNG Man Chor, Elton	207	–	–	–	207
DU Ning	215	–	–	–	215
Fan Xuejun (<i>Note (1)(iv)</i>)	98	–	–	–	98
FANG Qiaoling (<i>Note (1)(iv)</i>)	146	–	–	–	146
Supervisors					
HE Liangjun	82	–	–	–	82
WANG Dawei	–	1,576	153	149	1,878
LIU Wenjia (<i>Note (1)(ii)</i>)	–	714	89	95	898
JIANG Xinglu	149	–	–	–	149
LU Kun	145	–	–	–	145
YANG Fengjiang (<i>Note (1)(iii)</i>)	–	904	102	222	1,228
MENG Xianzheng (<i>Note (1)(ii)</i>)	–	692	64	62	818
HAO Xianjing (<i>Note (1)(v)</i>)	149	–	–	–	149
Total	<u>2,046</u>	<u>10,540</u>	<u>1,020</u>	<u>1,552</u>	<u>15,158</u>

Notes:

- (1) The emoluments of non-executive directors (“NED”), independent non-executive directors (“INED”), shareholder supervisors and external supervisors were affected by the time of service during the reporting period. Directors and supervisors received emoluments since their assumption of duty until their resignation. The changes in directors and supervisors in the year of 2025 and 2024 are as follows:
 - (i) In May 2024, Mr. Marco MUSSITA no longer served as non-executive director of the Bank. In August 2024, Mr. Giamberto GIRALDO began to assume his duty as non-executive director.
 - (ii) In May 2024, Mr. MENG Xianzheng no longer served as supervisor of the Bank. In May 2024, Ms. LIU Wenjia began to assume her duty as supervisor.
 - (iii) In August 2024, Mr. Yang Fengjiang no longer served as supervisor of the Bank.
 - (iv) In August 2024, Ms. Fang Qiaoling no longer served as INED of the Bank. In August 2024, Mr. Fan Xuejun began to assume his duty as INED of the Bank.
 - (v) In November 2024, Mr. Hao Xianjing no longer served as supervisor of the Bank.
 - (vi) In November 2025, Mr. WANG Dawei, Ms. LIU Wenjia, Mr. He Liangjun, Mr. JIANG Xinglu and Mr. LU Kun no longer served as supervisor of the Bank.
- (2) The emoluments of Mr. Rosario STRANO, Mr. Giamberto GIRALDO and Mr. Marco MUSSITA were waived with their authorization. There was no other arrangement under which a director or a supervisor waived or agreed to waive any remuneration during the reporting period.
- (3) There were no amounts paid during the reporting period to the directors and supervisors in connection with their retirement from employment or as compensation for loss of office with the Bank or as inducement to join.
- (4) The total compensation package for certain directors and supervisors for the year ended 31 December 2025 have not yet been confirmed, while the total compensation package for the year ended 31 December 2024 will be confirmed after the completion of relevant approval procedures. The difference in emoluments is not expected to have any significant impact on the Group’s financial statements for the year ended 31 December 2025 and 31 December 2024.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended 31 December 2025, the five individuals with the highest emoluments included three directors and two supervisors of the Bank (2024: four directors and one supervisor), whose emoluments are disclosed in Note 9.

11 EXPECTED CREDIT LOSSES

	2025	2024
Deposits with banks and other financial institutions	10,109	475
Placements with banks and other financial institutions	13,192	(9,604)
Financial assets held under resale agreements	24,770	(4,141)
Loans and advances to customers		
– Loans and advances to customers measured at amortised cost	2,416,244	2,184,040
– Loans and advances to customers measured at FVOCI	466,448	196,253
Financial investments measured at amortised cost	(135,363)	1,015,720
Financial investments measured at FVOCI		
– Debt instruments	242,998	119,605
Long-term receivables	61,535	57,376
Credit commitments	450,597	(155,351)
Others	(17,329)	129,318
Total	<u>3,533,201</u>	<u>3,533,691</u>

12 INCOME TAX EXPENSE

(1) Income tax for the reporting period

	<i>Note</i>	2025	2024
Current tax		1,443,874	940,122
Deferred tax	27(2)	(556,640)	(349,714)
Total		<u>887,234</u>	<u>590,408</u>

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

	2025	2024
Profit before taxation	<u>6,243,835</u>	<u>4,995,129</u>
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	<u>1,560,959</u>	<u>1,248,782</u>
Tax effect of non-deductible expenses for tax purpose		
– Annuity	10,682	6,464
– Entertainment expenses	2,153	2,989
– Others	<u>36,042</u>	<u>31,966</u>
Sub-total	<u>48,877</u>	<u>41,419</u>
Tax effect of non-taxable income for tax purpose <i>(Note (i))</i>	(664,302)	(641,493)
Tax effect of perpetual bonds interest expense	<u>(58,300)</u>	<u>(58,300)</u>
Income tax	<u>887,234</u>	<u>590,408</u>

Note:

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

13 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.

	<i>Note</i>	2025	2024
Weighted average number of ordinary shares (in thousands)	<i>13(1)</i>	5,820,355	5,820,355
Net profit attributable to equity shareholders of the Bank		5,187,741	4,264,120
Less: net profit attributable to other equity instruments holders of the Bank		<u>(233,200)</u>	<u>(233,200)</u>
Net profit attributable to ordinary shareholders of the Bank		<u>4,954,541</u>	<u>4,030,920</u>
Basic and diluted earnings per share (in RMB)		0.85	0.69

Note:

The Bank issued RMB4 billion, RMB2.4 billion and RMB2 billion of Domestic Perpetual Bonds on 14 July 2022, 16 August 2022 and 24 October 2025, 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 39.

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

	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	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares	<u>5,820,355</u>	<u>5,820,355</u>

14 CASH AND DEPOSITS WITH THE CENTRAL BANK

	<i>Note</i>	31 December 2025	31 December 2024
Cash on hand		<u>514,938</u>	<u>477,724</u>
Deposits with the central bank			
– Statutory deposit reserves	<i>14(1)</i>	24,980,568	21,367,533
– Surplus deposit reserves	<i>14(2)</i>	17,258,981	27,190,172
– Other deposits with the central bank	<i>14(3)</i>	<u>214,516</u>	<u>108,924</u>
Sub-total		<u>42,454,065</u>	<u>48,666,629</u>
Accrued interest		<u>10,930</u>	<u>8,913</u>
Total		<u>42,979,933</u>	<u>49,153,266</u>

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

15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2025	31 December 2024
In Chinese Mainland		
– Banks	9,031,306	2,705,226
– Other financial institutions	389,298	190,629
Outside Chinese Mainland		
– Banks	533,314	595,180
Accrued interest	<u>12,335</u>	<u>6,266</u>
Sub-total	9,966,253	3,497,301
Less: Allowances for impairment losses	<u>(12,988)</u>	<u>(2,124)</u>
Total	<u>9,953,265</u>	<u>3,495,177</u>

16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2025	31 December 2024
In Chinese Mainland		
– Other financial institutions	17,806,588	14,575,304
– Bank	200,000	–
Accrued interest	<u>294,230</u>	<u>301,816</u>
Sub-total	18,300,818	14,877,120
Less: Allowances for impairment losses	<u>(45,965)</u>	<u>(32,773)</u>
Total	<u><u>18,254,853</u></u>	<u><u>14,844,347</u></u>

17 DERIVATIVE FINANCIAL INSTRUMENTS

The Group primarily enters into foreign exchange rate and interest rate derivative contracts related to trading, asset and liability management, and customer initiated transactions.

The contractual/notional amounts and fair values of the derivative financial instruments entered into by the Group are set out in the following tables. The contractual/notional 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 financial instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregated fair values of derivative financial assets and liabilities can fluctuate significantly.

	31 December 2025		
	Nominal amount	Fair value of	
		Assets	Liabilities
Interest rate derivatives	64,131,580	6,592	(8,037)
Exchange rate derivatives and others	<u>11,259,983</u>	<u>500,999</u>	<u>(2,423)</u>
Total	<u><u>75,391,563</u></u>	<u><u>507,591</u></u>	<u><u>(10,460)</u></u>
		31 December 2024	
	Nominal amount	Fair value of	
		Assets	Liabilities
Interest rate derivatives	71,440,050	35,679	(42,366)
Exchange rate derivatives and others	<u>9,300,682</u>	<u>19,631</u>	<u>(120,064)</u>
Total	<u><u>80,740,732</u></u>	<u><u>55,310</u></u>	<u><u>(162,430)</u></u>

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(1) Analysed by type and location of counterparty

	31 December 2025	31 December 2024
In Chinese Mainland		
– Banks	18,000,000	7,500,000
Accrued interest	<u>4,249</u>	<u>530</u>
Sub-total	18,004,249	7,500,530
Less: Allowances for impairment losses	<u>(28,759)</u>	<u>(3,989)</u>
Total	<u><u>17,975,490</u></u>	<u><u>7,496,541</u></u>

(2) Analysed by type of security held

	31 December 2025	31 December 2024
Debt securities	18,000,000	7,500,000
Accrued interest	<u>4,249</u>	<u>530</u>
Sub-total	18,004,249	7,500,530
Less: Allowances for impairment losses	<u>(28,759)</u>	<u>(3,989)</u>
Total	<u><u>17,975,490</u></u>	<u><u>7,496,541</u></u>

19 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by nature

	31 December 2025	31 December 2024
Measured at amortised cost:		
Corporate loans and advances		
– Corporate loans	<u>289,088,781</u>	<u>237,726,016</u>
Sub-total	<u>289,088,781</u>	<u>237,726,016</u>
Personal loans and advances		
– Personal residential mortgages	45,490,360	47,195,920
– Personal consumption loans	16,234,367	20,121,229
– Personal business loans	<u>12,276,009</u>	<u>11,018,978</u>
Sub-total	<u>74,000,736</u>	<u>78,336,127</u>
Accrued interest	<u>1,107,454</u>	<u>873,146</u>
Less: Allowances for impairment losses of loans and advances to customers measured at amortised cost		
– 12-month ECL	(6,064,375)	(5,720,689)
– Lifetime ECL		
– not credit-impaired loans	(1,508,123)	(339,905)
– credit-impaired loans	<u>(2,850,281)</u>	<u>(2,947,986)</u>
Sub-total	<u>(10,422,779)</u>	<u>(9,008,580)</u>
Measured at FVOCI:		
Corporate loans and advances		
– Discounted bills	26,351,650	20,174,732
– Corporate loans (Forfeiting)	<u>7,567,125</u>	<u>4,452,850</u>
Sub-total	<u>33,918,775</u>	<u>24,627,582</u>
Carrying amount of loans and advances to customers	<u><u>387,692,967</u></u>	<u><u>332,554,291</u></u>

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

	31 December 2025	31 December 2024
Unsecured loans	98,077,862	75,061,395
Guaranteed loans	89,380,827	78,011,013
Loans secured by mortgages	127,734,432	122,295,448
Pledged loans	<u>81,815,171</u>	<u>65,321,869</u>
Gross loans and advances to customers	<u><u>397,008,292</u></u>	<u><u>340,689,725</u></u>

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

	31 December 2025				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	424,302	734,555	431,472	17,105	1,607,434
Guaranteed loans	200,116	56,406	195,871	245,220	697,613
Loans secured by mortgages	567,633	924,264	847,612	100,738	2,440,247
Pledged loans	<u>–</u>	<u>4,470</u>	<u>–</u>	<u>–</u>	<u>4,470</u>
Total	<u><u>1,192,051</u></u>	<u><u>1,719,695</u></u>	<u><u>1,474,955</u></u>	<u><u>363,063</u></u>	<u><u>4,749,764</u></u>
As a percentage of gross loans and advances to customers	<u><u>0.30%</u></u>	<u><u>0.44%</u></u>	<u><u>0.37%</u></u>	<u><u>0.09%</u></u>	<u><u>1.20%</u></u>

31 December 2024

	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	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	<u>1,372,306</u>	<u>1,341,590</u>	<u>1,956,371</u>	<u>152,656</u>	<u>4,822,923</u>
As a percentage of gross loans and advances to customers	<u>0.41%</u>	<u>0.39%</u>	<u>0.58%</u>	<u>0.04%</u>	<u>1.42%</u>

Overdue loans refer to loans where all or part of the principal or interest has been overdue for more than one day (including 1 day).

(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:

	31 December 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)	350,007,253	10,347,212	3,842,506	364,196,971
Less: Allowances for impairment losses	<u>(6,064,375)</u>	<u>(1,508,123)</u>	<u>(2,850,281)</u>	<u>(10,422,779)</u>
Net carrying amount of loans and advances to customers measured at amortised cost	<u>343,942,878</u>	<u>8,839,089</u>	<u>992,225</u>	<u>353,774,192</u>

	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	<u>(5,720,689)</u>	<u>(339,905)</u>	<u>(2,947,986)</u>	<u>(9,008,580)</u>
Net carrying amount of loans and advances to customers measured at amortised cost	<u>305,419,873</u>	<u>1,579,994</u>	<u>926,842</u>	<u>307,926,709</u>

As of December 31, 2025, the total amount of credit impairment loans (including accrued interest) acquired by the Group was 24.70 million yuan, with an impairment provision of 19.22 million yuan.

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

	31 December 2025			
	12-month ECL	Lifetime ECL-not credit- impaired	Lifetime ECL-credit- impaired (Note (i))	Total
Gross/Carrying amount of loans and advances to customers at FVOCI	33,918,775	–	–	33,918,775
Allowances for impairment losses included in other comprehensive income	<u>(805,071)</u>	<u>–</u>	<u>–</u>	<u>(805,071)</u>

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

Note:

(i) Refer to Note 46(1) Credit Risk for the definition of credit-impaired financial assets.

(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:*

	2025			Total
	12-month ECL	Lifetime ECL-not credit- impaired	Lifetime ECL-credit- impaired	
As at 1 January 2025	5,720,689	339,905	2,947,986	9,008,580
Transfer to:				
– 12-month ECL	75,011	(30,313)	(44,698)	–
– Lifetime ECL				
– not credit-impaired loans	(267,222)	276,699	(9,477)	–
– credit-impaired loans	(12,210)	(184,959)	197,169	–
Charge for the year	532,194	1,083,635	800,415	2,416,244
Write-offs and transfer out	–	–	(1,482,091)	(1,482,091)
Recoveries of loans and advances previously written off	–	–	437,070	437,070
Other changes	15,913	23,156	3,907	42,976
As at 31 December 2025	<u>6,064,375</u>	<u>1,508,123</u>	<u>2,850,281</u>	<u>10,422,779</u>
	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	<u>5,720,689</u>	<u>339,905</u>	<u>2,947,986</u>	<u>9,008,580</u>

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

	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 year	466,448	–	–	466,448
As at 31 December 2025	<u>805,071</u>	<u>–</u>	<u>–</u>	<u>805,071</u>
	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	<u>338,623</u>	<u>–</u>	<u>–</u>	<u>338,623</u>

Details of asset securitization transactions conducted by the Group in the ordinary course of business are set out in Note 50(2).

20 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Note</i>	31 December 2025	31 December 2024
Financial investments held for trading			
Debt securities, analysed by type of issuers			
– Governments and the central bank		30,523	40,817
– Policy banks		251,589	–
– Banks and other financial institutions		20,933,718	8,610,645
– Corporate entities		318,153	61,299
Wealth management product investment		250,831	–
Sub-total		21,784,814	8,712,761
Other financial investments measured at FVTPL			
Debt securities, analysed by type of issuers			
– Governments and the central bank		12,499	26,313
– Banks and other financial institutions		2,254,864	1,814,961
– Corporate entities		1,225,303	1,124,775
Sub-total		3,492,666	2,966,049
Investment funds		49,125,042	51,184,364
Asset management plans		286,067	777,284
Trust fund plans		–	346,069
Total		74,688,589	63,986,527
Listed	<i>20(1)</i>	3,236,376	921,048
Of which: listed outside Hong Kong		3,093,491	790,536
Unlisted		71,452,213	63,065,479
Total		74,688,589	63,986,527

(1) Both bonds and funds traded on stock exchanges are included in listed securities.

21 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>Note</i>	31 December 2025	31 December 2024
Debt securities, analysed by type of issuers			
– Governments and the central bank		17,578,543	19,374,542
– Policy banks		8,382,152	11,305,709
– Banks and other financial institutions		32,020,581	23,378,215
– Corporate entities		38,181,781	38,355,888
Sub-total		96,163,057	92,414,354
Other equity investments	<i>21(1)</i>	139,176	134,968
Accrued interest		1,484,362	1,525,701
Total		97,786,595	94,075,023
Listed	<i>21(2)</i>	35,152,966	22,676,842
Of which: listed outside Hong Kong		33,393,306	19,728,317
Unlisted		62,633,629	71,398,181
Total		97,786,595	94,075,023

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

	2025						
	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
China UnionPay Co., Ltd.	124,718	-	-	4,208	128,926	0.34	6,460
Shandong City Commercial Bank Alliance Co., Ltd.	10,000	-	-	-	10,000	1.14	-
City Commercial Banks Clearing	250	-	-	-	250	0.81	-
Total	134,968	-	-	4,208	139,176		6,460

Investees	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
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

Note:

- (i) For the year ended 31 December 2025 and 31 December 2024, the Group did not dispose of any such equity investment, and there were no cumulative gains or losses transferred from other comprehensive income to retained earnings.
- (2) Only bonds traded on stock exchanges are included in listed bonds.
- (3) Movements of the allowances for impairment losses on debt instruments of financial investments at FVOCI are as follows:

	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	(812)	812	-	-
(Reversal)/Charge for the year	77,718	153,441	11,839	242,998
As at 31 December 2025	126,749	232,109	133,617	492,475

	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	<u>(24,306)</u>	<u>75,882</u>	<u>68,029</u>	<u>119,605</u>
As at 31 December 2024	<u>49,843</u>	<u>77,856</u>	<u>121,778</u>	<u>249,477</u>

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

22 FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST

	<i>Note</i>	31 December 2025	31 December 2024
Debt securities, analysed by type of issuers			
– Governments and the central bank		38,400,893	36,279,714
– Policy banks		20,039,890	19,250,418
– Banks and other financial institutions		43,891,030	24,304,134
– Corporate entities		35,568,376	15,640,701
Sub-total		<u>137,900,189</u>	<u>95,474,967</u>
Asset management plans		696,080	1,002,080
Trust fund plans		1,546,797	1,595,903
Other investments		721,500	3,776,416
Accrued interest		1,472,137	1,240,861
Less: Allowances for impairment losses	22(1)	<u>(5,312,212)</u>	<u>(5,496,681)</u>
Total		<u>137,024,491</u>	<u>97,593,546</u>
Listed	22(2)	63,721,370	27,707,150
Of which: listed outside Hong Kong		61,760,009	25,958,067
Unlisted		73,303,121	69,886,396
Total		<u>137,024,491</u>	<u>97,593,546</u>

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

	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	(251)	251	–	–
Charge for the year	113,934	(171,924)	(77,373)	(135,363)
Write-offs and transfer out	–	–	(49,106)	(49,106)
As at 31 December 2025	<u>148,331</u>	<u>805,430</u>	<u>4,358,451</u>	<u>5,312,212</u>
	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	<u>7,576</u>	<u>854,948</u>	<u>153,196</u>	<u>1,015,720</u>
As at 31 December 2024	<u>34,648</u>	<u>977,103</u>	<u>4,484,930</u>	<u>5,496,681</u>

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

23 INVESTMENT IN SUBSIDIARIES

	31 December 2025	31 December 2024
BQD Financial Leasing Company Limited	913,284	913,284
BQD Wealth Management Company Limited	1,000,000	1,000,000
Qingdao Laixi Yuantai Rural Bank Company Limited	<u>95,075</u>	<u>—</u>
Total	<u><u>2,008,359</u></u>	<u><u>1,913,284</u></u>

The subsidiaries are as follows:

Name	Percentage of equity interest	Voting rights	Paid-in capital (in thousands)	Amount invested by the Bank (in thousands)	Place of registration and operations	Principal activities
BQD Financial Leasing Company Limited (Note (i))	60.00%	60.00%	1,225,000	913,284	Qingdao, China	Financial leasing
BQD Wealth Management Company Limited (Note (ii))	100.00%	100.00%	1,000,000	1,000,000	Qingdao, China	Wealth management
Qingdao Laixi Yuantai Rural Bank Company Limited (Note (iii))	<u>100.00%</u>	<u>100.00%</u>	<u>50,000</u>	<u>95,075</u>	Qingdao, China	Banking business

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 Change of Registered Capital and Adjustment of Equity Structure of BQD Financial Leasing Company Limited (Qingguojinfu [2024]111) from Qingdao Supervision Bureau of the State Financial Supervision and Regulation Administration, the Bank invested 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.

- (iii) Qingdao Laixi Yuantai Rural Bank Company Limited was established on 9 July 2010 with a registered capital of RMB50million. In November, 2025, with the approval upon the change of equity in Qingdao Laixi Yuantai Rural Bank (Qing Jin Fu [2025] No. 265) from Qingdao Supervision Bureau of the State Financial Supervision and Regulation Administration, the bank invested 95.0748 million to transfer all the equity held by existing shareholders. After the transfer, the bank held 100% of the equity in Qingdao Laixi Yuantai Rural Bank Company Limited.

24 LONG-TERM RECEIVABLES

	31 December 2025	31 December 2024
Minimum lease receivables	2,235,472	1,327,668
Less: Unearned finance lease income	<u>(232,543)</u>	<u>(137,014)</u>
Present value of finance lease receivables	2,002,929	1,190,654
Finance leaseback receivables	<u>15,982,373</u>	<u>14,909,477</u>
Sub-total	17,985,302	16,100,131
Accrued interest	<u>145,207</u>	<u>166,360</u>
Less: Allowances for impairment losses		
– 12-month ECL	(354,992)	(508,328)
– Lifetime ECL		
– not credit-impaired	(216,914)	(175,623)
– credit-impaired	<u>(97,299)</u>	<u>(66,000)</u>
Carrying amount	<u><u>17,461,304</u></u>	<u><u>15,516,540</u></u>

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

	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	50,490	(50,490)	–	–
– Lifetime ECL				
– not credit-impaired	(19,446)	75,960	(56,514)	–
– credit-impaired	(4,113)	(8,180)	12,293	–
(Reversal)/Charge for the year	(180,267)	24,001	217,801	61,535
Write-offs and transfer out	–	–	(152,283)	(152,283)
Recoveries of previously written off	–	–	11,800	11,800
Others	<u>–</u>	<u>–</u>	<u>(1,798)</u>	<u>(1,798)</u>
As at 31 December 2025	<u><u>354,992</u></u>	<u><u>216,914</u></u>	<u><u>97,299</u></u>	<u><u>669,205</u></u>

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	<u>508,328</u>	<u>175,623</u>	<u>66,000</u>	<u>749,951</u>

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

	31 December 2025		
	Minimum lease receivables	Unearned finance income	Present value of finance lease receivables
Repayable on demand	–	–	–
Less than 1 year (inclusive)	831,622	(105,674)	725,948
1 year to 2 years (inclusive)	597,075	(66,270)	530,805
2 years to 3 years (inclusive)	437,119	(35,852)	401,267
3 years to 4 years (inclusive)	249,353	(15,611)	233,742
4 years to 5 years (inclusive)	76,396	(5,379)	71,017
More than 5 years	38,018	(3,422)	34,596
Indefinite (<i>Note (i)</i>)	<u>5,889</u>	<u>(335)</u>	<u>5,554</u>
Total	<u>2,235,472</u>	<u>(232,543)</u>	<u>2,002,929</u>

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 (<i>Note (i)</i>)	–	–	–
	<hr/>	<hr/>	<hr/>
Total	<u>1,327,668</u>	<u>(137,014)</u>	<u>1,190,654</u>

Note:

(i) See Note 46(3) for the definition of indefinite finance lease receivables.

25 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
Transfers in/(out)	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	–	91,300	2,835	8,599	–	102,734
Decrease	–	(36,989)	(14,594)	(3,680)	–	(55,263)
As at 31 December 2025	<u>3,762,951</u>	<u>1,081,733</u>	<u>63,199</u>	<u>148,799</u>	<u>–</u>	<u>5,056,682</u>
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	(90,142)	(95,729)	(5,644)	(14,212)	–	(205,727)
Decrease	–	35,110	13,864	3,528	–	52,502
As at 31 December 2025	<u>(835,350)</u>	<u>(722,922)</u>	<u>(50,715)</u>	<u>(116,195)</u>	<u>–</u>	<u>(1,725,182)</u>
Net book value						
As at 31 December 2025	<u>2,927,601</u>	<u>358,811</u>	<u>12,484</u>	<u>32,604</u>	<u>–</u>	<u>3,331,500</u>
As at 31 December 2024	<u>3,017,743</u>	<u>365,119</u>	<u>16,023</u>	<u>38,369</u>	<u>–</u>	<u>3,437,254</u>

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

As at 31 December 2025, the net book value of the Group's premises with incomplete title deeds was RMB85 million (31 December 2024: RMB88 million). Management was of the opinion that the incomplete title deeds would not affect the Group's rights to these assets.

As at 31 December 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.

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:

	31 December 2025	31 December 2024
Held in Chinese Mainland		
– Long-term leases (over 50 years)	46,459	47,922
– Medium-term leases (10 – 50 years)	2,855,754	2,940,099
– Short-term leases (less than 10 years)	25,388	29,722
	<hr/>	<hr/>
Total	2,927,601	3,017,743
	<hr/> <hr/>	<hr/> <hr/>

26 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)
	<hr/>	<hr/>	<hr/>
As at 31 December 2024	1,357,390	1,850	1,359,240
Increase	150,603	–	150,603
Decrease	(47,640)	–	(47,640)
	<hr/>	<hr/>	<hr/>
As at 31 December 2025	1,460,353	1,850	1,462,203
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
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
	<hr/>	<hr/>	<hr/>
As at 31 December 2024	(593,148)	(1,642)	(594,790)
Increase	(160,485)	(208)	(160,693)
Decrease	36,838	–	36,838
	<hr/>	<hr/>	<hr/>
As at 31 December 2025	(716,795)	(1,850)	(718,645)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value			
As at 31 December 2025	743,558	–	743,558
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
As at 31 December 2024	764,242	208	764,450
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

27 DEFERRED INCOME TAX ASSETS

31 December 2025 31 December 2024

Deferred tax assets	4,887,809	4,515,166
Deferred tax liabilities	<u>(514,859)</u>	<u>(961,350)</u>
Total	<u>4,372,950</u>	<u>3,553,816</u>

(1) Analysed by nature

Deferred tax assets and liabilities prior to offsetting:

	<u>31 December 2025</u>		<u>31 December 2024</u>	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred tax assets				
Allowances for impairment losses	16,764,900	4,191,225	15,793,591	3,948,397
Fair value changes	679,948	169,987	511,677	127,919
Discount interest adjustment	132,752	33,188	122,836	30,709
Others	<u>1,973,636</u>	<u>493,409</u>	<u>1,632,562</u>	<u>408,141</u>
Sub-total	<u>19,551,236</u>	<u>4,887,809</u>	<u>18,060,666</u>	<u>4,515,166</u>
Deferred tax liabilities				
Fair value changes	(1,314,780)	(328,695)	(3,076,484)	(769,121)
Others	<u>(744,656)</u>	<u>(186,164)</u>	<u>(768,916)</u>	<u>(192,229)</u>
Sub-total	<u>(2,059,436)</u>	<u>(514,859)</u>	<u>(3,845,400)</u>	<u>(961,350)</u>
Total	<u>17,491,800</u>	<u>4,372,950</u>	<u>14,215,266</u>	<u>3,553,816</u>

(2) Analysed by movement

	Allowances for impairment losses	Deferred interest income from discounted bills <i>Note (i)</i>	Change in fair value	Others <i>Note (ii)</i>	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	<u>(78,965)</u>	<u>–</u>	<u>(514,397)</u>	<u>3,577</u>	<u>(589,785)</u>
As at 31 December 2024	3,948,397	30,709	(641,202)	215,912	3,553,816
Recognised in profit or loss	420,189	2,479	41,939	92,033	556,640
Recognised in other comprehensive income	<u>(177,361)</u>	<u>–</u>	<u>440,555</u>	<u>(700)</u>	<u>262,494</u>
As at 31 December 2025	<u>4,191,225</u>	<u>33,188</u>	<u>(158,708)</u>	<u>307,245</u>	<u>4,372,950</u>

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.

28 OTHER ASSETS

	<i>Note</i>	31 December 2025	31 December 2024
Continuously involved assets		237,168	583,720
Intangible assets	28(1)	405,792	379,124
Long-term deferred expense		366,405	373,148
Prepayments		111,663	113,968
Interest receivables (<i>Note (i)</i>)	28(2)	28,376	26,538
Reposessed assets (<i>Note (ii)</i>)		26,100	9,654
Deferred expense		6,304	2,141
Precious metals		1,046	1,046
Prepayments for finance lease assets (<i>Note (iii)</i>)		366,706	1,113,751
Others (<i>Note (iv)</i>)		807,204	1,012,125
Sub-total		2,356,764	3,615,215
Less: Allowances for impairment losses		(169,766)	(178,270)
Total		<u>2,186,998</u>	<u>3,436,945</u>

Notes:

- (i) As at 31 December 2025, the book value of the Group's interest receivables after deducting the allowances for impairment is RMB18.64million (31 December 2024: RMB17.17 million).
- (ii) As at 31 December 2025, reposessed assets of the Group mainly included premises, etc. The book value of the Group's reposessed assets is RMB20.10million (31 December 2024: RMB7.43 million). The impairment allowances for reposessed assets of the Group is RMB6.00 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.
- (iv) Mainly includes other receivables and settlement receivables.

(1) Intangible assets

	2025	2024
Cost		
As at 1 January	1,276,491	1,167,188
Increase	178,710	110,651
Decrease	<u>(83)</u>	<u>(1,348)</u>
As at 31 December	<u>1,455,118</u>	<u>1,276,491</u>
Accumulated amortisation		
As at 1 January	(897,367)	(747,103)
Increase	(151,959)	(151,612)
Decrease	<u>-</u>	<u>1,348</u>
As at 31 December	<u>(1,049,326)</u>	<u>(897,367)</u>
Net value		
As at 31 December	<u>405,792</u>	<u>379,124</u>
As at 1 January	<u>379,124</u>	<u>420,085</u>

Intangible assets of the Group mainly include software.

As at 31 December 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

	31 December 2025	31 December 2024
Interest receivables arising from:		
– Loans and advances to customers	23,877	25,067
– Long-term receivables	<u>4,499</u>	<u>1,471</u>
Total	<u>28,376</u>	<u>26,538</u>

29 BORROWINGS FROM THE CENTRAL BANK

	31 December 2025	31 December 2024
Borrowings	47,567,934	26,219,790
Re-discounted bills	737,669	1,866,591
Accrued interest	<u>273,773</u>	<u>153,700</u>
Total	<u>48,579,376</u>	<u>28,240,081</u>

30 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2025	31 December 2024
In Chinese Mainland		
– Banks	3,938,518	5,600,705
– Other financial institutions	25,029,322	6,726,114
Accrued interest	<u>60,405</u>	<u>28,520</u>
Total	<u>29,028,245</u>	<u>12,355,339</u>

31 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2025	31 December 2024
In Chinese Mainland		
– Banks	22,315,730	20,452,230
– Other financial institutions	200,000	200,000
Accrued interest	<u>122,972</u>	<u>184,403</u>
Total	<u>22,638,702</u>	<u>20,836,633</u>

32 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2025	31 December 2024
Financial liabilities designated at FVTPL		
– Structured notes	<u>1,849,403</u>	<u>699,788</u>
Total	<u><u>1,849,403</u></u>	<u><u>699,788</u></u>

33 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS**(1) Analysed by type and location of counterparty**

	31 December 2025	31 December 2024
In Chinese Mainland		
– Banks	23,088,837	35,499,592
Accrued interest	<u>1,711</u>	<u>4,568</u>
Total	<u><u>23,090,548</u></u>	<u><u>35,504,160</u></u>

(2) Analysed by types of collateral

	31 December 2025	31 December 2024
Debt securities	17,489,058	31,389,153
Discounted bills	5,599,779	4,110,439
Accrued interest	<u>1,711</u>	<u>4,568</u>
Total	<u><u>23,090,548</u></u>	<u><u>35,504,160</u></u>

34 DEPOSITS FROM CUSTOMERS

	31 December 2025	31 December 2024
Demand deposits		
– Corporate customers	94,623,911	83,069,565
– Personal customers	<u>31,590,628</u>	<u>33,121,069</u>
Sub-total	<u>126,214,539</u>	<u>116,190,634</u>
Time deposits		
– Corporate customers	155,893,776	129,083,903
– Personal customers	<u>220,639,926</u>	<u>186,676,503</u>
Sub-total	<u>376,533,702</u>	<u>315,760,406</u>
Other deposits	150,903	72,966
Accrued interest	<u>9,222,311</u>	<u>11,401,529</u>
Total	<u>512,121,455</u>	<u>443,425,535</u>
Including:		
Pledged deposits	<u>42,382,272</u>	<u>29,033,286</u>

35 DEBT SECURITIES ISSUED

	31 December 2025	31 December 2024
Debt securities issued (<i>Note (i)</i>)	21,791,756	15,993,665
Certificates of interbank deposit issued (<i>Note (ii)</i>)	99,848,537	82,539,617
Accrued interest	<u>262,437</u>	<u>218,777</u>
Total	<u>121,902,730</u>	<u>98,752,059</u>

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 31 December 2025, the fair value of the debts was RMB4.177 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 31 December 2025, the fair value of the debts was RMB2.072 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 31 December 2025, the fair value of the debts was RMB8.103 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 31 December 2025, the fair value of the debts was RMB1.995 billion. (31 December 2024: RMB2.002 billion).
 - (e) Three-year Financial Bonds were issued with an interest rate of 1.71% per annum and with a nominal amount of RMB4.0 billion in July 2025. The debts will mature on 16 July 2028 with annual interest payments. As at 31 December 2025, the fair value of the debts was RMB4.020 billion.
 - (f) Five-year Innovation and Technology Bond were issued with an interest rate of 1.87% per annum and with a nominal amount of RMB1.0 billion in September 2025. The debts will mature on 23 September 2030 with annual interest payments. As at 31 December 2025, the fair value of the debts was RMB1.002 billion.
 - (g) Three-year Financial Bonds were issued by Qingdao Qingyin Financial Leasing Co., Ltd. with an interest rate of 1.78% per annum and with a nominal amount of RMB1.0 billion in July 2025. The debts will mature on 9 July 2028 with annual interest payments. As at 31 December 2025, the fair value of the debts was RMB1.003 billion.
- (ii) The Group issued a number of transferable certificates of interbank deposit with duration between 1 month to 1 year. As at 31 December 2025 and 2024, the outstanding fair value of certificates of interbank deposit was RMB99.876 billion and RMB82.651 billion respectively.

36 LEASE LIABILITIES

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

	31 December 2025	31 December 2024
Less than 1 year (inclusive)	161,422	152,607
1 year to 2 years (inclusive)	106,493	107,442
2 years to 3 years (inclusive)	94,356	87,115
3 years to 5 years (inclusive)	124,603	131,638
More than 5 years	79,147	83,550
	<hr/>	<hr/>
Total undiscounted lease liabilities	566,021	562,352
	<hr/>	<hr/>
Lease liabilities on statement of financial position	511,017	514,281
	<hr/>	<hr/>

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.

37 OTHER LIABILITIES

	<i>Note</i>	31 December 2025	31 December 2024
Employee benefits payable	<i>37(1)</i>	1,420,882	1,090,741
Continuously involved liabilities		237,168	583,720
Settlement payable		214,552	522,917
ECL on credit commitments	<i>37(2)</i>	861,013	410,416
Taxes payable	<i>37(3)</i>	229,992	272,349
Risk guarantee deposits for leasing business		156,265	257,456
Payable raising from fiduciary activities		40,755	50,968
Dividend payable		21,744	20,930
Others		1,021,073	1,056,866
		<hr/>	<hr/>
Total		4,203,444	4,266,363
		<hr/>	<hr/>

(1) Employee benefits payable

	31 December 2025	31 December 2024
Salaries, bonuses and allowances payable	1,252,816	920,424
Social insurance	–	–
Housing allowances	–	–
Staff welfare expenses	8,340	8,341
Labor union expenses and staff education expenses	73,246	67,636
Post-employment benefits		
– defined contribution plans (<i>Note (i)</i>)	–	–
Early retirement and supplementary retirement plans (<i>Note (ii)</i>)	86,480	94,340
	<hr/>	<hr/>
Total	1,420,882	1,090,741
	<hr/>	<hr/>

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. The relevant obligations are recognised in accordance with the accounting policy in Note 2(13).

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

Primary assumptions used:

	31 December 2025	31 December 2024
Discount rate — early retirement plans	1.50%	1.25%
Discount rate — supplementary retirement plans	2.25%	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 31 December 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.

(2) Expected credit loss on credit commitments

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

	31 December 2025	31 December 2024
Transfer to		
– 12-month ECL	859,787	408,611
– Lifetime ECL		
– not credit-impaired loans	1,226	1,305
– credit-impaired loans	<u>–</u>	<u>500</u>
As at 31 December 2025	<u>861,013</u>	<u>410,416</u>

The expected credit loss on credit commitments is evaluated based on ECL. In the years 2025 and 2024, credit commitments were mainly distributed in stage one, and the conversion amount between stages was not significant.

(3) Taxes payable

	31 December 2025	31 December 2024
Value added tax payable	173,511	196,471
Urban construction tax and surcharges payable	34,844	36,685
Others	<u>21,637</u>	<u>39,193</u>
Total	<u>229,992</u>	<u>272,349</u>

38 SHARE CAPITAL

Authorised and issued share capital

	31 December 2025	31 December 2024
Number of shares authorised, issued and fully paid at nominal value (in thousands)	<u>5,820,355</u>	<u>5,820,355</u>

39 OTHER EQUITY INSTRUMENTS

(1) Perpetual bonds outstanding at the end of the year

The Bank's undated capital bonds (the "**Perpetual bonds**") outstanding in the statement of financial position as at 31 December 2025 are as follows:

Financial instrument 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	3,997,236	None	None
2022 Domestic Perpetual Bond Series 2	16 Aug 2022	Equity	3.55%	100RMB/Unit	24,000	2,398,547	None	None
2025 Domestic Perpetual Bond	24 Oct 2025	Equity	2.45%	100RMB/Unit	20,000	<u>2,000,000</u>	None	None
Book value						<u>8,395,783</u>		

(2) Main Clauses and Basic information

With the approvals of relevant regulatory authorities, the Bank issued RMB4 billion, RMB2.4 billion and RMB2 billion of undated capital bonds on 14 July 2022, 16 August 2022 and 24 October 2025 (hereinafter referred to as "2022 Domestic Perpetual Bond Series 1", "2022 Domestic Perpetual Bond Series 2" and "2025 Domestic Perpetual Bond" respectively, collectively "**Domestic Perpetual Bonds**") in the National Interbank Bond Market. The funds raised by the Bank from the 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, 3.55% for 2022 Domestic Perpetual Bond Series 2 and 2.45% for 2025 Domestic Perpetual Bond, 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 will not be adjusted once determined 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 on 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.

(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: (1) the regulatory authority having concluded that without a write-off of the Bank's capital, the Bank would become non-viable, and (2) 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 shall 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.

(3) **Changes in perpetual bonds outstanding**

Perpetual bonds outstanding	31 December 2024		Increase during the year		31 December 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)
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
2025 Domestic Perpetual Bond	-	-	20,000	2,000,000	20,000	2,000,000
Total	<u>64,000</u>	<u>6,395,783</u>	<u>20,000</u>	<u>2,000,000</u>	<u>84,000</u>	<u>8,395,783</u>

(4) Interests attribute to equity instruments' holders

Items	31 December 2025	31 December 2024
Total equity attribute to equity holders of the Bank	49,167,148	43,932,381
– Equity attribute to ordinary shareholders of the Bank	40,771,365	37,536,598
– Equity attribute to other equity instrument holders of the Bank	8,395,783	6,395,783
Total equity attribute to non-controlling interests	1,087,308	967,448
– Equity attribute to non-controlling interests of ordinary shares	1,087,308	967,448

40 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 offsetting prior year's accumulated losses, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

(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 set aside 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 2025 amounted to RMB9.598 billion (31 December 2024: RMB7.972 billion), which has reached 1.50% of the year ending balance of the Bank's gross risk-bearing assets respectively.

(4) Other comprehensive income

Item	2025							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	(29,551)	2,800	-	-	(700)	2,100		(27,451)
Changes in fair value of financial assets designated at fair value through other comprehensive income	83,788	4,208	-	-	(1,268)	2,940		86,728
Items that may be reclassified to profit or loss								
Including: Changes in fair value from financial assets measured at FVOCI	2,221,221	(1,484,637)	(282,656)	-	441,823	(1,325,470)		895,751
Credit losses of financial assets measured at FVOCI	441,075	1,203,284	(493,838)	-	(177,361)	532,085		973,160
Total	2,716,533	(274,345)	(776,494)	-	262,494	(788,345)		1,928,188
	2024							
Item	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		Balance at the end of the year
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 FVOCI	761,848	2,399,081	(453,241)	-	(486,467)	1,459,373		2,221,221
Credit losses of financial assets measured at FVOCI	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

(5) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in *the consolidated statement of changes in equity*. Details of the changes in the Bank's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 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		-	-	-	-	-	(788,345)	5,187,741	4,399,396	168,860	4,568,256
Capital injection by shareholders:											
- Contributions from holders of other equity instruments	39	-	2,000,000	(585)	-	-	-	-	1,999,415	-	1,999,415
- Acquisition of subsidiaries	23	-	-	-	-	24,118	-	(23,705)	413	-	413
Appropriation of profit:											
- Appropriation to surplus reserve	40(2)	-	-	-	497,223	-	-	(497,223)	-	-	-
- Appropriation to general reserve	40(3)	-	-	-	-	1,721,565	-	(1,721,565)	-	-	-
- Dividends	41	-	-	-	-	-	-	(1,164,457)	(1,164,457)	(49,000)	(1,213,457)
Balance at 31 December 2025		<u>5,820,355</u>	<u>8,395,783</u>	<u>10,686,506</u>	<u>3,603,377</u>	<u>10,256,969</u>	<u>1,928,188</u>	<u>8,475,970</u>	<u>49,167,148</u>	<u>1,087,308</u>	<u>50,254,456</u>

	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Total equity
Balance at 1 January 2024		5,820,355	6,395,783	10,687,634	2,718,114	7,072,403	947,211	4,312,263	37,953,763
Total comprehensive income		-	-	-	-	-	1,769,322	3,880,405	5,649,727
Appropriation of profit:									
- Appropriation to surplus reserve	40(2)	-	-	-	388,040	-	-	(388,040)	-
- Appropriation to general reserve	40(3)	-	-	-	-	899,234	-	(899,234)	-
- Dividends	41	-	-	-	-	-	-	(1,164,457)	(1,164,457)
Balance at 31 December 2024		<u>5,820,355</u>	<u>6,395,783</u>	<u>10,687,634</u>	<u>3,106,154</u>	<u>7,971,637</u>	<u>2,716,533</u>	<u>5,740,937</u>	<u>42,439,033</u>

41 PROFIT APPROPRIATION

(1) At the Bank's board of directors meeting held on 26 March 2026, the directors approved the following profit appropriation for the year ended 31 December 2025:

- Appropriated RMB497 million to surplus reserve;
- Appropriated RMB1,627 million to general reserve;
- Declared cash dividends to all ordinary shareholders of approximately RMB1,048 million representing RMB1.80 per 10 shares (before tax).

The profit appropriation resolution mentioned above has yet to be approved by the annual general meeting.

(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 2025.

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 2025.

(3) At the Bank's board of directors 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).

(4) 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.

42 BUSINESS COMBINATION

(1) Business Combination Not Under Common Control

(a) Business combinations not under common control that occurred during the year

	Date of Acquisition	Acquisition Cost	Ownership Percentage (%)	Acquisition Method	Acquisition Date	Basis for Determining Acquisition Date	Revenue from Acquisition Date to Year-end	Net Profit from Acquisition Date to Year-end	Net Cash Flow from Acquisition Date to Year-end
Qingdao Laixi Yuantai Rural Bank Co., Ltd.	November 2025	95,075	100	Share Transfer	November 2025	Completion of transaction	2,082	(507)	19,828

(2) Consideration Transferred and Goodwill

	Fair Value	Carrying Amount
Cash	95,075	95,075
Total consideration transferred	<u>95,075</u>	<u>95,075</u>
Less: acquired identifiable net assets' fair value share	<u>(95,110)</u>	
Excess of fair Value over Consideration Negative goodwill	<u>(35)</u>	

(3) Identifiable assets and liabilities of the acquired entity measured at fair value as of the acquisition date

	Fair value recognised on acquisition	Carrying amount recognised on acquisition
Cash and deposits with the central bank	112,150	112,150
Deposits with banks and other financial institutions	921,314	921,314
Loans and advances to customers	524,986	524,986
Property and equipment	1,129	615
Right-of-use assets	1,094	1,094
Other	3,279	3,279
Deposit from customers	(1,463,382)	(1,463,382)
Deposits from banks and other financial institutions	(1,197)	(1,197)
Income tax payable	(181)	(181)
Other	(4,082)	(4,082)
Total identifiable net assets at fair value	<u>95,110</u>	<u>94,596</u>
Less: Non-controlling Interests	<u>—</u>	<u>—</u>
Satisfied by cash	<u><u>95,110</u></u>	<u><u>94,596</u></u>

43 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(1) Cash and cash equivalents:

	31 December 2025	31 December 2024
Cash	514,938	477,724
Surplus deposit reserves with the central bank	17,258,981	27,190,172
Original maturity within three months:		
– Deposits with banks and other financial institutions	8,660,918	2,539,690
– Placements with banks and other financial institutions	476,008	200,000
– Certificates of interbank deposit issued	<u>—</u>	<u>698,499</u>
Total	<u><u>26,910,845</u></u>	<u><u>31,106,085</u></u>

(2) Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Debt securities issued	Dividend payable	Lease liabilities	Total
Balance at 1 January 2025	98,752,059	20,930	514,281	99,287,270
Changes from financing cash flows:				
– Cash received from debt securities issued	120,462,490	–	–	120,462,490
– Payments for interest on debt securities issued	(2,175,432)	–	–	(2,175,432)
– Repayment of debt securities issued	(97,344,718)	–	–	(97,344,718)
– Payment for dividends	–	(1,212,643)	–	(1,212,643)
– Payment for lease liabilities	–	–	(168,148)	(168,148)
Total changes from financing cash flows	20,942,340	(1,212,643)	(168,148)	19,561,549
Other changes:				
– Dividends declared	–	1,213,457	–	1,213,457
– Increase in lease liabilities	–	–	149,973	149,973
– Interest expense	2,208,331	–	14,911	2,223,242
Balance at 31 December 2025	121,902,730	21,744	511,017	122,435,491

	Debt securities issued	Dividend payable	Lease liabilities	Total
Balance at 1 January 2024	89,269,785	20,087	555,035	89,844,907
Changes from financing cash flows:				
– Cash received from debt securities issued	102,086,676	–	–	102,086,676
– Payments for interest on debt securities issued	(2,371,775)	–	–	(2,371,775)
– Repayment of debt securities issued	(92,520,716)	–	–	(92,520,716)
– Payment for dividends	–	(1,212,614)	–	(1,212,614)
– Payment for lease liabilities	–	–	(148,450)	(148,450)
Total changes from financing cash flows	7,194,185	(1,212,614)	(148,450)	5,833,121
Other changes:				
– Dividends declared	–	1,213,457	–	1,213,457
– Increase in lease liabilities	–	–	86,952	86,952
– Interest expense	2,288,089	–	20,744	2,308,833
Balance at 31 December 2024	98,752,059	20,930	514,281	99,287,270

(3) Net cash paid for acquisition of subsidiaries:

	2025
Cash paid during the year for acquisition of subsidiaries	95,075
Less: Cash and cash equivalents held by the subsidiary at the acquisition date	(76,248)
Net cash paid for acquisition of subsidiaries	18,827

44 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
		31 December 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 Industry-Finance Holdings (Group) Co., Ltd. ("Qingdao Conson")	897,623	15.42%	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

Changes in ordinary shares of the Bank held by major shareholders

	<u>ISP</u>		<u>Qingdao Conson</u>		<u>Haier Industrial Development</u>	
	Number <i>(in thousands of shares)</i>	<i>Percentage</i>	Number <i>(in thousands of shares)</i>	<i>Percentage</i>	Number <i>(in thousands of shares)</i>	<i>Percentage</i>
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	—	—	243,000	4.17%	—	—
As at 31 December 2025	<u>1,018,562</u>	<u>17.50%</u>	<u>897,623</u>	<u>15.42%</u>	<u>532,601</u>	<u>9.15%</u>

Changes in registered capital of major shareholders

	Currency	31 December 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 23.

(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.

(2) Related party transactions and balances

Related party transactions of the Group mainly refer to loans, deposits and financial investments, which are entered into in the normal course and terms of business 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 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 2025							
Loans and advances to customers	-	15,983	2,169,352	35,225	256,646	2,477,206	0.64%
Financial investments measured at amortised cost	-	403,620	-	39,906	-	443,526	0.32%
Financial investments measured at FVOCI	-	787,561	30,289	-	-	817,850	0.84%
Financial investments measured at FVTPL	-	120,508	-	-	-	120,508	0.16%
Deposits with banks and other financial institutions	255	-	-	-	-	255	0.00%
Placements with banks and other financial institutions	-	-	507,175	-	-	507,175	2.78%
Deposits from customers	64,525	125,671	224,509	278,119	956,444	1,649,268	0.32%
Deposits from banks and other financial institutions	-	59,391	21,791	-	-	81,182	0.28%
Credit commitments:							
Bank acceptances	-	-	110,041	213,520	-	323,561	0.58%
Letters of guarantees	-	-	-	434	-	434	0.00%
2025							
Interest income	-	34,764	69,970	911	6,681	112,326	0.48%
Interest expense	330	1,480	2,429	1,657	17,007	22,903	0.19%
Fee and commission income	-	1,064	-	-	-	1,064	0.06%
Operating expenses	-	800	-	-	-	800	0.02%
Other net operating losses	-	-	-	190	-	190	1.28%
Net trading gains	-	30	-	-	-	30	0.02%

(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.

	2025	2024
Remuneration of key management personnel	<u>15,546</u>	<u>19,234</u>

The total compensation package for certain directors and supervisors for the year ended 31 December 2025 have not yet been confirmed, while the total compensation package for the year ended 31 December 2024 will be confirmed after the completion of relevant approval procedures. The difference in emoluments is not expected to have any significant impact on the Group's financial statements for the year ended 31 December 2025 and 31 December 2024.

The Bank enters into banking transactions with key management personnel in the normal course of business. For the reporting periods, the Bank had no material banking transactions and balances with key management personnel. As at 31 December 2025, the credit card overdraft balance of the Bank to the key management personnel amounted to RMB49.4 thousand (31 December 2024: RMB55.4 thousand), which have been included in loans and advances to related parties stated in Note 44(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.

45 SEGMENT REPORTING

Segment reporting is disclosed in accordance with the accounting policy set out in Note 2(23).

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

Retail banking

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

Financial market business

This segment covers financial market operations. The financial market business enters into 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 Qingdao Qingyin Financial Leasing Company Limited, head office assets, liabilities, income and expenses that are not directly attributable to a segment.

	2025				
	Corporate banking	Retail banking	Financial market business	Unallocated items and others	Total
External net interest income/ (expense)	8,081,186	(1,858,098)	4,145,567	701,337	11,069,992
Internal net interest (expense)/ income	<u>(1,738,507)</u>	<u>5,050,349</u>	<u>(3,311,842)</u>	<u>–</u>	<u>–</u>
Net interest income	6,342,679	3,192,251	833,725	701,337	11,069,992
Net fee and commission income/(expense)	759,673	375,130	320,516	(3,794)	1,451,525
Net trading gains/(losses)	157,501	2,023	(833)	–	158,691
Net gains arising from investments	47,132	–	1,818,520	–	1,865,652
Other net operating income	<u>27,610</u>	<u>(10,310)</u>	<u>(890)</u>	<u>(1,596)</u>	<u>14,814</u>
Operating income	7,334,595	3,559,094	2,971,038	695,947	14,560,674
Operating expenses	(2,424,905)	(1,526,827)	(730,978)	(99,291)	(4,782,001)
Expected credit losses	(1,937,450)	(1,403,251)	(152,821)	(39,679)	(3,533,201)
Impairment losses on other assets	<u>(1,637)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,637)</u>
Profit before taxation	<u>2,970,603</u>	<u>629,016</u>	<u>2,087,239</u>	<u>556,977</u>	<u>6,243,835</u>
Other segment information					
– Depreciation and amortisation	<u>(310,268)</u>	<u>(211,858)</u>	<u>(84,367)</u>	<u>(4,567)</u>	<u>(611,060)</u>
– Capital expenditure	<u>184,032</u>	<u>125,611</u>	<u>62,261</u>	<u>5,829</u>	<u>377,733</u>

31 December 2025

	Corporate banking	Retail banking	Financial market business	Unallocated items and others	Total
Segment assets	339,882,223	95,792,777	356,576,640	18,335,494	810,587,134
Deferred tax assets					<u>4,372,950</u>
Total assets					<u><u>814,960,084</u></u>
Segment liabilities/ Total liabilities	<u>297,805,963</u>	<u>261,014,570</u>	<u>188,697,268</u>	<u>17,187,827</u>	<u>764,705,628</u>
Credit commitments	<u>88,382,878</u>	<u>19,325,228</u>	<u>–</u>	<u>–</u>	<u>107,708,106</u>
			2024		
	Corporate banking	Retail banking	Financial market business	Unallocated items and others	Total
External net interest income/ (expense)	6,798,120	(1,386,435)	3,791,981	670,158	9,873,824
Internal net interest (expense)/ income	<u>(1,358,917)</u>	<u>4,529,938</u>	<u>(3,171,021)</u>	<u>–</u>	<u>–</u>
Net interest income	5,439,203	3,143,503	620,960	670,158	9,873,824
Net fee and commission income/ (expense)	593,166	447,981	472,084	(3,678)	1,509,553
Net trading (losses)/gains	(39,054)	(718)	50,459	–	10,687
Net gains arising from investments	86,467	–	1,767,827	–	1,854,294
Other net operating income	<u>107,327</u>	<u>40,719</u>	<u>9,908</u>	<u>8,379</u>	<u>166,333</u>
Operating income	6,187,109	3,631,485	2,921,238	674,859	13,414,691
Operating expenses	(2,085,741)	(1,957,612)	(743,914)	(97,292)	(4,884,559)
Expected credit losses	(1,312,286)	(999,176)	(1,121,503)	(100,726)	(3,533,691)
Impairment losses on other assets	<u>(1,312)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1,312)</u>
Profit before taxation	<u>2,787,770</u>	<u>674,697</u>	<u>1,055,821</u>	<u>476,841</u>	<u>4,995,129</u>
Other segment information					
– Depreciation and amortisation	<u>(247,907)</u>	<u>(268,819)</u>	<u>(78,797)</u>	<u>(2,675)</u>	<u>(598,198)</u>
– Capital expenditure	<u>153,694</u>	<u>166,658</u>	<u>47,514</u>	<u>3,648</u>	<u>371,514</u>

31 December 2024

	Corporate banking	Retail banking	Financial market business	Unallocated items and others	Total
Segment assets	281,849,059	104,590,261	283,154,005	16,815,892	686,409,217
Deferred tax assets					<u>3,553,816</u>
Total assets					<u><u>689,963,033</u></u>
Segment liabilities/ Total liabilities	<u>249,596,912</u>	<u>231,048,174</u>	<u>148,975,439</u>	<u>15,442,679</u>	<u>645,063,204</u>
Credit commitments	<u>71,459,568</u>	<u>23,799,065</u>	<u>–</u>	<u>–</u>	<u>95,258,633</u>

46 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.

(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 management of 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 48(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 46(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.

(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.

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.

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

- Significant financial difficulty of the 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.

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 producer price index, industrial value added, and value of exports 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 year ended 31 December 2025, the Group has taken into account different macroeconomic scenarios and made forward-looking forecasts of key economic indicators, including the average forecasted year-on-year growth rate of producer price index, used to estimate ECL, which is about -0.41% in the neutral scenario.

The Group has carried out sensitivity analysis of key economic variables, used in forward-looking measurement. As at 31 December 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%.

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.

(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.

(e) *Maximum credit risk exposure*

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

The Group

	31 December 2025	31 December 2024
Deposits with the central bank	42,464,995	48,675,542
Deposits with banks and other financial institutions	9,953,265	3,495,177
Placements with banks and other financial institutions	18,254,853	14,844,347
Derivative financial assets	507,591	55,310
Financial assets held under resale agreements	17,975,490	7,496,541
Loans and advances to customers	387,692,967	332,554,291
Financial investments		
– Financial investments measured at FVTPL	25,312,716	12,802,163
– Financial investments measured at FVOCI	97,647,419	93,940,055
– Financial investments measured at amortised cost	137,024,491	97,593,546
Long-term receivables	17,461,304	15,516,540
Others	1,038,519	1,976,363
Subtotal	755,333,610	628,949,875
Credit commitments	107,708,106	95,258,633
Total	863,041,716	724,208,508

(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 sector 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:

	31 December 2025		31 December 2024	
	Amount	Percentage	Amount	Percentage
Wholesale and retail trade	68,912,474	17.36%	49,560,902	14.55%
Manufacturing	49,601,536	12.49%	40,561,826	11.91%
Leasing and business activities	47,195,220	11.89%	37,323,602	10.96%
Construction	42,568,524	10.72%	38,247,453	11.23%
Water, environment and public utility management	29,165,760	7.35%	23,579,334	6.92%
Real estate	23,685,466	5.97%	23,063,785	6.77%
Production and supply of electric and heating power, gas and water	16,181,409	4.08%	10,306,735	3.03%
Transportation, storage and postal services	12,926,150	3.26%	10,541,830	3.09%
Financial service	9,956,444	2.51%	9,491,088	2.79%
Scientific research and technological services	6,344,307	1.60%	5,026,353	1.48%
Others	16,470,266	4.13%	14,650,690	4.28%
Subtotal for corporate loans and advances (including discounted bills and forfeiting)	323,007,556	81.36%	262,353,598	77.01%
Personal loans and advances	74,000,736	18.64%	78,336,127	22.99%
Total for loans and advances to customers	397,008,292	100.00%	340,689,725	100.00%

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

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

	31 December 2025					
	Unrated	AAA	AA	A	Below A	Total
Debt securities (analysed by type of issuers)						
Governments and the central bank	-	56,022,458	-	-	-	56,022,458
Policy banks	-	28,673,631	-	-	-	28,673,631
Banks and other financial institutions	200,000	90,839,217	7,950,557	13,568	96,851	99,100,193
Corporate entities	4,278,979	49,983,836	19,188,716	75,863	1,766,219	75,293,613
Total	4,478,979	225,519,142	27,139,273	89,431	1,863,070	259,089,895
	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

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

At the end of the reporting period, the Group's credit risk stages of financial instruments are as follows:

	31 December 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	42,979,933	-	-	42,979,933	-	-	-	-
Deposits with banks and other financial institutions	9,966,253	-	-	9,966,253	(12,988)	-	-	(12,988)
Placements with banks and other financial institutions	18,300,818	-	-	18,300,818	(45,965)	-	-	(45,965)
Financial assets held under resale agreements	18,004,249	-	-	18,004,249	(28,759)	-	-	(28,759)
Loans and advances to customers	350,007,253	10,347,212	3,842,506	364,196,971	(6,064,375)	(1,508,123)	(2,850,281)	(10,422,779)
Financial investments	135,365,675	2,612,524	4,358,504	142,336,703	(148,331)	(805,430)	(4,358,451)	(5,312,212)
Long-term receivables	16,570,023	1,347,204	213,282	18,130,509	(354,992)	(216,914)	(97,299)	(669,205)
Total	591,194,204	14,306,940	8,414,292	613,915,436	(6,655,410)	(2,530,467)	(7,306,031)	(16,491,908)

	31 December 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 FVOCI								
Loans and advances to customers								
– Discounted bills and forfeiting	33,918,775	-	-	33,918,775	(805,071)	-	-	(805,071)
Financial investments	96,018,059	1,615,087	14,273	97,647,419	(126,749)	(232,109)	(133,617)	(492,475)
Total	129,936,834	1,615,087	14,273	131,566,194	(931,820)	(232,109)	(133,617)	(1,297,546)
Credit commitments	107,685,192	22,914	-	107,708,106	(859,787)	(1,226)	-	(861,013)

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	311,140,562	1,919,899	3,874,828	316,935,289	(5,720,689)	(339,905)	(2,947,986)	(9,008,580)
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	497,120,687	5,754,090	8,445,447	511,320,224	(6,302,551)	(1,492,631)	(7,498,916)	(15,294,098)

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 FVOCI								
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)

(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.

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:

	31 December 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	42,979,933	740,384	42,239,549	-	-	-
Deposits with banks and other financial institutions	9,953,265	12,335	8,938,804	1,002,126	-	-
Placements with banks and other financial institutions	18,254,853	294,230	7,360,434	9,299,483	1,300,706	-
Financial assets held under resale agreements	17,975,490	4,249	17,971,241	-	-	-
Loans and advances to customers <i>(Note (i))</i>	387,692,967	1,104,052	107,617,391	210,531,754	51,974,878	16,464,892
Financial investments <i>(Note (ii))</i>	309,499,675	52,471,426	9,969,098	37,795,129	133,984,290	75,279,732
Long-term receivables	17,461,304	139,330	7,055,281	4,688,625	5,399,039	179,029
Others	11,142,597	11,142,597	-	-	-	-
Total assets	814,960,084	65,908,603	201,151,798	263,317,117	192,658,913	91,923,653
Liabilities						
Borrowings from the central bank	48,579,376	273,773	15,074,346	33,231,257	-	-
Deposits from banks and other financial institutions	29,028,245	60,405	23,667,840	5,300,000	-	-
Placements from banks and other financial institutions	22,638,702	122,972	5,400,000	16,475,730	640,000	-
Financial liabilities measured at fair value through profit or loss	1,849,403	-	35,532	984,383	829,488	-
Financial assets sold under repurchase agreements	23,090,548	1,711	23,088,837	-	-	-
Deposits from customers	512,121,455	9,373,214	219,376,572	138,731,792	144,639,877	-
Debt securities issued	121,902,730	262,437	31,119,910	76,727,758	5,796,930	7,995,695
Others	5,495,169	4,984,152	75,339	83,848	299,933	51,897
Total liabilities	764,705,628	15,078,664	317,838,376	271,534,768	152,206,228	8,047,592
Asset-liability gap	50,254,456	50,829,939	(116,686,578)	(8,217,651)	40,452,685	83,876,061

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 (<i>Note (i)</i>)	332,554,291	849,983	90,137,635	187,505,917	42,018,660	12,042,096
Financial investments (<i>Note (ii)</i>)	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	<u>11,247,775</u>	<u>11,247,775</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total assets	<u>689,963,033</u>	<u>67,644,718</u>	<u>164,010,552</u>	<u>230,270,802</u>	<u>144,663,100</u>	<u>83,373,861</u>
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	7,998,442	7,995,223
Others	<u>5,249,609</u>	<u>4,735,328</u>	<u>67,172</u>	<u>81,315</u>	<u>297,810</u>	<u>67,984</u>
Total liabilities	<u>645,063,204</u>	<u>16,799,791</u>	<u>273,904,255</u>	<u>211,967,357</u>	<u>134,328,594</u>	<u>8,063,207</u>
Asset-liability gap	<u>44,899,829</u>	<u>50,844,927</u>	<u>(109,893,703)</u>	<u>18,303,445</u>	<u>10,334,506</u>	<u>75,310,654</u>

Notes:

- (i) As at 31 December 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 RMB1,567 million and RMB1,679 million, respectively.
- (ii) Financial investments include financial investments measured at FVTPL, financial investments measured at FVOCI, financial investments measured at amortised cost.

The Group uses sensitivity analysis to measure the potential effect of changes in interest rates on the Group's net interest income 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 FVOCI that are held at the end of the reporting period.

Changes in annualised net interest income	31 December 2025	31 December 2024
	<i>(Decrease)/</i>	<i>(Decrease)/</i>
	<i>Increase</i>	<i>Increase</i>
Interest rates increase by 100 bps	(1,228,498)	(961,661)
Interest rates decrease by 100 bps	1,228,498	961,661

Changes in annualised net interest income	31 December 2025	31 December 2024
	<i>(Decrease)/</i>	<i>(Decrease)/</i>
	<i>Increase</i>	<i>Increase</i>
Interest rates increase by 100 bps	(2,162,502)	(1,895,430)
Interest rates decrease by 100 bps	2,473,183	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.

(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:

	31 December 2025			
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Assets				
Cash and deposits with the central bank	42,563,888	394,664	21,381	42,979,933
Deposits with banks and other financial institutions	9,046,477	587,653	319,135	9,953,265
Placements with banks and other financial institutions	16,334,601	1,920,252	–	18,254,853
Financial assets held under resale agreements	17,975,490	–	–	17,975,490
Loans and advances to customers	386,094,501	1,598,466	–	387,692,967
Financial investments (<i>Note (i)</i>)	303,438,746	6,060,929	–	309,499,675
Long-term receivables	17,461,304	–	–	17,461,304
Others	10,772,015	365,547	5,035	11,142,597
Total assets	<u>803,687,022</u>	<u>10,927,511</u>	<u>345,551</u>	<u>814,960,084</u>
Liabilities				
Borrowings from the central bank	48,579,376	–	–	48,579,376
Deposits from banks and other financial institutions	28,674,664	353,581	–	29,028,245
Placements from banks and other financial institutions	19,692,972	–	2,945,730	22,638,702
Financial liabilities measured at fair value through profit or loss	1,849,403	–	–	1,849,403
Financial assets sold under repurchase agreements	23,090,548	–	–	23,090,548
Deposits from customers	507,582,444	4,271,391	267,620	512,121,455
Debt securities issued	121,902,730	–	–	121,902,730
Others	5,424,095	–	71,074	5,495,169
Total liabilities	<u>756,796,232</u>	<u>4,624,972</u>	<u>3,284,424</u>	<u>764,705,628</u>
Net on-balance sheet position	<u>46,890,790</u>	<u>6,302,539</u>	<u>(2,938,873)</u>	<u>50,254,456</u>
Net position of foreign exchange swaps and others		<u>(5,638,925)</u>	<u>2,525,850</u>	<u>(3,113,075)</u>
Credit commitments	<u>104,578,755</u>	<u>2,588,950</u>	<u>540,401</u>	<u>107,708,106</u>

	31 December 2024			
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total (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 (<i>Note (i)</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 FVTPL, financial investments measured at FVOCI, and financials investment measured at amortised cost.

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 sets forth the results of the Group's foreign exchange sensitivity analysis at the end of the reporting period.

Changes in annualised net profit and equity	31 December 2025	31 December 2024
	<i>Increase/ (Decrease)</i>	<i>Increase/ (Decrease)</i>
Foreign exchange rate increase by 100 bps	267	91
Foreign exchange rate decrease by 100 bps	(267)	(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.

(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.

(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.

	31 December 2025							
	Indefinite (Note (ii))	Repayable on demand (Note (ii))	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	25,195,084	17,784,849	-	-	-	-	-	42,979,933
Deposits with banks and other financial institutions	-	8,248,412	431,486	265,524	1,007,843	-	-	9,953,265
Placements with banks and other financial institutions	-	-	2,714,500	4,811,838	9,423,509	1,305,006	-	18,254,853
Financial assets held under resale agreements	-	-	17,975,490	-	-	-	-	17,975,490
Loans and advances to customers	1,033,410	548,646	33,477,959	40,561,509	132,675,023	92,505,204	86,891,216	387,692,967
Financial investments (Note (i))	144,827	-	37,337,614	8,724,445	42,835,042	143,505,791	76,951,956	309,499,675
Long-term receivables	124,732	92	629,467	1,200,819	5,381,839	9,881,809	242,546	17,461,304
Others	8,624,541	123,705	186,124	253,035	1,090,009	653,777	211,406	11,142,597
Total assets	<u>35,122,594</u>	<u>26,705,704</u>	<u>92,752,640</u>	<u>55,817,170</u>	<u>192,413,265</u>	<u>247,851,587</u>	<u>164,297,124</u>	<u>814,960,084</u>
Liabilities								
Borrowings from the central bank	-	-	2,786,975	12,454,811	33,337,590	-	-	48,579,376
Deposits from banks and other financial institutions	-	21,727,388	853,596	1,119,919	5,327,342	-	-	29,028,245
Placements from banks and other financial institutions	-	-	2,222,535	3,225,434	16,549,781	640,952	-	22,638,702
Financial liabilities measured at fair value through profit or loss	-	-	-	35,532	984,383	829,488	-	1,849,403
Financial assets sold under repurchase agreements	-	-	23,090,548	-	-	-	-	23,090,548
Deposits from customers	-	129,384,527	33,916,359	59,052,419	142,288,883	147,479,267	-	512,121,455
Debt securities issued	-	-	14,586,665	16,682,111	76,841,329	5,796,930	7,995,695	121,902,730
Others	875,594	146,432	673,899	687,612	1,312,337	1,649,126	150,169	5,495,169
Total liabilities	<u>875,594</u>	<u>151,258,347</u>	<u>78,130,577</u>	<u>93,257,838</u>	<u>276,641,645</u>	<u>156,395,763</u>	<u>8,145,864</u>	<u>764,705,628</u>
Net position	<u>34,247,000</u>	<u>(124,552,643)</u>	<u>14,622,063</u>	<u>(37,440,668)</u>	<u>(84,228,380)</u>	<u>91,455,824</u>	<u>156,151,260</u>	<u>50,254,456</u>

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	Indefinite (Note (ii))	Repayable on demand (Note (ii))	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with 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 assets measured at FVTPL, financial investment measured at FVOCI, 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, the “indefinite” period amount represents the balance being credit-impaired or not credit-impaired but overdue for more than one month, and the balance not credit-impaired but overdue within one month is included in “repayable on demand”.

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

The following tables provide an analysis of the contractual undiscounted cash flow of 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.

31 December 2025									
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Contractual undiscounted cash flow	Carrying Amount
Borrowings from the central bank	-	-	2,790,544	12,499,212	33,669,366	-	-	48,959,122	48,579,376
Deposits from banks and other financial institutions	-	21,727,388	854,610	1,125,652	5,400,457	-	-	29,108,107	29,028,245
Placements from banks and other financial institutions	-	-	2,222,880	3,267,686	16,711,951	656,786	-	22,859,303	22,638,702
Financial liabilities measured at fair value through profit or loss	-	-	3,893	42,965	1,038,314	883,385	-	1,968,557	1,849,403
Financial assets sold under repurchase agreements	-	-	23,383,522	-	-	-	-	23,383,522	23,090,548
Deposits from customers	-	129,384,527	34,002,883	59,323,660	144,331,552	154,527,681	-	521,570,303	512,121,455
Debt securities issued	-	-	14,600,000	16,782,000	77,940,183	7,334,400	8,450,800	125,107,383	121,902,730
Lease liabilities	-	32,204	24,639	18,977	85,602	325,452	79,147	566,021	511,017
Other financial liabilities	-	114,228	43,628	96,025	290,954	544,111	-	1,088,946	1,088,946
Total	-	151,258,347	77,926,599	93,156,177	279,468,379	164,271,815	8,529,947	774,611,264	760,810,422

31 December 2024									
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Contractual undiscounted cash flow	Carrying Amount
Borrowings from 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

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

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

								31 December 2025							
								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
Cash flows of derivative financial liabilities:															
Derivative financial liabilities settled on net basis								<u>-</u>	<u>-</u>	<u>(500)</u>	<u>(2,265)</u>	<u>(4,357)</u>	<u>(850)</u>	<u>-</u>	<u>(7,972)</u>
Derivative financial liabilities settled on gross basis															
Including: Cash inflow								-	-	22,361	380,485	268,035	358,469	-	1,029,350
Cash outflow								<u>-</u>	<u>-</u>	<u>(22,525)</u>	<u>(380,506)</u>	<u>(245,814)</u>	<u>(352,460)</u>	<u>-</u>	<u>(1,001,305)</u>
Total								<u>-</u>	<u>-</u>	<u>(164)</u>	<u>(21)</u>	<u>22,221</u>	<u>6,009</u>	<u>-</u>	<u>28,045</u>
								31 December 2024							
								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
Cash flows of derivative financial liabilities:															
Derivative financial liabilities settled on net basis								<u>-</u>	<u>-</u>	<u>(12,371)</u>	<u>(12,838)</u>	<u>(30,136)</u>	<u>(1,108)</u>	<u>-</u>	<u>(56,453)</u>
Derivative financial liabilities settled on gross basis															
Including: Cash inflow								-	-	158,106	4,913,753	10,783	-	-	5,082,642
Cash outflow								<u>-</u>	<u>-</u>	<u>(159,098)</u>	<u>(5,038,692)</u>	<u>(10,707)</u>	<u>-</u>	<u>-</u>	<u>(5,208,497)</u>
Total								<u>-</u>	<u>-</u>	<u>(992)</u>	<u>(124,939)</u>	<u>76</u>	<u>-</u>	<u>-</u>	<u>(125,855)</u>

(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 the 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.

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

	31 December 2025	31 December 2024
Total core tier-one capital	41,272,602	38,016,853
– Share capital	5,820,355	5,820,355
– Eligible portion of capital reserve	10,686,506	10,687,091
– Accumulated other comprehensive income	1,928,188	2,716,533
– Surplus reserve	3,603,377	3,106,154
– General reserve	10,256,969	8,511,286
– Retained earnings	8,475,970	6,695,179
– Eligible portion of non-controlling interests	501,237	480,255
Core tier-one capital deductions	<u>(692,062)</u>	<u>(379,124)</u>
Net core tier-one capital	40,580,540	37,637,729
Other tier-one capital	8,462,615	6,459,817
– Additional tier-one capital instruments and related premium	8,395,783	6,395,783
– Eligible portion of minority interests	<u>66,832</u>	<u>64,034</u>
Net tier-one capital	<u>49,043,155</u>	<u>44,097,546</u>
Tier two capital	13,548,263	12,932,928
– Eligible portions of tier-two capital instruments issued	8,000,000	8,000,000
– Surplus allowances for impairment	5,414,600	4,804,860
– Eligible portion of non-controlling interests	<u>133,663</u>	<u>128,068</u>
Total net capital	<u>62,591,418</u>	<u>57,030,474</u>
Total risk weighted assets	<u>468,015,731</u>	<u>413,212,378</u>
Core tier-one capital adequacy ratio	8.67%	9.11%
Tier-one capital adequacy ratio	10.48%	10.67%
Capital adequacy ratio	13.37%	13.80%

47 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 as Level 2 primarily consist of Renminbi-denominated bonds, whose fair values are determined based on valuation results from China Central Depository & Clearing Company Limited. All significant valuation parameters affecting the valuation 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.

(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:

	31 December 2025			
	Level 1	Level 2	Level 3	Total
			<i>Note (i)</i>	
Financial investments measured at FVTPL				
– Debt securities	–	25,026,649	–	25,026,649
– Asset management plans	–	–	286,067	286,067
– Investment funds	32,537,385	16,587,657	–	49,125,042
– Wealth management product investment	250,831	–	–	250,831
Derivative financial assets	–	507,591	–	507,591
Financial investments measured at FVOCI				
– Debt securities	–	97,647,419	–	97,647,419
– Other equity investments	–	–	139,176	139,176
Loans and advances to customers measured at FVOCI	–	–	33,918,775	33,918,775
Total financial assets	<u>32,788,216</u>	<u>139,769,316</u>	<u>34,344,018</u>	<u>206,901,550</u>
Financial liabilities measured at fair value through profit or loss	–	1,849,403	–	1,849,403
Derivative financial liabilities	–	10,460	–	10,460
Total financial liabilities	<u>–</u>	<u>1,859,863</u>	<u>–</u>	<u>1,859,863</u>

	31 December 2024			
	Level 1	Level 2	Level 3 <i>Note (i)</i>	Total
Financial investments measured at FVTPL				
– 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 FVOCI				
– Debt securities	–	93,940,055	–	93,940,055
– Other equity investments	–	–	134,968	134,968
Loans and advances to customers measured at FVOCI	–	–	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

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

The Group

The following table shows the movement of level 3 financial instruments measured at fair value during the year of 2025:

	As at 1 January 2025	Transfer into level 3	Transfer out of level 3	Total gains or losses for the year		Purchases/distribute, issues, disposals and settlements			Others	As at 31 December 2025
				In profit or loss	In other comprehensive income	Purchases/ distribute	Issues	Disposals and settlements		
Financial investments measured at FVTPL										
– Asset management plans	777,284	-	-	533,619	-	-	-	(1,024,836)	-	286,067
– Trust fund plans	346,069	-	-	251,689	-	-	-	(597,758)	-	-
Financial investments measured at FVOCI										
– Other equity investments	134,968	-	-	-	4,208	-	-	-	-	139,176
Loans and advances to customers measured at FVOCI	<u>24,627,582</u>	<u>-</u>	<u>-</u>	<u>760,791</u>	<u>(8,959)</u>	<u>111,530,022</u>	<u>-</u>	<u>(102,990,661)</u>	<u>-</u>	<u>33,918,775</u>
Total financial assets	<u>25,885,903</u>	<u>-</u>	<u>-</u>	<u>1,546,099</u>	<u>(4,751)</u>	<u>111,530,022</u>	<u>-</u>	<u>(104,613,255)</u>	<u>-</u>	<u>34,344,018</u>
Derivative financial liabilities	<u>5,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,408)</u>	<u>-</u>	<u>-</u>
Total financial liabilities	<u>5,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,408)</u>	<u>-</u>	<u>-</u>

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/distribute, issues, disposals and settlements				As at 31 December 2024
				In profit or loss	In other comprehensive income	Purchases/ distribute	Issues	Disposals and settlements	Others	
Financial investments measured at FVTPL										
- 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 FVOCI										
- Other equity investments	23,250	-	-	-	111,718	-	-	-	-	134,968
Loans and advances to customers measured at FVOCI	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

(3) Transfers between levels

For the year ended 31 December 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, other equity instruments investment, 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.

As of 31 December 2025, the impact on the fair value measurement resulting from replacing the original unobservable assumptions in the model with other reasonable unobservable assumptions was not material (not material as of 31 December 2024).

(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 are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

(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 represents the amount of estimated future cash flows expected to be received, discounted at current market rates, and their carrying amounts are approximately equivalent to their fair values

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

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

(iv) *Deposits from customers*

The fair value of 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, and their carrying amounts are approximately equivalent to their fair values.

(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:

31 December 2025					
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments					
measured at amortised cost					
(including accrued interest)					
– Debt securities	<u>136,202,684</u>	<u>144,145,743</u>	–	<u>144,091,978</u>	<u>53,765</u>
Total	<u><u>136,202,684</u></u>	<u><u>144,145,743</u></u>	<u>–</u>	<u><u>144,091,978</u></u>	<u><u>53,765</u></u>
Financial liabilities					
Securities issued					
(including accrued interest)					
– Debt securities	<u>22,054,193</u>	<u>22,370,913</u>	–	<u>22,370,913</u>	–
– Certificates of interbank deposit	<u>99,848,537</u>	<u>99,876,123</u>	–	<u>99,876,123</u>	–
Total	<u><u>121,902,730</u></u>	<u><u>122,247,036</u></u>	<u>–</u>	<u><u>122,247,036</u></u>	<u>–</u>
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	<u>93,640,874</u>	<u>100,631,884</u>	–	<u>100,562,660</u>	<u>69,224</u>
Total	<u><u>93,640,874</u></u>	<u><u>100,631,884</u></u>	<u>–</u>	<u><u>100,562,660</u></u>	<u><u>69,224</u></u>
Financial liabilities					
Securities issued					
(including accrued interest)					
– Debt securities	<u>16,212,442</u>	<u>16,602,977</u>	–	<u>16,602,977</u>	–
– Certificates of interbank deposit	<u>82,539,617</u>	<u>82,650,519</u>	–	<u>82,650,519</u>	–
Total	<u><u>98,752,059</u></u>	<u><u>99,253,496</u></u>	<u>–</u>	<u><u>99,253,496</u></u>	<u>–</u>

48 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.

	31 December 2025	31 December 2024
Bank acceptances	55,790,685	48,117,074
Unused credit card commitments	19,325,228	23,799,065
Financing letters of guarantees issued	12,252,082	11,032,397
Usance letters of credit	17,209,039	9,977,991
Non-financing letters of guarantees issued	845,499	1,044,271
Irrevocable loan commitments	1,079,289	378,000
Sight letters of credit	1,206,284	909,835
	<u>107,708,106</u>	<u>95,258,633</u>
Total		

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 37(2).

(2) Credit risk-weighted amount

	31 December 2025	31 December 2024
Credit risk-weighted amount of commitments	24,336,252	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 31 December 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:

	31 December 2025	31 December 2024
Contracted but not paid for	<u>82,571</u>	<u>70,458</u>

(4) Outstanding litigations and disputes

A number of outstanding litigations against the Group had arisen in the normal course of its operation as at 31 December 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.

(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 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:

	31 December 2025	31 December 2024
Bond redemption obligations	<u>4,898,789</u>	<u>4,167,547</u>

(6) Pledged assets

	31 December 2025	31 December 2024
Investment securities	57,483,430	63,543,344
Discounted bills	<u>5,599,779</u>	<u>4,110,439</u>
Total	<u>63,083,209</u>	<u>67,653,783</u>

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

The Group maintains statutory deposit reserves with the PBOC as required (Note 14). These deposits are not available for the Group's daily operations.

As at 31 December 2025 and 31 December 2024, the Group did not have these discounted bills under resale agreements. As at 31 December 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.

49 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 following tables set out an analysis of the carrying amounts of interests held by the Group as at 31 December 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:

	31 December 2025				
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost	Carrying amount	Maximum exposure
Investment funds	49,125,042	-	-	49,125,042	49,125,042
Asset management plans	286,067	-	354,212	640,279	640,279
Asset-backed securities	1,841,654	442,870	14,163,272	16,447,796	16,447,796
Total	51,252,763	442,870	14,517,484	66,213,117	66,213,117
	31 December 2024				
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	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 carrying amounts of the assets held by the Group at the end of the reporting period, measured at amortised cost or fair value in accordance with the respective line items recognised in the statement of financial position.

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

The types of unconsolidated structured entities sponsored by the Group mainly include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes fees charged by providing management services to these structured entities. As at 31 December 2025, the carrying amounts of the management and other service fee receivables being recognised was RMB239 million in the consolidated statement of financial position (31 December 2024: RMB192 million). During the year ended 31 December 2025, the Group earned fee and commission income of RMB726 million from the unconsolidated non-principal guaranteed wealth management products. (2024: RMB929 million).

As at 31 December 2025, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, was RMB205.613 billion (31 December 2024: RMB199.326 billion).

As of 31 December 2025 and 31 December 2024, the Group did not provide financing transactions to non-principal-protected wealth management products established by itself through interbank lending or repurchase agreements.

(3) Unconsolidated structured entities sponsored and issued by the Group after 1 January but matured before 31 December at the end of the reporting period in which the Group no longer holds an interest

During the year ended 31 December 2025, the amount of fee and commission income recognised from the above mentioned structured entities by the Group was RMB9 million (2024: RMB14 million).

During the year ended 31 December 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 31 December 2025 was RMB5.754 billion (2024: RMB12.915 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.

50 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.

(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 year ended 31 December 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 year ended 31 December 2025, the Group transferred loans and advances to customers to independent third parties with principal amount of RMB179 million (2024: RMB11 million). The Group carried out an assessment based on the criteria as detailed in Note 2(4)(vii) and concluded that these transferred assets qualified for full derecognition in the statement of financial position.

51 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 31 December 2025, the entrusted loans balance of the Group was RMB11.145 billion (31 December 2024: RMB5.651 billion).

52 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	31 December 2025	31 December 2024
Assets		
Cash and deposits with the central bank	42,870,462	49,133,814
Deposits with banks and other financial institutions	7,764,725	2,139,304
Placements with banks and other financial institutions	19,469,617	15,549,144
Derivative financial assets	507,591	55,310
Financial assets held under resale agreements	17,975,490	7,496,541
Loans and advances to customers	387,203,020	332,554,291
Financial investments:		
– Financial investments measured at fair value through profit or loss	79,723,337	69,211,599
– Financial investments measured at fair value through other comprehensive income	97,786,595	94,075,023
– Financial investments measured at amortised cost	128,652,164	89,478,244
Investment in subsidiary	2,008,359	1,913,284
Property and equipment	3,124,830	3,228,598
Right-of-use assets	740,362	763,635
Deferred tax assets	4,179,213	3,370,221
Other assets	1,330,140	1,828,793
	<hr/>	<hr/>
Total assets	<u>793,335,905</u>	<u>670,797,801</u>
Liabilities		
Borrowings from the central bank	48,579,376	28,240,081
Deposits from banks and other financial institutions	31,976,613	14,216,923
Placements from banks and other financial institutions	7,150,706	6,235,354
Financial liabilities measured at fair value through profit or loss	1,849,403	699,788
Derivative financial liabilities	10,460	162,430
Financial assets sold under repurchase agreements	19,901,069	32,614,696
Deposits from customers	510,705,044	443,425,535
Income tax payable	721,094	222,789
Debt securities issued	121,097,745	98,752,059
Lease liabilities	508,218	513,806
Other liabilities	3,378,298	3,275,307
	<hr/>	<hr/>
Total liabilities	<u>745,878,026</u>	<u>628,358,768</u>

	31 December 2025	31 December 2024
Equity		
Share capital	5,820,355	5,820,355
Other equity instruments		
Including: perpetual bonds	8,395,783	6,395,783
Capital reserve	10,687,049	10,687,634
Surplus reserve	3,603,377	3,106,154
General reserve	9,598,150	7,971,637
Other comprehensive income	1,928,188	2,716,533
Retained earnings	7,424,977	5,740,937
	<u>47,457,879</u>	<u>42,439,033</u>
Total equity	<u>47,457,879</u>	<u>42,439,033</u>
Total liabilities and equity	<u>793,335,905</u>	<u>670,797,801</u>

Approved and authorised for issue by the board of directors on 26 March 2026.

Jing Zailun
Legal Representative (Chairman)

Wu Xianming
President

Chen Shuang
*Vice President in charge of
Finance Function*

Li Zhenguo (Company Stamp)
*General Manager of
the Planning & Finance Department*

53 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

Up to the approval date of the financial statements, the International Accounting Standards Board has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing the financial statements, the Group has adopted all the new and revised IFRS Accounting Standards in issue which are relevant to the Group for the reporting period, except for any new standards or interpretations that are not yet effective for the accounting period ended 31 December 2025. The revised and new accounting standards and interpretations which are issued but not yet effective for the accounting period ended 31 December 2025, are set out below:

	Effective for accounting periods beginning on or after
Classification and Measurement of Financial Instruments	
– Amendments to IFRS 9 and IFRS 7	1 January 2026
Contracts Referencing Nature-dependent Electricity	
– Amendments to IFRS 9 and IFRS 7	1 January 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
Translation to a Hyperinflationary Presentation Currency	
– Amendments to IAS 21	1 January 2027

The Group has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

54 SUBSEQUENT EVENTS

The profit distribution plan

The profit appropriation of the Bank was proposed in accordance with the resolution of the Bank's board of directors meeting as disclosed in Note 41.

Up to the approval date of the financial statements, except for the above, the Group has no other significant subsequent events for disclosure.

55 COMPARATIVE FIGURES

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

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

For the year ended 31 December 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the audited financial statements, 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

	31 December 2025	31 December 2024
Qualified and high-quality current assets	115,770,660	95,465,058
Net cash outflows in the next 30 days	54,288,634	47,023,000
Liquidity coverage ratio (RMB and foreign currency)	<u>213.25%</u>	<u>203.02%</u>

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

(2) Leverage ratio

	31 December 2025	31 December 2024
Leverage ratio	<u>5.49%</u>	<u>5.79%</u>

The leverage ratio calculated in accordance with the Regulation Governing Capital of Commercial Banks and other relevant requirements as at 31 December 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

	31 December 2025	31 December 2025
Available stable funding	497,585,360	480,142,670
Required stable funding	415,025,723	397,141,152
Net stable funding ratio	<u>119.89%</u>	<u>120.90%</u>

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

2 CURRENCY CONCENTRATIONS

	31 December 2025			
	US Dollars	HK Dollars	Others	Total
	<i>(RMB equivalent)</i>	<i>(RMB equivalent)</i>	<i>(RMB equivalent)</i>	
Spot assets	10,927,511	9,097	336,454	11,273,062
Spot liabilities	(4,624,972)	(2,256)	(3,282,168)	(7,909,396)
Forward purchases	1,569,333	220,525	2,525,765	4,315,623
Forward sales	(7,208,258)	(220,440)	–	(7,428,698)
Net long position	<u>663,614</u>	<u>6,926</u>	<u>(419,949)</u>	<u>250,591</u>
Structural exposure	–	–	–	–
	31 December 2024			
	US Dollars	HK Dollars	Others	Total
	<i>(RMB equivalent)</i>	<i>(RMB equivalent)</i>	<i>(RMB equivalent)</i>	
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	<u>76,445</u>	<u>7,051</u>	<u>3,710</u>	<u>87,206</u>
Structural exposure	–	–	–	–

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.

	31 December 2025			
	Public sector entities	Banks and other financial institutions	Non-bank private sector institutions	Total
– Asia Pacific	374,736	3,588,863	6,159,986	10,123,585
– of which attributed to Hong Kong	–	3,146,372	–	3,146,372
– North and South America	387,064	310,357	–	697,421
– Europe	–	149,549	–	149,549
	<u>761,800</u>	<u>4,048,769</u>	<u>6,159,986</u>	<u>10,970,555</u>
	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
	<u>214,116</u>	<u>5,409,233</u>	<u>3,849,358</u>	<u>9,472,707</u>

4 TOTAL AMOUNT OF OVERDUE LOANS AND ADVANCES TO CUSTOMERS

	31 December 2025	31 December 2024
Total loans and advances whose principal or interest has been overdue		
– between 3 and 6 months (inclusive)	433,606	629,331
– between 6 months and 1 year (inclusive)	1,286,089	712,259
– over 1 year	1,838,018	2,109,027
Total	<u>3,557,713</u>	<u>3,450,617</u>
As a percentage of total loans and advances (excluding accrued interest)		
– between 3 and 6 months (inclusive)	0.11%	0.18%
– between 6 months and 1 year (inclusive)	0.33%	0.21%
– over 1 year	0.46%	0.62%
Total	<u>0.90%</u>	<u>1.01%</u>

SECTION 6 RELEASE OF 2025 ANNUAL RESULTS ANNOUNCEMENT AND 2025 ANNUAL REPORT ON THE WEBSITES OF THE HONG KONG STOCK EXCHANGE AND THE BANK

This results announcement will be published on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.qdccb.com). The 2025 annual report containing all the information required by the Listing Rules will be available on the HKEXnews website of the Hong Kong Stock Exchange and the website of the Bank in due course.

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

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

Qingdao, Shandong, the PRC
26 March 2026

As at the date of this announcement, the Board comprises Mr. Jing Zailun, Mr. Wu Xianming, Ms. Chen Shuang and Mr. Liu Peng as executive directors; Mr. Deng Youcheng, Mr. Zhou Yunjie, Mr. Rosario Strano, Ms. Tan Lixia and Mr. Giamberto Giraldo 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 on banking and/or deposit-taking business in Hong Kong.*