

BQD 青岛银行

BANK OF QINGDAO CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)
(H Shares Stock Code: 3866)



2024
ANNUAL REPORT

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Section I Important Notice, Contents and Definitions

1. The Board of Directors, Board of Supervisors, Directors, Supervisors and senior management of the Bank assure that the information in this annual report contains no false records, misleading statements or material omissions, and severally and jointly take full responsibility for the authenticity, accuracy and completeness of the information in this annual report.
2. The proposals on the 2024 Annual Report of Bank of Qingdao Co., Ltd., its summary and the results announcement were considered and approved at the 10th meeting of the ninth session of the Board of Directors of the Bank held on 26 March 2025. There were 14 Directors eligible for attending the meeting, and 14 Directors (among them, 2 Directors were entrusted to attend the meeting. Due to work arrangement, Mr. Rosario STRANO entrusted Mr. Giamberto GIRALDO to attend the meeting and vote on his behalf; Ms. CHEN Shuang entrusted Mr. LIU Peng to attend the meeting and vote on her behalf) actually attended the meeting.
3. The Bank's chairman Mr. JING Zailun, president Mr. WU Xianming, vice president Ms. CHEN Shuang in charge of finance function and general manager Mr. Li Zhenguo in charge of financial planning department assure the authenticity, accuracy and completeness of the financial reports in this annual report.
4. The 2024 financial statements of the Company prepared in accordance with the PRC Accounting Standards for Business Enterprises have been audited by KPMG Huazhen LLP, with standard unqualified auditor's report issued; the 2024 financial statements of the Company prepared in accordance with the IFRS Accounting Standards have been audited by KPMG, with unqualified auditor's report issued.
5. Unless otherwise specified, the currency of the amounts referred to in this annual report is RMB.
6. The profit distribution proposal has been considered and approved by the Board of Directors of the Bank to distribute cash dividend of RMB1.60 (tax inclusive) for every 10 shares to all ordinary shareholders of the Bank based on the total number of shares on the record date of the equity distribution, instead of distributing bonus shares and increasing share capital with provident fund. The profit distribution proposal will be submitted to the general meeting of the Bank for consideration.
7. This report contains certain forward-looking statements about the financial conditions, operating results and business developments of the Company. The report uses the words "will", "may", "strive", "plan", "hope", "endeavor", "expect", "aim" and similar wordings to express forward-looking statements. These statements are made based on current plans, estimates and projections, and although the Company believes that the expectations reflected in these forward-looking statements are reasonable, the Company cannot assure that these expectations will be attained or confirmed to be correct and therefore they do not constitute substantive undertakings of the Company. Investors and relevant individuals should maintain sufficient risk awareness in this regard and understand the difference between plans, forecasts and commitments, should not unduly rely on such statements, and should be aware of investment risks. Please note that these forward-looking statements are related to future events or future financial, business or other performance of the Company, and are subject to certain uncertainties, which may cause the actual results to differ substantially.
8. The Company invites investors to read the full text of this annual report carefully. The Company has described in detail the major risks and countermeasures in this report. For details, please refer to the content related to risk management set out in the section of "Management Discussion and Analysis".

Section I Important Notice, Contents and Definitions

9. Documents Available for Inspection

- (1) Financial statements bearing signatures and seals of Mr. JING Zailun (the chairman of the Bank), Mr. WU Xianming (the president of the Bank), Ms. CHEN Shuang (vice president in charge of finance function) and Mr. LI Zhenguo (general manager in charge of financial planning department);
- (2) Original copy of the audit report containing the seal of the accounting firm and the signatures and seal of the certified public accountants;
- (3) Originals of all the Bank's documents and originals of announcements, which have been disclosed during the Reporting Period;
- (4) The results announcement published on the HKEXnews website of the Hong Kong Stock Exchange.

Definitions

Term	Definition
Company	Bank of Qingdao Co., Ltd. and its subsidiaries
Bank, parent company	Bank of Qingdao Co., Ltd.
BQD Financial Leasing	BQD Financial Leasing Company Limited
BQD Wealth Management	BQD Wealth Management Company Limited
CSRC	China Securities Regulatory Commission
SFC	Securities and Futures Commission of Hong Kong
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
SZSE	the Shenzhen Stock Exchange
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Company Law	Company Law of the People's Republic of China
Articles of Association	Articles of Association of Bank of Qingdao Co., Ltd.
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Hong Kong Listing Rules
Reporting Period	from 1 January 2024 to 31 December 2024 (both days inclusive)
RMB	Renminbi, the lawful currency of the PRC
Director(s)	director(s) of the Bank
Supervisor(s)	supervisor(s) of the Bank
Board of Directors or Board	the board of Directors of the Bank
Board of Supervisors	the board of Supervisors of the Bank
Hong Kong	The Hong Kong Special Administrative Region of the PRC
Green Credit	the energy saving and environmental protection project and service loans commenced by the Bank as well as loans that comply with Catalog of Projects Backed by Green Bonds (2015 version) issued by the Green Finance Professional Committee of the China Society for Finance and Banking (中國金融學會綠色金融專業委員會). "Energy saving and environmental protection project and service loans" refers to the Notice on Submitting Statistical Table on Green Credit issued by General Office of the CBIRC (Yin Jian Ban Fa [2013] No. 185)
Small and Micro Enterprises	including small and micro enterprises, individual business owners, and the owners of small and micro enterprises
IFRS Accounting Standards	the IFRS Accounting Standards issued by the International Accounting Standards Board

Section II Corporate Information and Key Financial Highlights

I. CORPORATE INFORMATION

Stock abbreviation (A shares)	BQD	Stock code (A shares)	002948
Listing stock exchange of A shares	Shenzhen Stock Exchange		
Stock abbreviation (H shares)	BQD	Stock code (H shares)	3866
Listing stock exchange of H shares	The Stock Exchange of Hong Kong Limited		
Company name in Chinese	青島銀行股份有限公司		
Abbreviation in Chinese	青島銀行		
Company name in English	BANK OF QINGDAO CO., LTD.		
Abbreviation in English	BANK OF QINGDAO		
Legal representative	JING Zailun		
Authorized representatives	JING Zailun, ZHANG Qiaowen		
Joint company secretaries	ZHANG Qiaowen, YU Wing Sze		
Registered address	Building 3, No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC		
Historical change of registered address	The registered address of the Bank at the time of its establishment was No.17 Hubei Road, Shinan District, Qingdao. In December 2004, it was changed to No.68 Hong Kong Middle Road, Shinan District, Qingdao. In October 2017, it was changed to the current registered address.		
Postal code of registered address	266061		
Office address	No.6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC		
Postal code of office address	266061		
Registered office address in Hong Kong	31st Floor, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong		
Company website	http://www.qdccb.com/		
Email	ir@qdbankchina.com		

II. CONTACT PERSONS AND CONTACT INFORMATION

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

III. INFORMATION DISCLOSURE AND PLACE OF INSPECTION

The websites of the stock exchanges where the

Bank discloses its annual reports

Domestic

the website of the Shenzhen Stock Exchange (<http://www.szse.cn/>)

Overseas

HKEXnews website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk/>)

The media and website where the Bank discloses
its annual reports

CNINFO website (<http://www.cninfo.com.cn/>)

Place for inspection of annual reports of the Bank

office of the Board of Directors of the Bank

IV. CHANGE OF REGISTRATION

Unified social credit code

91370200264609602K

Change in principal business of the Bank since its
listing (if any)

None

Successive changes in controlling shareholder
(if any)

The Bank has no controlling shareholders

V. OTHER RELEVANT INFORMATION

(I) Accounting firms engaged by the Bank

Domestic accounting firm

KPMG Huazhen LLP

Office address of the domestic accounting
firm

8th Floor, KPMG Tower, Oriental Plaza, 1 East Chang An Avenue, Dongcheng
District, Beijing

Signing accountants

HUANG Aizhou, MA Xin

Overseas accounting firm

KPMG (Public Interest Entity Auditor registered in accordance with the Hong
Kong Accounting and Financial Reporting Council Ordinance)

Office address of overseas accounting firm

8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong

(II) During the Reporting Period, the Bank did not need to engage a sponsor to perform continuous supervision duties.

(III) During the Reporting Period, the Bank did not need to engage a financial advisor to perform continuous supervision duties.

Section II Corporate Information and Key Financial Highlights

(IV) Legal advisors engaged by the Bank

Legal advisor as to PRC law	King & Wood Mallesons Beijing
Legal advisor as to Hong Kong law	DLA Piper Hong Kong

(V) Share registrars of the Bank

A share registrar	China Securities Depository and Clearing Corporation Limited (Shenzhen Branch)
Address of A share registrar	22-28/F, Shenzhen Stock Exchange Building, 2012 Shennan Blvd, Futian District, Shenzhen, Guangdong Province
H share registrar	Computershare Hong Kong Investors Services Limited
Address of H share registrar	Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

VI. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS

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

Item	2024	2023	Year-on-year	2022	2021	2020
Business performance (RMB'000)			Change (%)			
Net interest income	9,873,824	9,281,969	6.38	8,288,314	7,645,625	8,146,531
Net non-interest income	3,540,867	3,199,382	10.67	3,360,941	3,492,748	2,401,543
Operating income	13,414,691	12,481,351	7.48	11,649,255	11,138,373	10,548,074
Operating expenses	(4,884,559)	(4,516,428)	8.15	(4,218,441)	(3,915,738)	(3,676,022)
Expected credit losses	(3,533,691)	(4,014,079)	(11.97)	(4,288,828)	(3,966,971)	(4,143,756)
Profit before taxation	4,995,129	3,933,397	26.99	3,135,959	3,225,410	2,728,296
Net profit	4,404,721	3,671,420	19.97	3,167,525	2,993,213	2,453,298
Net profit attributable to shareholders of the Bank	4,264,120	3,548,599	20.16	3,082,775	2,922,664	2,394,072
Per share (RMB/share)			Change (%)			
Basic earnings per share ⁽¹⁾	0.69	0.57	21.05	0.45	0.51	0.40
Diluted earnings per share ⁽¹⁾	0.69	0.57	21.05	0.45	0.51	0.40
Dividend per share ⁽²⁾	0.16	0.16	–	0.16	0.16	0.18

Section II Corporate Information and Key Financial Highlights

Item	31 December 2024	31 December 2023	Year-on-year Change (%)	31 December 2022	31 December 2021	31 December 2020
Scale indicators (RMB'000)			Change (%)			
Total assets ⁽³⁾	689,963,033	607,985,372	13.48	529,613,992	522,249,610	459,827,605
Loans and advances to customers:						
Total loans to customers ⁽³⁾	340,689,725	300,089,541	13.53	269,029,452	244,205,480	206,747,221
Add: Accrued interest	873,146	758,512	15.11	598,681	829,555	899,064
Less: Provision for impairment on loans and advances to customers measured at amortised cost	(9,008,580)	(7,855,127)	14.68	(7,109,471)	(6,426,337)	(5,287,801)
Loans and advances to customers	332,554,291	292,992,926	13.50	262,518,662	238,608,698	202,358,484
Allowances for loan impairment	(9,347,203)	(7,997,497)	16.88	(7,137,141)	(6,439,606)	(5,302,582)
Of which: Impairment allowances for loans and advances to customers measured at fair value through other comprehensive income	(338,623)	(142,370)	137.85	(27,670)	(13,269)	(14,781)
Total liabilities ⁽³⁾	645,063,204	568,046,129	13.56	493,020,697	488,921,882	428,920,747
Deposits from customers:						
Total deposits from customers ⁽³⁾	432,024,006	386,062,259	11.91	341,347,176	313,524,923	272,231,484
Add: Accrued interest	11,401,529	9,405,100	21.23	6,696,131	4,440,884	3,519,226
Deposits from customers	443,425,535	395,467,359	12.13	348,043,307	317,965,807	275,750,710
Share capital	5,820,355	5,820,355	–	5,820,355	4,509,690	4,509,690
Equity attributable to equity shareholders of the Bank	43,932,381	39,063,939	12.46	35,816,312	32,635,495	30,285,174
Equity attributable to shareholders	44,899,829	39,939,243	12.42	36,593,295	33,327,728	30,906,858
Net capital base	57,030,474	49,247,594	15.80	45,212,218	47,075,226	37,806,580
Of which: Net core tier-one capital	37,637,729	32,404,879	16.15	29,169,606	24,910,985	22,384,998
Other tier-one capital	6,459,817	6,483,769	(0.37)	6,473,571	7,912,511	7,909,292
Tier-two capital	12,932,928	10,358,946	24.85	9,569,041	14,251,730	7,512,290
Total risk-weighted assets	413,212,378	384,977,512	7.33	333,440,925	297,412,693	267,941,143
Per share (RMB/share)			Change (%)			
Net assets per share attributable to ordinary shareholders of the Bank ⁽⁴⁾	6.45	5.61	14.97	5.05	5.20	4.71

Section II Corporate Information and Key Financial Highlights

Item	2024	2023	Year-on-year	2022	2021	2020
Profitability indicators (%)			Change			
Return on average total assets ⁽⁵⁾	0.68	0.65	0.03	0.60	0.61	0.59
Weighted average return on net assets ⁽¹⁾	11.51	10.71	0.80	8.95	10.40	8.56
Net interest spread ⁽⁶⁾	1.76	1.85	(0.09)	1.85	1.87	2.14
Net interest margin ⁽⁷⁾	1.73	1.83	(0.10)	1.76	1.79	2.13
Net fee and commission income to operating income	11.25	12.71	(1.46)	12.41	17.55	16.04
Cost-to-income ratio ⁽⁸⁾	35.16	34.93	0.23	34.95	33.90	33.59
	31 December 2024	31 December 2023	Year-on-year	31 December 2022	31 December 2021	31 December 2020
Asset quality indicators (%)			Change			
Non-performing loan ratio	1.14	1.18	(0.04)	1.21	1.34	1.51
Provision coverage ratio	241.32	225.96	15.36	219.77	197.42	169.62
Loan provision ratio	2.74	2.67	0.07	2.65	2.64	2.56
Indicators of capital adequacy ratio (%)			Change			
Core tier-one capital adequacy ratio ⁽⁹⁾	9.11	8.42	0.69	8.75	8.38	8.35
Tier-one capital adequacy ratio ⁽⁹⁾	10.67	10.10	0.57	10.69	11.04	11.31
Capital adequacy ratio ⁽⁹⁾	13.80	12.79	1.01	13.56	15.83	14.11
Total equity to total assets ratio	6.51	6.57	(0.06)	6.91	6.38	6.72
Other indicators (%)			Change			
Liquidity coverage ratio	203.02	158.11	44.91	122.83	179.54	152.42
Liquidity ratio	88.66	78.23	10.43	88.21	73.28	65.44

Section II Corporate Information and Key Financial Highlights

- 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, for 2020 were both RMB0.42 per share. Both basic earnings per share and weighted average return on net assets for the period 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. The Bank issued perpetual bonds from July to August 2022, 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 period 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 2024 is subject to approval by the general 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 V Management Discussion and Analysis” of this annual report.
- (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 from the end of 2020 to 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 at the end of 2024 were calculated in accordance with the Regulation Governing Capital of Commercial Banks (《商業銀行資本管理辦法》) and other relevant regulatory provisions, and the relevant indicators of capital adequacy ratio as of the end of 2020 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.

VII. ACCOUNTING DATA DIFFERENCE UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

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

VIII. SUPPLEMENTARY INDICATORS

Migration rate %	31 December 2024	31 December 2023	31 December 2022
Normal loan migration rate	0.93	1.00	1.01
Special mention loan migration rate	47.51	40.19	43.54
Substandard loan migration rate	62.37	32.47	22.43
Doubtful loan migration rate	54.58	23.54	3.19
Single largest customer loan ratio	4.73	5.35	4.78
Ten largest customers loan ratio	34.81	42.06	38.89

Note: The migration rate is calculated according to the Notice of China Banking and Insurance Regulatory Commission on Revising the Definition and Calculation Formula of Basic Indicators of Off-site Supervision of Banking Industry (Yin Bao Jian Fa [2022] No.2).

Section III Chairman's Statement



Section III Chairman's Statement

The year 2024 was a pivotal year for the “14th Five Year Plan”, as well as a crucial year for Bank of Qingdao to make progress in the implementation of the three-year strategic plan. Bank of Qingdao has profoundly practiced the political and people-oriented nature of financial work, deepened reforms in key areas, conducted practical and detailed “Five Major Aspects” on finance, enhanced the professionalism of financial services, and strengthened comprehensive risk prevention and control. The results of high-quality development have gradually appeared, the comprehensive strength has reached a new level, and we have delivered an outstanding report to the investors.

This year, we adhered to integrity and innovation, and continued to enhance our ability to serve the real economy with product iteration. Anchoring the construction of a modern industrial system led by technology innovation, we optimized financial supply, fully supported the development of new quality productivity, and the growth rate of loans in key areas such as manufacturing, green, inclusive, and technology were significantly higher than the average loan growth rate of the entire Bank. We were committed to building the region's most industry-savvy specialized bank. We continued to refine our comprehensive management capabilities, the ranking of bond underwriting within the province significantly improved, the initial launch of custody business achieved success, the advantages of international business appeared initially, and customer satisfaction continued to rise.

This year, we focused on long-termism, with refined management to stimulate the endogenous momentum of high-quality development. We comprehensively strengthened cost management, enhanced management and control over the source of capital expenditures, promoted the construction of a green bank, optimized asset-liability management, and achieved a steady decline in the deposit interest rate and a significant improvement in profitability. We also strengthened the talent ladder, carried out the reform of the rank and remuneration system of the clerk, deepened the mechanism by which cadres can be promoted and demoted and promoted through multiple channels, strengthened the system of remuneration that can be high or low and realized the gain of remuneration according to contribution, and stimulated the motivation of officers and entrepreneurs through more scientific and reasonable appraisal. The work of strengthening the headquarters and prioritizing service promoted in depth, the effectiveness of the Group's consolidated management achieved a significant leap forward, and the effectiveness of enhancing digitalization capacity manifested, which comprehensively empowers the operation and development to improve quality and efficiency.

This year, we firmly adhered to the bottom line of risk control and built a solid foundation for sound development through capacity building. We promoted the financial culture with Chinese characteristics and abided by the correct concepts of operation, performance and risk to enhance the soft power of competition. We strictly implemented the requirements of “Four Early” of risk management, optimized the comprehensive risk management mechanism, established a comprehensive risk monitoring system, explored the establishment of independent approvers and risk managers, and strengthened the construction of “intelligent risk control”, thus gradually building a risk management system with the characteristics of the Bank. The internal control and compliance mechanism has been further streamlined, integrating various supervisory forces and resources to establish a collaborative working mechanism. The accountability process has become more scientific and standardized, with the three lines of defense operating efficiently. The concept that compliance creates value has become more deeply rooted in people's hearts.

Following our dreams, we shall be undaunted by the thorns on the path; working diligently, we shall be unafraid of the towering mountains. Looking ahead to 2025, opportunities and challenges coexist, development and mission grow together. Bank of Qingdao will maintain its strategic focus, ground itself in the position of a market-oriented enterprise, and make better use of the wisdom of its employees. We will continue to persevere in doing what is difficult but right, advance reform and innovation, forge development resilience, cultivate competitive advantages, and enhance value creation capabilities. The Bank will focus on differentiated, specialized, and refined operations, pursue an intensive and connotative development path, and strive to deliver even more outstanding performance to reward its shareholders.



JING Zailun
Chairman of Bank of Qingdao Co., Ltd.

Section IV President's Statement



Section IV President's Statement

In 2024, Bank of Qingdao strictly implemented the spirit of the Economic and Financial Work Conference at central, provincial, and municipal level, and served the local populace and the real economy, so as to continuously consolidate the foundation of development, constantly improve the market competitiveness and achieve “stable progress and quality improvement” in its business performance.

As at the end of 2024, total assets under the management of Bank of Qingdao group exceeded RMB900 billion to stand at RMB906.554 billion, representing an increase of 9.23% as compared with that at the end of the previous year; total assets of the Group reached RMB689.963 billion, representing an increase of 13.48% as compared with that at the end of the previous year. For the year as a whole, the Group's operating income amounted to RMB13.415 billion, representing an increase of 7.48%; net profit amounted to RMB4.405 billion, representing an increase of 19.97%. At the end of the year, the non-performing loan ratio was 1.14%, down by 0.04 percentage point; provision coverage ratio was 241.32%, representing an increase of 15.36 percentage points. All of its supervisory indicators fully met regulatory requirements.

Strengthening distinctive businesses and promoting diversified development. In 2024, the Bank's businesses focused on specialized service models and actively deployed “eight major tracks”. The customer base continued to be consolidated and its serving entities capabilities were significantly improved. New corporate loans exceeded RMB40 billion throughout the year, manufacturing, technology, green, and agriculture-related loans increased by more than 40%. The inclusive loans achieved historic highs in both incremental volume and growth rate, and the regulatory evaluation of small and micro financial services was upgraded to 2A. The retail business accurately grasped the pace of the market, enriched scenario operations, and at the support of online and offline marketing, the balance of retail deposits as at the end of the year amounted to RMB219.798 billion, representing an increase of 16.64%. The retail deposits market share in Shandong Province and Qingdao increased simultaneously, reaching the best record in history. Financial market investment and trading strategies were continuously optimized, and the abilities of operating income and risk control were simultaneously enhanced. With the scale of bond underwriting ranking second in Shandong Province, the Bank has achieved the integrated operation of “underwriting, investment, commission, and custody” and kept on expanding the “peer group” in the interbank. As at the end of the year, the Group's self-operated investment scale for the businesses in financial market amounted to RMB257.381 billion, representing an increase of 14.00%; the scale of asset custody amounted to RMB145.012 billion, exceeding the initial plan.

Building a solid defense line of risk control and strictly adhering to the bottom line of compliance. In 2024, the Bank deepened its comprehensive risk management system, strengthened post-credit management, and innovated the disposal model for risk assets with a huge amount, achieving steady improvement in asset quality. The fund early warning and joint prevention system was launched, and the “capital chain” governance system was increasingly improved, contributing to the “case involvement” rate of bank card being the lowest among financial institutions in the province. The Bank strengthened internal control and compliance management, conducting internal control supervision, compliance, and audit inspections to ensure compliance operations in accordance with the law.

Improving management quality and efficiency, and empowering digital and intelligent transformation. In 2024, the Bank continued to enhance its business awareness, service capabilities, and refined management standards, significantly strengthening the systematic and collaborative aspects of its operations and management while its work ethic became more pragmatic and efficient. The Bank has deepened its digital transformation, with significant improvements in core technological capabilities, data governance and application capabilities. The functions of online channels have been increasingly consummated, and the product range has become more abundant, coupled with a digital risk control system initially established. The customer experience monitoring system has been launched, which could elevate customer service capabilities multi-dimensionally.

Flowing water does not strive to be first; it strives to flow incessantly. In 2025, Bank of Qingdao will fully enhance its five capabilities including professionalization, digitalization and intelligence, systematization, differentiation, and specialization under the operational guiding ideology of “professional improvement, digital and intelligent empowerment, system optimization, and characteristic driving”. This will allow the Bank to write the answer of high-quality development with Bank of Qingdao's unique characteristics and strive to contribute to the successful conclusion of the “14th Five-Year Plan”.



WU Xianming
President of Bank of Qingdao Co., Ltd.

Section V Management Discussion and Analysis

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

In 2024, the PRC adopted a series of counter-cyclical macro control measures in the face of severe and complex situations. Proactive fiscal policies have been moderately strengthened to enhance its quality and effectiveness, and prudent monetary policies have remained flexible, precise and effective, providing strong support for stable economic growth. In particular, since the meeting of the Political Bureau of the Central Committee resolutely deployed a package of incremental policies in September 2024, social confidence has been effectively boosted and the economy has recovered significantly. In 2024, China's economy has achieved an overall steady progress in operation with policy support, and the major goals and tasks of economic and social development have been successfully completed.

In 2024, a package of policies and measures to expand domestic demand and stabilize foreign trade was effective in Shandong Province and Qingdao. The economic operation has been steady and positive, and the quality has been continuously improving. Investment, consumption and exports – the “three drivers” of economic growth provided a strong stimulus to economic growth. The consumption market continued to pick up, investment was generally stable, exports showed strong resilience, and economic performance continued to outperform the country as a whole.

In 2024, faced with the challenges of narrowing interest spread, declining fee rate, and insufficient effective credit demand, China's banking industry adhered to the path of high-quality and intensive development instead of rushing for scale and speed, and the overall development remained stable. Commercial bank continued to meet the effective financing needs of the real economy, closely followed the guidance of fiscal and monetary policies, and committed to the mission of consummating the “Five Major Aspects” to facilitate the stabilization of the general economic market. It strictly observed each regulatory requirement, persevered in preventing and resolving risks in major areas such as local debt and real estate, and continuously improved its own level of risk management, so as to build up a solid foundation for maintaining financial stability.

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

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

The Bank mainly offers several services and products such as corporate and personal deposits, loans, settlement to its customers, and its development is driven by three major business segments including retail banking, corporate banking 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 16 branches in major cities of Shandong Province such as Jinan, Yantai and Weihai. The total number of branch offices reached 200; in February 2025, Liaocheng Branch officially opened, and the Bank achieved a strategic layout covering all 16 cities in Shandong. The Bank has two subsidiaries. In February 2017, the Bank initiated the establishment of BQD Financial Leasing Company Limited (“**BQD Financial Leasing**”). In May 2024, after the completion of the capital increase of BQD Financial Leasing, the shareholding ratio of the Bank in BQD Financial Leasing accounted for 60%. In September 2020, the Bank initiated the establishment of BQD Wealth Management Company Limited (“**BQD Wealth Management**”), which is a wholly-owned subsidiary of the Bank. As at the end of the Reporting Period, the Company had more than 5,300 employees.



In February 2025, Mr. JING Zailun, the secretary to the party committee and chairman of the Bank, delivered a speech at the opening ceremony of Liaocheng Branch. With the official opening of Liaocheng Branch, the Bank achieved a strategic layout covering all 16 cities in Shandong.

Section V Management Discussion and Analysis

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

- (1) Total assets amounted to RMB689.963 billion, representing an increase of RMB81.978 billion or 13.48% as compared with that at the end of last year;
- (2) Total loans to customers amounted to RMB340.690 billion, representing an increase of RMB40.600 billion or 13.53% as compared with that at the end of last year;
- (3) Total deposits from customers amounted to RMB432.024 billion, representing an increase of RMB45.962 billion or 11.91% as compared with that at the end of last year;
- (4) Operating income amounted to RMB13.415 billion, representing a year-on-year increase of RMB933 million or 7.48%; net profit amounted to RMB4.405 billion, representing a year-on-year increase of RMB733 million or 19.97%; net profit attributable to shareholders of the Bank amounted to RMB4.264 billion, representing a year-on-year increase of RMB716 million or 20.16%;
- (5) Non-performing loan ratio was 1.14%, representing a decrease of 0.04 percentage point as compared with that at the end of last year; provision coverage ratio was 241.32%, representing an increase of 15.36 percentage points as compared with that at the end of last year; capital adequacy ratio was 13.80%, representing an increase of 1.01 percentage points as compared with that at the end of last year, and core tier-one capital adequacy ratio was 9.11%, representing an increase of 0.69 percentage point as compared with that at the end of last year;
- (6) Return on average total assets was 0.68%, representing an increase of 0.03 percentage point as compared with that in last year;
- (7) Basic earnings per share were RMB0.69, representing a year-on-year increase of RMB0.12 or 21.05%; weighted average return on net assets was 11.51%, representing an increase of 0.80 percentage point as compared with that in last year.



In September 2024, Mr. WU Xianming (front row, second from the right) as the deputy secretary to the party committee, an executive Director and the President of the Bank, went to Weihai City to conduct a research on the regional economic development on the spot and to investigate the operation and financial needs of key enterprises.

3. ANALYSIS OF DEVELOPMENT STRATEGIES AND CORE COMPETITIVENESS

3.1 Development Strategies

In order to further promote the high-quality development, the Bank formulated the “Bank of Qingdao’s Strategic Plan for 2023-2025”. By focusing on improving comprehensive operational capabilities, enhancing risk management level as a breakthrough, and accelerating digital transformation as a driving force, while continuing the development vision of “Innovative Finance, Brilliant Banking” and guided by the four strategic themes of “adjusting the structure, strengthening the customer base, optimizing the synergies and improving the capabilities”, so as to build itself as a value-leading bank with “leading quality and efficiency, outstanding features and flexible mechanism” and embark on a new journey of development characterized by more specialization, digital intelligence, systematization, differentiation, and distinctive features.

Firstly, strengthening the corporate business. Adhering to the “customer-oriented” business concept, the Bank has become a “leading bank” for local small and medium-sized enterprises and institutional customers by strengthening segment synergy, further consolidating the advantages of public finance, while creating a special service model that harnesses financial innovation, building a comprehensive service system of “commercial bank + investment bank + asset management”, and promoting small and medium-sized enterprises.

Secondly, deepening the retail business. The Bank has continued to deepen its customer business, becoming the “main account” of customers by expanding the retail customer base, further deepening the construction of customer, product and channel systems, strengthening the advantages of the wealth management business, and creating flagship products.

Thirdly, optimizing the financial markets. Maintaining a steady development trend, the Bank has built a leading financial market brand in the industry by optimizing the structure of interbank liability, actively developing capital-light businesses, consolidating the advantages of licensing qualifications, and further increasing the contribution of earnings.

Fourthly, specializing in international business. By focusing on high-quality foreign trade customers, strengthening the construction of the basic customer base, the Bank is creating an international business brand with the best international business services, the best foreign exchange professional team, and the fastest online processing efficiency.



In December 2024, Qingdao Airlines’ “Bank of Qingdao” named aircraft was officially unveiled at Qingdao Jiaodong International Airport, and a grand maiden voyage ceremony was held at the Qingdao Jiaodong International Airport apron on the day of the maiden voyage.

3.2 Core Competitiveness

Centering on the development vision of “Innovative Finance, Brilliant Banking”, the Bank is firmly committed to the strategic goal of “creating a value leading bank with leading quality and efficiency, outstanding features and flexible mechanisms” to achieve high-quality improvement in economies of scale as well as unremitting enhancement of market competitiveness. It is mainly reflected in:

- 1. Party leadership and corporate governance are closely integrated by adhering to the leadership of Party building.** The Bank always adheres to the leadership of Party building, strives to uphold the political and people-oriented nature of financial work, and deeply integrates the Party's leadership into all aspects of corporate governance. The Bank adheres to market-oriented operation and operation and management is institutionalized, standardized and transparent. The equity structure is scientific and effective, forming a benign equity structure that is pluralistic and reasonable with mutual checks and balances, laying a solid governance foundation for the Bank's high-quality development.
- 2. Deepened strategic planning contributes to consolidate the foundation for sustainable development.** The Bank actively responds to the challenges and opportunities arising from the changing external economic environment. Taking the three-year strategic plan (2023-2025) as the starting point, and guided by four strategic themes, namely “adjusting the structure, strengthening the customer base, optimizing the synergies and improving the capabilities”, the Bank continues to optimize its business structure, continuously consolidates its customer base, comprehensively deepens cost reduction and efficiency improvement, further promotes high-quality, refined and professional development and constantly improves the quality and efficiency of strategic implementation, so as to consolidate the foundation for long-term sustainable development.
- 3. Business boundaries are constantly expanded by focusing on characteristic operations.** Being headquartered in Qingdao with in-depth penetration in Shandong Province, the Bank takes full advantage of the characteristics of the regional economy and the advantages of regional industries, focuses on the two major ways of blue finance and green finance, and establishes the Blue and Green Finance Department on the basis of the Corporate Banking Department of the Head Office to create a distinctive brand of “BQD Green Finance, Exceed Project”, so as to enhance the endogenous growth impetus and the professional management ability. By establishing a mechanism for specializing in financial technology, with the first-level department directly under the Bank's head office as the core, and franchised institutions and specialized branches as the two complements, the Bank continues to optimize the special products of financial technology to provide comprehensive services to technology enterprises at all stages of growth. The Bank has created the “Happy Neighborhood” community financial services brand, developed an attentive community branch service model, expanded the coverage of community financial outlets, and improved the breadth, depth and density of community financial services. Adhering to the development characteristics of warm service, the Bank will continue to optimize the brand effect of “BQD services” and provide customers with more professional, convenient and caring financial services.



In May 2024, the “BQD Green Finance (綠金青銀)” brand made its debut on the Shanghai National Brand Day.

4. **Synergistic development comprehensively promotes the integrated operation of the group.** The Bank has diversified licenses and qualifications, and its two subsidiaries, BQD Wealth Management and BQD Financial Leasing complement and reinforce each other, which has formed a development pattern with banking as the mainstay and multiple business modes co-existing. The Bank 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, and a member of the local government bond underwriting syndicate of Shandong Province and Qingdao. The Bank is the first comprehensive city commercial bank spot bond market maker in Shandong province, and has the qualifications for “Northbound Bond Connect” and “Southbound Bond Connect” under Bond Connect and the ordinary derivatives trading business. The Bank is 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. Relying on the advantages of group-wide collaborative development and abundant financial licenses, the Bank has continuously strengthened its business linkages in financial markets, custody, investment banking, wealth management, financial leasing, etc., and continued to provide customers with “package solutions” with professional and standardized financial services, leading to continuous reinforcement its integrated business capabilities.
5. **Improved and optimised risk control system continuously improves asset quality.** The Bank prioritizes compliance, continuously improves its comprehensive risk management system. The Bank has established the three-in-one risk monitoring system, and has achieved effective linkage of risk identification, analysis and management. On the basis of adhering to centralized and unified credit management, the Bank is continuously optimizing the approval mechanism, establishing the mechanism of independent approvers, improving the management of the entire process of credit business timeliness, optimizing the working mechanism of industry research, and ensuring the steady improvement of asset quality.
6. **Expedited transformation of digital intelligence contributes to full empowerment of business development.** The Bank is deeply implementing the digital development strategy, driving business innovation with technological innovation, deeply integrating digital means, and building a unified digital-intelligent product management platform. The Bank has further consolidated data quality, explored the value of data assets, vigorously promoted the construction of a new generation of distributed core business systems, continuously enhanced the capability of technological autonomy and control, and further improved the level of digitization of the four major platforms, namely marketing, risk control, operations and collaborative office, so as to enhance the effect of technological empowerment.

4. HONORS AND AWARDS

In March 2024, the Bank was awarded the honorary title of “March 15 Integrity Financial Brand” by Dazhong Daily Newspaper.

In June 2024, the list of 2024 “China’s 500 Most Valuable Brands” was announced in Beijing. With a brand value of RMB30.296 billion, the Bank was selected for the eighth consecutive year, ranking 326th on the list, moving forward 9 places as compared with that of the previous year.

In July 2024, the lists of “Typical Financial Partner Cases” and “High-quality Financial Services” for 2023 in Shandong Province were officially released, and the “‘Ten-Hundred-Thousand-Ten Thousand’ Financial Services Industrial Park: Contribute to the Strength of BQD in a Targeted Manner” as declared by the Bank was selected as a typical case in the list of Typical Financial Partner Cases.

In September 2024, the Bank was awarded the title of “2023 Qingdao Model Enterprise”, and the “Innovative Technology Financial Business Model, Comprehensively Serving the Financing Needs of Technological Innovation Enterprises” declared by the Bank was awarded the title of “2023 Typical Case of High-Quality Development of Qingdao Enterprises”.

In September 2024, the Bank entered the list of the Asia’s Top 500 Brands for the eighth consecutive year, ranking 415th.

In October 2024, the Bank was awarded the highest rating of A again in the information disclosure assessment of the SZSE for the fourth consecutive year.

In October 2024, the 26th Listed Company Golden Bull Award was announced. In virtue of the outstanding performance in the areas such as information disclosure and investor relation management, the Bank was granted the Golden Bull - “Golden Information Disclosure Award” again.

In November 2024, the Bank was awarded the “Excellent City Commercial Bank of 2024” by 21st Century Business Herald.

In November 2024, the Bank was awarded the “2024 Best Practice Case of Board of Listed Companies” for its innovative initiatives and outstanding performance in Board operations.



Section V Management Discussion and Analysis

In December 2024, the Bank was awarded the “2024 Best Practice Case of Board Office of Listed Companies” for its outstanding performance in compliant and effective operations, continuously improved governance effectiveness, investor relations management and information disclosure.

In December 2024, the Bank won the “2024 Tianji Award for Outstanding Banking Research Team” organized by the Securities Times under the People’s Daily.

In December 2024, the Bank was granted the “Five-Star Diamond Award”, the highest award in the global service field. It was not only the only city commercial bank that had been granted such award for nine consecutive years, but also the sole enterprise in Shandong Province that had been shortlisted for this award.

In December 2024, the Bank’s “Green Financial Business Management System” won the first prize of “Excellent Financial Technology Project” at the “3rd Qingdao Digital Finance Innovation Competition”. The Bank won the first prize of “Qingdao Excellent Financial Technology Project” for the fourth consecutive year.

In January 2025, by virtue of the outstanding performance in the year 2024, BQD Wealth Management, a subsidiary of the Bank, was honored with the “Golden Bull Innovation Award for Banking Wealth Management Companies” at the “5th Golden Bull Awards for Banking Wealth Management” hosted by China Securities Journal. The Company was awarded the “Golden Bull Award for Bank Wealth Management Products with Fixed Income” by virtue of the products thereunder.



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

5.1 Financial Performance Summary

In 2024, the Company's net profit amounted to RMB4.405 billion, representing a year-on-year increase of RMB733 million or 19.97%; net profit attributable to shareholders of the Bank amounted to RMB4.264 billion, representing a year-on-year increase of RMB716 million or 20.16%. In 2024, the Company proactively responded to operational challenges such as the narrowing of net interest margin, deepened the promotion of high-quality development, comprehensively deepened cost reduction and efficiency improvement, continued to strengthen risk management and control, and achieved steady growth in operating income, with a decrease in impairment expenses, which led to a rapid growth in profits, a significant improvement in profitability, and vigorous operating results. The following table sets forth the changes in the Company's major profit items during the periods indicated.

Unit: RMB'000

Item	2024	2023	Change in amount	Change (%)
Net interest income	9,873,824	9,281,969	591,855	6.38
Net fee and commission income	1,509,553	1,586,519	(76,966)	(4.85)
Other net non-interest income	2,031,314	1,612,863	418,451	25.94
Operating expenses	(4,884,559)	(4,516,428)	(368,131)	8.15
Expected credit losses	(3,533,691)	(4,014,079)	480,388	(11.97)
Impairment losses on other assets	(1,312)	(17,447)	16,135	(92.48)
Profit before taxation	4,995,129	3,933,397	1,061,732	26.99
Income tax expense	(590,408)	(261,977)	(328,431)	125.37
Net profit	4,404,721	3,671,420	733,301	19.97
Of which: Net profit attributable to shareholders of the Bank	4,264,120	3,548,599	715,521	20.16
Net profit attributable to non-controlling interests	140,601	122,821	17,780	14.48

5.2 Operating Income

In 2024, the Company's operating income amounted to RMB13.415 billion, representing a year-on-year increase of RMB933 million or 7.48%. In 2024, the Company expanded its business scale in a steady manner and continuously optimized its business structure resulting in the coordinated growth in net interest income and net non-interest income which drove the increase in operating income. Among the operating income, net non-interest income accounted for 26.40%, representing a year-on-year increase of 0.77 percentage point. 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	2024		2023		Percentage changes (percentage point)
	Amount	Percentage (%)	Amount	Percentage (%)	
Net interest income	9,873,824	73.60	9,281,969	74.37	(0.77)
Interest income	22,421,432	167.14	21,140,032	169.38	(2.24)
Among which: Loans and advances to customers	14,545,262	108.43	13,630,951	109.21	(0.78)
Financial investments	5,584,536	41.63	5,470,243	43.83	(2.20)
Deposits with banks and other financial institutions	43,690	0.32	39,605	0.32	0.00
Placements with banks and other financial institutions	558,861	4.16	434,720	3.48	0.68
Financial assets held under resale agreements	250,412	1.87	138,768	1.11	0.76
Deposits with the central bank	343,133	2.56	313,957	2.52	0.04
Long-term receivables	1,095,538	8.17	1,111,788	8.91	(0.74)
Interest expense	(12,547,608)	(93.54)	(11,858,063)	(95.01)	1.47
Net non-interest income	3,540,867	26.40	3,199,382	25.63	0.77
Including: Net fee and commission income	1,509,553	11.25	1,586,519	12.71	(1.46)
Other net non-interest income	2,031,314	15.15	1,612,863	12.92	2.23
Operating income	13,414,691	100.00	12,481,351	100.00	-

5.3 Net Interest Income

In 2024, the Company's net interest income amounted to RMB9.874 billion, representing a year-on-year increase of RMB592 million or 6.38%. This was mainly due to the fact that interest income increased more than interest expense as the Company actively expanded the scale of its interest-earning assets and tightly controlled the cost ratio of its interest-bearing liabilities to hedge against the impacts of the downward trend in asset yields and the growth in the size of liabilities, which led to a 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	2024			2023		
	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	315,545,746	14,545,262	4.61%	281,169,400	13,630,951	4.85%
Financial investments	177,861,134	5,584,536	3.14%	163,181,536	5,470,243	3.35%
Deposits and placements with banks and assets held under resale agreements ⁽¹⁾	34,648,098	852,963	2.46%	23,810,638	613,093	2.57%
Deposits with the central bank	24,273,120	343,133	1.41%	22,863,424	313,957	1.37%
Long-term receivables	16,884,742	1,095,538	6.49%	16,506,017	1,111,788	6.74%
Total	569,212,840	22,421,432	3.94%	507,531,015	21,140,032	4.17%
Interest-bearing liabilities						
Deposits from customers	405,996,845	8,461,984	2.08%	361,618,498	8,060,870	2.23%
Deposits and placements from banks and assets sold under repurchase agreements ⁽²⁾	56,168,304	1,290,635	2.30%	56,288,449	1,308,238	2.32%
Debt securities issued	88,627,702	2,288,089	2.58%	77,132,969	2,074,024	2.69%
Others	23,860,624	506,900	2.12%	16,683,111	414,931	2.49%
Total	574,653,475	12,547,608	2.18%	511,723,027	11,858,063	2.32%
Net interest income	/	9,873,824	/	/	9,281,969	/
Net interest spread	/	/	1.76%	/	/	1.85%
Net interest margin	/	/	1.73%	/	/	1.83%

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.

Section V Management Discussion and Analysis

In 2024, the Company's average balance of interest-earning assets was RMB569.213 billion, representing a year-on-year increase of RMB61.682 billion or 12.15%; net interest spread was 1.76%, representing a year-on-year decrease of 0.09 percentage point; net interest margin was 1.73%, representing a year-on-year decrease of 0.10 percentage point. Under the backdrop of general downturn in market interest rate and increase in the level of the benefit supported to real economy, on the one hand, the Company increased the proportion of loans in interest-earning assets and effectively reduced the cost rate of interest-bearing liabilities, which mitigated the negative impact of the downward return on assets on net interest margin; on the other hand, the Company increased the financial investments measured at fair value through profit or loss, which reduced the proportion of financial investments in interest-earning assets and lowered the net interest margin to a certain extent, while increased the level of net non-interest income.

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	2024 vs. 2023		Net increase (decrease)
	Due to volume	Due to rate	
Interest-earning assets			
Loans and advances to customers	1,589,118	(674,807)	914,311
Financial investments	456,974	(342,681)	114,293
Deposits and placements with banks and assets held under resale agreements	266,062	(26,192)	239,870
Deposits with the central bank	20,031	9,145	29,176
Long-term receivables	25,015	(41,265)	(16,250)
Interest income changes	2,357,200	(1,075,800)	1,281,400
Interest-bearing liabilities			
Deposits from customers	943,542	(542,428)	401,114
Deposits and placements from banks and assets sold under repurchase agreements	(6,345)	(11,258)	(17,603)
Debt securities issued	298,911	(84,846)	214,065
Others	153,697	(61,728)	91,969
Interest expense changes	1,389,805	(700,260)	689,545
Net interest income changes	967,395	(375,540)	591,855

5.4 Interest Income

In 2024, the Company's interest income was RMB22.421 billion, representing a year-on-year increase of RMB1.281 billion or 6.06%, mainly due to the expansion of the Company's interest-earning assets, such as loans, which offset the impact of the downward return on assets and led to an increase in interest income. The interest income from loans and advances to customers and from financial investments constituted the major components of the interest income of the Company.

Interest income from loans and advances to customers

In 2024, the Company's interest income from loans and advances to customers amounted to RMB14.545 billion, representing a year-on-year increase of RMB914 million or 6.71%, mainly due to the fact that the Company's in-depth implementation of the policy guidance of financial support for the real economy and continuous expansion in size of loans issued, resulting in a year-on-year increase in the average balance of loans of RMB34.376 billion or 12.23%. Although the rate of return of loans continued to decline due to factors including the decline of market interest rates and the reduction of customer financing costs, the interest income of loans had stable growth in general. 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	Average balance	2024	Average yield	Average balance	2023	Average yield
		Interest income			Interest income	
Corporate loans	223,691,850	10,621,928	4.75%	189,706,118	9,478,638	5.00%
Personal loans	71,976,930	3,460,762	4.81%	68,628,345	3,697,252	5.39%
Discounted bills	19,876,966	462,572	2.33%	22,834,937	455,061	1.99%
Total	315,545,746	14,545,262	4.61%	281,169,400	13,630,951	4.85%

Interest income from financial investments

In 2024, the Company's interest income from financial investments amounted to RMB5.585 billion, representing a year-on-year increase of RMB114 million or 2.09%, mainly due to the increase in scale of financial investments, resulting in an increase in the average balance of financial investments of RMB14.680 billion or 9.00% year-on-year, which offset the impact of declining interest rates in the bond market and realized the growth of interest income from financial investments.

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

In 2024, the Company's interest income from deposits and placements with banks and assets held under resale agreements amounted to RMB853 million, representing a year-on-year increase of RMB240 million or 39.12%, which mainly due to the Company's adjustments to its asset allocation strategies in response to the interbank market conditions, and the increase in the average balance of the placements with banks and other financial institutions alongside the assets held under resale agreements, which drove a rapid growth in interest income.

5.5 Interest Expense

In 2024, the Company's interest expense amounted to RMB12.548 billion, representing a year-on-year increase of RMB690 million or 5.81%, mainly due to the expansion of the size of the Company's interest-bearing liabilities, such as deposits from customers and debt securities issued, and the corresponding increase in interest expenses. Meanwhile, the Company comprehensively deepened cost reduction and efficiency improvement on the liability side, among which the cost rate of interest-bearing liabilities decreased by 0.14 percentage point to 2.18% compared with the previous year, partially offsetting the impact of the expansion of liability scale on interest expenses. Interest expense on deposits from customers was the major component of the interest expense of the Company.

Interest expense on deposits from customers

In 2024, the Company's interest expense on deposits from customers was RMB8.462 billion, representing a year-on-year increase of RMB401 million or 4.98%, mainly due to a year-on-year increase in average balances of RMB44.378 billion or 12.27% resulting from the expanded scale of deposit business of the Company, which drove an increase in the interest expenses on deposits. The average cost ratio of deposits was 2.08%, representing a year-on-year decrease of 0.15 percentage point, mainly due to the fact that in response to the deposit market situation, the Company implemented market-oriented adjustment mechanisms and self-discipline requirements and adopted various measures such as differentiated pricing, adjustment of maturity structures, and reduction of high-cost deposits to strictly control the deposit cost rate, thus the cost ratio of demand and time deposits, as well as corporate and personal deposits all recorded a year-on-year decrease. The following table sets forth the average balance, interest expense and average cost rate of each component of the Company's deposits from customers for the periods indicated.

Unit: RMB'000

Item	2024			2023		
	Average balance	Interest expense	Average cost ratio	Average balance	Interest expense	Average cost ratio
Corporate deposits						
Demand	86,475,308	677,043	0.78%	89,825,871	799,774	0.89%
Time	117,217,190	2,808,676	2.40%	104,061,062	2,831,562	2.72%
Sub-total	203,692,498	3,485,719	1.71%	193,886,933	3,631,336	1.87%
Personal deposits						
Demand	28,906,558	46,662	0.16%	28,863,986	61,753	0.21%
Time	173,397,789	4,929,603	2.84%	138,867,579	4,367,781	3.15%
Sub-total	202,304,347	4,976,265	2.46%	167,731,565	4,429,534	2.64%
Total	405,996,845	8,461,984	2.08%	361,618,498	8,060,870	2.23%

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

In 2024, the Company's interest expense on deposits and placements from banks and assets sold under repurchase agreements amounted to RMB1.291 billion, representing a year-on-year decrease of RMB18 million or a slight decrease of 1.35%, and remained stable in general.

Interest expense on debt securities issued

In 2024, the Company's interest expense on debt securities issued amounted to RMB2.288 billion, representing a year-on-year increase of RMB214 million or 10.32%, mainly due to the increase in the scale of the Company's green finance debt securities and certificates of interbank deposit, resulting in a year-on-year increase in the average balance of RMB11.495 billion or 14.90%, which drove an increase in interest expenses, while the cost rate of the issued debt securities decreased by 0.11 percentage point as compared to the previous year.

Other interest expense

In 2024, the Company's other interest expense amounted to RMB507 million, representing a year-on-year increase of RMB92 million or 22.16%, mainly due to a corresponding increase in the interest expense resulting from an increase in the Company's average balance of borrowings from the central bank.

5.6 Net Non-interest Income

In 2024, the Company's net non-interest income was RMB3.541 billion, representing a year-on-year increase of RMB341 million or 10.67%, mainly due to the increase in other net non-interest income, which led to a steady increase in net non-interest income. The following table sets forth the components of the Company's net non-interest income for the periods indicated.

Unit: RMB'000

Item	2024	2023
Fee and commission income	1,993,954	2,113,031
Less: Fee and commission expense	(484,401)	(526,512)
Net fee and commission income	1,509,553	1,586,519
Other net non-interest income	2,031,314	1,612,863
Net non-interest income	3,540,867	3,199,382

5.7 Net Fee and Commission Income

In 2024, the Company's net fee and commission income amounted to RMB1.510 billion, representing a year-on-year decrease of RMB77 million or 4.85%. During the Reporting Period, the Company continuously optimized its business structure and vigorously expanded its intermediary services such as transaction banking, investment banking, and deepened cost reduction and efficiency improvement on the expenditure side and strictly controlled the fee expenditure rate, which partially offset the decrease in revenue due to changes in insurance policies and other factors. The following table sets forth the components of the Company's net fee and commission income for the periods indicated.

Unit: RMB'000

Item	2024	2023
Fee and commission income	1,993,954	2,113,031
Of which: Wealth management service fees	928,870	929,831
Agency service fees	459,183	556,492
Custody and bank card service fees	316,846	377,895
Settlement fees	127,634	97,033
Others	161,421	151,780
Less: Fee and commission expense	(484,401)	(526,512)
Net fee and commission income	1,509,553	1,586,519

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In 2024, wealth management service fees amounted to RMB929 million, representing a year-on-year decrease of RMB1 million and remained stable in general; agency service fees amounted to RMB459 million, representing a year-on-year decrease of RMB97 million or 17.49%, mainly due to the impact of changes in insurance policies and other factors, and the decrease in service fee from agency insurance business was partially offset by the increase in service fee from underwriting of debt financing instruments; custody and bank card service fees amounted to RMB317 million, representing a year-on-year decrease of RMB61 million or 16.16%, mainly due to the decrease in credit card service fees; settlement fees amounted to RMB128 million, representing a year-on-year increase of RMB31 million or 31.54%, mainly due to the increase in settlement-type transaction banking income; others amounted to RMB161 million, representing a year-on-year increase of RMB10 million, mainly due to the increase in service fees from letters of guarantees. At the same time, the Company strictly controlled the fee expenditure rate, the fee and commission expense amounted to RMB484 million, representing a year-on-year decrease of RMB42 million, or 8.00%.

5.8 Other Net Non-interest Income

In 2024, the Company's other net non-interest income amounted to RMB2.031 billion, representing an increase of RMB418 million or 25.94% over the previous year. Net gain on investment is the main component of other net non-interest income, which reached RMB1.854 billion during the period, representing an increase of RMB231 million or 14.26% over the previous year. This was mainly due to the increase in gains from financial investments measured at fair value through profit or loss during the holding period. The net gain or loss on trading was RMB11 million, representing an increase of RMB180 million over the previous year, which was mainly attributable to the Company enhanced market research and judgment, adjusted investment structure, and increased financial investments held for trading in due time, which led to a relatively rapid growth in net trading gains. The following table sets forth the composition of the Company's other net non-interest income during the periods indicated.

Unit: RMB'000

Item	2024	2023
Net trading gains/(losses)	10,687	(168,992)
Net gains arising from investments	1,854,294	1,622,863
Other net operating income	166,333	158,992
Other net non-interest income	2,031,314	1,612,863

5.9 Operating Expenses

In 2024, the Company's operating expenses amounted to RMB4.885 billion, representing a year-on-year increase of RMB368 million or 8.15%, mainly due to increased investment in the Company's business development, staff and science and technology. Meanwhile, the Company comprehensively deepened the cost reduction and efficiency improvement, implemented dual control of budget and bidding, and continued to reduce operation and procurement costs, resulting in a steady increase in the overall expenses. The following table sets forth the components of the Company's operating expenses for the periods indicated.

Unit: RMB'000

Item	2024	2023
Staff costs	2,508,089	2,204,507
Property and equipment expenses	879,662	836,110
Tax and surcharges	167,428	156,268
Other general and administrative expenses	1,329,380	1,319,543
Operating expenses	4,884,559	4,516,428

5.10 Expected Credit Losses

In 2024, the Company's expected credit losses amounted to RMB3.534 billion, representing a year-on-year decrease of RMB480 million or 11.97%. 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 RMB2.380 billion, representing a year-on-year increase of RMB332 million or 16.23%, mainly due to the fact that the Company further strengthened the identification and measurement of expected credit risk of loans and moderately increased the allowances for impairment in conjunction with the economic situation, while increasing the scale of loans. In addition, the total expected credit losses of financial investments amounted to RMB1.135 billion, representing a year-on-year decrease of RMB292 million, which was mainly due to the enhancement of credit risk management in financial investments, which led to an improvement in the quality of investment assets. The expected credit loss of credit commitment amounted to RMB-155 million, representing a year-on-year decrease of RMB468 million, mainly due to the strengthening of off-balance sheet business risk management and control, the adjustment of the credit commitment business structure, and the reversal of related impairment allowances. Expected credit losses on long-term receivables amounted to RMB57 million, representing a year-on-year decrease of RMB150 million, mainly due to the restructuring of the subsidiary's leasing business and the relative stability of asset quality. The following table sets forth the main components of the Company's expected credit losses for the periods indicated.

Unit: RMB'000

Item	2024	2023
Loans and advances to customers	2,380,293	2,047,853
Financial investments measured at amortised cost	1,015,720	1,501,595
Financial investments measured at fair value through other comprehensive income	119,605	(73,881)
Long-term receivables	57,376	207,306
Deposits with banks and other financial institutions	475	(942)
Placements with banks and other financial institutions	(9,604)	15,022
Financial assets held under resale agreements	(4,141)	8,130
Credit commitment	(155,351)	313,125
Others	129,318	(4,129)
Expected credit losses	3,533,691	4,014,079

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

6.1 Assets

As at the end of 2024, the Company's total assets amounted to RMB689.963 billion, representing an increase of RMB81.978 billion or 13.48% as compared with that at the end of last year. In 2024, the Company strengthened the role of finance in serving and guaranteeing the real economy, deeply rooted in the local market to serve the real economy, increased loans and financial investments, and appropriately increased the deposits with the central bank in accordance with the requirements of capital allocation. The following table sets forth the composition of the Company's total assets as at the dates indicated.

Unit: RMB'000

Item	31 December 2024		31 December 2023		Compared with the end of last year		31 December 2022	
	Amount	% of total	Amount	% of total	Change in amount (%)	Change in % of total	Amount	% of total
Loans and advances to customers	332,554,291	48.20	292,992,926	48.19	13.50	0.01	262,518,662	49.57
Financial investments measured at fair value through profit or loss	63,986,527	9.27	58,269,523	9.58	9.81	(0.31)	47,259,762	8.92
Financial investments measured at fair value through other comprehensive income	94,075,023	13.63	114,985,134	18.91	(18.19)	(5.28)	96,678,701	18.25
Financial investments measured at amortised cost	97,593,546	14.14	52,756,509	8.68	84.99	5.46	58,202,665	10.99
Cash and deposits with the central bank	49,153,266	7.12	31,043,664	5.11	58.34	2.01	27,825,306	5.25
Deposits with banks and other financial institutions	3,495,177	0.51	2,210,368	0.36	58.13	0.15	2,301,037	0.43
Placements with banks and other financial institutions	14,844,347	2.15	14,021,225	2.31	5.87	(0.16)	8,432,022	1.59
Financial assets held under resale agreements	7,496,541	1.09	13,944,652	2.29	(46.24)	(1.20)	-	-
Derivative financial assets	55,310	0.01	149,377	0.02	(62.97)	(0.01)	108,376	0.02
Long-term receivables	15,516,540	2.25	16,741,773	2.75	(7.32)	(0.50)	15,280,949	2.89
Property and equipment	3,437,254	0.50	3,540,989	0.58	(2.93)	(0.08)	3,466,386	0.65
Right-of-use assets	764,450	0.11	838,139	0.14	(8.79)	(0.03)	826,958	0.16
Deferred tax assets	3,553,816	0.52	3,793,887	0.63	(6.33)	(0.11)	3,446,343	0.65
Other assets	3,436,945	0.50	2,697,206	0.45	27.43	0.05	3,266,825	0.63
Total assets	689,963,033	100	607,985,372	100.00	13.48	-	529,613,992	100.00

6.1.1 Loans and Advances to Customers

As at the end of 2024, the Company's loans and advances to customers amounted to RMB332.554 billion, representing an increase of RMB39.561 billion or 13.50% 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 RMB340.690 billion, representing an increase of RMB40.600 billion or 13.53% as compared with that at the end of last year. In 2024, the Company focused on strengthening the "Five Major Aspects" and actively expanded into the "Eight New Tracks", and continuously expanded the size of loans issued. The total loans to customers accounted for 49.38% of the total assets, representing an increase of 0.02 percentage point as compared with that at the end of last year. The following table sets forth the components of the loans and advances to customers of the Company by product type as at the dates indicated.

Unit: RMB'000

Item	31 December 2024		31 December 2023		Compared with the end of last year		31 December 2022	
	Amount	% of total	Amount	% of total	Change in amount (%)	Change in % of total	Amount	% of total
Corporate loans	242,178,866	71.08	201,564,473	67.17	20.15	3.91	173,148,215	64.36
Personal loans	78,336,127	22.99	79,083,765	26.35	(0.95)	(3.36)	73,380,030	27.28
Discounted bills	20,174,732	5.93	19,441,303	6.48	3.77	(0.55)	22,501,207	8.36
Total loans to customers	340,689,725	100.00	300,089,541	100.00	13.53	-	269,029,452	100.00
Add: Accrued interest	873,146	/	758,512	/	15.11	/	598,681	/
Less: Provision for impairment on loans and advances to customers measured at amortised cost	(9,008,580)	/	(7,855,127)	/	14.68	/	(7,109,471)	/
Loans and advances to customers	332,554,291	/	292,992,926	/	13.50	/	262,518,662	/

Corporate loans

As at the end of 2024, corporate loans amounted to RMB242.179 billion, representing an increase of RMB40.614 billion or 20.15% as compared with that at the end of last year, and accounting for 71.08% of the total loans to customers, representing an increase of 3.91 percentage points as compared with that at the end of last year. During the Reporting Period, the Company strove to develop its green and blue loan businesses, continued to strengthen its credit support for manufacturing industry, private sector, inclusive and technology, and other key fields, and achieved rapid growth in the corporate loans.

Personal loans

As at the end of 2024, personal loans amounted to RMB78.336 billion, representing a decrease of RMB748 million or a slight decrease of 0.95% as compared with that at the end of last year, and accounting for 22.99% of the total loans to customers, representing a decrease of 3.36 percentage points as compared with that at the end of last year. During the Reporting Period, while maintaining steady development in personal housing loan business, the Company actively promoted the personal inclusive loan business, leading to continuous optimization of the loan structure. Both housing mortgage loans and business loans experienced stable growth. The Company proactively adjusted its credit card business strategy, resulting in a decrease in personal consumption loans.

Discounted bills

As at the end of 2024, the Company's discounted bills amounted to RMB20.175 billion, representing an increase of RMB733 million or 3.77% as compared with that at the end of last year, and accounting for 5.93% of the total loans to customers, representing a decrease of 0.55 percentage point as compared with that at the end of last year. During the Reporting Period, the Company actively promoted the coverage of its commercial bills business and the scale for discounted bills increased steadily.

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6.1.2 Financial Investments

As at the end of 2024, the Company's carrying value of financial investments amounted to RMB255.655 billion, representing an increase of RMB29.644 billion or 13.12% 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 2024		31 December 2023	
	Amount	% of total	Amount	% of total
Financial investments measured at fair value through profit or loss	63,986,527	25.03	58,269,523	25.78
Financial investments measured at fair value through other comprehensive income	94,075,023	36.80	114,985,134	50.88
Financial investments measured at amortised cost	97,593,546	38.17	52,756,509	23.34
Total financial investments	255,655,096	100.00	226,011,166	100.00

Financial investments measured at fair value through profit or loss

As at the end of 2024, the Company's carrying value of financial investments measured at fair value through profit or loss amounted to RMB63.987 billion, representing an increase of RMB5.717 billion or 9.81% as compared with that at the end of last year, mainly due to the fact that with the continued strength of the bond market, the Company increased investments in the public funds to obtain excess returns by leveraging market while enhancing asset liquidity. The following table sets forth the components of the Company's financial investments measured at fair value through profit or loss as at the dates indicated.

Unit: RMB'000

Item	31 December 2024	31 December 2023
Debt securities issued by government and the central bank	67,130	226,777
Debt securities issued by banks and other financial institutions	10,425,606	5,811,388
Debt securities issued by corporate entities	1,186,074	1,091,864
Fund investments	51,184,364	43,799,513
Asset management plans	777,284	6,895,445
Trust fund plans	346,069	444,536
Financial investments measured at fair value through profit or loss	63,986,527	58,269,523

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Financial investments measured at fair value through other comprehensive income

As at the end of 2024, the Company's carrying value of financial investments measured at fair value through other comprehensive income amounted to RMB94.075 billion, representing a decrease of RMB20.910 billion or 18.19% as compared with that at the end of last year, mainly due to the fact that in response to the trends in the bond market, the Company has taken the following measures: firstly, it disposed certain of its debt securities to realize floating profits; secondly, it managed the impact of market fluctuations on other comprehensive profit or loss and core capital, thereby enhancing the stability of its capital and the ability to withstand market risks. The following table sets forth the components of the Company's financial investments measured at fair value through other comprehensive income as at the dates indicated.

Unit: RMB'000

Item	31 December 2024	31 December 2023
Debt securities issued by government and the central bank	19,374,542	24,874,801
Debt securities issued by policy banks	11,305,709	13,527,638
Debt securities issued by banks and other financial institutions	23,378,215	32,336,039
Debt securities issued by corporate entities	38,355,888	42,386,232
Other equity investments	134,968	23,250
Add: Accrued interest	1,525,701	1,837,174
Financial investments measured at fair value through other comprehensive income	94,075,023	114,985,134

Financial investments measured at amortised cost

As at the end of 2024, the Company's carrying value of financial investments measured at amortised cost amounted to RMB97.594 billion, representing an increase of RMB44.837 billion or 84.99% as compared with that at the end of last year, mainly because the Company appropriately increased the scale of investment measured at amortised cost based on the investment strategy, which led to increase in the overall income stability of the financial market business. The following table sets forth the components of the Company's financial investments measured at amortised cost as at the dates indicated.

Unit: RMB'000

Item	31 December 2024	31 December 2023
Debt securities issued by government and the central bank	36,279,714	28,428,968
Debt securities issued by policy banks	19,250,418	10,718,845
Debt securities issued by banks and other financial institutions	24,304,134	5,771,567
Debt securities issued by corporate entities	15,640,701	3,262,782
Asset management plans	1,002,080	1,935,620
Trust fund plans	1,595,903	1,596,703
Other investments	3,776,416	4,758,576
Total financial investments measured at amortised cost	101,849,366	56,473,061
Add: Accrued interest	1,240,861	764,409
Less: Allowances for impairment losses	(5,496,681)	(4,480,961)
Financial investments measured at amortised cost	97,593,546	52,756,509

6.2 Liabilities

As at the end of 2024, the Company's total liabilities amounted to RMB645.063 billion, representing an increase of RMB77.017 billion or 13.56% as compared with that at the end of last year. During the Reporting Period, the Company continued to improve the quality of its liabilities and further optimized its liability structure by diversifying its sources of liabilities. While maintaining a steady growth in deposits from customers, it moderately increased deposits from banks and other financial institutions, borrowings from the central bank and the scale of debt securities issued. The following table sets forth the components of the Company's total liabilities as of the dates indicated.

Unit: RMB'000

Item	31 December 2024		31 December 2023		Compared with the end of last year		31 December 2022	
	Amount	% of total	Amount	% of total	Change in amount (%)	Change in % of total	Amount	% of total
Deposits from customers	443,425,535	68.74	395,467,359	69.62	12.13	(0.88)	348,043,307	70.59
Deposits from banks and other financial institutions	12,355,339	1.92	2,242,331	0.39	451.00	1.53	6,439,660	1.31
Placements from banks and other financial institutions	20,836,633	3.23	21,090,364	3.71	(1.20)	(0.48)	17,808,095	3.61
Financial liabilities measured at fair value through profit or loss	699,788	0.11	-	-	N/A	0.11	-	-
Financial assets sold under repurchase agreements	35,504,160	5.50	36,880,567	6.49	(3.73)	(0.99)	25,634,354	5.20
Derivative financial liabilities	162,430	0.03	71,107	0.01	128.43	0.02	188,147	0.04
Borrowings from the central bank	28,240,081	4.38	18,235,088	3.21	54.87	1.17	13,256,605	2.69
Income tax payable	306,535	0.05	477,981	0.08	(35.87)	(0.03)	703,876	0.14
Debt securities issued	98,752,059	15.31	89,269,785	15.72	10.62	(0.41)	74,866,951	15.19
Lease liabilities	514,281	0.08	555,035	0.10	(7.34)	(0.02)	515,043	0.10
Other liabilities	4,266,363	0.65	3,756,512	0.67	13.57	(0.02)	5,564,659	1.13
Total liabilities	645,063,204	100.00	568,046,129	100.00	13.56	-	493,020,697	100.00

6.2.1 Deposits from Customers

As at the end of 2024, the Company's deposits from customers amounted to RMB443.426 billion, representing an increase of RMB47.958 billion or 12.13% as compared with that at the end of last year; total deposits from customers (excluding accrued interest, the same below) amounted to RMB432.024 billion, representing an increase of RMB45.962 billion or 11.91% as compared with that at the end of last year. During the Reporting Period, the Company adhered to the strategy of tiered and grouped customer base, continuously improved product functions, leveraged marketing activities to stabilize existing deposits and expand new ones, strengthened business synergies and increased capital deposits. The balance of corporate deposits was RMB212.153 billion, representing an increase of RMB14.925 billion or 7.57% as compared with that at the end of last year. The Bank focused on scenarios, deeply cultivated key retail customer groups, and promptly adjusted pricing strategies and the pace of product issuance based on market and peer dynamics. The balance of personal deposits was RMB219.798 billion, representing an increase of RMB31.354 billion or 16.64% 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 2024		31 December 2023		Compared with the end of last year		31 December 2022	
	Amount	% of total	Amount	% of total	Change in amount (%)	Change in % of total	Amount	% of total
Corporate deposits	212,153,468	49.11	197,228,438	51.09	7.57	(1.98)	193,629,694	56.73
Demand deposits	83,069,565	19.23	89,927,435	23.30	(7.63)	(4.07)	91,660,860	26.86
Time deposits	129,083,903	29.88	107,301,003	27.79	20.30	2.09	101,968,834	29.87
Personal deposits	219,797,572	50.88	188,443,994	48.81	16.64	2.07	147,328,169	43.16
Demand deposits	33,121,069	7.67	29,854,416	7.73	10.94	(0.06)	29,571,148	8.66
Time deposits	186,676,503	43.21	158,589,578	41.08	17.71	2.13	117,757,021	34.50
Other deposits	72,966	0.01	389,827	0.10	(81.28)	(0.09)	389,313	0.11
Total customer deposits	432,024,006	100.00	386,062,259	100.00	11.91	–	341,347,176	100.00
Add: Accrued interests	11,401,529	/	9,405,100	/	21.23	/	6,696,131	/
Deposits from customers	443,425,535	/	395,467,359	/	12.13	/	348,043,307	/

As at the end of 2024, personal deposits accounted for 50.88% of the total customer deposits, representing an increase of 2.07 percentage points as compared with that at the end of last year; corporate deposits accounted for 49.11% of total customer deposits, representing a decrease of 1.98 percentage points as compared with that at the end of last year.

6.2.2 Deposits from Banks and Other Financial Institutions

As at the end of 2024, the Company's deposits from banks and other financial institutions amounted to RMB12.355 billion, representing an increase of RMB10.113 billion or 451.00% as compared with that at the end of last year, mainly because the Company based on market conditions, strengthened its interbank liability management and actively expanded low-cost interbank deposits based on its own fund allocation needs.

6.2.3 Financial Assets Sold under Repurchase Agreements

As at the end of 2024, the Company's financial assets sold under repurchase agreements amounted to RMB35.504 billion, representing a decrease of RMB1.376 billion or 3.73% as compared with that at the end of last year, and remained stable in general.

6.2.4 Borrowings from the Central Bank

As at the end of 2024, the Company's borrowings from the central bank amounted to RMB28.240 billion, representing an increase of RMB10.005 billion or 54.87% as compared with that at the end of last year, mainly due to the fact that the Company proactively expanded the source of liabilities to obtain low-cost funding, and increase the balance of relending and rediscount to support the development of micro and small enterprises and the medium-term lending facilities borrowed from the central bank.

6.2.5 Debt Securities Issued

As at the end of 2024, the Company's debt securities issued amounted to RMB98.752 billion, representing an increase of RMB9.482 billion or 10.62% as compared with that at the end of last year, mainly because the Company issued low-cost interbank certificates of deposit in response to the trend of capital market and based on its own requirement of capital allocation. For details of the bonds, please refer to "35 Debt Securities Issued under Notes to the Financial Statements" of this annual report.

6.3 Equity Attributable to Shareholders

As at the end of 2024, the shareholders' equity of the Company amounted to RMB44.900 billion, representing an increase of RMB4.961 billion or 12.42% as compared with that at the end of last year; equity attributable to equity shareholders of the Bank amounted to RMB43.932 billion, representing an increase of RMB4.868 billion or 12.46% as compared with that at the end of last year, mainly due to the increase in retained earnings, reserves and other comprehensive income. 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 2024	31 December 2023
Share capital	5,820,355	5,820,355
Other equity instruments		
Of which: Perpetual bonds	6,395,783	6,395,783
Capital reserve	10,687,091	10,687,634
Other comprehensive income	2,716,533	947,211
Surplus reserve	3,106,154	2,718,114
General reserve	8,511,286	7,483,824
Retained earnings	6,695,179	5,011,018
Total equity attributable to equity shareholders of the Bank	43,932,381	39,063,939
Non-controlling interests	967,448	875,304
Total equity	44,899,829	39,939,243

7. ANALYSIS OF THE CASH FLOW STATEMENT

In 2024, the net cash flows generated from operating activities amounted to RMB22.952 billion, representing an increase of RMB12.815 billion from last year, mainly due to the increase in net cash flows from deposits and loans, central bank and interbank transactions of RMB12.624 billion. Among them, net cash flows generated from operating assets increased by RMB8.237 billion and net cash flows generated from operating liabilities increased by RMB4.069 billion.

The net cash flows generated from investing activities amounted to RMB-13.279 billion, representing a year-on-year increase of RMB3.774 billion, mainly due to an increase in proceeds from disposal and redemption of investments of RMB3.069 billion.

The net cash flows generated from financing activities amounted to RMB5.833 billion, representing a year-on-year decrease of RMB5.159 billion, mainly due to a decrease in proceeds from debt securities issued of RMB4.369 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	2024		2023	
	Segment operating income	Ratio (%)	Segment operating income	Ratio (%)
Corporate banking	6,187,109	46.12	5,750,210	46.07
Retail banking	3,631,485	27.07	3,178,316	25.46
Financial market business	2,921,238	21.78	2,897,879	23.22
Unallocated items and others	674,859	5.03	654,946	5.25
Total	13,414,691	100.00	12,481,351	100.00

Unit: RMB'000

Item	2024		2023	
	Segment profit before taxation	Ratio (%)	Segment profit before taxation	Ratio (%)
Corporate banking	2,787,770	55.81	2,203,021	56.01
Retail banking	674,697	13.51	500,026	12.71
Financial market business	1,055,821	21.14	893,625	22.72
Unallocated items and others	476,841	9.54	336,725	8.56
Total	4,995,129	100.00	3,933,397	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 V Management Discussion and Analysis" of this annual report.

9.1.2 Major Overseas Assets

Not applicable.

9.2 Assets and Liabilities Measured at Fair Value

Unit: RMB'000

Major item	31 December 2023	Profit or loss from change in fair value during the period	Cumulative changes in fair value recognised in equity	Impairment provided during the current period	31 December 2024
Derivative financial assets	149,377	(94,067)	N/A	N/A	55,310
Loans and advances to customers measured at fair value through other comprehensive income	20,976,009	N/A	8,439	196,253	24,627,582
Financial investments measured at fair value through profit or loss	58,269,523	352,877	N/A	N/A	63,986,527
Financial investments measured at fair value through other comprehensive income	114,985,134	N/A	3,064,917	119,605	94,075,023
Sub-total of assets	194,380,043	258,810	3,073,356	315,858	182,744,442
Financial liabilities measured at fair value through profit or loss	-	(17,821)	N/A	N/A	(699,788)
Derivative financial liabilities	(71,107)	(91,323)	N/A	N/A	(162,430)
Placements from banks and other financial institutions measured at fair value through profit or loss	(959,180)	11,740	N/A	N/A	-
Sub-total of liabilities	(1,030,287)	(97,404)	N/A	N/A	(862,218)

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

Please refer to "47(6) Pledged Assets under Notes to the Financial Statements" of this annual report.

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 RMB340.690 billion; the total non-performing loans amounted to RMB3.873 billion; and the non-performing loan ratio was 1.14%. 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 2024		31 December 2023	
	Amount	% of total	Amount	% of total
Normal loans	334,906,496	98.30	294,922,238	98.28
Special mention loans	1,909,890	0.56	1,627,944	0.54
Substandard loans	1,133,250	0.33	1,675,737	0.56
Doubtful loans	704,274	0.21	711,995	0.24
Loss loans	2,035,815	0.60	1,151,627	0.38
Total loans to customers	340,689,725	100.00	300,089,541	100.00
Total non-performing loans	3,873,339	1.14	3,539,359	1.18

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 0.04 percentage point as compared with that at the end of last year to 1.14%, where substandard loans decreased by 0.23 percentage point to 0.33%, doubtful loans decreased by 0.03 percentage point to 0.21% and loss loans increased by 0.22 percentage point to 0.60% 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 2024		31 December 2023	
	Amount of loans	% of total	Amount of loans	% of total
Corporate loans	262,353,598	77.01	221,005,776	73.65
Working capital loans	164,868,972	48.39	138,416,609	46.13
Fixed asset loans	71,631,431	21.03	61,201,456	20.39
Import and export bills transactions	1,225,613	0.36	411,702	0.14
Discounted bills	20,174,732	5.92	19,441,303	6.48
Forfeiting	4,452,850	1.31	1,534,706	0.51
Retail loans	78,336,127	22.99	79,083,765	26.35
Personal residential mortgages	47,195,920	13.85	46,945,476	15.64
Personal consumption loans	20,121,229	5.91	21,842,557	7.28
Personal business loans	11,018,978	3.23	10,295,732	3.43
Total loans to customers	340,689,725	100.00	300,089,541	100.00

10.3 Distribution of Loans by Industry

Unit: RMB'000

Item	31 December 2024				31 December 2023			
	Amount of loans	% of total	Amount of non-performing loans	Non-performing loan ratio %	Amount of loans	% of total	Amount of non-performing loans	Non-performing loan ratio %
Corporate loans	262,353,598	77.01	2,288,105	0.87	221,005,776	73.65	2,398,931	1.09
Wholesale and retail trade	49,560,902	14.55	626,067	1.26	40,112,000	13.37	491,262	1.22
Manufacturing	40,561,826	11.91	909,351	2.24	27,820,169	9.27	913,358	3.28
Construction	38,247,453	11.23	188,782	0.49	36,305,398	12.10	117,178	0.32
Leasing and business services	37,323,602	10.96	88	-	29,443,983	9.81	88	-
Water conservancy, environment and public utility management	23,579,334	6.92	372	-	25,460,916	8.48	44,000	0.17
Real estate	23,063,785	6.77	476,769	2.07	22,645,613	7.55	521,576	2.30
Transportation, storage and postal services	10,541,830	3.09	4,515	0.04	5,858,262	1.95	1,464	0.02
Production and supply of electric, heating power, gas and water	10,306,735	3.03	-	-	5,478,243	1.83	252,782	4.61
Financial services	9,491,088	2.79	-	-	15,227,141	5.07	-	-
Scientific research and technological services	5,026,353	1.48	-	-	3,874,193	1.29	4,750	0.12
Others	14,650,690	4.28	82,161	0.56	8,779,858	2.93	52,473	0.60
Retail loans	78,336,127	22.99	1,585,234	2.02	79,083,765	26.35	1,140,428	1.44
Total loans to customers	340,689,725	100.00	3,873,339	1.14	300,089,541	100.00	3,539,359	1.18

10.4 Distribution of Loans by Region

Unit: RMB'000

Region	31 December 2024				31 December 2023			
	Amount of loans	% of total	Amount of non-performing loans	Non-performing loan ratio %	Amount of loans	% of total	Amount of non-performing loans	Non-performing loan ratio %
Shandong Province	340,689,725	100.00	3,873,339	1.14	300,089,541	100.00	3,539,359	1.18
Of which: Qingdao City	174,674,095	51.27	2,577,197	1.48	163,101,096	54.35	2,348,611	1.44

10.5 Distribution of Loans by Type of Collateral

Unit: RMB'000

Item	31 December 2024		31 December 2023	
	Amount of loans	% of total	Amount of loans	% of total
Unsecured loans	75,061,395	22.03	61,496,406	20.49
Guaranteed loans	78,011,013	22.90	68,562,521	22.85
Mortgage loans	122,295,448	35.90	114,490,600	38.15
Pledge loans	65,321,869	19.17	55,540,014	18.51
Total loans to customers	340,689,725	100.00	300,089,541	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	Manufacturing	2,699,000	0.79
B	Manufacturing	2,419,628	0.71
C	Leasing and business services	2,306,922	0.68
D	Leasing and business services	1,999,000	0.59
E	Leasing and business services	1,988,750	0.58
F	Water conservancy, environment and public utility management	1,734,650	0.51
G	Manufacturing	1,732,046	0.51
H	Leasing and business services	1,725,000	0.51
I	Construction	1,647,300	0.48
J	Transportation, storage and postal services	1,600,000	0.47
Total		19,852,296	5.83

10.7 Distribution of Loans by Overdue Period

Unit: RMB'000

Overdue period	31 December 2024		31 December 2023	
	Amount of loans	% of total	Amount of loans	% of total
Not yet overdue	335,866,802	98.58	295,832,377	98.58
Overdue for 3 months (inclusive) or less	1,372,306	0.41	1,633,922	0.54
Overdue for over 3 months to 1 year (inclusive)	1,341,590	0.39	926,109	0.31
Overdue for over 1 year to 3 years (inclusive)	1,956,371	0.58	1,477,666	0.50
Overdue for over 3 years	152,656	0.04	219,467	0.07
Total loans to customers	340,689,725	100.00	300,089,541	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 Bank had total repossessed assets of RMB9.6536 million, allowances for impairment of RMB2.2202 million, and the net repossessed assets was RMB7.4334 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	2024	2023
Balance at the beginning of the period/year	7,997,497	7,137,141
Allowances for the period/year	2,380,293	2,047,853
Write-offs for the period/year	(1,228,963)	(1,243,813)
Transfer out for the period/year	—	—
Recovery of write-offs for the period/year	233,075	86,700
Other changes	(34,699)	(30,384)
Balance at the end of the period/year	9,347,203	7,997,497

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 RMB9.347 billion, representing an increase of RMB1.350 billion or 16.88% as compared with that at the end of last year. The provision coverage ratio reached 241.32%, representing an increase of 15.36 percentage points as compared with that at the end of last year; the provision rate of loans stood at 2.74%, representing an increase of 0.07 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 Bank continued to implement the disposal and mitigation of non-performing assets and further strengthened its asset quality. Firstly, the Bank tracked the evolution of risks in key areas and industries, strengthened the front-end controls on special mention loans and overdue business, prevented the risk of deterioration in asset quality, and prevented and disposed of potential risks; secondly, it strengthened the coordination and linkage of non-performing asset disposal with the core of improving quality and efficiency, and comprehensively implemented various measures such as independent collection, judicial disposal, asset write-off and creditor's rights transfer, which improved the disposal process; thirdly, it innovated the means of disposal, innovated the disposal mode of "Internet +" by standardizing the disposal mechanism, deepening judicial cooperation, and strengthening cooperation with banks, thereby broadening the disposal channels; fourthly, it upgraded the standards of intelligent risk control to promote the intelligent transformation of asset protection, and enhanced the efficiency and effectiveness of non-performing disposal to maintain the overall stability of asset quality.

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 and established a management mechanism and management information system adapted to the risk management characteristics of the credit business to group customers, with a complete family tree of the Group constructed, so as to strengthen the consolidation of group risk data, and optimized the risk monitoring system and post-credit granting management system in group dimension. At the same time, the Company constantly improved the system control scheme for extending credit to group customers and continuously enhanced the control of the entire process of credit extension to group customers, so as to continuously enhance the risk management level of credit extension to group customers.

Firstly, the Company implemented unified management for credit extension to group customers, standardized the unified identification of group customers and related information exchange management by the Bank and its subsidiaries, and centralized risks control of credit extension to group customers. Secondly, it set up a large-amount credit review committee to be responsible for reviewing and approving bank-wide large-amount credit granting services. Thirdly, it established a sound risk monitoring system at group level, focused on risk monitoring of BQD Wealth Management and BQD Financial Leasing, promoted the consolidated management of group risk data, 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. Seventhly, it optimized the Group’s credit risk and market risk management and control, carried out systematic rectification of business areas at the group level, and opened up the group association detection function of the communications management system to practically protect the effectiveness of quota management and control.

10.12 Rescheduled Loans

Unit: RMB’000

Item	31 December 2024		31 December 2023	
	Amount of loans	% of total	Amount of loans	% of total
Rescheduled loans	137,928	0.04	103,128	0.03
Total loans and advances to customers	340,689,725	100.00	300,089,541	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 increased by 0.01 percentage point 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, the Company has established a more scientific and reasonable liability quality management system, and defined the responsibilities of liability quality management of the Board, senior management and relevant departments. Liability quality management strategies and policies were aligned with the business strategy, risk appetite and overall business characteristics.

The Company continued to improve its level of liability quality management and strengthened its management of the source, structure and cost of its liability. Firstly, the Company adhered to the balanced development between volume and price in the general deposit business, 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 2024, the Company's net stable funding ratio was 120.31% and the liquidity coverage ratio was 203.02%, both of which complied with the regulatory requirements. In 2024, the Company's cost rate of interest-bearing liabilities was 2.18%, representing a year-on-year decrease of 0.14 percentage point; and the average cost ratio of deposits from customers was 2.08%, representing a year-on-year decrease of 0.15 percentage point.

12. ANALYSIS OF CAPITAL ADEQUACY RATIO AND LEVERAGE RATIO

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

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

12.1 Capital Adequacy Ratio

The capital adequacy ratio of the Company and the Bank as of 31 December 2024 was 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 capital adequacy ratio as of 31 December 2023 was 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. The credit risk-weighted assets are calculated with different risk weights while considering the effects of qualified pledge and guarantee. Market risk-weighted assets and the operational risk-weighted assets are calculated with the standard approach. During the Reporting Period, the Company's capital adequacy indicators complied with the regulatory requirements.

As at the end of the Reporting Period, the Company's capital adequacy ratio was 13.80%, representing an increase of 1.01 percentage points as compared with that at the end of last year and the core tier-one capital adequacy ratio stood at 9.11%, representing an increase of 0.69 percentage point as compared with that at the end of last year. In 2024, The Company facilitated the smooth implementation of the new rules for capital, strengthened capability of refined management for capital and further enhanced the endogenous capital replenishment by an increase of retained profits and other comprehensive income. By virtue of reinforced performance evaluation and guidance, optimized structures of assets and liabilities and enhanced the efficiency in capital utilization, the capital adequacy ratio at all levels has been improved as compared to the end of last year under the premise of aggressive and prudent development of various businesses.

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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 2024	31 December 2023
Total core tier-one capital	38,016,853	33,328,054
Of which: Share capital	5,820,355	5,820,355
Qualifying portion of capital reserve	10,687,091	10,687,634
Other comprehensive income	2,716,533	947,211
Surplus reserve	3,106,154	2,718,114
General reserve	8,511,286	7,483,824
Retained earnings	6,695,179	5,011,018
Qualifying portion of non-controlling interests	480,255	659,898
Core tier-one capital deductions	(379,124)	(923,175)
Net core tier-one capital	37,637,729	32,404,879
Other tier-one capital	6,459,817	6,483,769
Net tier-one capital	44,097,546	38,888,648
Tier-two capital	12,932,928	10,358,946
Net capital base	57,030,474	49,247,594
Total risk-weighted assets	413,212,378	384,977,512
Of which: Total credit risk-weighted assets	389,193,667	338,820,835
Total market risk-weighted assets	2,759,459	24,123,989
Total operational risk-weighted assets	21,259,252	22,032,688
Core tier-one capital adequacy ratio (%)	9.11	8.42
Tier-one capital adequacy ratio (%)	10.67	10.10
Capital adequacy ratio (%)	13.80	12.79

As at the end of the Reporting Period, the capital adequacy ratio at the parent company level of the Bank was 13.36%, up by 0.98 percentage point from the end of last year; the core tier-one capital adequacy ratio was 8.55%, representing an increase of 0.64 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 2024	31 December 2023
Total core tier-one capital	36,043,250	31,557,980
Of which: Share capital	5,820,355	5,820,355
Qualifying portion of capital reserve	10,687,634	10,687,634
Other comprehensive income	2,716,533	947,211
Surplus reserve	3,106,154	2,718,114
General reserve	7,971,637	7,072,403
Retained earnings	5,740,937	4,312,263
Core tier-one capital deductions	(2,258,848)	(2,584,377)
Net core tier-one capital	33,784,402	28,973,603
Other tier-one capital	6,395,783	6,395,783
Net tier-one capital	40,180,185	35,369,386
Tier-two capital	12,613,593	9,975,688
Net capital base	52,793,778	45,345,074
Total risk-weighted assets	395,285,095	366,416,657
Of which: Total credit risk-weighted assets	373,701,055	322,030,700
Total market risk-weighted assets	2,759,459	24,123,989
Total operational risk-weighted assets	18,824,581	20,261,968
Core tier-one capital adequacy ratio (%)	8.55	7.91
Tier-one capital adequacy ratio (%)	10.16	9.65
Capital adequacy ratio (%)	13.36	12.38

12.2 Leverage Ratio

The Company's leverage ratio was 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 regulations since 1 January 2024 and the leverage ratio as of 31 December 2023 was calculated in accordance with the "Measures for the Administration of the Leverage Ratio of Commercial Banks (Revision)" (《商業銀行槓桿率管理辦法(修訂)》) and other relevant regulatory regulations. As of the end of 2024, the Company's leverage ratio was 5.79%, higher than that stipulated in regulatory requirements of 4%, down by 0.04 percentage point from the end of last year, mainly due to the increase in asset size led by the development of various businesses.

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

Unit: RMB'000

No.	Item	31 December 2024	31 December 2023
1	Total consolidated assets	689,963,033	607,985,372
2	Consolidated adjustments	-	-
3	Customer assets adjustments	-	-
4	Derivative instruments adjustments	327,029	1,816,000
5	Securities financing transactions adjustments	-	-
6	Off-balance sheet items adjustments	71,329,419	58,252,231
7	Other adjustments	(379,124)	(923,175)
8	The balance of assets on- and off-balance sheet after adjustments	761,240,357	667,130,428

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The following table sets out information of the Company's leverage ratio level, net tier-one capital, assets on- and off-balance sheet after adjustments and relevant details.

Unit: RMB'000

No.	Item	31 December 2024	31 December 2023
1	The balance of assets on the balance sheet after adjustments	682,028,599	592,962,820
2	Replacement cost of various types of derivative instruments (net of qualified margins)	55,310	149,377
3	Potential risk exposure in various types of derivative instruments	327,029	1,816,000
4	The sum of collaterals deducted from the statement of financial position	–	–
5	Assets receivables formed due to qualified margins provided	–	–
6	The balance of derivative instruments assets formed due to transactions with central counterparties for providing clearing service for the customers	–	–
7	Notional principal for sold credit derivative instruments	–	–
8	The balance of sold credit derivative instruments assets which can be deducted	–	–
9	The balance of derivative instruments assets	382,339	1,965,377
10	The balance of accounting assets for securities financing transactions (including securities financing transactions through sales type arrangements)	7,500,000	13,950,000
11	The balance of securities financing transactions assets which can be deducted	–	–
12	Counterparty credit risk exposure to securities financing transactions	–	–
13	The balance of securities financing transactions assets formed due to securities financing transactions by proxy	–	–
14	The balance of securities financing transactions assets	7,500,000	13,950,000
15	The balance of items off-balance sheet after adjustments	71,329,419	58,252,231
16	Net tier-one capital	44,097,546	38,888,648
17	The balance of assets on- and off-balance sheet after adjustments	761,240,357	667,130,428
18	Leverage ratio (%)	5.79	5.83

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

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Unit: RMB'000

Item	31 December 2024	30 September 2024	30 June 2024	31 March 2024
Leverage ratio (%)	5.79	5.81	5.96	6.07
Net tier-one capital	44,097,546	42,783,596	42,148,005	40,823,971
The balance of assets on- and off-balance sheet after adjustments	761,240,357	736,073,044	707,425,914	672,332,057

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 (<https://www.qdccb.com/>).

13. INVESTMENT ANALYSIS

13.1 Overview

Unit: RMB'000

Investees	31 December 2024	31 December 2023	Percentage of equity in investees (%)	Cash dividend for the current year
China Unionpay Co., Ltd.	124,718	13,000	0.34	5,780
Shandong City Commercial Banks Alliance Co., Ltd.	10,000	10,000	1.14	—
Service Centre for City Commercial Banks	250	250	0.81	—
Total	134,968	23,250	N/A	5,780

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 2024, 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 V Management Discussion and Analysis” of this annual report.

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	55,721,386	27.92
Debt securities issued by policy banks	30,556,127	15.31
Debt securities issued by banks and other financial institutions	58,107,955	29.12
Debt securities issued by corporate entities	55,182,663	27.65
Total	199,568,131	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
Bond 1	5,170,000	3.39	2050-03	255.12
Bond 2	4,710,000	2.64	2031-01	799.05
Bond 3	4,130,000	2.52	2028-05	671.20
Bond 4	3,320,000	2.87	2028-02	549.08
Bond 5	3,010,000	3.18	2032-03	208.33
Bond 6	2,740,000	3.18	2026-09	440.88
Bond 7	2,250,000	3.55	2040-05	497.04
Bond 8	2,130,000	3.12	2026-12	107.96
Bond 9	2,000,000	3.23	2030-03	330.39
Bond 10	1,980,000	1.85	2029-07	319.60

2. Derivative Investments

Unit: RMB'000

Item	31 December 2024			31 December 2023		
	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	80,740,732	55,310	(162,430)	79,125,365	149,377	(71,107)

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 2024, 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.

13.5 Use of Proceeds Raised

1. General 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.

2. Commitment of Use of Proceeds Raised

N/A.

3. Change of Use of Proceeds Raised

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

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-statement of financial position 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 RMB95.259 billion. For details, please refer to "47 Commitments and Contingencies under Notes to the Financial Statements" of this annual report.

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 "47(6) Pledged Assets under Notes to the Financial Statements" of this annual report.

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

Unit: RMB'000

Item	2024	2023	Change (%)	Main Reason
Net trading gains/(losses)	10,687	(168,992)	106.32	Enhancing market research and judgment, adjusting the investment structure, and increasing financial investments held for trading in due time, leading to the relatively rapid increase in net trading gains
Impairment losses on other assets	(1,312)	(17,447)	(92.48)	Decrease in impairment losses on precious metals
Income tax expense	(590,408)	(261,977)	125.37	Increase in total profits and decrease in tax-exempt income
Other comprehensive income, net of tax	1,769,322	863,485	104.90	Increase in change of fair value of financial assets measured at fair value through other comprehensive income

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Unit: RMB'000

Item	31 December 2024	31 December 2023	Changes (%)	Main Reason
Cash and deposits with the central bank	49,153,266	31,043,664	58.34	Increase in surplus reserve deposits with the central bank in response to turbulence in market liquidity
Deposits with banks and other financial institutions	3,495,177	2,210,368	58.13	Increase in deposits with banks for settlement
Derivative financial assets	55,310	149,377	(62.97)	Decrease in fair value revaluation of assets for currency derivatives
Financial assets held under resale agreements	7,496,541	13,944,652	(46.24)	Decrease in scale of bonds purchased under resale agreements
Financial investments measured at amortized costs	97,593,546	52,756,509	84.99	Moderate increase in the scale of investments measured at amortized cost in line with the investment strategy to enhance the stability of the overall return on the financial markets business
Borrowings from the central bank	28,240,081	18,235,088	54.87	Actively expanding diversified sources of liabilities and obtaining low-cost funds, with the increase in the balances of the relending and rediscount to support the development of micro and small enterprises and the medium-term lending facilities borrowed from the central bank
Deposits from banks and other financial institutions	12,355,339	2,242,331	451.00	Strengthening of interbank liability management in accordance with market conditions and actively expanding low-cost interbank deposits based on its own fund allocation needs
Financial liabilities measured at fair value through profit or loss	699,788	–	N/A	Increase in scale of structured bills
Derivative financial liabilities	162,430	71,107	128.43	Increase in fair value revaluation of liabilities for currency derivatives
Income tax payable	306,535	477,981	(35.87)	Income tax payable by the Bank greater than the amount of provision
Other comprehensive income	2,716,533	947,211	186.79	Increase in change of fair value of financial assets measured at fair value through other comprehensive income
Retained earnings	6,695,179	5,011,018	33.61	Increase in retained earnings

15.5 Changes in Interest Receivables

As at the end of the Reporting Period, the Company's interest receivables reached RMB27 million, representing a decrease of RMB12 million or 31.83% from the end of the previous year, mainly attributable to the decrease in interest receivables arising from loans and advances to customers. 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 2023	Increase during the period	Recovery during the period	31 December 2024
Loans and advances to customers	38,929	813,972	(827,834)	25,067
Long-term receivables	–	8,019	(6,548)	1,471
Total	38,929	821,991	(834,382)	26,538

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 RMB133 million, representing an increase of RMB94 million over the end of the previous year. Among them, the bad debt allowances for other receivables was RMB124 million, representing an increase of RMB93 million from the end of the previous year, which was mainly due to the fact that the Company has strengthened the risk identification and measurement of credit card handling fee receivables and appropriately increased bad debt allowances; the bad debt allowances for interest receivables was RMB9 million, representing an increase of RMB1 million from 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 2024	31 December 2023	Change
Interest receivables	26,538	38,929	(12,391)
Less: Bad debt allowances for interest receivables	(9,373)	(8,401)	(972)
Book value of interest receivables	17,165	30,528	(13,363)
Other receivables	300,922	239,751	61,171
Less: Bad debt allowances for other receivables	(123,992)	(31,241)	(92,751)
Book value of other receivables	176,930	208,510	(31,580)

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	Total operating income	Operating profit	Net profit
BQD Financial Leasing	Subsidiary	Finance leasing business; transferring in and out assets under a finance lease; fixed income securities investment business; accepting guaranteed deposit of the lessee; absorbing fixed deposits over 3 months (inclusive) from non-bank shareholders; interbank lending and borrowing; obtaining loans from financial institutions; lending loans to offshore borrowers; disposal of and dealing with leased articles; economic consulting; and other business approved by banking regulatory authorities.	12.25	185.74	24.19	6.68	4.69	3.51
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 service on asset and wealth management; and other business approved by National Financial Regulatory Administration.	10.00	21.83	19.52	5.59	4.01	2.97

Note: In May 2024, according to the “Reply of the Qingdao Bureau of the National Financial Regulatory Administration on the Intended Change of Registered Capital and Adjustment of Equity Structure of BQD Financial Leasing Company Limited” (Qing Guo Jin Fu [2024] No. 111) (《國家金融監督管理總局青島監管局關於青島青銀金融租賃有限公司變更註冊資本及調整股權結構的批覆》(青國金覆[2024]111號)), the registered capital of BQD Financial Leasing increased from RMB1.0 billion to RMB1.225 billion upon the completion of the capital increase and the procedures of change of industrial and commercial registration regarding the registered capital. After the completion of the capital increase, the shareholding ratio of the Bank in BQD Financial Leasing increased from 51% to 60%.

16.2 Acquisition and Disposal of Subsidiaries during the Reporting Period

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

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 conscientiously implements the spirit of the economic and financial work conference of the CPC Central Committee, and returns to the main business of “fund financing” + “assets financing” by complying with the high-quality development requirements of higher-level party committees and the Company’s party branch, and focusing on the guiding ideology of “strengthening foundation, improving capabilities, building images, and seeking development”, so as to fulfill its main responsibility as a serving entity, and comprehensively promote the implementation of the Group and the Company’s strategic plans. Based in Shandong with a footprint across the whole country, BQD Financial Leasing fully leverages its own business advantages and characteristics, focusing on manufacturing enterprises, technology innovation-oriented enterprise, competitive industries in the region, and financing and leasing business for small- and medium-sized enterprises, while actively expanding its business boundaries: provocatively penetrating into key projects in areas such as people’s livelihood guarantee, strategic emerging industries, transportation, and urbanization construction.

Comprehensively optimizing market layout, business performance improved steadily. As at the end of the Reporting Period, BQD Financial Leasing’s total assets reached RMB18.574 billion, representing an increase of 3.88% as compared with that at the end of last year. During the Reporting Period, it achieved operating income of RMB668 million, representing a year-on-year increase of 2.45% and achieved net profit of RMB351 million, representing a year-on-year increase of 40.23%. BQD Financial Leasing maintained a high degree of strategic resolve. At the end of the Reporting Period, the balance of direct leasing business (including prepayments for finance lease assets, the same below) was RMB2.301 billion, accounting for 13.37% of the total balance, an increase of 8.84 percentage points over the end of the previous year. The proportion of manufacturing-related business investment came to 47.98%, making it the largest industry in terms of new business, accounting for 26.92% of the total balance, an increase of 16.85 percentage points over the end of the previous year. During the Reporting Period, BQD Financial Leasing was awarded the “Soaring Award-Leading Enterprise of Serving the Real Economy” in China’s financial leasing for its compliant and sound sustainable development achievements, as well as its outstanding performance in serving the real economy, particularly in the manufacturing sector.

Expanding the boundaries of business domains by simultaneously focusing on both intra-provincial and out-of-provincial markets. During the Reporting Period, while adhering to the premise of serving the local economic development, BQD Financial Leasing strived to give full play to the value of the national license. For intra-provincial business, it deeply penetrated lower-tier markets to explore “blue ocean” opportunities, comprehensively covering and solidifying its foundation; for out-of-provincial business, it explored actively and gradually established a stable customer base. Throughout the year, new business operations covered 16 cities within the province and 19 other provinces and municipalities nationwide. As at the end of the Reporting Period, out-of-provincial business accounted for 25.18% of total operations.

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. Guided by new asset management regulations and supporting policies, BQD Wealth Management is committed to focusing on the essence of asset management business and serving the real economy, and building a complete and innovative wealth management product system while adhering to the business philosophy of “establishment with compliance, governance with professionalism, emergence with innovation and enhancement with technology”. Targeting the needs of specific groups of people and relying on strong investment and research capabilities, it creates an innovative wealth management company brand which is “inclusive + distinctive”.

The product system optimized continuously and the channel expanded effectively. During the Reporting Period, the corporate governance capabilities of BQD Wealth Management achieved comprehensive improvement, the overall risk management standards continuously strengthened, and all businesses maintained steady and healthy development. As at the end of the Reporting Period, BQD Wealth Management had 680 wealth management products in existence with a balance of RMB199.326 billion, and there were 90 consignment channels outside the Bank, doubling as compared with that at the end of the previous year. During the Reporting Period, BQD Wealth Management issued 432 wealth management products, raising proceeds of RMB564.866 billion in total, and the fee and commission income from wealth management products amounted to RMB929 million. As at the end of the Reporting Period, the balance of investment assets from BQD Wealth Management’s wealth management products was RMB216.591 billion. The assets mainly were directly and indirectly invested in fixed income, non-standardized debt, public fund products, and capital market assets.

BQD Wealth Management was awarded three gold honors of “Excellent Innovative Wealth Management Company”, “Wealth Management Company with Excellent Channel Expansion Capability” and “Excellent Fixed Income Banking Financial Products” at the “Fourth Golden Honors” by PY Standard due to its outstanding performance. BQD Wealth Management won two awards, the “Golden Bull Award for Fixed Income Banking Wealth Management Products” and the “Golden Bull Innovative Award for Banking Wealth Management Companies” in the appraisal of the “Fifth Golden Bull Awards for Banking Wealth Management of Capital Securities Cup” organized by China Securities Journal, and won the “Double Golden Bull” award for the company and product for the fourth consecutive year.

17. OVERVIEW OF BUSINESS DEVELOPMENT

The year 2024 was a pivotal year for the “14th Five Year Plan”, as well as a crucial year for Bank of Qingdao to make progress in the implementation of the three-year strategic plan. Bank of Qingdao fully implemented the decisions and arrangements of the Party Central Committee and the State Council, strictly implemented the spirit of the Economic and Financial Work Conference at central, provincial, and municipal level, and served the local populace and the real economy in accordance with the operation guiding ideology of “deepening strategies, strengthening features, optimizing mechanisms, and refining management”, so as to continuously consolidate the foundation of development and achieve “stable progress and quality improvement” in its business performance.

17.1 Five Major Aspects

In 2024, the Bank deeply practiced the political and popular nature of financial work, comprehensively expanded the breadth and depth of financial services, upheld fundamental principles and broke new ground, served the overall situation, and fully supported the “Five Major Aspects” including technology finance, green finance, inclusive finance, pension finance and digital finance with practical actions.

Technology finance

The Bank promoted the development of technology finance with innovation. Firstly, it optimized full cycle technology finance product system. In 2024, the Bank continued to carry out the creation activities of Sword Forging 2.0 products (鑄劍2.0產品), and innovated and optimized a number of technology financial products such as “Financial Credit for Technological Innovation” (科融信貸), “Start-up Easy Loan” (啟航易貸) and “Pilot Easy Loan” (領航易貸), and gradually built up a full life cycle product system covering the start-up, growth and maturity stages of technology enterprises. During the Reporting Period, the Bank completed the issuance of the first “Financial Credit for Technological Innovation” business in the province. Secondly, it improved the working mechanism of technology finance. During the Reporting Period, the Bank formulated the “Bank of Qingdao’s Technology Finance Development Program”, which clarified the direction of business development, built a technology finance franchise center in Jinan, promoted the construction of five technology finance specific branches, comprehensively upgraded and iterated the technology financial service model, responded to the needs of the customers and the market quickly, and provided customers with full-cycle and diversified financial services. As at the end of the Reporting Period, the balance of technology finance loans of the Bank amounted to RMB18.730 billion, representing an increase of RMB5.965 billion or 46.73% 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 1,784 customers in technology finance customer segment, representing an increase of 473 customers or 36.08% as compared with that at the end of last year.

Green finance

The Bank coordinately promoted the development of green finance. Firstly, it established a long-acting mechanism for the development of green finance, setting up a long-acting development mechanism from multiple dimensions such as organizational structure, assessment and management, business promotion, etc., and constructing an innovative marketing model of three-dimensional operation of green customer groups and matrix deployment of green exclusive products through the multi-modal models of “customer stratification, product-driven, tool-enabled, and system-guaranteed”. Secondly, it innovated green credit products, launching two industry-specific green products, namely, “Green Water – Clear Source Loan” (綠水清源貸) and “New Quality – Carbon Benefit Loan” (新質碳益貸), and precisely implementing policies in two major fields, namely, sewage treatment and transformation finance. It also increased the promotion of dual-carbon tools to effectively reduce the cost of enterprise financing, and used capital leverage to guide enterprises to pursue green and develop towards green. Thirdly, it utilized the green financial system to realize digital empowerment. The Bank is the first corporate bank in Shandong Province to launch a green financial system. Fourthly, it released the special brand of “BQD Green Finance”, aiming at realizing the whole process and standardized management of green credit to improve the service level of green finances. As at the end of the Reporting Period, the balance of the Bank’s green loans amounted to RMB37.349 billion, representing an increase of RMB11.214 billion or 42.91% 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 850 customers in green finance customer segment, representing an increase of 346 customers or 68.65% as compared with that at the end of last year. It continued to build the brand characteristics of blue finance, with the balance of blue loans of RMB16.782 billion, representing an increase of 26.75% as compared with that at the end of last year.

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Inclusive finance

The Bank promoted the development of inclusive finance from a strategic perspective. Firstly, it innovated and improved the service level of inclusive products, optimized and innovated 23 inclusive products through the “Sword Forging Operation 2.0” (鑄劍行動2.0), highlighted credit inclusion and public-private integration, and launched 3 new scenario online products of “Inclusive e-Financing” (普惠e融), forming a complete product system covering major industries, online and offline. Secondly, it constructed a franchise mechanism to guarantee the development of inclusive finance business, and promoted the establishment of new inclusive franchise departments in branches. The coverage of the inclusive franchise institutions has been expanding, the professional team of small and micro finance has been growing, and the professional capacity of the team has been improving. The Bank was recognized as an advanced unit of the small and micro financial services for consecutive years, and the Bank’s regulatory rating for small and micro financial services was upgraded to “2A” in 2024. As at the end of the Reporting Period, the Bank had 54.7 thousand inclusive loans customers, representing an increase of 1.3 thousand as compared with that at the end of last year; the balance of inclusive loans amounted to RMB45.089 billion, representing an increase of RMB11.243 billion or 33.22% 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 0.83%, and the weighted average interest rate of inclusive loans was 3.73%. The balance of agriculture-related loans¹ of the Bank was RMB36.573 billion, representing an increase of RMB11.040 billion or 43.24% as compared with that at the end of last year.

Pension finance

The Bank focused on deploying the development of pension finance. Firstly, it continued to explore the creation of a standard service model for the pension industry customer base, providing assistance for the transformation and upgrading of pension services, the development of the pension industry and focused on the needs of elderly customers. Secondly, it focused on deploying the development of pension finance with the base of specialization in the health care industry. In the health care field, it launched two exclusive products, “Easy Hospital Financing” (院易融) and “Easy Diagnosis Financing” (診易融), centering on the urban primary healthcare settings, and provided targeted support to more than 300 medical institutions at all levels in Shandong Province. As at the end of the Reporting Period, the Bank had 4,904 customers in hygiene and health segment, representing an increase of 913 or 22.88% as compared with that at the end of last year. Thirdly, in response to the growing demand of customers for planning and reserving for the “third pillar of pension care” (第三養老支柱), the Bank actively deployed pension financial products, created exclusive credit plans for different pension enterprises, and launched special product of “Easy Enterprise Loan for Elderly” (養老企易貸). Fourthly, based on the two major positions of community and agriculture-benefit under the “Happiness • Companionship” brand, it provided customers with “Party Building + Volunteering” non-financial service modes.

Digital finance

The Bank comprehensively pushed forward of the digital transformation. Firstly, in terms of digital channel services, corporate online banking, mobile banking and bank-enterprise directly contact with online customers accounted for 88%, and the substitution rate of online channel business reached 97%. Secondly, in terms of digital product support and marketing, it connected with a number of consumer financial institutions, with a total of RMB1.350 billion loans issued, and the online rate for wealth management and payroll products reached 95.45%; and the total amount of consignment wealth management products sold by the individual-side “Digital Intelligence Team” (數智戰隊) reached RMB7.952 billion. Thirdly, in terms of digital risk control and operations, it established certain pre-loan, in-loan, post-loan and anti-fraud risk control models. Fourthly, in terms of data, platforms and digital intelligence capabilities, five major topics including the general data model have been put into operation to provide data support for key business areas such as agriculture-related loans, strategic emerging industries and manufacturing loans; it continued to build a new core platform, an intelligent credit platform, a financial cloud platform, and a digital competence center to empower business development.

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

17.2 Retail Banking

With respect to retail business, the Bank accelerated the construction of “channel digitalization, customer operations digitalization” and other digital operation capacities. It drove product and service innovation by enriching its product system and strengthening the construction of online channels, thereby laying a solid foundation for high-quality retail development. During the Reporting Period, the retail banking business of the Company realized operating income of RMB3.631 billion, accounting for 27.07% of the Company’s operating income.

1. Retail deposits

Scale of deposits continuously increased and interest payment costs effectively reduced. As at the end of the Reporting Period, the balance of retail deposits of the Bank (excluding accrued interest, the same below) amounted to RMB219.798 billion, representing an increase of RMB31.354 billion or 16.64% as compared with that at the end of last year. Retail deposits accounted for 50.88% of total deposits. During the Reporting Period, the Bank effectively reduced the proportion of high-cost deposits based on the market and took various measures to adjust pricing strategy and product release pace in a timely manner and further optimize the deposit structure. The average cost ratio of retail deposits was 2.46%, representing a decrease of 0.18 percentage point as compared with the same period of last year. The overall interest rate paid on retail deposits reduced significantly. The Bank’s retail deposits market share increased from 1.95% to 2.03% in the province, and increased from 10.71% to 11.01% in Qingdao, both reaching the best levels in history.

2. Retail loans

While steadily developing its personal housing loan business, the Bank actively promoted its personal inclusive loan and personal consumption loan businesses and continued to optimize its loan structure. The Bank launched specialty self-operated Internet loans, and continued to improve its product system. As at the end of the Reporting Period, the balance of the Bank’s retail loans (including credit card) was RMB78.336 billion, and the balance of the retail loans (excluding credit card) was RMB67.888 billion, representing an increase of RMB1.278 billion or 1.92% as compared with that at the end of last year. During the Reporting Period, the Bank realized retail loan interest income of RMB3.461 billion, with an average yield for retail loan of 4.81%.

Exploring characteristic development and enriching the product lines of finance. In terms of personal inclusive loans, by centering on the personal loan product strategy of “focusing on flagship and featured products” and “nurturing from incubation to clustering”, the Bank continuously propelled its flagship product “Fast Mortgage Loans” to capture market share. During the Reporting Period, a total of RMB6.574 billion of “Fast Mortgage Loans” were issued, representing a year-on-year increase of 36.50%. It also explored the development path of specialty cluster business, and promoted the “One County, One Product” business model. During the Reporting Period, a total of RMB2.053 billion in retail agriculture-related loans were issued, representing a year-on-year increase of 134.63%. As at the end of the Reporting Period, the balance of the Bank’s personal inclusive loans was RMB10.718 billion, representing an increase of RMB938 million, or 9.59% as compared with that at the end of last year.

In terms of the personal consumption loans, the Bank actively carried out the strategic transformation of Internet loans, relying on financial technology and big data risk control means to conduct product innovation, and it launched distinctive self-owned Internet consumption loans product “Easy BQD Financing” (青易融). As at the end of the Reporting Period, the balance of personal consumption loans of the Bank amounted to RMB20.121 billion, representing a decrease of RMB1.722 billion or 7.88% as compared with that at the end of last year. The balance of individual Internet loans reached RMB12.443 billion, and the proportion of individual Internet loans granted in the province further increased.

In terms of the personal mortgage loans, the Bank actively stabilized mortgage loans placement under the circumstances of insufficient credit demand and increased repayment pressure. As at the end of the Reporting Period, the balance of the Bank’s personal residential mortgage loans came to RMB47.196 billion, representing an increase of RMB250 million or 0.53% as compared with that at the end of last year.

3. Retail customers and customer asset management

Enhanced quality and efficiency in the operation of customer base. The Bank concentrated on serving scenario-based users and enhancing customer stickiness. 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 8.6993 million, with the year-on-year effective rate of new customers increased by 3.74%; among which, debit card customers reached 6.0114 million, representing an increase of 343.0 thousand or 6.05% as compared with that at the end of the previous year. The Bank held assets of retail customers amounting to RMB345.922 billion, representing an increase of RMB28.910 billion or 9.12% 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 427.4 thousand, exceeding 400 thousand for the first time and representing an increase of 9.51% as compared with that at the end of the previous year. Their asset scale in the Bank was RMB299.120 billion, accounting for 86.47% of assets retained by all retail customers.

Implementation of systematic operation for customer base. 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 65.0 thousand customers, representing an increase of 18.6 thousand or 40.09% as compared with that at the end of the last year. In terms of agriculture-benefit customers, the Bank forged the “Happy Village” brand to promote the experience in non-financial service scenarios. As at the end of the Reporting Period, the Bank had 283.8 thousand agriculture-benefit customers, representing an increase of 7,673 or 2.78% as compared with that at the end of the last year. In terms of payroll credit customers, the Bank issued exclusive products to increase the contribution from customer base. The number of payroll credit customers has reached 228.3 thousand, representing an increase of 12.35% and the Bank has achieved the goal of delivering mid- to high-end customers upward. In terms of private banking customers, the Bank launched high-end equity services, with the growth rate of private banking customers amounting to 18.60%.

The Bank relied on the cloud service hall online and leveraged digital intelligence to deeply explore needs and implement precise policies and expanded the boundaries of customer base management, with the number of monthly active users on mobile reaching 1.4566 million.



In October 2024, the Bank's Laixi Sub-branch went to Hujiatong Village to explain the use of social security cards to the villagers.

4. Agency retail business

Accelerated product innovation and iteration. The Bank employed digital means to quickly respond to market changes and customer needs, and continuously launched new products in line with market trends to meet customers' diversified and personalized financial needs. During the Reporting Period, retail banking business realized net fee and commission income of RMB448 million, accounting for 29.68% of the Company's net fee and commission income.

In terms of agency sales of wealth management products, by strengthening the deep cooperation with leading wealth management subsidiaries, the Bank adjusted its product portfolio on the shelf in sync with the market, and timely introduced competitive products such as wealth management to meet the demand for customized exclusive products. In terms of agency business for insurance, by optimizing product supply and implementing a strategy which combines both lump sum and term insurance, the Bank seized the window of predetermined adjustment to the interest rates of insurance. Our total agency premium in Qingdao stood at RMB884 million, and the market share of agency insurance in the Qingdao region reached 14% among peers, ranking second in the market. In terms of agency sales of precious metals, the sales of panda coin special event was RMB59.9500 million. In terms of agency sales of funds, the Bank optimized the scientificity of fund allocation. During the Reporting Period, the service fee revenue from agency fund business reached RMB25.8648 million, representing an increase of 92.61% as compared with last year.

5. Private banking business

The Bank was deeply committed to the service philosophy of "Happiness • Companionship", continuously optimized the service experience for private banking clients. During the Reporting Period, the Bank implemented systematic measures such as building a professional service team system, creating a refined service capability matrix, and establishing an exclusive product system to strengthen the management of client relationships throughout their life cycle and effectively promote the high-quality development of private banking business. The Bank has consistently upgraded its asset allocation and "In-depth Service, Long-term Companionship" service system, provided trust service of insurance funds for high net-worth clients, and launched its first private banking exclusive wealth management product, achieving sustainable growth in both customer base and operating income. As at the end of the Reporting Period, the number of private banking clients of the Bank and assets held by the Bank increased by 18.60% and 17.31% respectively as compared with that at the end of last year.

6. Customer service management

Emphasizing user experience and improving service level. During the Reporting Period, the Bank interacted with more than 200 thousand customers throughout the year, and the Net Promoter Score (NPS) of customer satisfaction was 80.57%, representing an increase of 0.08 percentage point over the previous year and reaching the highest level in history, which fully demonstrated the customers' high recognition and trust in the Bank's branch services. Firstly, concentrating on the data of consumer complaint and requests. Through the establishment of a service evaluation mechanism, the Bank identified its pain points in product and service experiences, driving significant improvements in customer satisfaction. Secondly, the Bank comprehensively solidified the level of customer service delivery, and improved overall service quality of branches. Thirdly, through activities such as applying for service highlights, and the release of outstanding service cases, the Bank deeply explored the connotation of service-oriented brand. In 2024, the Bank was granted the 18th "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 granted such award for nine consecutive years.



In September 2024, the Bank participated in the inauguration of the Qingdao Financial Consumer Protection Volunteer Service Team and the launching ceremony of the "Consumer Protection in Counties" campaigns, where the Bank's staff explained financial knowledge to the citizen at the event site and helped the citizen to identify and stay away from financial risk traps.

17.3 Corporate Banking

The Bank's corporate business, with high-quality development as the original aspiration, and strengthening customer management as the center, operated at multiple levels on the customer side to create an industry-specific innovation model. It also made concerted efforts on the product side to improve the quality and efficiency of the Company's financial services; as for the asset side, its structure was optimized to lay the foundation for the Company's revenue growth and create a new situation for the high-quality development of the Company's business. During the Reporting Period, corporate banking realized operating income of RMB6.187 billion, accounting for 46.12% of the Company's operating income.

1. Corporate deposits

Continuously improving operation strategies, the liability business of the Company has been simultaneously improved in volume and quality. During the Reporting Period, the Bank anchored the expansion of accounts to improve quality, stabilized existing business and expanded new business. The scale of liabilities steadily grew and the structural transformation achieved remarkable results. Through precise marketing, smart scenarios and product bundling, the Bank gradually improved the online functions of the liability product. As at the end of the Reporting Period, the balance of corporate deposits (excluding accrued interest, the same below) was RMB212.153 billion, accounting for 49.11% of total deposits, representing an increase of RMB14.925 billion or 7.57% as compared with that at the end of last year. Specifically, the corporate demand deposits amounted to RMB83.070 billion, accounting for 39.16% of the balance of corporate deposits, and corporate time deposits amounted to RMB129.084 billion, accounting for 60.84% of the balance of corporate deposits. The cost control results were remarkable. The average cost ratio of corporate deposits was 1.71%, down by 0.16 percentage point as compared with that of last year. During the Reporting Period, the average daily deposits from corporate customers of the Bank was RMB203.692 billion, representing an increase of RMB9,806 million or 5.06% as compared with that at the end of last year.

2. Corporate loans

Actively deploying eight major tracks, the Bank achieved sustained growth in credit allocation. During the Reporting Period, the credit allocation of the Bank focused on projects in key areas. The Bank focused on five major aspects and eight major tracks to provide personalized, diversified and integrated financial service solutions in a hierarchical manner. The credit allocation in the fields of green finance, pension finance, high-quality manufacturing, public utilities and marine economy has been comprehensively improved. As at the end of the Reporting Period, the balance of corporate loans (including discounted bills and excluding accrued interest) was RMB262.354 billion, representing an increase of RMB41.348 billion or 18.71% as compared with that at the end of last year, and accounting for 77.01% of the total loans (excluding accrued interest).

3. Corporate customers

Continuing to explore specialized service models and continuously consolidating the customer base. Focusing on the acquisition and operation of high-quality customers, the Bank has created a “first inquiry bank” for strategic customers, a “host bank” for value customers, and a “primary settlement bank” for basic customer base. As at the end of the Reporting Period, the total number of corporate customers which had opened accounts with the Bank amounted to 275.4 thousand, representing an increase of 29.9 thousand or 12.18% as compared with that at the end of last year. During the Reporting Period, 38.7 thousand new accounts were opened for the Bank’s corporate customers, and the provincial market entities coverage ratio reached 1.97%, representing an increase of 0.24 percentage point as compared with that at the end of last year.

In terms of large and medium customers groups, the Bank took multiple measures simultaneously to stabilize existing business and expand new business. The Bank optimized marketing management for strategic customers and comprehensively operated major projects and key clients across the province. As at the end of the Reporting Period, the Bank had 1,155 strategic customers², representing an effective increase of 209 or 22.09% as compared with that at the end of last year; 13.8 thousand valuable customers with daily average deposits of more than RMB500 thousand per annum, representing an increase of 824 or 6.36% as compared with that at the end of last year. The number of electronic bill account signings increased by 32.3 thousand as compared to the end of the previous year, with the number of customers for commercial bills discounted amounted to 1,672, representing an increase of 415 or 33.02% as compared with that at the end of last year.

In terms of institutional customer groups, the Bank focused on optimizing financial services around specific scenarios. The Bank continuously optimized products and services around scenarios such as local government special debt, grassroots government affairs, convenient government services, and private education. By gaining a comprehensive perspective of customer ecosystems, it clarified the financial flows of customer groups, and took “solving problems and needs” as its starting point, and established market reputation with flexible and efficient service mechanisms. As at the end of the Reporting Period, the Bank had 3,315 corporate clients with non-zero average daily deposits, representing an increase of 787 or 31.13% as compared with that at the end of last year.

4. Corporate products

Enriching and iterating the product system to enhance product competitiveness. The Bank improved its product standardization management system to make the product more reasonable and easier to use, realizing more complete product categories, more accurate product managers, and newer product materials. The Bank developed products around fields including agricultural finance, transaction banking, technology and innovation finance, green finance, and general finance, realizing full coverage in relevant fields related to the five major financial aspects. During the Reporting Period, the Bank finalized the first cross-border M&A loan for the privatization of Hong Kong listed companies in the province; issued the first cross-border credit-linked note (CLN) in the nationwide banking industry, and innovated a new model for credit derivatives business of commercial banks. Leveraging Carbon Finance Digital Platform in Shandong Province, the Bank successfully launched the province’s first “New Quality – Carbon Benefit Loan” (新質碳益貸) product.

² Strategic customers are customers of the Bank with a deposit size of RMB50 million or above, or assets size of RMB100 million or above, or annualized profit generation of RMB1 million or above.

5. Transaction banking

Innovation in product and service models was accelerated, and customer base and business scale continued to develop. The Bank's transaction banking was customer-centered and organically integrated products, channels, and financial technology, covering multiple fields such as account services, payment and settlement, and trade financing. Relying on digital transformation, the Bank created online settlement and financing products such as "BQD Huitong" (青銀匯通), "Offshore Huitong" (離岸匯通), "BQD Trade Loan" (青銀貿易貸) and "BQD Chain Yidai" (青銀鏈易貸) to provide customers with comprehensive financial services including domestic and foreign currencies, off-shore and on-shore, on- and off-balance sheet. As at the end of the Reporting Period, there were 3,901 active customers of international business, representing an increase of 811 or 26.25% as compared with that at the end of last year. The international settlement volume of the Bank amounted to US\$17.688 billion, representing an increase of US\$4.218 billion or 31.31% as compared with that at the end of last year, ranking first in the province in terms of international settlement volume and the amount of the cross-border RMB settlement. The Bank had 5,792 supply chain finance customer base upstream and downstream, representing an increase of 2,715 or 88.24% as compared with that at the end of last year. The balance of supply chain financing was RMB13.977 billion, representing an increase of RMB5.886 billion or 72.75% as compared with that at the end of last year. The effective cash management of contracted customer base contained 13,384 customers, representing a net increase of 6,620 or 97.87% as compared to the end of last year. During the Reporting Period, the total income from intermediary business of transaction banking business reached RMB243 million, representing a year-on-year increase of 25.80%.



17.4 Financial Market Business

The Bank's financial market segment adhered to the development concept of "expertise prioritized, stable operation, and technological empowerment", gave full play to the flexible and efficient inherent advantages of a regional bank corporation. Through the model of "investment banking + sales + market making", the Bank promoted underwriting through sales and market making, and promoted sales with trading and investment research, and comprehensively opened up the businesses of investment banking, sales, trading, research and custodianship. The Bank has formed a professional business line with proprietary investment and interbank business as the core while taking business innovation and risk control as the guarantee, meanwhile, which was equipped with a complete set of qualifications and licenses to occupy national competitiveness. During the Reporting Period, the Company's financial market business achieved operating income of RMB2.921 billion, accounting for 21.78% of the Company's operating income.

1. Proprietary investment

The Bank optimized its investment and trading strategies, achieving simultaneous growth in scale and profitability. During the Reporting Period, the Bank focused on "risk-based and efficiency-prioritized" while ensuring matching the liability and asset. Based on the principle of "strengthening strategy, deepening clientele, and optimizing empowerment", the Bank strengthened market research and judgment, made precise timing and flexible position adjustments to enhance the investment efficiency of its assets. In terms of investment and trading, the Bank adhered to the concept of prudent operation, actively studied the economic fundamentals and the direction of monetary policy of major domestic and overseas economies, and improved the framework for investment research and analysis. The Bank continued to strengthen the construction of its comprehensive market makers capability, and continuously to improve the standards of quotation and trading services.

The Bank adhered to the implementation of the national economic strategy orientation, focusing on the national industrial restructuring, and increasing credit bond investment in new dynamics and other corporate clients. Establishing a diversified business matrix that covers fund transactions, bond investments, interbank business and derivative services, the Bank provided regional real-economy enterprises with comprehensive financial services across the entire chain. As at the end of the Reporting Period, the proprietary investment (including accrued interest) of the Company amounted to RMB257.381 billion, representing an increase of RMB31.610 billion or 14.00% as compared with that at the end of last year, of which bond investment (including accrued interest) was RMB198.446 billion, representing an increase of RMB32.280 billion or 19.43% as compared with that at the end of last year; investments in public fund products reached RMB51.184 billion, representing an increase of RMB7.384 billion or 16.86% as compared with that at the end of last year; non-underlying investment assets (including accrued interest) amounted to RMB3.726 billion, representing a decrease of RMB7.153 billion or 65.75% as compared with that at the end of last year; and the value of other debt financing products (including accrued interest) was RMB3.890 billion, representing a decrease of RMB1.014 billion or 20.68% as compared with that at the end of last year.

2. Interbank business and asset custody

The Bank deepened its management of interbank liability structure and prudently controlled liability costs. Through forward-looking liability portfolio planning and differentiated pricing mechanisms, the Bank dynamically optimized the liability types and maturity profiles, simultaneously promoted the expansion of diversified liability channels and strengthened its market-oriented financing capabilities, realizing synergistic improvement in liability cost control and liquidity safety margins. The Bank focused on a tiered management strategy for interbank customer groups, refining comprehensive financial service solutions to drive growth in both core customer coverage and the depth of strategic partnerships. As at the end of the Reporting Period, the balance of the Bank's interbank certificates deposit issued was RMB82.540 billion, accounting for 60.98% of the Bank's interbank liabilities and 13.14% of the Bank's total liabilities. The balance of the Bank's RMB interbank deposits was RMB14.180 billion, accounting for 10.48% of the Bank's interbank liabilities and 2.26% of the Bank's total liabilities, among which the balance of interbank time deposits was RMB2.945 billion, accounting for 20.77%, and the balance of interbank demand deposits was RMB11.235 billion, accounting for 79.23%.

By deeply integrating group resources, the asset custody scale has achieved steady growth. The Bank's asset custody business seized the market development opportunities and continued to improve the "underwriting-investment-sales-custody" linkage mechanism, realizing rapid business growth. As at the end of the Reporting Period, the asset custody scale amounted to RMB145.012 billion, representing an increase of RMB132.141 billion as compared with that at the end of last year. The total number of custody products reached 420, covering public funds, wealth management products, brokerage fund management, fund-specific accounts, asset securitization, fund custody, and other types. The product spectrum has become increasingly diverse, with a reasonable and balanced product layout. The Bank positioned public securities investment fund held in custody as a strategic-level business and successfully launched 11 public fund products with a total custody scale of RMB32.561 billion, initially consolidating the foundation for business revenue. Fully utilizing the Group's synergistic advantages, each business segment has collaboratively developed interbank cooperation models and business expansion scenarios, leading to sustained growth in custody scale. It continuously strengthened the operational capabilities and risk prevention and control standards for various custody products to enhance the overall operational quality and efficiency. Relying on digital transformation to empower business development, it increased investment in financial technology and launched an institutional service platform - "BQD Custody" (青銀託管), providing customers with warm and efficient custody services. The professional custody capabilities and service standards have gained high recognition in the market.

3. Investment banking

Leveraging its professional advantages to achieve record-high results. The Bank actively leveraged its professional advantages in debt financing instruments underwriting business, strengthened integrated innovation and coordinated development, and created a comprehensive business model of "investment bank + commercial bank". In 2024, the issuance amount of the Bank's debt financing instruments was RMB98.223 billion with the underwriting quota being RMB48.056 billion, representing an increase of RMB17.987 billion or 59.82% as compared with the same period of last year. During the Reporting Period, the Bank's underwriting performance for debt financing instruments reached a new high. The underwriting size of full-calibre debt financing instruments ranked second in Shandong Province, while the underwriting size of medium- and long-term debt financing instruments ranked first in the province. The number of underwriting products and the number of issuers served also ranked first in Shandong Province. The Bank successfully issued the first credit-linked note by a financial institution in Shandong Province and the first cross-border target debt credit-linked note (CLN) established by a bank nationwide; the Bank was awarded the "Best Inter-bank Debt Financing Instrument Underwriter" and the "Bond Underwriting Rapid Progress Award" by Wind Information.

17.5 Channel Construction

1. Offline channels

The Bank's business outlets are based in Qingdao, expanding throughout Shandong Province. As at the end of the Reporting Period, the Bank had 200 business outlets, including 16 branches, in 15 cities of Shandong Province, including Qingdao, Jinan, Dongying, Weihai, Zibo, Dezhou, Zaozhuang, Yantai, Binzhou, Weifang, Linyi, Jining, Tai'an, Heze and Rizhao. In February 2025, Liaocheng Branch officially opened, the Bank has achieved a strategic layout covering all 16 cities in Shandong. As at the end of the Reporting Period, the Bank had 1 business department of the head office, 1 branch and 112 sub-branches in Qingdao. The Bank's controlling subsidiary BQD Financial Leasing and wholly-owned subsidiary BQD Wealth Management are headquartered in Qingdao. As at the end of the Reporting Period, the Bank had a total of 427 self-service machines, including 6 automated teller machines (ATM), 271 deposit and withdrawal machines, 112 bank self-service terminals and 38 cash teller machines, providing services including withdrawal, deposit, transfer, account inquiry, and payment. During the Reporting Period, the total number of transactions through the Bank's self-service equipment was 6.3685 million, with a total transaction amount of RMB21.869 billion.

Iteratively promoted the transformation and upgrading of branches, and continuously improved the customer service experience. In terms of overall management of the halls, it further improved the business management system of the branches, formulated more than 110 standardized diagrams for halls, and promoted the construction of the halls in a coordinated manner under the "one bank, one policy" approach. In terms of operational services, the level of centralized and remote intensive support has been continuously improved. Throughout the year, the Bank responded to over 130 thousand remote service requests from customers; the time required for the entire Bank's seal imprint archiving process was reduced by 2 working days to enhance the convenience of corporate account opening. By simplifying complex branch services like letter of certification, the Bank has helped improve the business environment. In terms of social responsibility, the Bank has continuously improved its "fund chain" governance system, achieving the lowest bank card "involvement rate" in criminal cases among peers within the province. The Bank launched a fund early warning and joint defense system, safeguarding the account funds of 14 thousand potential victims of telecom fraud. Additionally, the Bank deeply enhanced payment services and conducted a "dormant account activation" (沉睡賬戶喚醒) campaign, successfully reactivating over 20 thousand accounts.

2. Online channels

The Bank continued to deepen the construction of online channels for corporate customers. The corporate online banking platform has undergone in-depth optimization and refinement in areas such as liabilities, financing, international settlements, and electronic bills. At the same time, the Bank focused on enhancing the customer experience in terms of registration, installation, and ease of use, leading to continuous improvement in online service capabilities. As of the end of the Reporting Period, the number of customers of corporate online banking amounted to 286.1 thousand, representing an increase of 15.61% as compared with that at the end of last year. During the Reporting Period, the cumulative number of transactions reached 21.6939 million, representing a year-on-year increase of 83.41%; and the cumulative transaction amount was RMB2,584.797 billion, representing a year-on-year increase of 14.81%. The corporate mobile banking has improved business scenarios such as transfers, reconciliations and inclusive finance, and gradually planned and constructed online deposit products and related business scenarios such as financing, national settlement and electric bills.

Section V Management Discussion and Analysis

The functionality of retail online channels has been continuously improved. The Bank centered on “providing services with convenience and meeting personalized needs” and rooted in the core service concept of “Happiness • Companionship”. The Bank generated differentiated strategies and personalized product matching for online operations by collecting multi-dimensional data and building precise customer profiles, achieving precision marketing and enhancing the intelligence of services. During the Reporting Period, the Bank launched service features such as periodic scheduled transfers and online business loans, and optimized the online purchasing process for precious metals. Additionally, the Bank introduced personalized scenario applications like “Happiness Receipt” (幸福回執) and “Heartfelt Deposit Certificates” (心意存單), striving to provide services that are “more thoughtful and more attuned to your needs”. As at the end of the Reporting Period, the Bank recorded 5.3084 million personal mobile bank users in existence, representing an increase of 268.1 thousand or 5.32% as compared with that at the end of last year. The number of monthly active users of personal mobile banking stood at 1.4566 million, representing an increase of 3.01% as compared with the same period of last year. The Bank further improved the online service capabilities of its credit card on WeChat mini program, deeply integrating financial and consumption scenarios. As at the end of the Reporting Period, the mini program for BQD credit card had accumulated 2.0960 million registered users. During the Reporting Period, the number of monthly active users peaked at 525.5 thousand.



17.6 Digital Development

The Company proactively made good use of “digital finance” aspect and comprehensively consolidated the information technology risk management system. Taking key technology projects as the driving force, the Bank pushed forward the process of digital transformation in depth, helping the high-quality development of business. During the Reporting Period, the investment in information technology amounted to RMB565 million, accounting for 4.21% of the Company’s operating income.

The Company had 342 scientific and technological R&D personnel, representing an increase of 7.21% as compared to the end of last year, accounting for 6.69% of the Bank’s total staff. The educational background of R&D personnel was composed of: 193 people with master’s degree or above, 147 people with bachelor’s degree, and 2 people with college graduates or below. The age distribution was as follows: 156 people aged 30 and below, 136 people aged 30-40 (excluding 30, including 40), 43 people aged 40-50 (excluding 40, including 50), and 7 people aged 50-60 (excluding 50, including 60).

Section V Management Discussion and Analysis

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

The Company independently planned and designed the Strategic Plan for Information Technology and clarified the development direction and implementation route of information technology; it established a product management system, comprehensively organizing 441 products across five major categories, and also established supporting decision-making mechanisms and management systems; the Bank independently researched and developed the product spectrum platform and accelerated the construction of new-generation distributed core systems.

2. Accelerate digital transformation and promote the implementation of innovative application

The Company actively explored the in-depth integration of fintech and businesses, and actively promoted the implementation of innovative applications. During the Reporting Period, 60 new projects were launched, 79 key projects were put into operation, and 2,783 business requirement items were put into operation.

The Company deeply explored the value of data. The Company has implemented the “Solid Foundation Initiative” and data governance special initiative, constructed data quality control process and monitoring mechanism, and realized the full coverage of data service system; it has built four types of standardized model markets, namely, general model, risk marketplace, historical data query and external data, completed a “digital post-loan system” covering 16 areas and 65 key risk indicators, and released a visual management tool covering nine major topics and more than 180 key indicators, so as to enhance the end-to-end risk and control capability during and after the incident.

The Company enriched and improved the Company's financial service system. Key projects such as “online corporate business halls Phase II” were put into operation and the construction of the smart credit project groups were started; the Company has innovatively launched online financing products such as “Ticket Chain e-Loan” (票鏈e貸) and “Smart Manufacturing e-Loan” (智造e貸), which enriched the digital service ecosystem and online product line; it has established an online loan rapid connection mechanism, standardized the connection between securities companies and enterprises, enhancing the digital operation efficiency of the corporate business.

The Company continued to increase its investment in digital innovation for retail business. The Company published Individual Mobile Bank 8.11, self-developed the “BQD ZhiLing – Mobile Customer Experience Monitoring System” (青銀智聆 – 移動端客戶體驗監測系統), and the mobile banking launched new functions such as business loans and commercial pension. The Bank innovatively launched the “Happiness Train” (幸福列車), a fast-moving marketing wealth management app, enhancing the financial service experience for retail customers.

The Company comprehensively enhanced the intelligence level of risk management. “New Capital Regulations Project” was put into operation to effectively improve the level of capital management and risk management; the external monitoring systems such as the “Provincial Public Security Department Funds Early Warning and Joint Defense Platform” (省公安廳資金預警聯防平台) and the “Financial Anti-fraud Integration Platform of People's Bank of China” (人民銀行金融反詐一體化平台) were accessed, and a number of systems were put into operation, such as the “Project of Graded and Classified Management of Accounts” and the “End-to-end Integrated Risk Monitoring and Risk Account Rule Optimization Project”, etc.

3. Deepen information technology risk management and build a strong defense line for digital transformation

The Company continuously strengthened its information technology risk management system, enhanced infrastructure capabilities, optimized the “two cities and four centers” layout, put into operation the off-site disaster recovery center in Jinan, and initiated the comprehensive information innovation construction of its data centers; the Bank has achieved full coverage of emergency plans for critical business systems and promoted the application of distributed multi-active architecture; it established an accounting risk inspection mechanism, and strengthened network security management and regular risk monitoring, completed API unauthorized access checks, terminal sensitive data scanning, and risk assessments for systems such as mobile banking. During the Reporting Period, the Company achieved zero errors in secure operations and zero points lost in network protection during major events throughout the year, with all information systems across the whole Bank operating smoothly.

4. Explore the high ground of cutting-edge technologies and ignite a new engine for digital transformation

The Company comprehensively deepened its research into cutting-edge technologies, accelerated the construction of digital financial infrastructure, such as digital marketing platforms, intelligent identification centers, virtual digital humans, intelligent assistants, etc., and actively explored the application of generative artificial intelligence in multiple scenarios; it adopted the model of “external acquisition and internalization, self-built reinforcement, independent research and development, and standardized products” to stimulate innovation vitality; it has built a system of professional competence in science and technology that is “driven by both management and technology”, put into operation the “Information Technology Integrated Management Platform”; and independently developed platforms for business management, operations and maintenance management, and cloud-native DevOps, so as to explore the digital transformation of technology management.

During the Reporting Period, the Company’s independently developed “BQD ZhiLing – Mobile Customer Experience Monitoring System” was awarded the third prize in the FinTech Development Award by the People’s Bank of China; the “Green Finance Business Management System” was awarded the first prize in the Financial Innovation Awards, and won the top prize of Digital Finance Innovation for four consecutive years; a number of projects, including the “Intelligent Financial Management Platform” and “BQD Inclusive e-Finance”, have received major industry awards; four systems, including the “Testing Workbench”, have obtained software copyright registration certificates.



In May 2024, the Bank successfully organized the “Digital Operation Training Camp” for its corporate lines to continuously promote the enhancement of the digital application capability of the corporate banking team.

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 “48(4) Consolidated Structured Entities under Notes to the Financial Statements” of this annual report.

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 Board of Supervisors exercises effective supervision, and the senior management directly leads. Such organizational structure is supported by the Bank's Comprehensive Risk Management Committee, with Risk Management Department taking the lead in comprehensive risk management and each risk management department responsible for single 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 (including interest rate risk of banking book), liquidity risk, operational risk, reputational risk, strategic risk, information technology risk, country risk, compliance risk, money laundering risk, outsourcing risk, data risk, environmental and social risk and other risks required 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:

Section V Management Discussion and Analysis

1. Continued to optimize a comprehensive risk monitoring system. Focusing on the construction of the risk monitoring system and monitoring arrangements at group level, the Bank added a number of monitoring areas (including the private sector and real estate) on the basis of the original monitoring areas and in accordance with the overall risk situation in 2024, so as to gradually realize effective identification, measurement, monitoring and control of the group's risk situation.
2. Continued to optimize credit asset quality. The Company actively promoted the steady implementation of three new regulatory regulations such as the new capital regulations, classification regulations and impairment regulations, gradually launched the supporting rules and ancillary systems to comprehensively upgrading the digital capabilities; 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 in order to maintain a downward trend and achieved the management and control target.
3. Continued to strengthen risk management and control in key areas. The Bank continued to consolidate the foundation of the "Triple Loan Inspections", strictly implemented the "post-credit granting inspection" mechanism, implemented differentiated post-loan management measures, and improved the accuracy and effectiveness of post-loan management. The Bank established a long-term mechanism for risk investigation, strengthened risk monitoring in key areas and key customers, and promptly tracked and implemented rectifications once problems were discovered. Centering on the new triennial strategic plan and focusing on the transformation of the manufacturing industry while optimizing collaboration and strengthening driving force, the adjustments of industry approval structures were vigorously promoted, so as to comprehensively build a manufacturing development system.
4. Continued to strengthen post-credit risk management. According to "Measures for Post-credit Management of Bank of Qingdao's Credit Assets", the Bank shall carry out the implementation of post-credit management, including the construction of supporting systems and direct inspection and monitoring. The Bank has continued to optimize its post-credit management mechanism from the perspectives of management system, inspection framework, staffing, and supporting systems, so as to improve the Bank's credit risk management and business compliance standards.
5. Continued to improve the digital credit management. In 2024, the Bank launched 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 launch of the internal rating, risk cockpit and smart post-loan systems of the smart credit system was completed throughout the year, which further strengthened the Bank's credit system's risk quantification and the visualization analysis capabilities of data of head office and branches.

By taking the said 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 relatively complete liquidity risk management system that meets the current development needs based on the principles of comprehensiveness, prudence, and perspectiveness. The liquidity risk management policies and systems comply with regulatory requirements and the Company's own management needs.

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

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

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

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

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

1. Moderately increased investment in qualified high-quality bonds and maintained sufficient liquidity reserves;
2. Actively expanded the sources of liabilities and promoted the steady growth of deposits, with the stability of liabilities enhanced;
3. Conducted daily liquidity risk management, strengthened market analysis and study, and improved the capital utilization efficiency on the basis of ensuring the safety of liquidity;
4. Fully considered various macro and micro factors that may affect the Company's liquidity, and improved stress test procedures and conducted regular stress tests in light of changes in the external operating environment, regulatory requirements, the Company's business characteristics and complexity;
5. Revised the relevant administrative measures for liquidity risk management to further standardize the functional division of relevant business departments and Senior Management Committees, clarified the accountability mechanisms and risk assessment procedures for business innovation, integrated the liquidity risk early warning system, and enhanced the content of limit management and contingency plans.

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

Unit: RMB'000

Item of liquidity coverage ratio	31 December 2024	31 December 2023
Qualified and high-quality current assets	95,465,058	75,270,402
Net cash outflows in next 30 days	47,023,000	47,606,972
Liquidity coverage ratio (%)	203.02	158.11

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

Unit: RMB'000

Item of net stable funding ratio	31 December 2024		30 September 2024	
	The Company	The Bank	The Company	The Bank
Available stable funding	424,164,612	417,536,445	419,235,038	414,202,224
Required stable funding	352,570,107	328,907,881	342,817,507	321,915,538
Net stable funding ratio (%)	120.31	126.95	122.29	128.67

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

For more information on the Company's liquidity risk management, refer to "45(3) Liquidity Risk under Notes to the Financial Statements" of this annual report.

19.4 Market Risk Management

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

19.4.1 Analysis of interest rate risks

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

Interest rate risk of the Company's trading books are mainly measured and monitored with methods such as sensitivity analysis, stress tests and scenario simulation. During the Reporting Period, the Company closely followed regulatory requirements and financial market trends, continued to improve the trading book market risk management system, and gradually strengthened its market risk identification, measurement and monitoring capabilities. Firstly, it improved the market risk management policy and system, strictly implemented the management requirements of new capital regulations, and enhanced various market risk systems and methods such as book division, limit management, and stress testing. Secondly, it continued to strengthen market risk monitoring and reporting and dynamically adjust the market risk limit management system based on business changes to ensure that interest rate risks in trading books were controllable. Thirdly, it continued to improve market risk measurement capabilities and enhanced the Company's risk measurement and analysis capabilities by building a new generation of market risk management systems. Fourthly, it measured market risk capital in strict accordance with the requirements of new capital regulations and new standard laws.

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

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

Section V Management Discussion and Analysis

19.4.2 Analysis of interest rate sensitivity

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

Unit: RMB'000

Item	31 December 2024 (Decrease)/Increase	31 December 2023 (Decrease)/Increase
Change in annualized net interest income		
Interest rate increase by 100 bps	(961,661)	(731,924)
Interest rate decrease by 100 bps	961,661	731,924

Unit: RMB'000

Item	31 December 2024 (Decrease)/Increase	31 December 2023 (Decrease)/Increase
Change in annualized equity		
Interest rate increase by 100 bps	(1,895,430)	(2,301,467)
Interest rate decrease by 100 bps	2,009,853	2,465,394

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

Section V Management Discussion and Analysis

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 date of the statement of financial position, the analysis is based on the static gap at the date of the statement of financial position;
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 are 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.

Section V Management Discussion and Analysis

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 2024 and 31 December 2023.

Unit: RMB'000

Item	31 December 2024 Increase/(Decrease)	31 December 2023 Increase/(Decrease)
Change in annualized net profit and equity		
Foreign exchange rate increase by 100 bps	91	4
Foreign exchange rate decrease by 100 bps	(91)	(4)

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

1. the foreign exchange sensitivity is the gain or loss recognised as a result of 100 basis points fluctuation in the foreign currency exchange rates against RMB (central parity rate) at the closing on the reporting date;
2. the fluctuation of exchange rates by 100 basis points at the date of the statement of financial position is based on the anticipated exchange rates movement over the next year from the date of the statement of financial position;
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 established an operational risk management system framework, revised the Operational Risk Management Policy of Bank of Qingdao Co., Ltd., formulated a supporting specialized system for operational risk management, to improve the operational risk management system; secondly, it improved operational risk management tools, established unified operational risk management processes and methods, to promote the implementation and application of operational risk management tools at the bank level; thirdly, it launched the operational risk and internal control compliance management system to comprehensively improve the Bank's digital intelligence level of operational risk management; fourthly, it strengthened operational risk management training and publicity, carried out various forms of special training on operational risk management, to effectively improve the Bank's awareness and level of operational risk management.

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 senior management is responsible for implementing compliance management goals.

During the Reporting Period, the Company aimed at compliance operations and continued to improve its compliance risk management and control capabilities on the premise of risk prevention, firstly, it continued to strengthen the management of internal control systems, paid attention to the actual needs of external regulatory policies and internal operation management, and continuously optimized 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 established a collaborative working mechanism for intra-bank supervision, applied the joint meeting mechanism, connected various supervisory forces and resources, and built a "large-scale supervision" management system for Bank of Qingdao; fourthly, it promoted the construction of internal control and compliance culture, created an online publicity platform for compliance culture, published various compliance guidelines, risk warnings, training and education guidance on a regular basis, reinforced compliance awareness of all employees, and established the concept of value creation compliance across the Bank.

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 continued to improve the internal control system, closely followed the spirit of anti-money laundering laws and regulations, promptly revised the anti-money laundering internal control system, continued to optimize management processes, and implemented risk management and control measures; secondly, it strengthened the quality and efficiency of anti-money laundering monitoring, increased investment in science and technology, focused on new monitoring technical means, built an intelligent anti-money laundering monitoring system, and continued to improve the level of anti-money laundering monitoring; thirdly, it increased work execution management efforts, optimized the anti-money laundering work inspection model, promoted reform through inspection, improved awareness of proactive performance of duties, and consolidated the quality of work execution; fourthly, it strengthened theoretical education and risk warning, focused on job responsibilities and business practice, issued money laundering risk warnings, carried out various types of special training on money laundering risk management, and continuously improved the comprehensive capabilities of money laundering risk management.

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 an important part of the corporate governance and the overall risk management system of the Company, covering all activities, operations and businesses undertaken by the Company and its subsidiaries. The Company has established and formulated the reputational risk management rules and system by taking the initiatives to effectively prevent the reputational risk and coping with any incidents in relation to reputation, so as to reduce loss and negative impact to the greatest extent. During the Reporting Period, the Company strictly fulfilled the 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, by enhancing forward-looking management, the Company adhered to the reputational risk management philosophy of prevention comes first and strengthened inspection, early warning and prompting to reduce potential reputational risks at source; on the other hand, centering on various measures taken by the Company in order to actively fulfill its social responsibilities, the Company carried out promotion on the theme of supporting the real economy and protecting the rights and interests of consumers, so as to enhance its corporate image.

19.10 Information Technology Risk Management

Information technology risk refers to the uncertain impact on business continuity, customer information security and compliance that may be brought about by potential deficiencies in technical systems, network security, data management or external threats. The Company continuously identifies, evaluates and monitors information technology risks through the establishment of a comprehensive risk management system to ensure the security, stability and continuous operation of information systems.

The Company has established a comprehensive information technology risk management system, including a clear governance structure, strict policies and processes, advanced technological control measures, and regular emergency drills. The Company continued to deepen its technological internal control and compliance inspections, to strengthen risk identification and prevention, promoting proactive operations and maintenance, as well as establishing an accounting risk investigation mechanism to continuously improve operational risk management standards; the Bank continued to strengthen system availability management and optimize the layout of four-center data centers in the two areas. It has successfully completed the commissioning of off-site disaster recovery center in Jinan and achieved 100% coverage of emergency plans for important business systems; it also continued to promote the construction of special network security capabilities, and comprehensively ensured the safe and compliant operation of information systems by strengthening application security management, network monitoring and defense capabilities, and data security governance; moreover, the Bank was committed to enhancing the risk management level of its information technology outsourcing. To this end, it has established a sound technology outsourcing risk assessment system to ensure the quality and security of outsourcing services.

19.11 Data Risk Management

As the Company's business continues to evolve, the scale of its data assets is expanding, and the demand for systematic support of business data capabilities is increasing. While leveraging data to drive business development, the accompanying data risks such as data leakage and data misuse have become the types of risks that coexist with business development and will exist for a long time.

The Company attaches great importance to data risk management, strictly implements regulatory requirements, and continues to improve the construction of the data risk management system. During the Reporting Period, the Company clarified the promotion strategy of the group's data security work, and both parent and subsidiary companies collaborated to promote the implementation of data risk prevention and control measures, firstly, the Company improved the data security system, refined the group's data classification and grading and business-specific data security management system, clarified the responsibilities and strategies for data security protection throughout the data life cycle, and continuously strengthened the awareness of data risk responsibility; secondly, it strengthened the risk prevention and control of data processing activities, strictly implemented the security grading audit of business data extraction, strictly controlled data access rights, standardized the collection of source data in accordance with the law, strengthened the security management requirements for data processing activities with third-party organizations, and continuously strengthened the foundation of data risk management; thirdly, with the help of technical means to realize automated hierarchical identification of terminal sensitive data. By taking measures such as mobile storage device management and control and email data leakage risk monitoring, data life cycle security protection has been strengthened to prevent data leakage risks, and the Company's comprehensive ability in data risk management has been significantly enhanced.

20. PROSPECTS FOR THE FUTURE DEVELOPMENT OF THE COMPANY

20.1 Industry Landscape and Trend for the New Year

In 2025, there will be many positive factors in China's economic development. The central government has repeatedly emphasized that it will implement "more active and proactive macro policies", which released a positive signal to comprehensively strive for the economy. The proposal to "stabilize the real estate market and the stock market" indicates that macro policies will promote continuous improvement in the asset side and drive the real economy to stabilize and recover. With the implementation of more proactive incremental policies, it is expected that China's economy will bottom out and stabilize in 2025, the economic fundamentals will improve, and the bank credit investment environment will be better than last year. The more active fiscal policy and moderately relaxed monetary policy will bring new business opportunities to business development. The high-quality development of China and Shandong Province will provide broad business development space for Bank of Qingdao, which is "being headquartered in Qingdao with in-depth penetration in Shandong Province to radiate nationwide".

20.2 Development Guiding Ideology for the New Year

2025 is the last year both for the "14th Five-Year Plan", and the strategies of Bank of Qingdao. Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, Bank of Qingdao will strictly implement the spirit of the Economic and Financial Work Conference at central, provincial, and municipal level. Under the leadership of the Party Committee of the head office, and in accordance with the operating guiding ideology of "professional improvement, digital and intelligent empowerment, system optimization, and characteristic driving", the Bank will focus on high-quality development and work hard to ensure that the annual business plan will be fully achieved and the strategic plan will be successfully completed.

Professional improvement: the Bank will continue to improve its professional operating capabilities such as product creation, business marketing, and comprehensive services to meet the diversified needs of customers. It will strengthen professional support roles such as risk management, assessment and financial management to drive the efficient and steady development of the Bank's operations. It will also enrich professional support forces such as technological support, operation management, and service guarantee to provide customers with efficient and convenient financial services.

Digital and intelligent empowerment: the Bank will adhere to the overall goal of giving priority to intelligence and mobile, systematically improve the Bank's technological research and development level, consolidate data quality, tap the value of data assets, improve guarantee mechanisms, and enhance the effect of technological empowerment. It will tilt resources to strengthen the application of intelligent technology and improve the digital and intelligence level of the four major platforms of marketing, risk control, operations, and collaborative office.

System optimization: the Bank will improve its product system, increase product innovation, and polish the details of existing products; upgrade its marketing system, empower digital and intelligence, and integrate online and offline to improve customer operating efficiency. It will optimize the risk control system and improve the existing system framework to strengthen weakness in risk management. The Bank will also strengthen the support and guarantee system, refine operations and ensure stable operation of the business; form an agile team to improve the quality and efficiency of industry-technology integration; and optimize business processes to improve the operating efficiency of the Bank.

Characteristic driving: the Bank will carry out differentiated operations around the "eight major tracks" (八大赛道), focusing on scenarios such as agriculture-benefit, communities, and elderly care to form differentiated approaches, and consolidate and enhance license advantages such as investment banking, wealth management, and financial leasing. It will establish advantages in technology, green, ocean, integrated operations, etc., create brands in warm services, charity, etc., so as to form business characteristics with social influence.

20.3 Main Work Measures for the New Year

In 2025, the Bank will continue to adhere to the concept of high-quality development and continue to promote the three strategic goals of “leading quality and efficiency, outstanding features and flexible mechanisms”, attaching importance to the following nine aspects:

1. Retail business: leveraging digital and intelligence to deepen cultivation of customer base and laying a solid foundation for iterative development;
2. Corporate business: achieving differences improvement by consolidating the strength and making up for the weakness, as well as optimizing characteristics through innovation and efficiency creation;
3. Inclusive business: continuing to consolidate the foundation of business and developing “two complete and one comprehensive” (兩全一綜) professional development;
4. Financial market business: strengthening characteristics through transaction transformation, and improving quality and efficiency through coordinated development;
5. Subsidiaries: strengthening the Two Complements by deepening transformation and enhancing characteristics through coordinated development;
6. Technological support: deepening transformation by improving mechanisms and reaching a new level through digital and intelligent empowerment;
7. Risk management: continuing to strengthen the risk control system to help generate features across the Bank;
8. Internal control over operation: strengthening internal control through innovative operations and ensuring development through optimizing authorization;
9. Comprehensive management: promoting development through party building guidance, strengthening the team to lay a solid foundation, and solidly implementing various tasks.

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

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Date of reception	Place of reception	Form of reception	Type of recipient	Recipient	Major discussion points and information provided	Index of the basic particulars of the survey
11 April 2024	Head office of the Bank	On-site survey and online interaction	Institutions	Ni Jun from GF Securities, Ma Xiangyun from Changjiang Securities, Ma Zhihao from Zhongtai Securities, Dai Tianian from China Merchants Securities, Zhou Yuan from Zheshang Securities, Ding Huangshi from Kaiyuan Securities, Wang Xinyu from China Securities, Zhao Chenyang from Everbright Securities, Pu Jiayi from Huatai Securities, Lu Jiaoyang from CICC, Ni Anfeng from Guosheng Securities, and other investors who participated in this performance conference through live webcast	Exchanges on the 2023 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 11 April 2024
7 May 2024	Head office of the Bank	On-site survey	Institutions	Zhang Jiawang, Xu Xionghui, Li Yu and Peng Bo from Dacheng Fund, and Li Runling from Huatai Securities	Exchanges on the interest spread and interest margin, commission income, etc. of the Bank, but the Bank did not provide relevant information	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 7 May 2024

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Date of reception	Place of reception	Form of reception	Type of recipient	Recipient	Major discussion points and information provided	Index of the basic particulars of the survey
9 May 2024	Head office of the Bank	Telephone communication	Institutions	Analysts and institutional investors such as Ma Xiangyun and Zhou Libin from Changjiang Securities	Exchanges on the credit allocation, asset quality, etc. of the Bank, but the Bank did not provide relevant information	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 9 May 2024
15 May 2024	Head office of the Bank	On-site survey	Institutions	Ma Kunpeng, Li Chen and Wang Xinyu from China Securities, He Wang from China Universal Fund, Liu Shaolin from Harvest Fund, Huang Fan from Perseverance Asset, Jiang Yudong from MaxWealth Fund, Duan Xiqing from CMS Asset Management, Xiu Jian from Income Partners, Wang Wenhao from Changsheng Fund, and Liu Chao from Huachuang Captive	Exchanges on the agriculture-related credit, revenue outlook, etc. of the Bank, but the Bank did not provide relevant information	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 15 May 2024
16 May 2024	Head office of the Bank	On-site survey	Institutions	He Yating from Huatai Securities, Luo Lisi from China Merchants Fund, Yan Yijiang from China Asset Management, An Na from China Life Insurance Pension, and Huang Shanying from China Life AMP Fund	Exchanges on the license advantages, net interest margin, etc. of the Bank, but the Bank did not provide relevant information	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 16 May 2024

Section V Management Discussion and Analysis

Date of reception	Place of reception	Form of reception	Type of recipient	Recipient	Major discussion points and information provided	Index of the basic particulars of the survey
28 May 2024	Head office of the Bank	On-site survey	Institutions	Wu Xuan from Penghua Fund	Exchanges on the competitive advantages, commission income, etc. of the Bank, but the Bank did not provide relevant information	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 28 May 2024
29 May 2024	Head office of the Bank	On-site survey	Institutions	Zhang Xiaohui from Cinda Securities, Zhao Yinming from BOCOM Schroder, Li Xin from Taikang Assets, Jiang Zhongyu from Caitong Fund, Liu Yue from Perseverance Asset, and Wang Xin from Capital Securities	Exchanges on the subsidiary development, dividend distribution, etc. of the Bank, but the Bank did not provide relevant information	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 29 May 2024
7 June 2024	Head office of the Bank	On-site survey	Institutions	Chen Shaoxing and Cao Xintong from Industrial Securities, Wu Tinghua from Chang Xin Asset Management, and Wu Yingying from Yinhua Fund	Exchanges on the outlet distribution, net interest margin, etc. of the Bank, but the Bank did not provide relevant information	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 7 June 2024
14 June 2024	Head office of the Bank	On-site survey	Institutions	Deng Meijun and Ma Zhihao from Zhongtai Securities, and Cao Ye from CICC Wealth Management	Exchanges on the agriculture-related credit, credit allocation, etc. of the Bank, but the Bank did not provide relevant information	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 14 June 2024

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Date of reception	Place of reception	Form of reception	Type of recipient	Recipient	Major discussion points and information provided	Index of the basic particulars of the survey
19 June 2024	Head office of the Bank	On-site survey	Institutions	Ma Xiangyun and Zhou Libin from Changjiang Securities, and He Chuan from China Life Asset Management	Exchanges on the competitive advantages, credit orientation, etc. of the Bank, but the Bank did not provide relevant information	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 19 June 2024
10 July 2024	Head office of the Bank	On-site survey	Institutions	Zhang Xiaohui from Cinda Securities and Xu Jianrong from Fullgoal Fund	Exchanges on the business growth, asset quality, etc. of the Bank, but the Bank did not provide relevant information	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 10 July 2024
5 September 2024	Head office of the Bank	Online communication on network platform	Others	Investors who participated in the 2024 semi-annual performance briefing of the Bank through Panorama Network Investor Relations Interactive Platform	Exchanges on the credit growth, dividend distribution, etc. of the Bank, but the Bank did not provide relevant information	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 5 September 2024
6 September 2024	Head office of the Bank	On-site survey	Institutions	Deng Meijun from Zhongtai Securities, Sheng Yuefei from Changjiang Securities, Ding Huangshi from Kaiyuan Securities, Xu Anni from Zheshang Securities, Liu Yuan from Guotai Junan Securities, Bei Min from HFT Fund, Wang Shaohuai from Guotai Fund, Wu Xiaoyue from Taikang Fund	Exchanges on the competitive advantages, outlet distribution, etc. of the Bank, but the Bank did not provide relevant information	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 6 September 2024

Section V Management Discussion and Analysis

Date of reception	Place of reception	Form of reception	Type of recipient	Recipient	Major discussion points and information provided	Index of the basic particulars of the survey
20 September 2024	Head office of the Bank	On-site survey	Institutions	Xia Miyang and Wang Ziqin from Pacific Securities	Exchanges on the credit orientation, corporate governance, etc. of the Bank, but the Bank did not provide relevant information	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 20 September 2024
15 November 2024	Head office of the Bank	On-site survey	Institutions	Ma Xiangyun and Sheng Yuefei from Changjiang Securities, and Chen Wei from Central European Fund	Exchanges on the net interest margin, deposit-taking business, etc. of the Bank, but the Bank did not provide relevant information	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 15 November 2024
19 November 2024	Head office of the Bank	On-site survey	Institutions	Zhang Bo, Chen Qianqian and Shi Yilei from Wellington Investment Management	Exchanges on the competitive advantages, credit businesses, etc. of the Bank, but the Bank did not provide relevant information	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 19 November 2024
19 November 2024	Head office of the Bank	On-site survey	Institutions	Ma Tingting and Chen Huiqin from Guosheng Securities	Exchanges on the credit allocation, asset quality, etc. of the Bank, but the Bank did not provide relevant information	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 19 November 2024

Section V Management Discussion and Analysis

Date of reception	Place of reception	Form of reception	Type of recipient	Recipient	Major discussion points and information provided	Index of the basic particulars of the survey
28 November 2024	China Securities Journal and its website	Online communication on network platform	Others	Investors who participated in the Online Collective Reception Day for Investors through China Securities Journal and its website (https://www.cs.com.cn)	Exchanges on the core competence, cash dividend, etc. of the Bank, but the Bank did not provide relevant information	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 28 November 2024
18 December 2024	Head office of the Bank	On-site survey	Institutions	Liang Fengjie and Xu Anni from Zheshang Securities, Zhang Wenyu from Taikang Assets, Yang Junyi from Ping An Asset Management, Shen Wenchun from CAPITALLINK	Exchanges on the profitability, deposits and loans, etc. of the Bank, but the Bank did not provide relevant information	Please refer to the Investor Relations Activity Record Form published by the Bank on CNINFO website (http://www.cninfo.com.cn/) dated 18 December 2024

Section VI Corporate Governance

I. BASIC INFORMATION OF CORPORATE GOVERNANCE

In 2024, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Bank comprehensively implemented the spirits of the 20th National Congress of the Chinese Communist Party and the Central Economic and Financial Work Conference, deepened the construction of the governance system and governance capabilities, integrate leadership role of the Party Committee with corporate governance effectively, and led high-quality development with high-quality governance.

During the Reporting Period, the Bank successfully completed the rotation of the Board of Directors and Board of Supervisors, and continuously improved the modern corporate governance structure with the general meeting, the Board of Directors, the Board of Supervisors and the senior management as the main body, and created a standardized, professionalized and distinctive corporate governance model. The Bank complied with various regulations of industry regulatory authorities and capital market supervision, amended the Articles of Association, optimized the top-level authorization system, continued to improve the corporate governance system, so as to consolidate the foundation of corporate governance. The Bank has further strengthened the management of shareholders' equity, strived to improve the standard and effectiveness of related party transaction management, carried out high-quality information disclosure, and refined investor relations management, therefore the scientificity, robustness and effectiveness of corporate governance have been further improved.

During the Reporting Period, the Bank, through careful self-examination, did not find any significant difference between the actual situation of its corporate governance and the laws, administrative regulations and the requirements under the regulatory documents issued by the CSRC regarding listed company governance. The Bank strictly complied with the code provisions set out in the Corporate Governance Code contained in Appendix C1 to the Hong Kong Listing Rules, and adopted the suggested best practices as set out therein as appropriate.

II. SEGREGATION OF THE BANK AND ITS CONTROLLING SHAREHOLDER ON THE OPERATIONS, PERSONNEL, ASSETS, STRUCTURE AND FINANCE

The Bank did not have any controlling shareholder or de facto controller during the Reporting Period, and maintained independent operation in operations, personnel, assets, structure and finance.

III. HORIZONTAL COMPETITION

During the Reporting Period, the Bank has no controlling shareholder or de facto controller, and no horizontal competition with controlling shareholders, de facto controllers and other enterprises controlled by them.

IV. CONVENING OF ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETING DURING THE REPORTING PERIOD

4.1 Shareholders' general meeting during the Reporting Period

Session of meeting	Type of meeting	Participation percentage of investors	Meeting place	Date of convening	Date of disclosure	Resolutions of meeting
2023 annual general meeting	Annual general meeting	58.521310%	Head Office, No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province	31 May 2024	31 May 2024	15 resolutions, such as the work report of the Board of Directors of Bank of Qingdao Co., Ltd. for 2023, the work report of the Board of Supervisors of Bank of Qingdao Co., Ltd. for 2023, the final financial accounts of Bank of Qingdao Co., Ltd. for 2023, the profit distribution plan of Bank of Qingdao Co., Ltd. for 2023, the resolution on the engagement of external auditors of Bank of Qingdao Co., Ltd. for 2024 and their remuneration, the resolution on the election of Directors of the ninth session of the Board of Directors of Bank of Qingdao Co., Ltd., the resolution on the election of Supervisors of the ninth session of the Board of Supervisors of Bank of Qingdao Co., Ltd., the resolution on the estimated amount of the ordinary related party transactions of Bank of Qingdao Co., Ltd. for 2024, the special report on related party transactions of Bank of Qingdao Co., Ltd. for 2023, the resolution on capital planning and capital adequacy ratio management plan of Bank of Qingdao Co., Ltd. for 2024-2026, the resolution on the amendments to the Articles of Association of Bank of Qingdao Co., Ltd., the resolution on the amendments to the Rules of Procedure of the Shareholders' General Meeting of Bank of Qingdao Co., Ltd., the resolution on the amendments to the Rules of Procedure of the Board of Directors of Bank of Qingdao Co., Ltd., the resolution on the general mandate for the issue of shares by Bank of Qingdao Co., Ltd. and the resolution on the amendments to the Plan on Authorisation to the Board Granted by the General Meeting of Bank of Qingdao Co., Ltd. were considered and approved.
2024 first extraordinary general meeting	Extraordinary general meeting	62.454965%	Head Office, No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province	14 October 2024	14 October 2024	the resolution on the proposed issuance quota of capital replenishment instruments of Bank of Qingdao Co., Ltd. was considered and approved.

4.2 Request for convening of extraordinary general meeting by preference shareholders with recovered voting rights

During the Reporting Period, there was no request for convening of extraordinary general meeting by preference shareholders with recovered voting rights in the Bank.

V. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

5.1 Basic information

The basic information of Directors, Supervisors and senior management of the Bank and their holding of shares of the Bank are as follows:

Name	Position	Status of office	Gender	Age	Term of office commencing on	Term of office ending on	Shareholding at the beginning of the Reporting Period (shares)	Changes during the Reporting Period (shares)	Shareholding at the end of the Reporting Period (shares)	Reasons for changes
JING Zailun	Chairman	Incumbent	Male	55	21 July 2022	31 May 2027	-	-	-	-
	Executive Director				21 July 2022	31 May 2027				
WU Xianming	Executive Director	Incumbent	Male	52	20 March 2023	31 May 2027	-	-	-	-
	President				20 March 2023	31 May 2027				
CHEN Shuang	Executive Director	Incumbent	Female	57	7 November 2023	31 May 2027	455,000	-	455,000	-
	Vice President				22 January 2017	31 May 2027				
LIU Peng	Executive Director	Incumbent	Male	44	2 July 2021	31 May 2027	-	-	-	-
	Vice President				30 October 2019	31 May 2027				
ZHOU Yunjie	Non-executive Director	Incumbent	Male	58	9 June 2015	31 May 2027	-	-	-	-
Rosario STRANO	Non-executive Director	Incumbent	Male	61	15 June 2012	31 May 2027	-	-	-	-
TAN Lixia	Non-executive Director	Incumbent	Female	54	25 May 2012	31 May 2027	-	-	-	-
Giamberto GIRALDO	Non-executive Director	Incumbent	Male	57	15 August 2024	31 May 2027	-	-	-	-
DENG Youcheng	Non-executive Director	Incumbent	Male	53	27 June 2018	31 May 2027	-	-	-	-
XING Lecheng	Independent non-executive Director	Incumbent	Male	62	2 July 2021	31 May 2027	-	-	-	-
ZHANG Xu	Independent non-executive Director	Incumbent	Male	55	2 July 2021	31 May 2027	-	-	-	-
CHEUNG Man Chor, Elton	Independent non-executive Director	Incumbent	Male	52	17 April 2023	31 May 2027	-	-	-	-
DU Ning	Independent non-executive Director	Incumbent	Male	47	21 December 2023	31 May 2027	-	-	-	-
FAN Xuejun	Independent non-executive Director	Incumbent	Male	51	15 August 2024	31 May 2027	-	-	-	-
HE Liangjun	Shareholder Supervisor	Incumbent	Male	52	15 October 2019	31 May 2027	-	-	-	-
WANG Dawei	Employee Supervisor	Incumbent	Male	51	15 May 2018	31 May 2027	-	-	-	-
LIU Wenjia	Employee Supervisor	Incumbent	Female	44	31 May 2024	31 May 2027	-	-	-	-
JIANG Xinglu	External Supervisor	Incumbent	Male	53	11 May 2021	31 May 2027	-	-	-	-
LU Kun	External Supervisor	Incumbent	Male	45	11 May 2021	31 May 2027	-	-	-	-
ZHANG Meng	Vice President	Incumbent	Male	52	19 July 2023	31 May 2027	-	-	-	-
ZHANG Chihong	Vice President	Incumbent	Male	46	19 July 2023	31 May 2027	-	-	-	-
ZHANG Qiaowen	Secretary to the Board	Incumbent	Female	47	19 May 2023	31 May 2027	-	-	-	-
Marco MUSSITA	Former non-executive Director	Resigned	Male	65	22 December 2011	31 May 2024	-	-	-	-
FANG Qiaoling	Former independent non-executive Director	Resigned	Female	49	27 June 2018	15 August 2024	-	-	-	-
YANG Fengjiang	Former Chief Supervisor	Resigned	Male	60	30 March 2020	31 May 2024	650,000	-	650,000	-
	Former Employee Supervisor				26 March 2020	22 August 2024				
MENG Xianzheng	Former Employee Supervisor	Resigned	Male	57	15 May 2018	31 May 2024	481,391	-	481,391	-
HAO Xianjing	Former External Supervisor	Resigned	Male	59	11 May 2021	29 November 2024	-	-	-	-
Total	-	-	-	-	-	-	1,586,391	-	1,586,391	-

5.2 Departure of Directors and Supervisors or dismissal of senior management personnel during their term of office

As of the date for disclosure of this report, there were departures of Directors and Supervisors, and there was no dismissal of senior management personnel during their term of office of the Bank. The Directors who resigned during their terms of office were Marco MUSSITA and FANG Qiaoling, and the Supervisors who resigned during their terms of office were YANG Fengjiang, MENG Xianzheng and HAO Xianjing. For the reasons for the resignation of the aforesaid personnel, please refer to “Changes in Directors, Supervisors and Senior Management” in this section.

5.3 Changes in Directors, Supervisors and Senior Management

The Directors of the Bank are nominated by the Board and elected in accordance with the qualifications of Directors and election procedures as specified in the Articles of Association; the shareholder Supervisors and external Supervisors are nominated by the Board of Supervisors, the employee Supervisors are nominated by the labor union committee, and all of such Supervisors are elected in accordance with the election procedures as specified in the Articles of Association. As of the date for disclosure of this report, changes in Directors, Supervisors and senior management of the Bank are shown in the following table:

Name	Position held	Type of change	Date of change	Reason for change
Marco MUSSITA	Former non-executive Director	Resigned	31 May 2024	Expired term of the eighth session of the Board of Directors
Giamberto GIRALDO	Non-executive Director	Newly elected	15 August 2024	–
FAN Xuejun	Independent non-executive Director	Newly elected	15 August 2024	–
FANG Qiaoling	Former independent non-executive Director	Resigned	15 August 2024	Due to serving as an independent non-executive Director of the Bank for almost 6 consecutive years and according to the provisions of laws and regulations on the term of office of independent non-executive directors
LIU Wenjia	Employee Supervisor	Newly elected	31 May 2024	–
MENG Xianzheng	Former employee Supervisor	Resigned	31 May 2024	Expired term of the eighth session of the Board of Directors
YANG Fengjiang	Former employee Supervisor	Resigned	22 August 2024	Retired as he had attained the retirement age
HAO Xianjing	Former external Supervisor	Resigned	29 November 2024	Due to his personal career planning

Note: The date of change of newly elected personnel listed in the above table refers to the date when their qualifications were approved by the banking regulatory authorities.

Mr. Giamberto GIRALDO and Mr. FAN Xuejun have confirmed that they obtained the legal advice required under Rule 3.09D of the Hong Kong Listing Rules on 31 May 2024 (prior to the approval of their qualification by the Qingdao Bureau of the National Financial Regulatory Administration (國家金融監督管理總局青島監管局)) and understood their obligations as the Director of the Bank.

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

5.4 Changes in Information of Directors and Supervisors

1. Mr. Rosario STRANO, a non-executive Director, has been the supervisor of Intesa Sanpaolo International Value Services since January 2024, the director of Eurizon Capital S.A. since February 2024, the chief supervisor of CIB Bank and the director of Private Equity International S.A. since April 2024, the director of Intesa Sanpaolo Bank Luxembourg S.A and the chairman of Qingdao Yicai Fund Distribution Co., Ltd. since May 2024, the chief supervisor of Banka Intesa Sanpaolo d.d. since July 2024 and the director of Bank of Alexandria since October 2024.
2. Ms. TAN Lixia, a non-executive Director, has been the chairperson of Shanghai RAAS Blood Products Co., Ltd. since July 2024.
3. Mr. Giamberto GIRALDO, a non-executive Director, has been the director of Eurizon Capital Asia Limited since March 2024.
4. Mr. DENG Youcheng, a non-executive Director, has been the chairman of Qingdao Conson Pharmaceutical Co., Ltd. and Qingdao Haichun Investment Consultancy Co., Ltd. since March 2024 and the chairman of Qingdao Ocean Development Group Co., Ltd. (青島海洋發展集團有限公司) since November 2024. He has ceased to be a director of Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd. (formerly Qingdao Conson Industrial Co., Ltd.) and a director of Baiyang Investment Group, INC. since July 2024, and he has ceased to be a director of Qingdao Conson Development Investment Co., Ltd. since November 2024.
5. Mr. LIU Peng, an executive Director, has ceased to be a Director of BQD Wealth Management Company Limited from July 2024.
6. Mr. XING Lecheng, an independent non-executive Director, has been the president of the Chinese Academy of Financial Inclusion since January 2024 and an independent director of Shandong Rike Chemical Co., Ltd. since March 2025, and has ceased to be an independent director of Shandong Linuo Technical Glass Co., Ltd. since April 2024.
7. Mr. ZHANG Xu, an independent non-executive Director, has been serving as a special researcher of the expert decision-making advisory committee of the Qingdao municipal government (青島市政府專家決策諮詢委員會) since November 2024.
8. Mr. WANG Dawei, an employee Supervisor, has ceased to be a director of BQD Wealth Management Company Limited since May 2024.
9. Ms. LIU Wenjia, an employee Supervisor, has been the director of BQD Wealth Management Company Limited since May 2024.
10. Mr. JIANG Xinglu, an external Supervisor, has ceased to be an independent director of Tsingtao Brewery Co., Ltd. (青島啤酒股份有限公司) since June 2024.

From the beginning of the Reporting Period to the date for disclosure of this report, save for the above, there were no other changes in the information on Directors and Supervisors of the Bank.

5.5 Employment

5.5.1 Biographies of Directors, Supervisors and Senior management

Directors

Mr. JING Zailun, the secretary to the party committee, the Chairman and an executive Director of the Bank.

Mr. JING holds a bachelor's degree of science majoring in applied physics of Shandong University, a master of economics majoring in finance of Ocean University of China, a master of business administration majoring in business administration of City, University of London, a doctor of management majoring in accounting of Ocean University of China and an accountant. Mr. JING Zailun has also served as the chairman of Qingdao Financial Association (青島市金融業聯合會). Prior to joining the Bank, Mr. JING served as the head of the organization department of the party committee and the general manager of the human resources department of Shandong Branch of Bank of China, a member of the party committee, the assistant to the president, a member of the party committee and a vice president of Yunnan Branch of Bank of China, a member of the party committee and a vice president (concurrently the secretary to the party committee and the president of Jinan Branch of Bank of China) of Shandong Branch of Bank of China.

Mr. WU Xianming, the deputy secretary to the party committee, an executive Director, and the President of the Bank.

Mr. WU holds a bachelor's degree in economics from Renmin University of China and master's degree in economics from Shenzhen Financial and Engineering School of Nankai University (南開大學深圳金融工程學院). He is a senior economist. Prior to joining the Bank, Mr. WU served as a member and the secretary of the party committee and president of Agricultural Bank of China Shenzhen Bao'an Branch (中國農業銀行深圳市寶安支行), a member of the party committee and a vice president of Agricultural Bank of China Qingdao Branch (中國農業銀行青島市分行), and a member of the party committee and a vice president of Agricultural Bank of China Tibet Autonomous Region Branch (中國農業銀行西藏自治區分行).

Ms. CHEN Shuang, an executive Director and a vice President of the Bank.

Ms. CHEN holds a master's degree of arts majoring in English language and literature of Shanghai International Studies University, and a master's degree of science majoring in financial investment of the University of Edinburgh in the UK. Ms. CHEN served as an assistant to the President of the Bank. Prior to joining the Bank, Ms. CHEN served as deputy general manager, assistant president and deputy president of Trade Settlement Department of Sifang Sub-branch of Qingdao Branch of CITIC Industrial Bank (now known as China CITIC Bank), a deputy general manager of the sales department and the general manager of the international business department, and the general manager of the capital market department of Qingdao Branch of CITIC Industrial Bank.

Mr. LIU Peng, an executive Director and a vice President of the Bank.

Mr. LIU holds a master's degree from Oxford University. Mr. LIU served as the president of the financial market business unit, and the financial market business director of the Bank and a director and chairman of BQD Wealth Management Company Limited. Prior to joining the Bank, Mr. LIU worked for Agricultural Bank of China Qingdao Branch (中國農業銀行青島市分行), and served as the assistant to the general manager of the international business department of the head office of Hengfeng Bank.

Mr. ZHOU Yunjie, a non-executive Director of the Bank.

Mr. ZHOU holds a doctoral degree in business administration from Xi'an Jiaotong University, and is a chief senior engineer. Mr. ZHOU currently serves the chairman of the board and chief executive officer of Haier Group. Mr. ZHOU serves concurrently as the chairman of Haier Kaaosi Co., Ltd., and a director of Qingdao Haier Biomedical Co., Ltd. Mr. ZHOU served as the chief marketing officer, a vice president, the president, and a vice chairman of the board of Haier Group.

Mr. Rosario STRANO, a non-executive Director of the Bank.

Mr. STRANO holds a bachelor's degree in law from University of Bari in Italy. Mr. STRANO is currently the chairman of Qingdao Yicai Fund Distribution Co., Ltd., and also serves as the chairman of the board of supervisors of CIB Bank, a supervisor of Intesa Sanpaolo International Value Services, and a director of Eurizon Capital S.A. He served as the head of China development projects at Intesa Sanpaolo S.p.A., the director of human resources at Intesa Sanpaolo S.p.A., and the chief operating officer of Intesa Sanpaolo S.p.A. Group.

Ms. TAN Lixia, a non-executive Director of the Bank.

Ms. TAN holds a doctoral degree in advanced professional research in applied finance from University of Geneva, Switzerland, and her master's degree in business administration from China Europe International Business School, and is a Chartered Global Management Accountant (CGMA), a Certified Internal Auditor (CIA) Professional. Ms. TAN currently serves as a vice chairman of the board and an executive vice president of Haier Group. Ms. TAN serves concurrently as the chairlady of Qingdao Haier Biomedical Co., Ltd., the chairlady of INKON Life Technology Co., Ltd., and the chairlady of Shanghai RAAS Blood Products Co., Ltd. She served as a senior vice president of Haier Group, a vice president of Haier Group and a director of China International Capital Corporation Limited.

Mr. Giamberto GIRALDO, a non-executive Director of the Bank.

Mr. GIRALDO has a high school education. Mr. GIRALDO serves as the director and general manager of Qingdao Yicai Fund Distribution Co., Ltd., and also serves as the director of Eurizon Capital Asia Limited. He served as a deputy director of the banking business department of Ambrosiano Veneto, an associate director of the banking sales line of Popolare Friuladria, and regional manager of the private banking department of Popolare FriulAdria S.p.A. (福德萊姆聯合聖保羅私人銀行).

Mr. DENG Youcheng, a non-executive Director of the Bank.

Mr. DENG holds a master's degree in business administration from Tongji University, and is a certified public accountant, a certified public valuer, a senior auditor, a senior consultant and an accountant. Mr. DENG currently serves as a deputy secretary to the party committee and a director of Qingdao Conson Development (Group) Co., Ltd. (青島國信發展(集團)有限責任公司). Mr. DENG serves concurrently as a director of Zhonglu Property and Casualty Insurance Co., Ltd. and a director of Guotou Juli Investment Management Company Limited. Mr. DENG served as the general manager and a deputy general manager of Qingdao Conson Development (Group) Co., Ltd.

Mr. XING Lecheng, an independent non-executive Director of the Bank.

Mr. XING holds a doctoral degree in business management from Business School of Nankai University, and is a professor (Grade II) and a doctoral supervisor. Mr. XING currently serves as the director of Investment and Financing Research Center of University of Jinan (濟南大學融資研究中心) and the dean of Shandong Institute of Inclusive Financial Research (山東省普惠金融研究院). Mr. XING serves as a member of Shandong National People's Congress Standing Committee, a committee member of the Investment Association of China, the president of the Chinese Academy of Financial Inclusion and a vice president of Shandong Capital Venture Association (山東省創業投資協會). He serves concurrently as an independent director of Tiannuo Photoelectric Material Co., Ltd. (天諾光電材料股份有限公司) and Shandong Laiwu Rural Commercial Bank Co., Ltd. (山東萊蕪農村商業銀行股份有限公司). Mr. XING served as the chairman of Huasu Holdings Co., Ltd. and the dean of the School of Economics and the Institute of Financial Research of University of Jinan.

Mr. ZHANG Xu, an independent non-executive Director of the Bank.

Mr. ZHANG holds a doctoral degree in western economics from Economics and Management School of Wuhan University, and is a professor. Mr. ZHANG currently serves as a professor of the Department of Finance, School of Economics, Qingdao University, a standing member of Qingdao Committee of the Chinese People's Political Consultative Conference, the deputy director of Qingdao Committee of Jiusan Society (九三學社青島市委會), a special researcher of the expert decision-making advisory committee of the Qingdao municipal government (青島市政府專家決策諮詢委員會), a committee member of Economy Development Society of China Association for Study of Foreign Economics (中華外國經濟學說研究會發展經濟學分會), and a vice president of Qingdao Urban Economics Society (青島市城市經濟學會). Mr. ZHANG serves concurrently as an external director of Weifang Rural Credit Cooperative Union (濰坊市農村信用合作社聯合社). Mr. ZHANG served as the deputy dean of School of Economics, Qingdao University.

Mr. CHEUNG Man Chor, Elton, an independent non-executive Director of the Bank.

Mr. CHEUNG obtained double bachelor's degree in economics and law from the University of Sydney in Australia, the qualification to practice law in Hong Kong, England and Wales, New South Wales, Australia, and the licences to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 9 (asset management) granted by SFC. Mr. CHEUNG is currently a group partner, the chief strategy officer and chief legal officer of VMS Investment Group (HK) Ltd. (鼎珮投資集團(香港)有限公司), and formerly served as a senior partner and the chief executive officer of Jedar Investment Group (驥達投資集團), a senior counsel, the managing director and the legal director in Greater China of Morgan Stanley Legal Compliance Department for Private Investment Management (Asia Pacific), as well as the managing director of Corporate Management Department and the chief operating officer in Greater China and a senior lawyer of Freshfields Bruckhaus Deringer (富而德律師事務所).

Mr. DU Ning, an independent non-executive Director of the Bank.

Mr. DU holds a bachelor degree of computer science and technology from Peking University, a master degree of software engineering from Peking University, and is a senior engineer. Mr. DU is currently the chief executive officer of REGTEK (Beijing) Technology Co., Ltd. (睿格鈦氮(北京)技術有限公司), and formerly served as the director of the Science and Technology Department of the People's Bank of China, a partner and the executive vice president of The Fourth Paradigm (Beijing) Technology Co., Ltd. (第四範式(北京)技術有限公司), and the president of Huakong TsingJiao Information Science (Beijing) Ltd. (華控清交信息科技(北京)有限公司).

Mr. FAN Xuejun, an independent non-executive Director of the Bank.

Mr. FAN holds a bachelor's degree in accounting from the Cadre College of Economic Management of Shandong. He is a certified public accountant. Mr. FAN currently serves as a partner and a member of the internal audit committee of RSM China (special general partner). He served as an independent director of Triangle Tyre Co., Ltd., the deputy director of the finance department of Jinan Huaneng Pneumatic Components Co., Ltd. (濟南華能氣動元器件有限公司), and the senior project manager of Shandong Zhengyuan Hexin (Limited) Certified Public Accountants (山東正源和信有限責任會計師事務所).

Supervisors

Mr. HE Liangjun, a shareholder Supervisor of the Bank.

Mr. HE holds a master's degree of business administration from China Europe International Business School, and is a senior engineer. Mr. HE currently serves as a director and secretary to the board of Qingdao East Steel Tower Stock Co., Ltd. (青島東方鐵塔股份有限公司). Mr. HE concurrently serves as the chairman to the board and general manager of Sichuan Huiyuanda Potash Fertilizer Co., Ltd. (四川省匯元達鉀肥有限責任公司), the general manager of Hainan Goodi International Trade Co., Ltd. (海南谷迪國際貿易有限公司), an executive director of Nanjing Shineng New Energy Technology Co., Ltd. (南京世能新能源科技有限公司), an executive director of Shanghai Huiyuanda Chemical Co., Ltd. (上海匯沅達化工有限公司), and a supervisor of Qingdao Hairan Investment Co., Ltd. (青島海仁投資有限責任公司). Mr. HE served as the business manager of Eastern China and the head of the marketing department of Qingdao East Steel Tower Stock Co., Ltd.

Mr. WANG Dawei, an employee Supervisor of the Bank.

Mr. WANG holds a bachelor's degree of international economics of Nankai University. Mr. WANG currently serves as the chief officer of regulatory affairs and the general manager of the legal and compliance department of the Bank and concurrently serves as a director of BQD Financial Leasing Company Limited. He served as the chief officer of credit risk and the general manager of the risk management department of the Bank. Prior to joining the Bank, Mr. WANG served as the general manager of the risk control department, the credit approval department, and the small business financing department of the Qingdao branch of China Merchants Bank, the general manager of the Qingdao regional headquarters under the small enterprise credit center of the head office of China Merchants Bank; and the general manager of the risk management department, and the free trade finance department of the Shanghai Free Trade Zone branch of China Merchants Bank.

Ms. LIU Wenjia, an employee Supervisor of the Bank.

Ms. LIU holds a master's degree of science in accounting and finance from Business School of University of Birmingham. Ms. LIU is currently the general manager of the risk management department of the Bank and a director of BQD Wealth Management Company Limited and formerly served as the general manager of transaction banking department and the president of the trade finance division of the Bank. Prior to joining the Bank, Ms. LIU worked in the international business department of the Qingdao branch of China Merchants Bank.

Mr. JIANG Xinglu, an external Supervisor of the Bank.

Mr. JIANG holds a bachelor's degree in law from Shandong University. Mr. JIANG currently serves as the general manager of Shandong Blue Economy Industrial Fund Management Co., Ltd. (山東藍色經濟產業基金管理有限公司), and an executive partner of Hainan Yulin Private Equity Fund Management Partnership (Limited Partnership) (海南昱林私募基金管理合夥企業(有限合夥)). Mr. JIANG concurrently serves as an independent director of Lique Commercial Group Co., Ltd. (利群商業集團股份有限公司). Mr. JIANG served as a senior partner of Shandong Qindao Law Office (山東琴島律師事務所), a partner of Grandall Law Firm and a partner of King & Wood Mallesons (Beijing).

Mr. LU Kun, an external Supervisor of the Bank.

Mr. LU holds a doctoral degree in technology economics and management from Renmin University of China, and a postdoctoral degree in fishery science from Ocean University of China. Mr. LU currently serves as a professor and doctoral tutor at School of Management, Ocean University of China. Mr. LU served as a deputy mayor of the People's government of Anqing city and Tongcheng city, Anhui province.

Senior management

For the biographical details of **Mr. WU Xianming**, **Ms. CHEN Shuang** and **Mr. LIU Peng**, please refer to the biography section of "Directors".

Mr. ZHANG Meng, a vice President of the Bank.

Mr. ZHANG holds a bachelor degree in accounting from Harbin Institute of Technology. Mr. ZHANG served as the president of Shibe Branch, a director and the general manager of human resources department of the Bank. Prior to joining the Bank, Mr. ZHANG served as the president of Shandong Road Sub-branch and Shibe Sub-Branch and the general manager of corporate finance department of Bank of China Qingdao Branch.

Mr. ZHANG Chihong, a vice President of the Bank.

Mr. ZHANG holds a bachelor degree in Russian education from Shandong Normal University. Prior to joining the Bank, Mr. ZHANG served as the Deputy Director of the Secretariat under the CPPCC General Office of Qingdao City, an inspector (deputy director level) of the Case Management Office of the Qingdao Municipal Commission for Discipline Inspection, and the general manager of the general management department of Qingdao Rural Commercial Bank Corporation (青島農村商業銀行股份有限公司) (concurrently serving as the president of Zhangqiu Branch and the director of the Party Committee Office).

Ms. ZHANG Qiaowen, secretary to the Board of Directors of the Bank.

Ms. ZHANG holds a master degree of laws in civil and commercial law from Shandong University. Prior to joining the Bank, Ms. ZHANG served as a cadre and deputy chief officer in the Reserve Management Department of the State Administration of Foreign Exchange, a legal counsel of the legal department of SAFE Investment Company Limited (Hong Kong) (中國華安投資有限公司(香港)), and the chief officer of the Reserve Management Department of the State Administration of Foreign Exchange.

Section VI Corporate Governance

5.5.2 Employment of Directors, Supervisors and senior management by corporate shareholders

Name of employee	Name of corporate shareholder	Position held in corporate shareholder	Commencement date	End date	Whether receiving remuneration in corporate shareholder's position
ZHOU Yunjie	Haier Group (海爾集團)	Chairman of the board and chief executive officer	November 2021	To date	Yes
TAN Lixia	Haier Group (海爾集團)	Deputy chairman of the board and executive vice president	November 2021	To date	Yes
DENG Youcheng	Qingdao Conson Development (Group) Co., Ltd.	Deputy secretary to the party committee, director	June 2023	To date	Yes
DENG Youcheng	Qingdao Conson Industry and Finance Holdings (Group) Co., Ltd. (formerly Qingdao Conson Industrial Co., Ltd.)	Director	June 2016	July 2024	No
HE Liangjun	Qingdao East Steel Tower Stock Co., Ltd.	Director and secretary to the board	April 2007	June 2025	Yes
HE Liangjun	Qingdao Hairan Investment Co., Ltd.	Supervisor	February 2014	To date	No

5.5.3 Employment of Directors, Supervisors and senior management by other entities

Name of employee	Name of other entity	Position held in other entity	Commencement date	End date	Whether receiving remuneration in other entity
ZHOU Yunjie	Haier Kaaosi Co., Ltd.	Chairman	June 2010	To date	No
ZHOU Yunjie	Qingdao Haizhi Yunchuang Technology Co., Ltd. (青島海智雲創科技有限公司)	Chairman	May 2015	To date	No
ZHOU Yunjie	Gooday Supply Chain Technologies Co., Ltd.	Chairman	August 2015	To date	No
ZHOU Yunjie	Qingdao Haier Venture & Investment Information Co., Ltd. (青島海爾創業投資諮詢有限公司)	Executive director and general manager	March 2017	To date	No
ZHOU Yunjie	Qingdao Haier Human Resources Development Co., Ltd. (青島海爾人力資源開發有限公司)	Chairman and general manager	May 2017	To date	No
ZHOU Yunjie	Goodaymart (Shanghai) Investment Co., Ltd. (日日順(上海)投資有限公司)	Chairman	May 2018	To date	No
ZHOU Yunjie	Qingdao Haishang Zhicai Management Consulting Co., Ltd. (青島海商智財管理諮詢有限公司)	Executive director and general manager	July 2018	To date	No
ZHOU Yunjie	Qingdao Haier Biomedical Co., Ltd.	Director	July 2018	To date	No
ZHOU Yunjie	Qingdao Haiyunchuang Investment Holdings Co., Ltd. (青島海雲創投資控股有限公司)	Executive director	February 2019	To date	No
ZHOU Yunjie	Wanlian Holdings Co., Ltd. (萬鏈控股有限公司)	Director	February 2019	To date	No
ZHOU Yunjie	Haier Kaos Digital Technology Development Co., Ltd. (海爾卡奧斯數字科技發展有限公司)	Chairman	December 2019	To date	No
ZHOU Yunjie	COSMO IoT Technology Co., Ltd.	Director	December 2019	To date	No

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Name of employee	Name of other entity	Position held in other entity	Commencement date	End date	Whether receiving remuneration in other entity
ZHOU Yunjie	Qingdao Guochuang Intelligent Home Appliance Research Institute Co., Ltd. (青島國創智能家電研究院有限公司)	Chairman	April 2020	To date	No
ZHOU Yunjie	Haier Kaos Ecological Technology Co., Ltd. (海爾卡奧斯生態科技有限公司)	Chairman	February 2023	To date	No
Rosario STRANO	Qingdao Yicai Fund Distribution Co., Ltd.	Chairman	May 2024	To date	Yes
Rosario STRANO	CIB Bank	Chief supervisor	April 2024	To date	Yes
Rosario STRANO	Intesa Sanpaolo Bank Luxembourg S.A	Director	May 2024	To date	Yes
Rosario STRANO	Eurizon Capital S.A.	Director	February 2024	To date	Yes
Rosario STRANO	Private Equity International S.A.	Director	April 2024	To date	Yes
Rosario STRANO	Bank of Alexandria	Director	October 2024	To date	Yes
Rosario STRANO	Intesa Sanpaolo International Value Services	Supervisor	January 2024	To date	Yes
Rosario STRANO	Banka Intesa Sanpaolo d.d.	Chief supervisor	July 2024	To date	Yes
TAN Lixia	Haier Group (Qingdao) Jinying Holdings Co., Ltd.	Director	July 2014	To date	No
TAN Lixia	Haier Kaosi Co., Ltd.	Director	September 2014	To date	No
TAN Lixia	Qingdao Haizhi Yunchuang Technology Co., Ltd. (青島海智雲創科技有限公司)	Director and general manager	May 2015	To date	No
TAN Lixia	Qingdao Haicuba Equity Investment Management Co., Ltd. (青島海立方舟股權投資管理有限公司)	Chairman	July 2015	To date	No
TAN Lixia	China Association of Women Entrepreneurs	Vice president	July 2015	To date	No
TAN Lixia	INKON Life (Chongqing) Technology Co., Ltd. (盈康一生(重慶)科技有限公司)	Chairman	May 2018	To date	No
TAN Lixia	Qingdao Haier Biomedical Co., Ltd.	Chairman	July 2018	To date	No
TAN Lixia	Wanlian Holdings Co., Ltd. (萬鏈控股有限公司)	Chairman and manager	September 2018	To date	No
TAN Lixia	Qingdao Haier Biomedical Holding Co., Ltd.	Chairman	August 2018	To date	No
TAN Lixia	The Thirteenth Executive Committee of the All-China Women's Federation	Standing member	October 2023	To date	No
TAN Lixia	INKON Life Technology Co., Ltd.	Chairman	May 2019	To date	No
TAN Lixia	Haier Kaos Digital Technology Development Co., Ltd. (海爾卡奧斯數字科技發展有限公司)	Director	December 2019	To date	No
TAN Lixia	Qingdao Haier Kaos Ecological Technology Co., Ltd. (青島海爾卡奧斯生態科技有限公司)	Director	February 2023	To date	No
TAN Lixia	Shanghai RAAS Blood Product Company Limited	Chairman	July 2024	To date	No
Giamberto GIRALDO	Qingdao Yicai Fund Distribution Co., Ltd.	Director and general manager	September 2016	To date	Yes
Giamberto GIRALDO	Eurizon Capital Asia Limited	Director	March 2024	To date	No
DENG Youcheng	Zhonglu Property and Casualty Insurance Co., Ltd.	Director	July 2015	To date	No
DENG Youcheng	Baiyang Industrial Investment Group Co., Ltd. (百洋產業投資集團股份有限公司)	Director	August 2020	July 2024	No

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Name of employee	Name of other entity	Position held in other entity	Commencement date	End date	Whether receiving remuneration in other entity
DENG Youcheng	Qingdao Conson Development Investment Co., Ltd. (青島國信發展投資有限公司)	Director	March 2023	November 2024	No
DENG Youcheng	Qingdao Conson Investment Holdings Co., Ltd. (青島國信投資控股股份有限公司)	Director and general manager	August 2018	To date	No
DENG Youcheng	Qingdao Guoxin Haitian Asset Management Co., Ltd. (青島國信海天資產管理有限公司)	Executive director and manager	March 2023	To date	No
DENG Youcheng	Qingdao Jiushi Investment Development Co., Ltd. (青島久實投資發展有限公司)	Executive director and manager	March 2023	To date	No
DENG Youcheng	Guotou Juli Investment Management Company Limited (國投聚力投資管理有限公司)	Director	September 2017	To date	No
DENG Youcheng	Qingdao Guoxin Health Industry Development Co., Ltd. (青島國信健康產業發展有限公司)	Chairman	January 2024	To date	No
DENG Youcheng	Qingdao Ocean Development Group Co., Ltd. (青島海洋發展集團有限公司)	Chairman	November 2024	To date	No
DENG Youcheng	Qingdao Conson Pharmaceutical Co., Ltd. (青島國信製藥有限公司)	Chairman	March 2024	To date	No
DENG Youcheng	Qingdao Haichun Investment Consultancy Co., Ltd. (青島海淳投資諮詢有限公司)	Chairman	March 2024	To date	No
LIU Peng	BQD Wealth Management Company Limited	Director	January 2024	July 2024	No
XING Lecheng	Shandong Capital Venture Association	Vice president	March 2002	To date	No
XING Lecheng	Investment Association of China	Committee member	December 2012	To date	No
XING Lecheng	Shandong Institute of Inclusive Financial Research	Dean	August 2016	To date	No
XING Lecheng	Investment and Financing Research Center of University of Jinan (濟南大學投融資研究中心)	Director	December 2018	To date	Yes
XING Lecheng	Chinese Academy of Financial Inclusion	President	January 2024	To date	No
XING Lecheng	Tiannuo Photoelectric Material Co., Ltd. (天諾光電材料股份有限公司)	Independent director	January 2021	To date	Yes
XING Lecheng	Shandong Laiwu Rural Commercial Bank Co., Ltd. (山東萊蕪農村商業銀行股份有限公司)	Independent director	March 2021	March 2027	Yes
XING Lecheng	Shandong Linuo Technical Glass Co., Ltd. (山東力諾特種玻璃股份有限公司)	Independent director	April 2021	April 2024	Yes
XING Lecheng	Shandong National People's Congress Standing Committee	Member	January 2023	January 2028	No
XING Lecheng	Shandong Rike Chemical Co., Ltd.	Independent director	March 2025	March 2028	Yes
ZHANG Xu	School of Economics of Qingdao University	Professor	March 2006	To date	Yes
ZHANG Xu	Economy Development Society of China Association for Study of Foreign Economics	Committee member	November 2008	To date	No
ZHANG Xu	Qingdao Urban Economics Society	Vice president	September 2015	To date	No
ZHANG Xu	Qingdao Committee of Jiusan Society	Deputy director	December 2016	To date	No

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Name of employee	Name of other entity	Position held in other entity	Commencement date	End date	Whether receiving remuneration in other entity
ZHANG Xu	Qingdao Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議青島市委員會)	Standing member	April 2017	To date	No
ZHANG Xu	Expert Decision-making Advisory Committee of the Qingdao Municipal Government (青島市政府專家決策諮詢委員會)	Special researcher	November 2024	November 2026	No
ZHANG Xu	Weifang Rural Credit Cooperative Union (濰坊市農村信用合作社聯合社)	External director	December 2022	To date	Yes
CHEUNG Man Chor, Elton	VMS Investment Group (HK) Ltd. (鼎珮投資集團(香港)有限公司)	Partner, chief strategy officer and chief legal officer	May 2021	To date	Yes
DU Ning	REGTEK (Beijing) Technology Co., Ltd. (睿格鈦氮(北京)技術有限公司)	Chief executive officer	July 2021	To date	Yes
FAN Xuejun	RSM China (special general partner)	Partner and member of the internal audit committee	December 2016	To date	Yes
HE Liangjun	Nanjing Shineng New Energy Technology Co., Ltd.	Executive director	June 2016	To date	No
HE Liangjun	Shanghai Shilite New Energy Technology Co., Ltd. (上海世利特新能源科技有限公司)	Executive director	June 2016	To date	Yes
HE Liangjun	Qingdao Shilite New Energy Technology Co., Ltd. (青島世利特新能源科技有限公司)	Executive director	August 2016	To date	No
HE Liangjun	Sichuan Huiyuanda Potash Fertilizer Co., Ltd.	Chairman and general manager	September 2020	To date	No
HE Liangjun	Shanghai Huiyuanda Chemical Co., Ltd. (上海匯沅達化工有限公司)	Executive director	March 2022	To date	No
HE Liangjun	Hainan Goodi International Trade Co., Ltd. (海南谷迪國際貿易有限公司)	General manager	April 2023	To date	No
WANG Dawei	BQD Wealth Management Company Limited	Director	September 2020	May 2024	No
WANG Dawei	BQD Financial Leasing Company Limited	Director	June 2020	To date	No
LIU Wenjia	BQD Wealth Management Company Limited	Director	May 2024	To date	No
JIANG Xinglu	Shandong Blue Economy Industrial Fund Management Co., Ltd.	General manager	January 2015	To date	Yes
JIANG Xinglu	Hainan Yulin Private Equity Fund Management Partnership (Limited Partnership) (海南昱林私募基金管理合夥企業(有限合夥))	Executive partner	February 2016	To date	Yes
JIANG Xinglu	Tsingtao Brewery Co., Ltd.	Independent director	June 2018	June 2024	Yes
JIANG Xinglu	Liquan Commercial Group Co., Ltd.	Independent director	May 2019	May 2025	Yes
JIANG Xinglu	SINOSTAR PEC HOLDINGS LIMITED	External director	July 2021	To date	Yes
JIANG Xinglu	Qingdao Blue Ocean Emerging Industry Venture Capital Management Co., Ltd. (青島藍色海洋新興產業創業投資管理有限公司)	Chairman	June 2015	To date	No

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Name of employee	Name of other entity	Position held in other entity	Commencement date	End date	Whether receiving remuneration in other entity
JIANG Xinglu	Jinan Blue Cloud Industry Investment Development Co., Ltd. (濟南藍色雲海產業投資發展有限公司)	Chairman	June 2015	To date	No
JIANG Xinglu	Qingkong Jinxin Blue (Qingdao) Investment Management Co., Ltd. (清控金信藍色(青島)投資管理有限公司)	Director	November 2016	To date	No
JIANG Xinglu	Qingdao Yulin Investment Co. Ltd. (青島昱林投資有限公司)	Executive director and general manager	March 2019	To date	No
JIANG Xinglu	Hainan Yulin Investment Center Partnership (Limited Partnership) (海南昱林投資中心合夥企業(有限合夥))	Executive partner	May 2022	To date	No
JIANG Xinglu	Qingdao Blue Huijin Investment Management Enterprise (Limited Partnership) (青島藍色匯金投資管理企業(有限合夥))	Executive partner	May 2015	To date	No
JIANG Xinglu	Qingdao Hengkun Luojin Investment Management Enterprise (Limited Partnership) (青島恆坤濶金投資管理企業(有限合夥))	Executive partner	July 2018	To date	No
JIANG Xinglu	Ningbo Meishan Free Trade Port Zone Hengkun Ruijin Investment Partnership (Limited Partnership) (寧波梅山保稅港區恆坤睿金投資合夥企業(有限合夥))	Executive partner	July 2016	To date	No
JIANG Xinglu	Qingdao Yulinming Investment Partnership (Limited Partnership) (青島昱林明投資合夥企業(有限合夥))	Executive partner	February 2020	To date	No
LU Kun	Management College of Ocean University of China	Professor/supervisor for Ph.D. candidates	January 2020/ October 2021	To date	Yes

5.5.4 The punishment suffered by the Directors, Supervisors or senior management of the Bank who holds office currently or resigned during the Reporting Period over the past three years

None of the Directors, Supervisors or senior management of the Bank who holds office currently or resigned during the Reporting Period has been punished by the securities regulator(s) over the past three years due to matters related to the Bank.

5.6 Remuneration of Directors, Supervisors and senior management

5.6.1 Decision-making process, basis for determination and actual payment of the remuneration of Directors, Supervisors and senior management

The Bank distributes the annual allowances and meeting subsidies to non-executive Directors, independent non-executive Directors, shareholder Supervisor and external Supervisors according to the policies on the allowance of Directors and Supervisors. The Administrative Measures on Remuneration and Performance of Senior Management of Bank of Qingdao shall be formulated by the Remuneration Committee of the Board of Directors, and considered and approved by the Board of Directors. According to the requirements of the Administrative Measures on Remuneration and Performance of Senior Management of Bank of Qingdao, the Bank shall determine and pay the basic remuneration of executive Directors, chief Supervisor and other senior management personnel, and determine and pay performance remuneration according to the results of its annual assessment after consideration and approval by the Board of Directors. The annual remuneration of employee Supervisors shall be determined and paid according to the Bank's administration measures on remuneration of employees. The performance-based remunerations of the Directors, Supervisors, and senior management personnel within the Bank shall be subject to deferred payment in accordance with the relevant regulations of the regulatory authorities and within the Bank, with a deferral period of no less than three years.

5.6.2 Remuneration of Directors, Supervisors and senior management of the Bank

Unit: RMB0'000

Name	Position	Gender	Age	Status of office	Total compensation (before tax) received from the Bank during the Reporting Period	Whether having received remunerations from the related parties of the Bank
JING Zailun	Chairman, executive Director	Male	55	Incumbent	249.78	No
WU Xianming	Executive Director, president	Male	52	Incumbent	229.38	No
CHEN Shuang	Executive Director, vice president	Female	57	Incumbent	174.78	No
LIU Peng	Executive Director, vice president	Male	44	Incumbent	174.98	No
ZHOU Yunjie	Non-executive Director	Male	58	Incumbent	12.72	Yes
Rosario STRANO	Non-executive Director	Male	61	Incumbent	-	Yes
TAN Lixia	Non-executive Director	Female	54	Incumbent	12.72	Yes
Giamberto GIRALDO	Non-executive Director	Male	57	Incumbent	-	Yes
DENG Youcheng	Non-executive Director	Male	53	Incumbent	13.38	Yes
XING Lecheng	Independent non-executive Director	Male	62	Incumbent	22.94	Yes
ZHANG Xu	Independent non-executive Director	Male	55	Incumbent	23.68	No
CHEUNG Man Chor, Elton	Independent non-executive Director	Male	52	Incumbent	20.74	Yes
DU Ning	Independent non-executive Director	Male	47	Incumbent	21.47	Yes
FAN Xuejun	Independent non-executive Director	Male	51	Incumbent	9.76	No
HE Liangjun	Shareholder Supervisor	Male	52	Incumbent	8.22	Yes
WANG Dawei	Employee Supervisor	Male	51	Incumbent	187.76	No
LIU Wenjia	Employee Supervisor	Female	44	Incumbent	89.76	No
JIANG Xinglu	External Supervisor	Male	53	Incumbent	14.93	Yes
LU Kun	External Supervisor	Male	45	Incumbent	14.47	No
ZHANG Meng	Vice president	Male	52	Incumbent	143.36	No
ZHANG Chihong	Vice president	Male	46	Incumbent	143.39	No
ZHANG Qiaowen	Secretary to the Board	Female	47	Incumbent	120.83	No

Name	Position	Gender	Age	Status of office	Total compensation (before tax) received from the Bank during the Reporting Period	Whether having received remunerations from the related parties of the Bank
Marco MUSSITA	Former non-executive Director	Male	65	Resigned	–	Yes
FANG Qiaoling	Former independent non-executive Director	Female	49	Resigned	14.59	Yes
YANG Fengjiang	Former Chief Supervisor, former employee Supervisor	Male	60	Resigned	122.80	No
MENG Xianzheng	Former employee Supervisor	Male	57	Resigned	81.82	No
HAO Xianjing	Former external Supervisor	Male	59	Resigned	14.93	Yes
Total	–	–	–	–	1,923.19	–

- Notes:*
1. The total remuneration package for certain Directors and Supervisors of the Bank for 2024 has not been finalized, but it is expected that the differences in the final remuneration will not have significant impact on the financial statements for 2024.
 2. With their authorization, the emoluments of Mr. Rosario STRANO, Mr. Giamberto GIRALDO, and Mr. Marco MUSSITA during the Reporting Period were waived.
 3. During the Reporting Period, Mr. Giamberto GIRALDO was newly elected as the non-executive Director of the Bank; Mr. FAN Xuejun was newly elected as the independent non-executive Director of the Bank; Mr. Marco MUSSITA and Ms. FANG Qiaoling ceased to be the non-executive Director and independent non-executive Director of the Bank; Mr. YANG Fengjiang ceased to be the chief Supervisor and employee Supervisor of the Bank; Mr. MENG Xianzheng ceased to be the employee Supervisor of the Bank; Ms. LIU Wenjia was newly elected as the employee Supervisor of the Bank; Mr. HAO Xianjing ceased to be the external Supervisor of the Bank. The pre-tax remuneration received by the above-mentioned personnel from the Bank during the Reporting Period was paid by the Bank on a pro-rata basis according to their tenure.

VI. PERFORMANCE OF DUTIES BY BOARD OF DIRECTORS DURING THE REPORTING PERIOD

As the decision-making body of the Bank, the Board shall be accountable to and report its work to the general meetings. The Board exercises the following authorities and powers in accordance with the laws and regulations and the Articles of Association: convening and reporting its work at shareholders' general meetings; implementing resolutions passed at shareholders' general meetings; deciding on the Bank's business plans and investment plans; formulating the Bank's operational development strategies and supervising the implementation of such development strategies; formulating the Bank's annual financial budgets and final accounts; formulating the Bank's proposals on profit distribution and making up losses; formulating proposals on the increase or reduction of the Bank's registered capital, the issuance of corporate bonds and other securities and the listing plan; formulating plans for significant acquisitions, purchase of the Bank's shares, or merger, division or dissolution or change in corporate form of the Bank; considering and approving matters within the scope authorized at shareholders' general meetings on the Bank's establishment of legal entities, mergers and acquisitions, external investments, asset acquisitions, asset disposals, asset write-off, asset mortgage, non-commercial banking guarantee, related/connected transactions, entrusted financial management, external donations, data governance etc.; deciding on the establishment of the Bank's internal management entities; appointing or removing the Bank's president and secretary to the Board of Directors; appointing or removing the members of the Bank's senior management including the vice president and chief financial officer in accordance with the recommendations of the president, and determining their remunerations, rewards and punishment; formulating the basic management systems of the Bank; formulating amendments to the Articles of Association, and the rules of procedure of shareholders' general meetings and Board meetings, and considering and approving the working rules of the special committees under the Board; handling the information disclosure of the Bank and taking ultimate responsibility for the truthfulness, accuracy, completeness and timeliness of the Bank's accounting and financial statements; proposing at shareholders' general meetings the engagement or dismissal of an accounting firm which undertakes regular statutory auditing work for the Bank's financial reports; evaluating regularly and continuously improving the corporate governance of the Bank; listening to the president's work report and inspecting the president's work; formulating the Bank's capital planning and taking ultimate responsibility for the capital or solvency management; formulating the Bank's risk tolerance, risk management and internal control policies, and taking ultimate responsibility for the comprehensive risk management; safeguarding the legitimate rights and interests of financial consumers and other stakeholders; establishing identification, review and management mechanism of interest conflicts between the Bank and shareholders, especially major shareholders; undertaking management responsibility for shareholder affairs; exercising other authorities and powers conferred by the laws, administrative regulations, departmental rules, regulatory documents or the requirements of the Articles of Association and the shareholders' general meetings.

6.1 Information of the Board during the Reporting Period

Session of meeting	Date of convening	Date of disclosure	Resolutions of the meeting
The 42nd meeting of the eighth session of the Board of Directors	5 January 2024	–	According to the requirements of the National Financial Regulatory Administration, the resolution on material related party transactions was considered and passed.
The 43rd meeting of the eighth session of the Board of Directors	31 January 2024	31 January 2024	The resolution on amendments to the working rules of the special committees under the Board, the resolution on amending the investor relations management measures of Bank of Qingdao Co., Ltd., and the resolution on amending the information disclosure management system of Bank of Qingdao Co., Ltd. (A+H shares) were considered and approved.
The 44th meeting of the eighth session of the Board of Directors	26 March 2024	28 March 2024	The resolution on report of the Audit Committee of the Board of Directors of Bank of Qingdao Co., Ltd. on the evaluation of the performance of the accounting firms and the fulfillment of the oversight responsibilities in 2023 was considered and approved.

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Session of meeting	Date of convening	Date of disclosure	Resolutions of the meeting
The 45th meeting of the eighth session of the Board of Directors	28 March 2024	28 March 2024	The resolution in relation to making rolling revision of strategic plan of Bank of Qingdao Co., Ltd. for 2023-2025, the report on the implementation of the strategic plan of Bank of Qingdao Co., Ltd. for 2023, the work report of the Board of Directors of Bank of Qingdao Co., Ltd. for 2023, the president's work report of Bank of Qingdao Co., Ltd. for 2023, the resolution on the list of candidates for Directors of the ninth session of the Board of Directors of Bank of Qingdao Co., Ltd., the report of final financial accounts for 2023, the comprehensive operation plan for 2024, the profit distribution plan for 2023, the resolution on the engagement of external auditors of Bank of Qingdao Co., Ltd. for 2024 and their remuneration, the resolution on the 2023 appropriation of the staff bonus and distribution of the performance bonus of senior management at bank level, the resolution on capital planning and capital adequacy ratio management plan of Bank of Qingdao Co., Ltd. for 2024-2026, the resolution on the 2023 Annual Report and its summary, results announcement of Bank of Qingdao Co., Ltd., the resolution on the amendments to the Articles of Association of Bank of Qingdao Co., Ltd., the resolution on the amendments to the rules of procedure of shareholders' general meetings of Bank of Qingdao Co., Ltd., the resolution on the amendments to the rules of procedure of Board of Directors of Bank of Qingdao Co., Ltd., the resolution on the estimated amount of the ordinary related party transactions of Bank of Qingdao Co., Ltd. for 2024, the special report on related party transactions for 2023, the 2023 internal control evaluation report, the resolution on the general mandate to issue shares of Bank of Qingdao Co., Ltd., the 2023 social responsibility report., the resolution on the specialized assessment of the independence of the independent Directors of Bank of Qingdao Co., Ltd. for 2023, the resolution on the amendments to the plan on authorisation to the Board granted by the general meeting of Bank of Qingdao Co., Ltd., the 2023 substantial shareholder evaluation report, and the resolution on convening of the 2023 annual general meeting of Bank of Qingdao Co., Ltd. were considered and approved.
The 46th meeting of the eighth session of the Board of Directors	29 April 2024	29 April 2024	The resolution on the first quarterly report of Bank of Qingdao Co., Ltd. for 2024 was considered and approved.
The 47th meeting of the eighth session of the Board of Directors	14 May 2024	14 May 2024	The resolution on the optimization of the employee grading system and compensation system of Bank of Qingdao Co., Ltd. was considered and approved.
The 48th meeting of the eighth session of the Board of Directors	25 June 2024	–	The resolution on the risk appetite statement of Bank of Qingdao Co., Ltd. for 2024, the resolution on adjustment to the key parameters of expected credit loss method for the second quarter in 2024 of Bank of Qingdao Co., Ltd. and the resolution on material related party transactions were considered and approved.
The 49th meeting of the eighth session of the Board of Directors	14 July 2024	–	According to the requirements of the National Financial Regulatory Administration, the resolution on material related party transactions was considered and passed.
The 50th meeting of the eighth session of the Board of Directors	31 July 2024	–	According to the requirements of the National Financial Regulatory Administration, the resolution on material related party transactions was considered and passed.

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Session of meeting	Date of convening	Date of disclosure	Resolutions of the meeting
The 1st meeting of the ninth session of the Board of Directors	26 August 2024	26 August 2024	The resolution on electing Mr. JING Zailun as the chairman of the ninth session of the Board of Bank of Qingdao Co., Ltd., the resolution on the members of the special committees of the ninth session of the Board of Directors of Bank of Qingdao Co., Ltd., the resolution on appointing Mr. WU Xianming as the President of Bank of Qingdao Co., Ltd., the resolution on appointing Ms. CHEN Shuang as the vice President of Bank of Qingdao Co., Ltd., the resolution on appointing Mr. LIU Peng as the vice President of Bank of Qingdao Co., Ltd., the resolution on appointing Mr. ZHANG Meng as the vice President of Bank of Qingdao Co., Ltd., the resolution on appointing Mr. ZHANG Chihong as the vice President of Bank of Qingdao Co., Ltd., the resolution on appointing Ms. ZHANG Qiaowen as the secretary to the Board of Bank of Qingdao Co., Ltd., the resolution on appointing Mr. HAN Wei as general manager of audit department of Bank of Qingdao Co., Ltd., the resolution on appointing Mr. WANG Xinyu as securities affairs representative of Bank of Qingdao Co., Ltd. were considered and approved.
The 2nd meeting of the ninth session of the Board of Directors	28 August 2024	28 August 2024	The 2024 interim president's work report of Bank of Qingdao Co., Ltd., the 2024 interim financial analysis report of Bank of Qingdao Co., Ltd., the resolution on the 2024 interim report and its summary, results announcement, and the resolution on the proposed issuance quota of capital replenishment instruments of Bank of Qingdao Co., Ltd. were considered and approved.
The 3rd meeting of the ninth session of the Board of Directors	7 September 2024	–	The resolution on adjustment to the key parameters of expected credit loss method for the third quarter in 2024 of Bank of Qingdao Co., Ltd. and the resolution on material related party transactions were considered and approved.
The 4th meeting of the ninth session of the Board of Directors	19 September 2024	19 September 2024	The resolution on convening the first extraordinary general meeting of Bank of Qingdao Co., Ltd. for 2024 was considered and approved.
The 5th meeting of the ninth session of the Board of Directors	28 October 2024	28 October 2024	The resolution on the third quarter report of Bank of Qingdao Co., Ltd. for 2024 and the third pillar information disclosure report for the third quarter of 2024 of Bank of Qingdao Co., Ltd. were considered and approved.
The 6th meeting of the ninth session of the Board of Directors	27 November 2024	–	The resolution on proposing the selection of accounting firms and the resolution on material related party transactions were considered and approved.
The 7th meeting of the ninth session of the Board of Directors	25 December 2024	–	The resolution on adjustment to the key parameters of expected credit loss method for the fourth quarter in 2024 of Bank of Qingdao Co., Ltd. and the resolution on material related party transactions were considered and approved.

6.2 The implementation of resolutions passed at general meetings by the Board

During the Reporting Period, the Board strictly implemented the resolutions passed at the general meetings, and conscientiously implemented the profit distribution plan considered and passed at the general meetings and the estimated amount of the daily related party transactions.

6.3 Members of the Board

As of the date for disclosure of this report, the Board consisted of 14 Directors, including 4 executive Directors, namely JING Zailun, WU Xianming, CHEN Shuang and LIU Peng; 5 non-executive Directors, namely ZHOU Yunjie, Rosario STRANO, TAN Lixia, Giamberto GIRALDO and DENG Youcheng; and 5 independent non-executive Directors, namely, XING Lecheng, ZHANG Xu, CHEUNG Man Chor, Elton, DU Ning and FAN Xuejun. Among the 14 Directors mentioned above, there are 2 female Directors. All Directors have diversified education and culture background and occupation experience, and possess extensive professional knowledge and management experience in fields such as finance industry, corporate governance, accounting and financial management. The existing diversified composition of the Board injects different views in and facilitates the performance of the Board. The number of members and the composition of the Board complied with the requirements of the laws and regulations.

The Bank promoted the diversity of the members of the Board of Directors in several aspects including gender, age, culture, region, and professional experience. The Nomination Committee under the Board of Directors examined the structure, number of members and composition of the Board of Directors, formulated measurable targets for realizing diversity of the members of the Board based on those diversified factors and the requirements of the relevant laws and regulations and the regulatory rules in the places where the shares of the Bank are listed on the composition of the Board, including, among other things, the appointment of at least one female Director and at least three independent non-executive Directors (including at least one independent non-executive Director who possesses appropriate accounting or relevant financial management expertise), followed up on the progress of attaining the targets, and made recommendations to the Board of Directors on the size and composition of the Board of Directors in accordance with the Bank's strategic planning, operational development and shareholding structure etc., and studied the nomination criteria (including but not limited to a candidate's qualification, experience, expertise and knowledge), the nomination and appointment procedures of the Directors and made recommendations to the Board of Directors for consideration and approval.

The Vocational Guidelines and Value Standards of the Board of Directors and Senior Management of Bank of Qingdao Co., Ltd. and Their Members (《青島銀行股份有限公司董事會與高級管理層及其成員職業規範與價值準則》) formulated by the Board of the Bank clarified the vocational guidelines and value standards to be followed by the Directors, and standardized the duty performance of the Board and its members, safeguarding the legitimate rights of the Bank, depositors and other stakeholders.

6.4 Changes in the Directors

For changes in the Directors, please refer to "Changes in Directors, Supervisors and Senior Management" in this section.

6.5 Operation of the Board

During the Reporting Period, the Board convened a total of 16 meetings, of which 5 meetings were held in the form of on-site meetings and 11 meetings were held in the form of circulation of written resolutions. After in-depth discussion, members of the Board expressed their independent, objective and fair opinions and made scientific decisions, leveraging their professional expertise and experience, on the resolutions and reports submitted to the Board, which formed the resolutions of Board meeting.

In order to ensure that the Board receives independent views and opinions, the Directors may seek information from the Bank and relevant persons and organisations as necessary to make decisions and may propose that representatives of relevant persons and organisations attend meetings to explain the situation. If a Director needs to obtain advice from an independent professional intermediary in order to properly discharge the Director's duties to the Bank, the Director may make a reasonable request to the Board to that effect, and the Board may pass a resolution to provide the Director with the advice of the professional intermediary and the Bank shall bear the relevant intermediary's fees. The Bank has implemented the above mechanism to effectively ensure the independence of the Directors. The Board has reviewed the implementation and effectiveness of the above mechanism during the Reporting Period which is considered to be effective.

During the Reporting Period, the Board resolved on 125 major issues including the work report of the president, the report on final financial accounts, business plans, the proposal for profit distribution and material related party transactions, and considered or reviewed 52 reports, including internal and external audit reports and work report of the independent Directors.

The Directors of the Bank have acknowledged their responsibility for preparing the financial statements of the Bank for the year ended 31 December 2024. The Directors are responsible for overseeing the preparation of financial statements for each accounting period to make sure such financial statements give a true and fair view of the financial conditions, operating results and cash flows of the Bank. In preparing the financial statements for the year ended 31 December 2024, the Directors have adopted and consistently applied applicable accounting policies, and exercised prudent and reasonable judgment.

The Board of Directors is also responsible for determining the policy for corporate governance of the Bank and has performed the duties as set out in provision A.2.1 of the Corporate Governance Code contained in Appendix C1 to the Hong Kong Listing Rules.

6.6 Attendance of Directors at general meetings, Board meetings and meetings of the special committees

Categories	Directors	Actual attendance/Number of meetings requiring attendance												
		Board meetings												
		General meetings	Failure to attend in person two consecutive Board meetings	Total	In person	By telecommunications	By proxy	Strategy Committee	Remuneration Committee	Audit Committee	Nomination Committee	Risk Management and Consumer Rights Protection Committee	Related Party Transactions Control Committee	Network Security and Information Technology Committee
Executive Directors	JING Zailun	2/2	No	16/16	5/5	11/11	-	4/4	3/3	-	2/2	-	-	4/4
	WU Xianming	2/2	No	15/16	4/6	11/11	1	3/4	-	-	1/2	10/11	-	3/4
	CHEN Shuang	2/2	No	16/16	5/5	11/11	-	-	-	-	-	-	13/13	4/4
	LIU Peng	2/2	No	15/16	4/6	11/11	1	-	-	-	-	10/11	13/13	-
Non-executive Directors	ZHOU Yunjie	2/2	No	15/16	4/6	11/11	1	3/4	2/3	-	1/2	-	-	-
	Rosario STRANO	2/2	No	15/16	4/6	11/11	1	4/4	2/3	-	-	-	-	-
	TAN Lixia	2/2	No	15/16	4/6	11/11	1	-	-	7/8	-	10/11	-	3/4
	Gianbeto GIRALDO	1/1	No	7/7	3/3	4/4	-	-	-	-	-	5/5	-	1/1
Independent non-executive Directors	DENG Youcheng	2/2	No	16/16	5/5	11/11	-	4/4	-	8/8	-	-	-	-
	XING Lecheng	2/2	No	16/16	5/5	11/11	-	3/3	3/3	8/8	-	11/11	13/13	-
	ZHANG Xu	2/2	No	16/16	5/5	11/11	-	3/3	3/3	4/4	2/2	11/11	13/13	-
	CHEUNG Man Chor, Elton	2/2	No	16/16	5/5	11/11	-	-	3/3	8/8	2/2	-	-	-
Resigned Directors	DU Ning	2/2	No	15/16	4/6	11/11	1	1/1	3/3	-	2/2	4/5	8/8	4/4
	FAN Xuejun	1/1	No	7/7	3/3	4/4	-	-	-	4/4	-	-	5/5	-
	Marco MUSSITA	1/1	No	6/6	2/2	4/4	-	-	-	-	-	5/5	-	3/3
	FANG Qiaoling	1/1	No	9/9	2/2	7/7	-	-	-	4/4	2/2	6/6	8/8	-

Notes: 1. Under the circumstance that the Directors' actual attendance of Board meetings and special committee meetings is less than required, other Directors were delegated to attend and vote.

- During the Reporting Period, newly elected or resigned Directors were not fully accounted for the number of general meetings and the Board meetings and its special committee meetings requiring attendance according to their position changes, as well as in the cases of Mr. XING Lecheng, Mr. ZHANG Xu and Mr. DU Ning due to changes in their affiliated specialized committees.
- During the Reporting Period, no Director of the Bank has failed to attend two consecutive Board meetings in person nor was there any absence from the Board meetings.

6.7 Objections raised by Directors on matters of the Bank

During the Reporting Period, the Directors of the Bank have not raised any objection to the resolutions passed at the Board meetings or other meetings.

6.8 Other explanations on the performance of duties by Directors

During the Reporting Period, the Directors of the Bank offered advises and suggestions for the development of the Bank. The Bank carefully studied the recommendations raised by Directors, and adopted and implemented such recommendations according to the actual situation of the Bank.

6.9 Performance of duties of independent non-executive Directors

As at the end of the Reporting Period, there were 5 independent non-executive Directors on the Board of Directors of the Bank, and the qualifications, number and proportion of independent non-executive Directors were in accordance with the relevant provisions of the National Financial Regulatory Administration, the CSRC and the Hong Kong Listing Rules. In the Remuneration Committee, Audit Committee, Nomination Committee and Related Party Transactions Control Committee of the Board of Directors of the Bank, independent non-executive Directors account for the majority and serve as chairmen.

During the Reporting Period, the independent non-executive Directors of the Bank expressed independent opinions on major matters such as profit distribution, the engagement of accounting firm, and significant related party transactions, and have not raised any objection to the resolutions passed at the Board meetings or other meetings of the Bank for the year.

During the Reporting Period, independent non-executive Directors of the Bank attended the meetings of the Board of Directors and its special committees, gave their independent and objective opinions and suggestions, focusing on protecting the interests of the minority shareholders; maintained communication with the Bank by reviewing internal and external audit reports, and the proposal on external audit management and its rectification report, and conducting special research, offered advises and suggestions for the development of the Bank, and gave full play to the independent and professional role of the independent non-executive Directors of the Bank. The Bank carefully studied the recommendations raised by the independent non-executive Directors of the Bank, and adopted and implemented such recommendations according to the actual situation of the Bank.

As at the end of the Reporting Period, the allowance of independent non-executive Directors of the Bank is divided into two parts: basic allowance and floating allowance. Basic allowance refers to the annual basic remuneration for Directors participating in the work of the Board, and the standard is RMB120,000 per independent Director per year. Floating allowance refers to the subsidy for Directors to participate in general meetings, Board meetings, meetings of the special committees, research, training and inspection, etc. The standard is RMB5,000/person/time, and the different meetings attended concurrently will not be paid cumulatively.

VII. PERFORMANCE OF THE SPECIAL COMMITTEES UNDER THE BOARD DURING THE REPORTING PERIOD

The Bank currently has 7 special committees under the Board, including a Strategy Committee, a Remuneration Committee, a Nomination Committee, a Related Party Transactions Control Committee, an Audit Committee, a Risk Management and Consumer Rights Protection Committee, and a Network Safety and Information Technology Committee.

During the Reporting Period, the special committees under the Board of the Bank exercised their respective authorities and powers in an independent manner according to laws and regulations. They convened a total of 45 meetings during the year, at which 101 resolutions were considered and 48 reports of all kinds were reviewed or listened to, which allowed the special committees under the Board to play their professional roles in deliberation, provide robust support for the scientific decision-making of the Board, and improve the efficiency and quality of decision-making ability of the Board. Each of the special committees has provided important advice and recommendations on the review matters within their terms of reference.

As of the date for disclosure of this report, the composition of the special committees under the Board of the Bank is as follows:

Name	Strategy Committee	Remuneration Committee	Audit Committee	Nomination Committee	Risk Management and Consumer Rights Protection Committee	Related Party Transactions Control Committee	Network Security and Information Technology Committee
JING Zailun	C	M		M			M
WU Xianming	M			M	C		M
CHEN Shuang						M	M
LIU Peng					M	M	
ZHOU Yunjie	M	M		M			
Rosario STRANO	M	M					
TAN Lixia			M		M		M
Giamberto GIRALDO					M		M
DENG Youcheng	M		M				
XING Lecheng		M	M		M	C	
ZHANG Xu		C		M	M	M	
CHEUNG Man Chor, Elton		M	M	C			
DU Ning	M			M	M		C
FAN Xuejun		M	C	M		M	

Note: C denotes the chairman of the relevant committee; while M denotes the member of the relevant committee

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During the Reporting Period, the meetings of the special committees under the Board of the Bank are as follows:

Name of committee	Membership information	Number of meetings held	Date of convening	Meeting content	Important opinions and suggestions put forward	Other performance of responsibilities	Objections raised on matters (if any)
Strategy Committee of the Eighth Session of the Board	JING Zailun, ZHOU Yunjie, Rosario STRANO, DENG Youcheng, WU Xianming, XING Lecheng, ZHANG Xu	3	24 January, 14 March, 28 March 2024	Resolutions on the 2024 work plan of the Strategy Committee, the work report of the president and the general mandate of share issuance were considered and approved.	In accordance with regulatory regulations and working rules, the committee agrees with various resolutions and puts forward opinions and suggestions on related work.	None	None
Strategy Committee of the Ninth Session of the Board	JING Zailun, ZHOU Yunjie, Rosario STRANO, DENG Youcheng, WU Xianming, DU Ning	1	28 August 2024				
Remuneration Committee of the Eighth Session of the Board	ZHANG Xu, JING Zailun, ZHOU Yunjie, Rosario STRANO, XING Lecheng, CHEUNG Man Chor, Elton, DU Ning	3	24 January, 28 March, 14 May 2024	Resolutions on the 2024 work plan of the Remuneration Committee and the appropriation of the staff bonus and distribution of the performance bonus of senior management at bank level for 2023, were considered and approved.	In accordance with regulatory regulations and working rules, the committee agrees with various resolutions and puts forward opinions and suggestions on related work.	None	None

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Name of committee	Membership information	Number of meetings held	Date of convening	Meeting content	Important opinions and suggestions put forward	Other performance of responsibilities	Objections raised on matters (if any)
Audit Committee of the Eighth Session of the Board	FANG Qiaoling, TAN Lixia, DENG Youcheng, XING Lecheng, ZHANG Xu, CHEUNG Man Chor, Elton	4	24 January, 14 March, 28 March, 29 April 2024	The members considered and passed resolutions on regular reports, the engagement of accounting firms, the evaluation report on internal control, the proposal for profit distribution, as well as reviewed special audit reports and rectification reports and listened to the audit work summary, audit plan and management recommendations of external auditors.	In accordance with regulatory regulations and working rules, the committee agrees with various resolutions and puts forward opinions and suggestions on related work.	None	None
Audit Committee of the Ninth Session of the Board	FAN Xuejun, TAN Lixia, DENG Youcheng, XING Lecheng, CHEUNG Man Chor, Elton	4	28 August, 28 October, 27 November, 20 December 2024				
Nomination Committee of the Eighth Session of the Board	CHEUNG Man Chor, Elton, JING Zailun, ZHOU Yunjie, WU Xianming, FANG Qiaoling, ZHANG Xu, DU Ning	2	24 January, 28 March 2024	The resolution on the 2024 work plan of the Nomination Committee, and the resolution on the list of Director candidates of the ninth session of the Board of Directors of Bank of Qingdao Co., Ltd. were considered and approved.	In accordance with regulatory regulations and working rules, the committee agrees with various resolutions and puts forward opinions and suggestions on related work.	None	None
Risk Management and Consumer Rights Protection Committee of the Eighth Session of the Board	WU Xianming, TAN Lixia, Marco MUSSITA, LIU Peng, FANG Qiaoling, XING Lecheng, ZHANG Xu	6	24 January, 14 March, 28 March, 29 April, 14 May, 20 June 2024	The members considered and passed resolutions on the 2024 work plan of the Risk Management and Consumer Rights Protection Committee and the 2024 plan of risk appetite of business operation, reviewed or listened to the reports on the financial market business risk management and the work report of the protection of consumers' rights and interests.	In accordance with regulatory regulations and working rules, the committee agrees with various resolutions and puts forward opinions and suggestions on related work.	None	None
Risk Management and Consumer Rights Protection Committee of the Ninth Session of the Board	WU Xianming, TAN Lixia, Giamberto GIRALDO, LIU Peng, XING Lecheng, ZHANG Xu, DU Ning	5	28 August, 2 September, 28 October, 27 November, 20 December 2024				

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Name of committee	Membership information	Number of meetings held	Date of convening	Meeting content	Important opinions and suggestions put forward	Other performance of responsibilities	Objections raised on matters (if any)
Related Party Transactions Control Committee of the Eighth Session of the Board	XING Lecheng, CHEN Shuang, LIU Peng, FANG Qiaoling, ZAHNG Xu, DU Ning	8	5 January, 24 January, 14 March, 28 March, 29 April, 20 June, 14 July, 26 July 2024	The members considered and passed resolutions such as the 2024 work plan of the Related Party Transaction Control Committee, review of significant related party transactions, and listened to or reviewed the reports on related party transactions.	In accordance with regulatory regulations and working rules, the committee agrees with various resolutions and puts forward opinions and suggestions on related work.	None	None
Related Party Transactions Control Committee of the Ninth Session of the Board	XING Lecheng, CHEN Shuang, LIU Peng, ZAHNG Xu, FAN Xuejun	5	28 August, 2 September, 28 October, 27 November, 20 December 2024				
Network Security and Information Technology Committee of the Eighth Session of the Board	DU Ning, JING Zailun, TAN Lixia, Marco MUSSITA, WU Xianming, CHEN Shuang	3	24 January, 14 March, 28 March 2024	The members considered and passed resolutions including the 2024 work plan of the Network Security and Information Technology Committee, and listened to or reviewed the work reports on the information technology and the data management.	In accordance with regulatory regulations and working rules, the committee agrees with various resolutions and puts forward opinions and suggestions on related work.	None	None
Network Security and Information Technology Committee of the Ninth Session of the Board	DU Ning, JING Zailun, TAN Lixia, Giamberto GIRALDO, WU Xianming, CHEN Shuang	1	28 August 2024				

7.1 Strategy Committee

The primary duties of the Strategy Committee include the following:

1. Studying and making recommendations on the Bank's mid-to-long term development strategy;
2. Formulating the operation management goals of the Bank and supervising and inspecting the implementation of annual business and investment plan of the Bank;
3. Studying and formulating the Bank's capital supplementary plan and its sources of capital supplementary funds according to the development goal;
4. Studying and making recommendations on the significant investment plan which required approval by the Board under the Articles of Association;
5. Considering the proposed amendments to the Articles of Association and submitting them to the Board for consideration;
6. Studying and making recommendations on other significant matters which may affect the development of the Bank;
7. Inspecting the implementation of the above matters.

7.2 Remuneration Committee

The primary duties of the Remuneration Committee include the following:

1. Formulating the remuneration plan, management system and structure of the Bank, and submitting them to the Board for consideration;
2. Formulating the remuneration plans for Directors and senior management and submitting them to the Board for consideration, and overseeing the implementation of the package plan;
3. Studying the appraisal criteria for Directors and senior management, organizing regular performance appraisal for Directors and senior management, and submitting the appraisal results to the Board;
4. Reviewing and approving the compensation payable to executive Directors and senior management arising from any loss or termination of office or appointment, and making recommendations to the Board;
5. Reviewing and approving the compensation arrangement in connection with the dismissal or removal of Directors for their misconduct, and making recommendations to the Board;

6. Ensuring that none of the Directors or any of their associates is involved in the process of finalizing their own performance appraisal and remuneration package, except for the self-assessment section in their performance appraisal;
7. Reviewing and/or approving matters in relation to share schemes as described in Chapter 17 of the Hong Kong Listing Rules.

7.3 Nomination Committee

The primary duties of the Nomination Committee include the following:

1. Formulating the selection procedures and standards for the Directors and senior management, and making recommendations to the Board in respect thereof;
2. Conducting extensive searches for qualified candidates as Directors and senior management to establish a talent pool for key positions;
3. Conducting preliminary review of the qualifications and credentials of candidates as Directors and senior management, and making recommendations to the Board in respect thereof;
4. Making recommendations on the structure, number, size and composition (including the skills, knowledge and experience) of the Board based on the Bank's business operation, asset scale and shareholding structure.

7.4 Related Party Transactions Control Committee

The primary duties of the Related Party Transactions Control Committee include the following:

1. Reviewing and approving the related party transactions within the scope of the authority granted by the Board of Directors, reviewing the related party transactions that required the submission to the Board of Directors and shareholders' general meeting for consideration and approval, and reporting the same to the Board of Directors;
2. Inspecting and supervising the control over the Bank's related party transactions and the implementation of the Bank's related party transaction control system by the Directors, senior management and related parties of the Bank, and reporting the same to the Board.

7.5 Audit Committee

The chairman of the Audit Committee possesses the appropriate expertise of accounting or related financial management as required under Rule 3.10(2) of the Hong Kong Listing Rules. The primary duties of the Audit Committee include the following:

1. making recommendations on the appointment or replacement of the accounting firms that conduct regular statutory audit of the Bank's financial reports;
2. Supervising the Bank's internal audit system and its implementation;
3. Taking charge of the communication between the internal and external auditors;
4. Inspecting the accounting policies, financial positions, financial reporting procedures, risk and compliance of the Bank;
5. Taking charge of the Bank's annual auditing, and preparing and submitting subjective reports regarding the truthfulness, accuracy, completeness and timeliness of information in the audited financial statements to the Board for consideration;
6. Reviewing the internal control system of the Bank, evaluating the procedure and effectiveness of the internal audit department of the Bank, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Bank;
7. Reviewing the annual financial budget, final accounts and any significant changes and adjustments in the course of implementation, and submitting its findings to the Board for consideration;
8. Reviewing the profit distribution policy and annual profit distribution plans, and submitting its findings to the Board for consideration;
9. Inspecting and ensuring that the Board will provide a timely response to the external auditor's management letter (or equivalent documents) to the senior management, and also inspecting any significant queries raised by external auditors on accounting records, financial accounts or monitoring system to the senior management and the responses from the senior management;
10. Appraising the mechanism for the employees to report in financial reporting, internal monitoring or other improper acts and the mechanism of the Bank for conducting independent and fair investigation on such reports and adopting proper measures.

7.6 Risk Management and Consumer Rights Protection Committee

The primary duties of the Risk Management and Consumer Rights Protection Committee include the following:

1. Supervising the risk control condition conducted by the senior management of the Bank in credit, marketing, liquidity, operation, compliance, information technology and reputation, and conducting regular reviews of the risk reports;
2. Evaluating the Bank's risk management policy, condition, ability and level regularly;
3. Making suggestions on the improvement of our risk management and internal control;

4. Deciding on the strategy of overall risk management, confirming the overall risk limits and formulating suitable risk management procedure and measures;
5. Formulating the Bank's strategy, policy and target in protecting consumers' rights, studying major problems and important policies of consumer rights protection, convening meetings regularly to listen to the senior management's special report on protection of consumers' rights regularly, and submitting the reports to the Board for consideration;
6. Guiding and supervising the establishment and refinement of the management system for the protection of consumer rights, and ensuring that the provisions of relevant regulations are compatible with the Bank's corporate governance, corporate culture building and business development strategy;
7. Supervising the comprehensiveness, timeliness and effectiveness of the works of senior management and department of consumer rights protection in accordance with regulatory requirements and the strategies, policies, target implementation and work performance of consumer rights protection;
8. Studying annual audit reports, regulatory circulars and internal assessment results related to consumer rights protection as well as urging senior management and relevant departments to take remedy actions to the issues identified in a timely manner.

7.7 Network Security and Information Technology Committee

The primary duties of the Network Security and Information Technology Committee include the following:

1. Studying and formulating the network security planning and information technology strategy of the Bank, and submitting them to the Board for consideration;
2. Regularly appraising the overall results of the work of information technology of the Bank, and the implementation progress of network security planning, information technology strategy and its material projects;
3. Instructing and supervising the network security monitoring and disposal, development and governance of the work of information technology in senior management and relevant management departments, and conducting information technology risk identification, measurement and control;
4. Listening to or reviewing the information technology risk management report, network security working report, business continuity management report, and special auditor's report on information technology of the Bank, and making suggestions.

VIII. PERFORMANCE OF BOARD OF SUPERVISORS

8.1 Board of Supervisors

The Board of Supervisors is the supervisory body of the Bank and is responsible to the general meeting. During the Reporting Period, no risk was identified in the Bank in the supervisory activities of the Board of Supervisors and the Board of Supervisors has no objection to the supervision.

The Board of Supervisors exercises the following authorities and powers in accordance with the laws and regulations and the Articles of Association: supervising the Board of Directors in establishing a sound business philosophy and normative values and formulating the development strategies which are in line with the Bank's situation, and assessing whether the Bank's development strategies are scientific, rational and sound and preparing an assessment report; supervising the conduct of Directors and members of the senior management in their performance in the Bank, and proposing the removal of such Directors and members of senior management violating the laws, administrative regulations, the Articles of Association or the resolutions of the general meeting; requiring Directors and members of the senior management to rectify any act which is detrimental to the interests of the Bank; conducting exit audits for Directors and members of the senior management when necessary; inspecting and supervising the financial activities of the Bank; carrying out supervisory inspections on matters such as the business decision-making, risk management and internal controls of the Bank, and supervising the rectification of mistakes; making enquiries towards the Directors, the chairman of the Board of Directors and other members of the senior management; proposing the convening of extraordinary general meetings, and convening and presiding over the general meeting when the Board of Directors fails to perform this duty in accordance with the Company Law or the Articles of Association; attending the meetings of the Board of Directors; raising proposals to the general meeting; examining the financial information such as financial reports, business reports, and profit distribution plans proposed to be submitted to the general meeting by the Board of Directors, conducting investigations if there is any doubt or irregularity in relation to the Bank's operations; engaging professionals from accounting firms or law firms when necessary to assist its duties at the expenses of the Bank; initiating legal proceedings against Directors and members of the senior management according to the provisions of the Company Law; making proposals regarding the remuneration (or allowance) of the Supervisors; examining the regular reports of the Bank prepared by the Board of Directors and issuing its opinions of examination in writing; supervising the selection procedures of Directors; supervising the implementation status of the Bank's remuneration management system, and whether the remuneration plan for senior management are scientific and reasonable; and exercising any power conferred by the laws, administrative regulations, departmental rules, the regulatory documents, the Articles of Association or the general meetings.

8.2 Composition of the Board of Supervisors

The Board of Supervisors of the Bank is composed of employee Supervisors, shareholder Supervisors and external Supervisors. Shareholder Supervisors and external Supervisors are nominated by the Board of Supervisors and elected by the general meeting. Employee Supervisors are nominated by the trade union's committee and elected through democratic procedures. As at the end of the Reporting Period, the Board of Supervisors of the Bank consisted of 5 Supervisors, including 2 employee Supervisors, namely WANG Dawei, LIU Wenjia; 1 shareholder Supervisor, namely HE Liangjun; and 2 external Supervisors, namely JIANG Xinglu, LU Kun. The structure of the Board of Supervisors of the Bank satisfies the requirements of the applicable laws and regulations, and the Supervisors possess the professionalism and independence required to perform their duties, and can effectively exert the supervisory functions of the Board of Supervisors.

8.3 Changes in the Supervisors

For details of the changes in the Bank's Supervisors during the Reporting Period, please refer to the section headed "Changes in Directors, Supervisors and Senior Management".

8.4 Operation of the Board of Supervisors

Through various means such as convening meetings of the Board of Supervisors and the special committees, considering and approving resolutions, listening to reports, conducting business investigation and research, participating in general meetings, and attending Board meetings and important meetings of the Bank, the Board of Supervisors supervised and appraised the discharge of duties by the Board and the senior management and its members, oversaw the financial activities, risk management and internal control of the Bank, gave their recommendations on supervision and continuously focused on the implementation of various recommendations by the Bank.

8.5 Meetings of the Board of Supervisors held during the Reporting Period

During the Reporting Period, the Board of Supervisors of the Bank convened 7 meetings in total, of which 3 meetings were held in the form of on-site and 4 meetings were held in the form of circulation of written resolutions. At these meetings, the Board of Supervisors considered and approved 20 resolutions, listened to or reviewed 46 reports, covering operation management, final financial accounts, risk management and internal control of the Bank, as well as the performance evaluation of Directors, Supervisors and senior management personnel. During the Reporting Period, there was no objection raised by the Board of Supervisors to the matters supervised. During the Reporting Period, attendance of Board of Supervisors meetings is as follows:

Supervisor	Number of attendance required	Number of attendance in person	Number of attendance by proxy
HE Liangjun	7	7	–
JIANG Xinglu	7	7	–
LU Kun	7	7	–
WANG Dawei	7	6	1
LIU Wenjia	3	3	–
YANG Fengjiang	4	4	–
HAO Xianjing	7	7	–

8.6 Attendance at the general meetings during the Reporting Period

During the Reporting Period, the Bank convened 2 general meetings in total. The Board of Supervisors has designated representatives to attend such meetings on site to carry out on-site supervision over the legal compliance of the matters proposed at the meeting, procedures of the meeting and the voting process.

8.7 Attendance at meetings of the Board and meetings of the senior management

During the Reporting Period, the Board of Supervisors designated representatives to attend on-site meetings of the Board convened by the Bank, reviewed the documents of the Board meetings in the form of circulation of written resolutions, and supervised the legal compliance of procedures of convening the Board meeting and voting, as well as the attendance, speech and voting of Directors. The Board of Supervisors also delegated representatives to attend important senior management meetings such as executive meetings and internal control review meetings, to keep abreast of the management's business dynamics in a timely and comprehensive manner and to provide supervisory opinions on the performance of senior management, as well as the work of risk management and internal control.

8.8 Operation of the special committees under the Board of Supervisors

As of the date for disclosure of this report, the Board of Supervisors has established a Supervision Committee and a Nomination and Evaluation Committee. The composition of these committees is as follows:

No.	Special Committees under the Board of Supervisors		
		Chairman	Members
1	Supervision Committee	LU Kun	HE Liangjun, JIANG Xinglu, LIU Wenjia
2	Nomination and Evaluation Committee	JIANG Xinglu	LU Kun, WANG Dawei

Supervision Committee

The primary duties of the Supervision Committee include the following:

1. Responsible for the formulation of the plans for supervising the Bank's financial affairs, and implementing related examinations;
2. Supervising the Board of Directors for the establishment of stable operational principle, value criterion, and formulating the development strategy based on the Bank's actual needs;
3. Supervising and examining the Bank's operational decisions, risk management and internal control.

During the Reporting Period, the Supervision Committee held 5 meetings in total on 15 March 2024, 27 March 2024, 28 April 2024, 27 August 2024 and 28 October 2024 respectively, at which the resolutions on the report of final financial accounts, proposals for profit distribution, regular report, the engagement of external accounting firm and the evaluation report on internal control were considered and approved, and listened to the work report of internal audit and the comprehensive risk management report.

Nomination and Evaluation Committee

The primary duties of the Nomination and Evaluation Committee include the following:

1. Studying the selection standards and procedures of Supervisors, and making recommendations to the Board of Supervisors;
2. Preliminarily reviewing the qualifications and criteria of candidates for Supervisors and making recommendations;
3. Supervising the process of election and appointment of Directors and independent Directors;
4. Conducting comprehensive evaluation on the performance of duties of Directors, Supervisors and senior management and reporting to the Board of Supervisors.

During the Reporting Period, the Nomination and Evaluation Committee convened 2 meetings in total on 27 March 2024 and 27 August 2024 respectively, at which the resolutions on the president's work report, evaluation report on the performance of duties of the Board of Directors and Directors, the evaluation report on the performance of duties of Supervisors and the evaluation report on performance of duties of the senior management and senior executives were considered and approved.

8.9 Work of external Supervisors

During the Reporting Period, external Supervisors attended the meetings of the Board of Supervisors and its special committees in compliance with laws and regulations, gave their independent and objective opinions and suggestions, protected the interests of the Bank and depositors; kept themselves abreast of the status of the Bank's operation and management by conscientiously carrying out reviews on the resolutions, reports and other documents provided by the Bank; and performed their duties as external Supervisors according to laws.

8.10 Training and studies undertaken by Directors and Supervisors during the Reporting Period

The Directors and Supervisors actively participated in various trainings of the Bank and regulatory agencies to gain a deep understanding of their responsibilities and obligations, and continuously improve their comprehensive quality and duty performance capability.

During the Reporting Period, the Directors and Supervisors of the Bank participated in the Special Training on Continuous Supervision organized by the CITIC Securities, mainly focusing on five parts, namely: continuous supervision rules, corporate standard operation, information disclosure, insider trading, and code of conduct for Directors, Supervisors and senior management; the Directors of the Bank participated in the Lecture on Risk Prevention and Dispute Resolution for Listed Companies under the new Company Law organized by China Association for Public Companies and Shenzhen Court of International Arbitration, mainly focusing on the key amendments of the new Company Law, the key points of risk prevention of listed companies and the dispute mitigation mechanism of listed companies; participated in the Capacity Building Training for Independent Directors (Phase II) organized by China Association for Public Companies to gain an in-depth understanding of the revision of the Company Law, the obligations and responsibilities of directors, supervisors and senior managements, and the key points and case interpretation of the duties of independent directors of listed companies; participated in the Capacity Building Training for Independent Directors (Phase III) organized by China Association for Public Companies to grasp the essence of the Guidelines on the Performance of Duties by Independent Directors of Listed Companies (《上市公司獨立董事履職指引》) (Revised in 2024) to deepen their understanding of the performance of independent directors and improve the efficiency and effectiveness of their duties. The Bank's Supervisors participated in special training of Improving Awareness of Prevention and Building a Strong Anti-fraud Firewall organized by China Association for Public Companies to increase vigilance against telecommunications fraud and strengthen security awareness; participated in the training on Supervisors of Listed Companies in Fulfilling Their Financial-related Responsibilities and Regulatory Case Analysis organized by China Association for Public Companies, helping the Bank's Supervisors grasp the legal provisions and regulatory requirements for performing their duties, and keeping efficient performance in regular reporting and supervision and review of mergers and acquisitions, restructuring, securities issuance and other businesses.

During the Reporting Period, to fully understand the operation management of the branches and sub-branches, the Bank's independent Directors and external Supervisors conducted a special research in Jinan Branch and Linyi Branch and put forward many guiding and forward-looking suggestions on relevant business management.

IX. WORK OF SENIOR MANAGEMENT

Serving as the executive body of the Bank, the senior management is responsible to the Board of Directors and is subject to the supervision of the Board of Supervisors. Powers and authorities of the senior management and the Board of Directors are divided in strict compliance with the Articles of Association and other documents. Under the Bank's system, the president assumes overall responsibility under the leadership of the Board of Directors. The president shall be accountable to the Board of Directors and shall perform the following functions and powers:

1. Taking charge of the operation and management of the Bank, making arrangements for the implementation of the resolutions of the Board of Directors and reporting the work to the Board of Directors;
2. Submitting business plans and investment proposals to the Board of Directors on behalf of the senior management, and making arrangements for the implementation upon approval by the Board of Directors;
3. Making arrangements for the formulation of the Bank's various rules and regulations, development plans and annual operation plans and is responsible for the implementation;
4. Authorizing members of the senior management and persons in charge of internal departments and branches to conduct operating activities;
5. Formulating proposals on the establishment of the Bank's internal management entities;
6. Proposing to the Board of Directors to engage or dismiss the vice presidents, chief financial officers and other members of the senior management of the Bank;
7. Engaging or dismissing persons in charge of the internal departments and branches of the Bank other than those to be engaged or dismissed by the Board of Directors;
8. Determining wages, benefits, rewards and punishment of the employees of the Bank, and deciding on their engagement and dismissal;
9. Proposing the convening of an extraordinary meeting of the Board of Directors;
10. Adopting emergency measures when any major emergency, such as a bank run, arises in the Bank and promptly reporting them to the banking regulatory authorities of the State Council as well as the Board of Directors and the Board of Supervisors;
11. Other duties and powers conferred by the laws, administrative regulations, departmental rules, regulatory documents, the regulations of the relevant regulatory authorities, the Articles of Association and by the Board of Directors.

9.1 Delegation of authority by the Board of Directors

The Board of Directors of the Bank and the management led by the president exercised their respective powers in accordance with their responsibilities as set out in the Articles of Association. The management plays the role of executive body of the Bank, responsible to the Board of Directors and subject to the supervision of the Board of Supervisors. The division of authority between senior management and the Board of Directors shall be in strict accordance with documents such as the Articles of Association. Under the leadership of the president, the senior management is mainly responsible for the specific matters of the Bank's daily operation, the execution of operational decisions and the implementation of the Bank's strategic objectives and policies. Apart from the responsibilities stipulated in the Articles of Association, the Bank formulated the Delegation Arrangement to the President Authorized by the Board of Directors of Bank of Qingdao Co., Ltd., to refine corporate governance structure and promote decision-making efficiency. The validity period of the delegation is from the date of approval by the Board of Directors until new delegation arrangements made by the Board of Directors.

9.2 Chairman and President

In line with the recommendations of the Hong Kong Listing Rules, the roles and responsibilities of the Chairman and President of the Bank are taken up by different persons, and their respective responsibilities are clearly defined in the Articles of Association.

Mr. JING Zailun, Chairman of the Bank, is responsible for organizing timely consideration, review and discussion of major issues of the Bank by the Board of Directors, so as to ensure the sound operation of the Board of Directors and effective implementation of decisions. Mr. WU Xianming serves as President of the Bank, and is responsible for business development and overall operational management of the Bank in accordance with the provisions of laws and regulations and the Articles of Association.

9.3 Securities transactions by Directors and Supervisors

The Bank has adopted the required standard set by the Model Code set out in Appendix C3 to the Hong Kong Listing Rules as the code of conduct for securities transactions by Directors and Supervisors of the Bank. Having made enquiries to all Directors and Supervisors, the Bank confirmed that they had complied with the above Model Code for the share transaction of the Bank during the Reporting Period.

9.4 External auditors and remuneration

For details, please refer to the section "Significant Events" in this report.

9.5 Risk management and internal control

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

The Board of Directors of the Bank has established the Audit Committee to be responsible for the supervision of the effective implementation of the Bank's internal control and the self-assessment of risk management and internal control, the coordination of audit on internal control and other relevant matters.

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

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

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

The Board of Directors of the Bank reviewed the risk management and internal control systems for the year ended 31 December 2024. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Bank attaches great importance to the construction of an internal control system and has established an all-round internal control system with comprehensive process control, covering all business activities, risk management activities and support and guarantee activities. In accordance with external laws and regulations, supervisory policies, and internal operation and management needs, the Bank formulated and amended the relevant internal control management system in a timely manner, optimized the business management process, implemented risk control measures, so as to promote the steady operation and sustainable development of the Bank. The Board of Directors of the Bank considered and approved the "2024 Evaluation Report on Internal Control of Bank of Qingdao Co., Ltd.", and assessed the internal controls of the Bank. The Board of Directors is in the opinion that such internal controls of the Bank are effective.

The Bank formulated the Information Disclosure Management System of Bank of Qingdao Co., Ltd. (A+H Shares) and the Management System for Insiders and External Information Users of Bank of Qingdao Co., Ltd., which specified the definition of inside information, confidentiality measures, handling and issuance procedures and internal control.

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

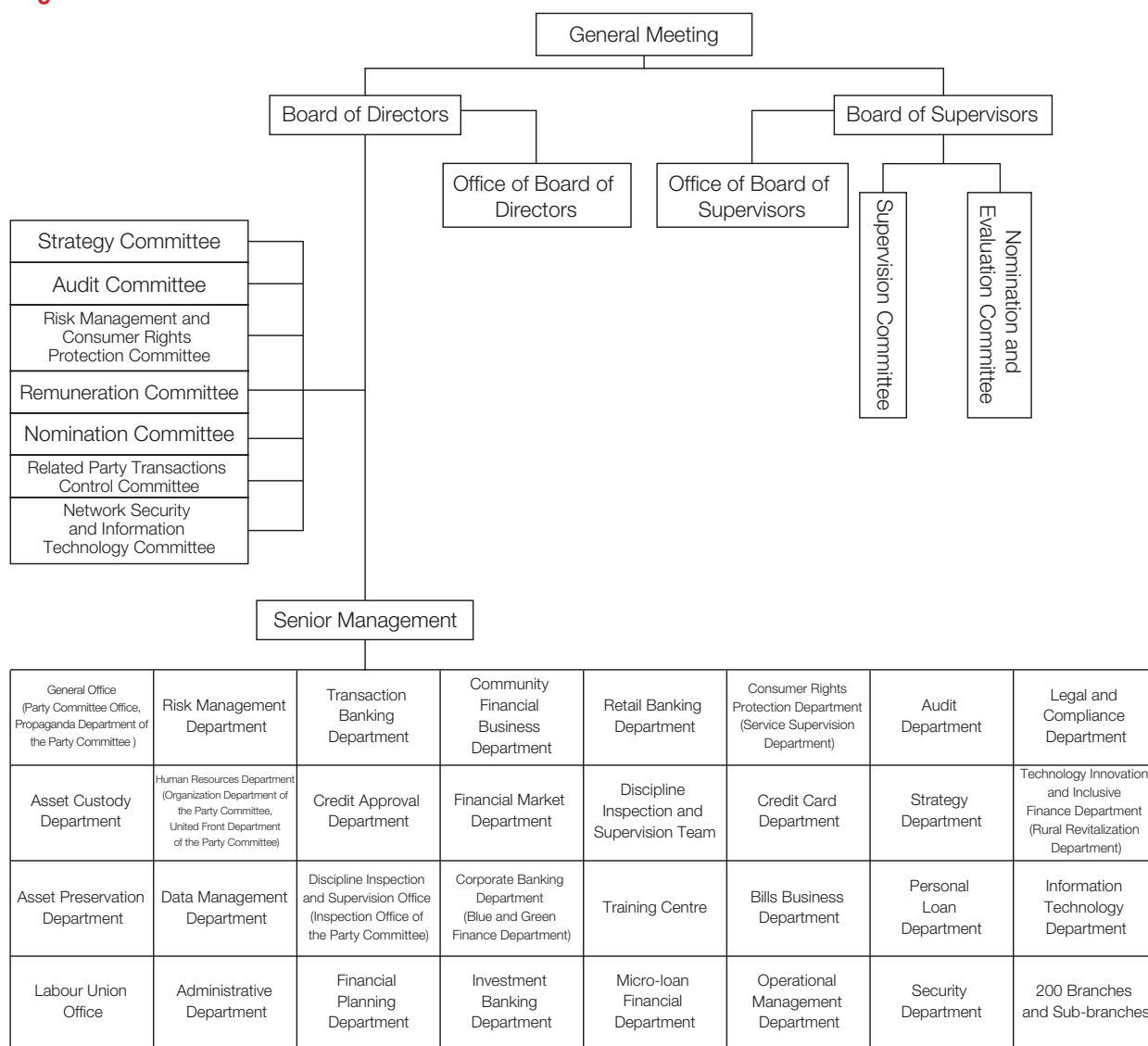
9.6 Appraisal and incentives for senior management

During the Reporting Period, the Board of Directors and the Remuneration Committee of the Board of Directors of the Bank appraised the senior management according to the annual work objectives and plans of the Bank, and granted bonuses for the senior management according to the appraisal results. The Bank will continue to improve the performance evaluation and constraint mechanism of the senior management.

9.7 Company secretaries

During the Reporting Period, the joint company secretaries of the Bank, Ms. ZHANG Qiaowen and Ms. YU Wing Sze from TMF Hong Kong Limited, a company secretarial service provider of the Bank, both had undertaken not less than 15 hours of continuing professional training in compliance with the requirements of Rule 3.29 of the Hong Kong Listing Rules. Ms. YU Wing Sze's chief liaison person in the Bank is Ms. ZHANG Qiaowen, one of the joint company secretaries of the Bank.

9.8 Organization chart



9.9 Branches and sub-branches

As at the end of the Reporting Period, the Bank had a total of 200 branches and sub-branches, the details of which are as follows:

No.	Name of branch/sub-branch	Business address	Institutions under its administration	No. of staff (persons)	Total assets (RMB100 million)
1	In Qingdao	–	1 business department of the head office, 1 branch and 112 sub-branches	1,866	4,735.74
2	Jinan Branch	Building 6, Yinfeng Fortune Plaza, No. 1 Longaoxi Road, Lixia District, Jinan	10 sub-branches under it	333	332.82
3	Dongying Branch	No. 72 Fuqian Avenue, Dongying District, Dongying	6 sub-branches under it	152	131.81
4	Weihai Branch	No. 112, No. 3-4 Shichang Avenue, Weihai	8 sub-branches under it	221	278.70
5	Zibo Branch	No. 266 Liantong Road, Zhangdian District, Zibo	5 sub-branches under it	146	176.00
6	Dezhou Branch	No. 717 Dexing Middle Avenue, Decheng District, Dezhou	5 sub-branches under it	127	96.48
7	Zaozhuang Branch	Dexin Plaza, No. 2166 Hexie Road, Xuecheng District, Zaozhuang	6 sub-branches under it	133	102.28
8	Yantai Branch	Hongyuan Business Building, No. 29 Jinshajiang Road, Development Zone, Yantai	6 sub-branches under it	149	154.79
9	Binzhou Branch	No. 471 Huanghe 8th Road, Bincheng District, Binzhou	4 sub-branches under it	101	146.97
10	Weifang Branch	Room 124, Building 7, No. 6636 Fushou East Street, Kuiwen District, Weifang	6 sub-branches under it	143	161.73
11	Laiwu Branch	No. 57, Wanfu North Road, Laiwu District, Jinan	1 sub-branch under it	53	33.50
12	Linyi Branch	Building 9, Hongxing International Plaza, Intersection of Jinan Road and Xiaohe Road, Beicheng New District, Linyi	5 sub-branches under it	127	103.48
13	Jining Branch	Welfare Lottery Building, No. 24 Hongxing Middle Road, Jining	3 sub-branches under it	94	140.16
14	Taian Branch	No. 237 Dongyue Street, Taian	3 sub-branches under it	88	41.32
15	Heze Branch	North side of East Gate of Jindu Huating, middle section of Renmin Road, Heze	1 sub-branch under it	50	40.24
16	Rizhao Branch	No. 79 Tai'an Road, Qinlou Street, Donggang District, Rizhao	2 sub-branches under it	53	31.96

X. DETAILS OF EMPLOYEES

In compliance with the relevant systems of the Bank for recruitment management, the Bank has been adhering to a fairness principle during recruitment and has never discriminated against candidates for their ethnicity, race, gender, or religious belief, so as to provide equal job opportunities and achieve a diversified and talented team.

At the end of the Reporting Period, there were a total of 2,419 male and 2,893 female employees of the Company, and the proportions of males and females were 45.54% and 54.46%, respectively. The differences in background and job requirements of employees were the main factors affecting the gender diversity of employees.

10.1 Number of employees, composition by profession and education background

Number of employees on the payroll of the parent company (persons) at the end of the Reporting Period	5,109
Number of employees on the payroll of the major subsidiaries (persons) at the end of the Reporting Period	203
Total number of employees on the payroll (persons) at the end of the Reporting Period	5,312
Total number of employees receiving remuneration in the current period (persons)	5,312
Number of retired employees for whom the parent company and major subsidiaries need to bear expenses (persons)	—
Composition by profession	
Composition by profession category	Number of persons of composition by profession (persons)
Management personnel	348
Business personnel	4,071
General administrative personnel	893
Total	5,312
Education background	
Education background category	Number (persons)
Master's degree or above	1,322
Bachelor's degree	3,612
College graduates or below	378
Total	5,312

10.2 Remuneration policy

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

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

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

10.3 Training program

The Bank has fully completed its annual work plan by focusing on the goal of "training a team of high-quality staff competent in the high-quality development of Bank of Qingdao", relying on both online and offline channels, and adhering to the combination of training work with Party building, the focus of business development, and talent growth, and carrying out various training work with key points and levels in accordance with the three-level training management model. During the Reporting Period, the Bank organized a total of 3,798 trainings, with a total of 240,000 people trained. Among them, the first-level training mainly held various training activities for grass-roots Party organization secretaries and junior cadres, new employees recruited from schools, employees from social recruitment, management trainees and core calibers; carried out "Going to Zhejiang University", "Going to Shanghai University of Finance and Economics" and "Going to Southwestern University of Finance and Economics" training in rotation for middle-level deputy positions; the second-level training focusing on employees from different sectors and lines, the Bank organized and carried out various training courses such as business marketing, risk management, and skills improvement; the third-level training was mainly for each branch and sub-branch to organize and carry out targeted training courses such as business promotion and employee ability improvement based on the Bank's training priorities and regional business development needs. The Bank is continuing to strengthen the training and construction of internal instructors, continuously improving the management and incentive mechanism of internal trainers, and carrying out precise empowerment training programs that combined online autonomous learning and offline centralized face-to-face teaching. The Bank is also vigorously promoting digital transformation of training, organizing experts and internal trainers to develop online training courses covering knowledge, skills and attitudes, continuously improving the pertinence, coordination, effectiveness and interactivity of training work, and comprehensively empowering employees to become excellent talents.

10.4 Labor outsourcing

N/A.

XI. PROFIT DISTRIBUTION AND CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL OF THE BANK

11.1 The Bank's profit distribution policies and implementation

The resolution on the amendments to the Articles of Association of Bank of Qingdao Co., Ltd. was considered and approved at the 2016 second extraordinary general meeting of the Bank held on 14 October 2016. The amended Articles of Association provide that the Bank shall implement a consistent and stable profit distribution policy that gives priority to investors' reasonable investment returns while having regard to the Bank's sustainable development. The Bank shall give preference to cash dividend distribution on the premise of ensuring sustaining profitability and compliance with regulatory requirements as well as the normal operation and long-term development of the Bank. The Bank's annual profit distributed to shareholders of ordinary shares in cash shall not be less than 20% of the distributable profits attributable to ordinary shareholders of the Bank in the relevant year.

Particulars of Cash Dividend Policy	
Whether in compliance with the requirements of the Articles of Association and the resolutions of the general meeting:	Yes
Whether the dividend distribution criteria and proportion were well-defined and clear:	Yes
Whether the related decision-making process and mechanism were in place:	Yes
Whether independent Directors fulfilled their duties and played their roles:	Yes
If the Company does not distribute cash dividends, it should disclose the specific reasons and the next steps it plans to take to enhance investor returns:	N/A
Whether the minority shareholders had the opportunities to sufficiently express their opinions and appeals and the legal interests of the minority shareholders were fully protected:	Yes
Whether the conditions and procedures were legal and transparent in respect of the adjustments and changes in cash dividend policy:	N/A

11.2 Profit distribution plan or plan relating to conversion of capital reserves into share capital during the Reporting Period approved by the Board

Number of bonus share per 10 shares (share(s))	–
Dividend distribution per 10 shares (RMB) (tax inclusive)	1.60
Scrip shares per 10 shares (share(s))	–
Share base of the distribution proposal (shares)	5,820,354,724
Amount of cash dividend (RMB) (tax inclusive)	931,256,755.84
Amount of cash dividends distribution through other means (such as repurchase of shares) (RMB)	–
Total cash dividend (including other means) (RMB)	931,256,755.84
Distributable profits (RMB)	7,028,211,550.49
Percentage of total cash dividend (including other means) to total profit distribution	100%

Section VI Corporate Governance

Cash dividend

If the Company's development is in maturity stage without substantial capital expenditure arrangement, the proportion of cash dividends shall not be less than 80% in the profit distribution.

Particulars of profit distribution plans

Taking into account the profit of the Bank, and in compliance with the Articles of Association and relevant regulatory requirements, the proposal for profit distribution of the Bank for 2024 is as follows:

1. 10% of net profit, equivalent to RMB388 million, will be appropriated to statutory reserve fund;
2. RMB899 million will be appropriated to general reserve;
3. A total of RMB233 million in perpetual bond interest has been distributed in July and August 2024;
4. RMB1.60 (tax inclusive) per 10 shares of cash dividend will be distributed to all ordinary shareholders on a basis of the total number of shares on the record date of equity distribution, with a distribution amount of approximately RMB931 million. Dividends of H shares shall be paid in Hong Kong dollars. The applicable exchange rate of RMB to Hong Kong dollars shall be the average of the central parity rates in the interbank foreign exchange market of the five business days preceding the date of declaration of such dividends at the annual general meeting (including the day the annual general meeting to be held) as announced by the People's Bank of China;
5. The retained profit will be carried forward to the next year.

Notes:

1. The profit distribution is financed by the profit of the Bank. The share base of distribution proposal, amount of cash dividend (tax inclusive) and total cash dividend in the above table are stated and calculated based on a total number of 5,820,354,724 shares outstanding at the time when the proposal for dividend distribution was considered and approved by the Board of the Bank. The actual data shall depend on the total number of shares on the record date of equity distribution and be calculated accordingly.
2. Distributable profits = Retained earnings of the parent company at the beginning of the year – dividend of ordinary shares distributed at last year – interest of perpetual bond paid + net profit for the year

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

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

XIII. CONSTRUCTION AND IMPLEMENTATION OF INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD

13.1 Construction and implementation of internal control

During the Reporting Period, the Bank adhered to lawful and compliant guiding principles through continuously optimizing process, refining management measures, strengthening risk prevention and improving the management structure, continuously enhanced the internal control management and effectively promoted the overall implementation of its development strategy and business objectives.

The Bank strived to build an internal control and compliance management system that accommodated scientific norms, sophisticated governance, comprehensive coverage, and efficient operation, which resonates with the development of business to simultaneously move forward in the same direction. The Bank continued to carry out the construction and reform of the internal control system and management improvement, clarified the division of the internal control responsibilities, comprehensively optimized existing systems, refined the internal control compliance management system. The Bank unified and centrally managed its supervision and inspection, problem rectification, internal accountability, and regulatory penalties, and built the “three lines of defense” for internal control with reasonable division of labor, clear responsibilities, and clear reporting relationships.

The Bank conducted a comprehensive self-examination and modification of the existing system according to the modification results of the regulatory documents from the regulatory authorities, and managed the whole process of system formulation, system review, system release and system evaluation. External institutions were engaged to conduct special audit of internal control, in order to comprehensively improve the internal control management by constantly identifying and solving problems. The Bank strictly followed legal review protocols, and stayed informed of the latest enactment of laws, regulations and regulatory systems closely related to the banking business, to ensure early warning on risk prevention was properly made.

13.2 Specific details on the material deficiencies in internal control detected during the Reporting Period

No material deficiencies in internal control were detected in the Bank during the Reporting Period.

13.3 Internal audit

The Bank implemented an independent and vertical internal audit management system. The Board of Directors has established the Audit Committee, which served as the coordinating and supervising organization for the overall internal audit work. It was responsible for approving the internal audit charter, guiding the formulation of audit strategies, supervising the implementation of audit plans, reviewing the assessment of the audit department, etc. The Audit Committee reported directly to the Board of Directors to ensure the transparency and effectiveness of audit work. The head office has established the audit department, which was responsible for organizing the overall internal audit work. It accepted the leadership of the Party Committee of the head office and was directly managed by the Chairman of the Board to ensure the independence and objectivity of the audit work. There were six departments in the audit department of head office, focusing on the branches audit, the audit of head office's business departments and subsidiaries, the follow-up rectification, the off-site system construction and other works. The Bank appointed audit specialists for all 15 branches within the province to strengthen the audit supervision and the follow-up rectification of branches in regions, and formed vertical management, comprehensive coverage, authoritative and efficient internal audit supervision system dominated by the head office audit and supplemented by the branch audit.

During the Reporting Period, the Bank focused on risk management and control, fully performed its duties in accordance with the law, and continuously improved the breadth and depth of internal audit. Firstly, adhering to the integration of Party and industry, the Bank strictly implemented China's major economic and financial decisions and arrangements, and strengthened supervision over the implementation of major projects, key policies and other work guided by policy directions and regulatory priorities. Secondly, based on the main responsibilities and businesses, dominated by regular audits and supplemented by follow-up audit and accountable audits, the Bank focused on special audits and prevention and mitigation of risks, continued to expand the audit inspections coverage and strengthen the third line of defense. Thirdly, attaching importance to the application of audit results, the Bank deepened the coordination mechanism, integrated the disclosure of problems with audit rectification, and established and improved a long-term mechanism for audit rectification. Fourthly, speeding up digital transformation, the Bank used intelligent audit systems to empower off-site inspections, efficiently identified problems and doubts, and explored innovation paths, to provide strong support for full audit coverage.

XIV. MANAGEMENT CONTROL OF SUBSIDIARIES BY THE BANK DURING THE REPORTING PERIOD

There are two subsidiaries of the Bank, namely, BQD Financial Leasing and BQD Wealth Management. No new subsidiary has been established during the Reporting Period. Please refer to "16. Analysis of Main Shares Holding Companies and Joint Stock Companies" under "Section V Management Discussion and Analysis" in this report for information on BQD Financial Leasing and BQD Wealth Management.

XV. EVALUATION REPORT OF INTERNAL CONTROL AND AUDIT REPORT OF INTERNAL CONTROL

15.1 Self-evaluation report of internal control

Disclosure date of the full text of evaluation report of internal control	26 March 2025
Disclosure index of the full text of evaluation report of internal control	Website of CNINFO (http://www.cninfo.com.cn/)
The percentage of total assets of units included in the assessment scope to the total assets in the Company's consolidated financial statements	100%
The percentage of total operating income of units included in the assessment scope to the total operating income in the Company's consolidated financial statements	100%

Criteria for Deficiency Recognition Category	Financial Report	Non-financial Report
Qualitative criteria	<p>Qualitative criteria of material deficiencies: issue of adverse opinion or refuse to give opinion by a certified public accountant with respect to the financial statements of the enterprise; fraud or suspected of fraud of the senior management of the enterprise; material misstatement in financial reports disclosed; lack of control or failure of financial system of the Company; failure to rectify material or major deficiencies in the internal control on financial reports.</p> <p>Qualitative criteria of major deficiencies: deficiencies in the Company's financial procedures or system; failure to rectify major deficiencies in the internal control on financial reports; other internal control deficiencies that may cause material misstatement of financial reports.</p> <p>Qualitative criteria of general deficiencies: other deficiencies in the internal control of financial reports other than the aforesaid material deficiencies and major deficiencies.</p>	<p>Qualitative criteria of material deficiencies: serious impact on the realization of the Bank's overall control objectives; violation of laws, regulations or regulatory requirements, resulting in regulatory penalties of more than RMB10 million or suspension of business for rectification or revocation of licenses due to a single violation; wide range of negative impacts with extensive public attention at home and abroad, and a serious negative impact on the Bank's reputation and stock price; lack of control or failure of major business system.</p> <p>Qualitative criteria of major deficiencies: a certain impact on the realization of the Bank's overall control objectives; significant losses as a result of violation of internal regulations of the enterprise; negative impacts within and outside the Bank, drawing public attention, and a greater negative impact on the Bank's reputation in some areas; deficiencies in major business procedure or system.</p> <p>Qualitative criteria of general deficiencies: slight or no impact on the realization of the Bank's overall control objectives; in violation of internal regulations of the enterprise without loss; limited negative impacts, with low public attention and a less negative impact on the Bank's reputation; deficiencies in general business procedure or system.</p>

Criteria for Deficiency Recognition Category	Financial Report	Non-financial Report
Quantitative criteria	Quantitative criteria of material deficiencies: the possible impact amount of the annualized financial misstatement accounted for 5% or more of the Bank's profit before tax, and compensatory control could not effectively reduce the impact of the deficiency against the realization of the control objectives.	Quantitative criteria of material deficiencies: the amount of loss accounted for 5% or more of the Bank's profit before tax due to the internal control deficiencies, and compensatory control could not effectively reduce the impact of the deficiency against the realization of the control objectives.
	Quantitative criteria of major deficiencies: the possible impact amount of the annualized financial misstatement accounted for 3% (inclusive) to 5% (exclusive) of the Bank's profit before tax, and compensatory control could not effectively reduce the impact of the deficiency against the realization of the control objectives.	Quantitative criteria of major deficiencies: the amount of loss accounted for 3% (inclusive) but less than 5% (exclusive) of the Bank's profit before tax due to the internal control deficiencies, and compensatory control could not effectively reduce the impact of the deficiency against the realization of the control objectives.
	Quantitative criteria of general deficiencies: the possible impact amount of the annualized financial misstatement accounted for less than 3% of the Bank's profit before tax, and compensatory control could not effectively reduce the impact of the deficiency against the realization of the control objectives.	Quantitative criteria of general deficiencies: the amount of loss accounted for less than 3% of the Bank's profit before tax due to the internal control deficiencies, and compensatory control could not effectively reduce the impact of the deficiency against the realization of the control objectives.
The number of material deficiencies in financial reports		—
The number of material deficiencies in non-financial reports		—
The number of major deficiencies in financial reports		—
The number of major deficiencies in non-financial reports		—

15.2 Audit report of internal control

Audit opinion of the audit report of internal control

As at 31 December 2024, the Bank has maintained effective internal control over financial reporting in all material aspects in accordance with the Basic Standards for Enterprise Internal Control and other relevant requirements.

Disclosure of the audit report of internal control	Disclosed
Disclosure date of the full text of audit report of internal control	26 March 2025
Disclosure index of the full text of audit report of internal control	Audit Report of Internal Control disclosed on the website of CNINFO (http://www.cninfo.com.cn/)
Opinion of the audit report of internal control	Unqualified opinion
Whether there is any material deficiency in the non-financial report	No

Note: The audit report of internal control issued by the accounting firm is consistent with the self-evaluation report of the Board of Directors.

XVI. RECTIFICATION DETAILS OF SELF-INVESTIGATION IN CORPORATE GOVERNANCE ACTIONS BY LISTED COMPANIES

No problem in corporate governance actions by listed companies under self-investigation in 2021 was detected in the Bank.

XVII. INFORMATION DISCLOSURE AND TRANSPARENCY

In strict compliance with the provisions of laws and regulations, the Bank released various periodic reports and temporary announcements in compliance with laws and regulations to ensure that the information disclosed is true, accurate, complete, timely and standardized to protect the lawful rights and interests of shareholders. During the Reporting Period, 195 various announcements were released on the website of SZSE, and the HKEXnews website of the Hong Kong Stock Exchange, among which, 125 announcements were released on SZSE and 70 announcements on the Hong Kong Stock Exchange.

The Bank has also established a special column for investor relations on its official website which contains relevant email address and contact details, reflecting the Bank’s commitment to earnestly responding to questions and enquiries raised by shareholders and investors and to ensuring that all shareholders and investors have equal access to relevant information.

XVIII. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In accordance with the latest requirements of the related laws and regulations and with reference to the actual conditions of the Bank, the Bank made corresponding amendments to some provisions of the Articles of Association. The amended Articles of Association were approved by the Qingdao Bureau of the National Financial Regulatory Administration (國家金融監督管理總局青島監管局) in August 2024. For details, please refer to the 2023 Annual General Meeting Documents which were published by the Bank on CNINFO website dated 10 May 2024, the Announcement on the Approval of the Amendments to the Articles of Association (Announcement No.: 2024-019) and the Articles of Association (August 2024) dated 16 August 2024.

XIX. SHAREHOLDERS' RIGHTS

19.1 Authorities and powers of the shareholders' general meetings

The shareholders' general meeting is the organ of authority of the Bank, and shall exercise the following authorities and powers in accordance with the law:

- (1) to decide on the Bank's operating policies and investment plans;
- (2) to elect and remove the non-employee representative Directors and Supervisors and to fix the remuneration of the relevant Directors and Supervisors;
- (3) to consider and approve the reports of the Board of the Directors;
- (4) to consider and approve the reports of the Board of Supervisors;
- (5) to consider and approve the proposed annual financial budgets and final accounts of the Bank;
- (6) to consider and approve the profit distribution plans and loss recovery plans of the Bank;
- (7) to adopt resolutions on any increase or reduction of registered capital by the Bank;
- (8) to adopt resolutions on matters such as merger, division, dissolution, liquidation or change in corporate form of the Bank;
- (9) to adopt resolutions on the Bank's engagement, dismissal or non-renewal of an accounting firm which undertakes regular statutory auditing work for the Bank's financial reports;
- (10) to amend the Articles of Association, and to consider and approve the rules of procedure of shareholders' general meetings, the Board of Directors, and the Board of Supervisors;
- (11) to adopt resolutions on the issuance of bonds and other securities and the listing plan of the Bank;
- (12) to consider and approve the Bank's purchase or sale of substantial assets or the amount of non-commercial banking guarantee within one year which exceed 30% of the latest audited total assets of the Bank;
- (13) to consider and approve changes of purpose of the funds raised;
- (14) to consider equity incentive plan and employee shareholding plan;
- (15) to consider and approve, or authorize the Board of Directors to consider and approve the Bank's establishment of legal entities, mergers and acquisitions, external investments, asset write-off as well as asset acquisitions, asset disposals and non-commercial banking guarantee other than those stipulated in item (12), which shall be submitted to the shareholders' general meeting for consideration in accordance with the requirements of the laws, administrative regulations, departmental rules, the securities regulatory authorities at the place where the Bank's shares are listed and the requirements of the Articles of Association and other internal rules;

- (16) to consider and approve resolutions from shareholders who individually or collectively hold more than 3% of the total number of voting shares of the Bank;
- (17) to decide on the issue of preference shares; to decide or authorize the Board of Directors to decide on matters relating to the Bank's issued preference shares, including but not limited to, redemption, conversion and payment of dividends;
- (18) to adopt resolutions on the acquisition of shares in the Bank;
- (19) to consider other matters that should be decided by the shareholders' general meeting as stipulated by the laws, administrative regulations, departmental rules, regulatory documents and the Articles of Association.

19.2 Convening of extraordinary general meetings on requisition by shareholders

In accordance with relevant requirements of laws and regulations and relevant regulations of the Articles of Association, shareholders of the Bank shall have the right to convene extraordinary general meetings. Shareholders individually or jointly holding ten percent or more of the total shares with voting rights of the Bank shall have the right to propose by written requisition to the Board of Directors or the Board of Supervisors to convene an extraordinary general meeting.

The Board of Directors shall, in accordance with the requirements of the laws, administrative regulations and the Articles of Association, make a written response as to whether or not it agrees to convene an extraordinary general meeting within ten days upon receipt of the proposal. If the Board of Directors agrees to convene an extraordinary general meeting, a notice convening such meeting shall be issued within five days after the resolution of the Board of Directors is passed. If the Board of Directors does not agree to convene such extraordinary general meeting or no response has been made within ten days upon receipt of the requisition, the shareholders shall have the right, by written requisition to the Board of Supervisors, to propose an extraordinary general meeting to be called.

If the Board of Supervisors gives consent to the convening of an extraordinary general meeting, a notice for convening such meeting shall be issued within five days upon receipt of the proposal. If the Board of Supervisors fails to issue notice of the shareholders' general meeting within the prescribed period, it shall be deemed to have failed to convene and preside over the shareholders' general meeting, and the shareholders having individually or jointly held ten percent or more of the shares of the Bank for at least ninety consecutive days may convene and preside over the meeting by themselves.

For details of the relevant requirements, please refer to the Articles of Association of the Bank.

19.3 Making enquiries with the Board

Shareholders of the Bank shall be entitled to inspect the relevant information of the Bank in accordance with the laws, administrative regulations, departmental rules, regulatory documents, the relevant provisions of the securities regulatory authorities of the jurisdiction in which the Bank's shares are listed and the requirements of the Articles of Association, including the status of the share capital, the minutes of general meetings, the resolutions of Board meetings, the resolutions of Board of Supervisors meetings and the latest audited financial statements. Shareholders of the Bank demanding inspection of the relevant information or copies of the materials mentioned in the preceding provision shall provide to the Bank written documents evidencing the class and the number of shares of the Bank they hold. Upon verification of the shareholder's identity, the Bank shall provide such information at the shareholder's request.

For details of the relevant requirements, please refer to the Articles of Association of the Bank.

19.4 Proposals of the general meeting

Shareholders individually or jointly holding 3% or more of the total shares with voting rights of the Bank may submit provisional proposals to the conveners in writing twelve Hong Kong business days prior to the date of the general meeting. The conveners shall issue a supplemental notice of the general meeting setting out the content of the provisional proposals within two days upon receipt of proposals.

Shareholders individually or jointly holding 1% or more of the total shares with voting rights of the Bank may nominate independent Directors to the Board, who shall be elected at a shareholders' general meeting.

For details of relevant requirements, please refer to the Articles of Association of the Bank.

XX. INVESTOR RELATIONS

The Bank attaches great importance to the management of investor relations and continuously maintains good interaction and effective communication with investors through the Internet, telephone and on-site exchanges, thus effectively safeguarding the interests of investors in general and small and medium-sized investors in particular. The Bank attaches great importance to the opinions and suggestions of shareholders and has formulated a shareholder communication policy, which is regularly re-examined to ensure its effectiveness. Shareholders may propose their request for information enquiry to the Board of Directors through the Office of Board of Directors of the Bank. Contact details of the Office of Board of Directors of the Bank are as follows:

Address: No. 6 Qinling Road, Laoshan District, Qingdao, Shandong Province, the PRC

Postal code: 266061

Telephone number: +86 40066 96588 ext. 6

Facsimile number: +86 (532) 85783866

Email: ir@qdbankchina.com

XXI. OTHER INFORMATION

The Bank is the holder of the financial institution license No. B0170H237020001 from the Qingdao Office of the General Administration of National Financial Regulation and Supervision (國家金融監督管理總局青島監管局) and the business license with a unified social credit code of 91370200264609602K approved by Qingdao Municipal Bureau of Administrative Services. As the Bank is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), neither is it subject to the supervision of the Hong Kong Monetary Authority, nor authorized to carry on banking and deposit-taking business in Hong Kong.

Section VII Environmental and Social Responsibility

I. MAJOR ENVIRONMENTAL ISSUES

The Bank and its subsidiaries are not key pollutant discharging enterprises as announced by the environmental protection authorities. During the Reporting Period, the Bank and its subsidiaries were not subject to any penalties due to violation of environmental protection laws and regulations. In the monetary and financial service industry, no pollutants specified in the Measures for the Administration of the List of Key Units of Environmental Supervisors are produced by the Bank's principal business and no other environmental information needs to be disclosed. The Bank and its subsidiaries will conscientiously implement the Environmental Protection Law of the PRC and other environmental protection laws and regulations in its future production and operational activities.

II. SOCIAL RESPONSIBILITY

For details, please refer to the 2024 Social Responsibility Report published on the CNINFO website, HKEXnews website of the Hong Kong Stock Exchange and the official website of the Bank.

III. CONSOLIDATING AND EXPANDING THE RESULTS OF POVERTY ALLEVIATION AND RURAL VITALIZATION

The Bank resolutely implemented the specific arrangements formulated by the CPC Central Committee and the State Council on consolidating the results of poverty alleviation and rural revitalization, actively fulfilling its social responsibilities and contributing to rural revitalization. The Bank actively participated in the "Collective Action for Consumption Assistance and Supporting for Increasing Farmers' Income" to continue to increase the consumption and procurement of characteristic agricultural products in poverty alleviation areas, organized a special meeting to study and deploy the effective implementation in consumption assistance; deepened agriculture-related financial cooperation with agricultural associations and government agencies, innovating a variety of special products such as "Agriculture-benefit Credit Insurance Loan" (惠農信保貸) and "Grain Large-scale Planting Loan" (糧食規模種植貸), and launching the online product "Cloud Loans Guaranteed by Shandong Province" (魯擔雲貸) for agricultural guarantees; continued to carry out "One County, One Product" special campaign, provided loans totaling RMB1.178 billion to 23 characteristic agricultural industry clusters including food industry in Yishui, Linyi and cherry planting industry in Pingdu, which manifested a remarkable achievement in financial support for rural revitalization.

IV. PROTECTION OF CONSUMER RIGHTS

The Company deeply grasped the political and people-oriented nature of financial work, insisted on focusing on the center and serving the overall situation, firmly established the concept of “comprehensive consumer protection”, attached great importance to the protection of consumer rights and earnestly fulfilled its responsibility as the entity protecting the rights and interests of financial consumers. Through incorporating the consumer rights protection into its corporate governance, corporate culture construction and operation and development strategies, the Bank has promoted the construction of a consumer protection working mechanism of “Liang Quan San Tou” (兩全三頭), which integrates consumer protection factors into the entire process and forges a work pattern where all employees assume the tasks for consumer protection.

During the Reporting Period, the Company carried out a series of improvement work in consumer protection management based on the mindset of “problem-oriented”, “characteristics-highlighted” and “management-prepositioned”, including continuously improving its consumer protection system and operating mechanism, performing its review functions on consumer protection, carrying out special management of complaints in key areas, improving its emergency response to contingencies, optimizing the service experience for elderly customers, taking multiple measures to build a solid fortress of personal information protection, strengthening appropriateness management to promote the effective implementation of diversified financial dispute resolution mechanisms in the industry, and creating the investment and education brand named “Qingnuan” (青暖) to accompany consumers in the practice of financial education. The Company continuously held the activities such as “3•15 Financial Consumer Rights Protection Education and Publicity Activities” (3•15金融消費者權益保護教育宣傳活動), “Financial Knowledge Popularisation Journey for Thousands of Miles in Banking Industry” (銀行業普及金融知識萬裏行), as well as “Financial Consumer Rights Protection Education and Publicity Month” (金融消費者權益保護教育宣傳月), and released the brands for youth’s social practice including “Youth Entrepreneurship Innovation ” (青創一新). Focusing on the needs and expectations of financial consumers through ways such as “Financial Knowledge Market” (金融知識市集), “Invite the public to watch public welfare movies” (我為群眾送電影), “financial literacy campaign” (金融知識趕大集) and “Spread Financial Knowledge to the Countryside” (鄉村大喇叭), the Company carried out education and publicity activities in a down-to-earth manner, so as to effectively help consumers build up their awareness of risk prevention and improve their risk identification ability.

Section VIII Significant Events

I. FULFILLMENT OF UNDERTAKINGS

At the end of the Reporting Period, the Bank has no actual controller and no acquirer. Undertakings fulfilled during the Reporting Period and not fulfilled as of the end of the Reporting Period by the Bank, shareholders, related parties of the Bank or other parties involved in undertaking are as follows:

Reason of undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Date of undertaking	Term of undertaking	Particulars on the performance
Undertaking made on initial public offering or refinancing	Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd.	Undertakings on the intention of shareholding and intention of reduction of shareholding	Prior to the issuance of the A shares, Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd., a shareholder holding more than 5% of the total share capital of the Bank, undertook that upon the listing of A shares of the Bank, if it is necessary to transfer the shares of the Bank held by it, upon the satisfaction of the four conditions on reduction of shareholding, namely expiration of the lockup period as stipulated by laws and regulations and regulatory documents, expiration of lockup period undertaken, there being no circumstance where the share transfer is prohibited as stipulated in laws and regulations and regulatory documents and the announcement on the intention of reduction in shareholding being published 3 trading days before the reduction in shareholding, Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd. can reduce its shareholding through concentrated bidding system, block trade system of the stock exchange, share transfer by agreement or other methods as permitted by the laws and regulations within six months from the publication of the announcement on the intention of reduction in shareholding. If Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd. intends to reduce its shareholding within two years after the expiration of the lock-up period, the number of shares reduced each year shall not exceed 25% of the number of the shares held, and the price shall not be lower than the issue price (In case of any ex-rights or ex-dividend activities such as dividend distribution, bonus shares, capital conversion from capital reserve, allotment and share subdivision, the above price shall be adjusted for such ex-rights and ex-dividends activities). If Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd. fails to fulfill the above undertakings regarding the reduction of shareholding, its gains from the reduction of shares of the Bank shall be forfeited by the Bank. If the gains of the illegal reduction or the illegal transfer are not delivered to the Bank, the Bank shall be entitled to withhold cash dividends payable to it at an amount that is equivalent to the gains of the illegal reduction or the illegal transfer.	16 January 2019	Please see the details of undertakings	It has been fulfilled during the Reporting Period

Section VIII Significant Events

Reason of undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Date of undertaking	Term of undertaking	Particulars on the performance
	The Directors and senior management holding shares of the Bank	Undertakings on the intention of shareholding and intention of reduction of shareholding	The Directors and senior management holding shares of the Bank undertook that if they reduce the shares of the Bank held by them within 2 years from the expiration of the lock-up period, the price shall not be lower than the issue price; if the closing price of the shares of the Bank is lower than the issue price for 20 consecutive trading days during the 6 months after the listing of the Bank, or the closing price of the shares of the Bank at the end of the 6 months after listing is lower than the issue price, the lockup period of shares of the Bank held by them shall be extended for 6 months automatically. The above undertakings on the price of shareholding reduction shall not be terminated due to changes in their posts or dismissal. The above issue price refers to the issue price of the initial public offering of the A shares of the Bank. If the Bank has any ex-rights and ex-dividend issues due to cash dividend, bonus issue, capital conversion and issue of new shares after its listing, such issues shall be handled in accordance with the relevant provisions of the stock exchange.	16 January 2019	Please see the details of undertakings	It has been fulfilled during the Reporting Period
	Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd.	Undertakings on the intention of shareholding and intention of reduction of shareholding	Prior to the issuance of the A shares, Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd., a shareholder holding more than 5% of the total share capital of the Bank, undertook that upon the listing of A shares of the Bank, if it is necessary to transfer the shares of the Bank held by it, upon the satisfaction of the four conditions on reduction of shareholding, namely expiration of the lockup period as stipulated by laws and regulations and regulatory documents, expiration of lockup period undertaken, there being no circumstance where the share transfer is prohibited as stipulated in laws and regulations and regulatory documents and the announcement on the intention of reduction in shareholding being published 3 trading days before the reduction in shareholding, Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd. can reduce its shareholding through concentrated bidding system, block trade system of the stock exchange, share transfer by agreement or other methods as permitted by the laws and regulations within six months from the publication of the announcement on the intention of reduction in shareholding. If Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd. intends to reduce its shareholding within two years after the expiration of the lock-up period, the number of shares to be reduced shall be announced 3 trading days before the reduction. If Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd. fails to fulfill the above undertakings regarding the reduction of shareholding, its gains from the reduction of shares of the Bank shall be forfeited by the Bank. If the gains of the illegal reduction or the illegal transfer are not delivered to the Bank, the Bank shall be entitled to withhold cash dividends payable to it at an amount that is equivalent to the gains of the illegal reduction or the illegal transfer.	16 January 2019	Please see the details of undertakings	It was in normal performance during the Reporting Period

Section VIII Significant Events

Reason of undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Date of undertaking	Term of undertaking	Particulars on the performance
	The Directors, Supervisors and senior management holding shares of the Bank	Undertaking on voluntary lockup of shares held	The Directors, Supervisors and senior management holding shares of the Bank undertook not to transfer nor entrust others to manage the shares of the Bank held by them within 36 months from the listing date of the Bank and the above shares are not to be repurchased by the Bank; upon the expiration of such lockup period, they shall also report their shareholdings in the Bank and changes thereof to the Bank according to the laws in a timely manner, the number of shares transferred by each of them through concentrated bidding, block trade and share transfer by agreement during their terms of office every year shall not exceed 15% of the total number of shares of the Bank held by each of them, the total number of shares transferred by each of them within 5 years shall not exceed 50% of the total number of shares of the Bank held by each of them, and they shall not purchase the shares of the Bank within 6 months after they have sold their shares and shall not sell the shares of the Bank within 6 months after they have bought the shares. Within 6 months after their dismissal, they shall not transfer the shares of the Bank held by them. The above undertakings on lock-up of shares shall not be terminated due to changes in their posts and dismissal.	16 January 2019	Please see the details of undertakings	It was in normal performance during the Reporting Period
	The individuals holding more than 50,000 shares of internal staff shares	Undertaking on voluntary lockup of shares held	Pursuant to the Notice on the Regulation of Internal Staff Shares in Financial Enterprises (Caijin [2010] No. 97) (《關於規範金融企業內部職工持股的通知》(財金[2010]97 號)), the individuals holding more than 50,000 shares of internal staff shares undertook that the lock-up period of the share transfer shall not be less than 3 years from the date of listing and trading of the A shares of the Bank on the stock exchange. Upon the expiration of lock-up period of shareholding, the number of shares available for sale every year shall not exceed 15% of the total number of the shares held, and the number of shares available for sale within 5 years shall not exceed 50% of the total number of shares held.	16 January 2019	Please see the details of undertakings	It was in normal performance during the Reporting Period
	Intesa Sanpaolo S.p.A.	Undertakings on subscription of the Bank's rights shares	Intesa Sanpaolo S.p.A. undertook that it would subscribe for the H rights shares provisionally allotted to Intesa Sanpaolo S.p.A (the "Provisional Allotment Particulars") by way of cash in proportion to the number of shares held after the close of business on the registration date of the rights issue based on a pro rata ratio of 3 shares for every 10 shares, and the price determined by the Bank and the underwriters.	29 December 2021	Please see the details of undertakings	It was in normal performance during the Reporting Period

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Reason of undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Date of undertaking	Term of undertaking	Particulars on the performance
			<p>In addition to the above undertakings, Intesa Sanpaolo S.p.A., has also undertaken to purchase additional H rights shares by way of additional application (the "Additional Application Part"). The Provisional Allotment Particulars of the H shares and the Additional Application Part paid in aggregate for the subscription of the H shares by Intesa Sanpaolo S.p.A. would be not more than EUR270 million (approximately RMB1,946.7 million). Following the completion of the the Bank's A + H share rights issue, the percentage shareholding of Intesa Sanpaolo S.p.A. would not exceed 17.50%. If the EUR270 million is invested to the extent that the percentage of shares held by Intesa Sanpaolo S.p.A. reaches or is lower than 17.50% of the total number of shares of the Bank after the completion of the A + H share rights issue, Intesa Sanpaolo S.p.A. will contribute all of the above amounts.</p> <p>As a substantial shareholder of the Bank, Intesa Sanpaolo S.p.A. undertook that it shall comply with laws and regulations, regulatory requirements and the Articles of Association of the Bank, and shall not transfer the H rights shares held by it within five years from the date of the acquisition of the H rights shares.</p>			

Section VIII Significant Events

Reason of undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Date of undertaking	Term of undertaking	Particulars on the performance
	Qingdao Haier Industrial Development Co., Ltd. (青島海爾產業發展有限公司), Qingdao Haier Air-Conditioner Electronics Co., Ltd., Haier Smart Home Co., Ltd., COSMOPlat Mould (Qingdao) Co., Ltd. (卡奧斯模具(青島)有限公司), Qingdao Haier Tooling Development Co., Ltd., Qingdao Manniq Intelligent Technology Co., Ltd. (青島曼尼科智能科技有限公司), Qingdao Haier Air-Conditioner Co., Ltd. and Qingdao Haier Special Refrigerator Co., Ltd., Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd., Qingdao Guoxin Capital Investment Co., Ltd. (青島國信資本投資有限公司) and Qingdao Hairen Investment Co., Ltd. respectively	Undertakings on subscription of the Bank's rights shares	Qingdao Haier Industrial Development Co., Ltd. (青島海爾產業發展有限公司), Qingdao Haier Air-Conditioner Electronics Co., Ltd., Haier Smart Home Co., Ltd., COSMOPlat Mould (Qingdao) Co., Ltd. (卡奧斯模具(青島)有限公司), Qingdao Haier Tooling Development Co., Ltd., Qingdao Manniq Intelligent Technology Co., Ltd. (青島曼尼科智能科技有限公司), Qingdao Haier Air-Conditioner Co., Ltd. and Qingdao Haier Special Refrigerator Co., Ltd., Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd., Qingdao Guoxin Capital Investment Co., Ltd. (青島國信資本投資有限公司) and Qingdao Hairen Investment Co., Ltd. respectively undertook that no transfer of the subscription shares shall be made within five years from the date of the acquisition of the subscription shares (from 28 January 2022 to 27 January 2027). As to equity interest transfer as a result of risk disposal measures approved by the National Financial Regulatory Administration or its dispatched offices, or ordered by the National Financial Regulatory Administration or its dispatched offices, or involving judicial enforcement, or made between different entities controlled by the same investor, or under any other particular circumstance, the provisions aforementioned shall not apply.	28 January 2022	60 months	It was in normal performance during the Reporting Period
Other undertakings	Haier Group, Intesa Sanpaolo S.p.A. and Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd.	Undertaking by major shareholders	In June 2011, in accordance with the relevant requirements of the Notice of the General Office of China Banking and Insurance Regulatory Commission on Strengthening the Review of Qualifications of Major Shareholders of Small and Medium-sized Commercial Banks, Haier Group, Intesa Sanpaolo S.p.A. and Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd., shareholders of the Bank with shareholding of more than 5%, respectively undertook: not to seek related party transactions with terms more favorable than those of other shareholders; not to intervene in the daily business affairs of the Bank; not to transfer the new shares subscribed for within five years from the date of completion of the change of business registration, and transfer of shares upon the expiry of the said period and the qualification of the transferee as shareholder shall be subject to the consent of regulatory authorities; to continue to provide the Bank with additional capital as the main capital sources of the shareholding bank; not to impose undue pressure on the Bank by setting indicators.	7 June 2011	Please see the details of undertakings	It was in normal performance during the Reporting Period

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Reason of undertaking	Party involved in undertaking	Type of undertaking	Details of undertaking	Date of undertaking	Term of undertaking	Particulars on the performance
	Qingdao Hairan Investment Co., Ltd.	Undertaking by major shareholders	In accordance with the Interim Measures for the Equity Management of Commercial Banks (Order of the China Banking Regulatory Commission [2018] No. 1), the Notice of the General Office of the China Banking Regulatory Commission on Strengthening the Review of Qualifications of Major Shareholders of Small and Medium-sized Commercial Banks (Yin Jian Ban Fa [2010] No. 115), the Notice of the China Banking Regulatory Commission on Issuing the Guidelines for the Corporate Governance of Commercial Banks (Yin Jian Fa [2013] No. 34), Qingdao Hairan Investment Co., Ltd., as a major shareholder of the Bank, hereby undertook that it would: comply with the laws and regulations, regulatory requirements and the Articles of Association of the Bank; not transfer their equity interests in the Bank within five years from the date of acquiring the equity interests in the Bank; not seek related party transactions with terms more favorable than those of other shareholders, and provide explanations on the bank loans and loan quality as confirmed by the lending bank; not to intervene in the daily business affairs of the Bank; continue to replenish the Bank's capital when necessary and report its capital replenishment capability to the regulatory authorities through the Bank on an annual basis; avoid imposing undue pressure arising from reference on the Bank; disclose the information of related parties to the Board of Directors of the Bank truthfully, accurately and completely, and report to the Board of Directors of the Bank in a timely manner on any change in the related party relationship. It also undertook that in case shares of the Bank held by it is pledged, the pledge shall be in compliance with the regulatory policy orientation and the requirements of the Articles of Association and relevant equity interest management system of the Bank.	20 November 2019	Please see the details of undertakings	It was in normal performance during the Reporting Period
	Qingdao Haier Industrial Development Co., Ltd (青島海爾產業發展有限公司)	Undertaking by major shareholder	Qingdao Haier Industrial Development Co., Ltd (青島海爾產業發展有限公司) has undertaken not to transfer its shareholding in the Bank within five years from the date of acquisition of the Bank's equity interest, except in exceptional circumstances as required by laws and regulations and regulatory requirements.	1 June 2021	60 months	It was in normal performance during the Reporting Period
Whether undertaking was fulfilled on time			Yes			

- Notes: 1. During the Reporting Period, there was no situation where the profit forecast for the Bank's assets or projects existed or the Reporting Period still fell within the period of profit forecast.
2. On 20 June 2019, "Qingdao Haier Co., Ltd." was renamed as "Haier Smart Home Co., Ltd.".
3. On 2 July 2021, "Qingdao Haier Robot Co., Ltd." was renamed as "Qingdao MANNIQ Intelligent Technology Co., Ltd.".

4. On 25 February 2022, “Qingdao Huatong State-owned Capital Operation (Group) Co., Ltd.” was renamed as “Qingdao China Prosperity State-Owned Capital Investment Operation Group Co., Ltd. (青島華通國有資本投資運營集團有限公司)”.
5. On 28 March 2023, “Qingdao Haier Mold Co., Ltd.” was renamed as “COSMOPlat Mould (Qingdao) Co., Ltd. (卡奧斯模具(青島)有限公司)”.
6. On 27 June 2024, “Qingdao Conson Industrial Co., Ltd.” was renamed as “Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd.”

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

During the Reporting Period, there was no controlling shareholder. During the Reporting Period, the Bank’s largest shareholder and its related parties were also not involved in appropriation of funds of the Bank for non-operating purposes. KPMG Huazhen LLP, the auditor of the Bank, has issued the Special Report of Bank of Qingdao Co., Ltd. on Appropriation of Funds for Non-operating Purposes and the Flow Funds involving Related Parties for 2024 (《關於青島銀行股份有限公司2024年度非經營性資金佔用及其他關聯資金往來情況的專項說明》).

III. NON-COMPLIANCE WITH EXTERNAL GUARANTEES

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

IV. EXPLANATION ON CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR SIGNIFICANT ACCOUNTING ERRORS AS COMPARED TO THE FINANCIAL REPORT FOR THE PREVIOUS YEAR

During the Reporting Period, there were no changes in the significant accounting policies, accounting estimates or significant accounting errors.

V. EXPLANATION ON CHANGES IN THE SCOPE OF THE CONSOLIDATED FINANCIAL STATEMENTS AS COMPARED TO THE FINANCIAL REPORT FOR THE PREVIOUS YEAR

There were no changes in the scope of the Company’s consolidated financial statements as compared to the previous annual financial statements.

VI. ENGAGEMENT OR DISMISSAL OF ACCOUNTING FIRMS

6.1 Current accounting firms engaged

Name of the domestic accounting firm	KPMG Huazhen LLP
Continued term of audit service of the domestic accounting firm	15 years
Name of certified public accountants of the domestic accounting firm	HUANG Aizhou, MA Xin
Continued term of audit service of certified public accountants of the domestic accounting firm	3 years, 5 years
Name of the overseas accounting firm	KPMG
Continued term of audit service of the overseas accounting firm	10 years
Name of certified public accountants of the overseas accounting firm	Choi Ching Hin
Continued term of audit service of certified public accountants of the overseas accounting firm	1 year

Note: During the Reporting Period, the Bank did not change the accounting firms; the certified public accountants of domestic accounting firm did not change; the certified public accountant of overseas accounting firm was changed from Fong Hoi Wan to Choi Ching Hin.

For the year ended 31 December 2024, RMB6.5708 million of the total audit fees was agreed to be paid by the Company (including subsidiaries) to KPMG Huazhen LLP and KPMG for the annual audit of financial statement, the interim review, the quarterly implementation of agreed-upon procedures and internal control audit, etc., and it was agreed to pay RMB430 thousand of the non-audit fees to them. The above fees include related taxes, travel, office expenses and other sundry expenses.

6.2 Particulars on the recruitment of accounting firms for internal control audit, financial advisors or sponsors

The Bank engaged KPMG Huazhen LLP as the internal control audit business institution for 2024 and the internal control audit fee payable was RMB600,000.

During the Reporting Period, the Bank did not engage any financial advisor or sponsor.

6.3 New engagement of accounting firms

On 17 January 2025, the Bank convened the eighth meeting of the ninth session of the Board, at which the "Resolution on the Selection and Engagement of Accounting Firms of Bank of Qingdao Co., Ltd. for 2025" was considered and approved. The Board agreed to engage Ernst & Young Hua Ming LLP as the domestic auditor of the Bank for 2025 and Ernst & Young as the Bank's overseas auditor for 2025. The Bank intends to pay audit-related fees of RMB3.55 million for the services in terms of the audit for 2025 annual financial report, the review over semi-annual financial report, as well as the execution of agreed-upon procedures for first quarter and third quarter financial reports, and audit fees of RMB500 thousand for internal control for 2025, totaling RMB4.05 million. The change of accounting firms shall be subject to approval by the Bank's shareholders' meeting and shall be effective from the date of approval at the general meeting.

VII. DELISTING UPON PUBLICATION OF ANNUAL REPORT

N/A.

VIII. MATTERS RELATED TO BANKRUPTCY AND REORGANIZATION

During the Reporting Period, the Bank did not have any matters related to bankruptcy and reorganization.

IX. MATERIAL LITIGATION AND ARBITRATION

Overview	Amount involved (RMB'0,000)	Whether caused estimated liabilities	Current status	Results of trial and effects thereof	Enforcement of judgments	Disclosure date	Disclosure index
The Bank filed a lawsuit in the High Court of the Hong Kong Special Administrative Region on 1 September 2022 regarding a dispute over the agreement with AMTD GLOBAL MARKETS LIMITED.	All entrusted assets under the USD350 million portfolio.	No. The Bank will conduct accounting treatment in accordance with the progress of the litigation and the provisions of the relevant accounting standards.	Officially accepted by the court, not yet in court.	N/A. The litigation will not affect the normal operation of the Bank, and it is expected that there is no substantial impact on the profit of the Bank.	N/A	2 September 2022	The Announcement on Litigation published by the Bank on the CNINFO website (Announcement No. 2022-052)

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

During the Reporting Period, the Bank was not involved in any new major litigation or arbitration. The Bank was involved in several litigations in the daily operation due to loan collection and other reasons. There were 11 pending litigation cases which were initiated against the Bank involving a total amount of RMB704.3 thousand, which will not have a material adverse impact on the financial or operating results of the Bank according to the estimate of the Bank, and no provision of estimated liabilities arose from the litigation.

X. PUNISHMENT AND RECTIFICATION

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

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

As at the end of the Reporting Period, there was no controlling shareholder or de facto controller of the Bank. As far as the Bank is aware, during the Reporting Period, none of the Bank, its largest shareholder, or its de facto controller failed to perform obligations determined by any effective court judgment or settle any significant debts that have fallen due.

XII. SIGNIFICANT RELATED PARTY TRANSACTIONS

12.1 Related party transactions during the ordinary course of business

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

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

According to the requirements of the National Financial Regulatory Administration, during the Reporting Period, there were 18 proposals on material related party transactions approved by the Board, which were transactions with 8 related enterprises of Haier Group, 1 related company of Conson Group, Tsingtao Brewery Co., Ltd., Qingdao Doublestar Co., Ltd., BQD Financial Leasing Company Limited and BQD Wealth Management Company Limited. During the Reporting Period, the Bank's deposit-related significant related party transactions amounted to RMB3.6 billion, which represented time deposits of Tsingtao Brewery Co., Ltd. As at the end of the Reporting Period, the Bank's net amount of credit-related significant related party transactions was RMB3.272 billion, the details of which are as follows:

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Unit: RMB in 100 million

Name of related party	Type of business	Balance of credit-related significant related party transactions	Net credit after deducting margin	Percentage of the net capital as at the end of the Reporting Period (%)
Qingdao Haiyun Chuangzhi Business Development Co., Ltd. (青島海雲創智商業發展有限公司)	Residential development loan	8.32	8.32	1.58
BQD Financial Leasing Company Limited	Interbank borrowing	7.00	7.00	1.33
Haitian (BVI) International Investment Development Limited	Bond investment	3.59	3.59	0.68
Haier Consumer Finance Co., Ltd. (海爾消費金融有限公司)	Interbank borrowing	3.00	3.00	0.57
Haier Group (Qingdao) Jinying Holdings Co., Ltd. (海爾集團(青島)金盈控股有限公司)	Medium-term working capital loan	3.00	3.00	0.57
Haier Financial Factoring (Chongqing) Co., Ltd. (海爾金融保理(重慶)有限公司)	Short-term working capital loan	2.70	2.70	0.51
Qingdao Haili Living Technology Co., Ltd. (青島海驪住居科技股份有限公司)	Supply chain financing	1.95	1.95	0.37
Qingdao Haishanghai Life Service Group Co., Ltd. (青島海尚海生活服務集團有限公司)	Medium-term working capital loan	0.97	0.97	0.18
Qingdao HBIS New Material Technology Joint-stock Limited Company (青島河鋼新材料科技股份有限公司)	Bank acceptance bills	1.00	0.80	0.15
Qingdao HBIS Composite New Material Technology Co., Ltd. (青島河鋼複合新材料科技有限公司)	Bank acceptance bills	0.55	0.44	0.08
Haier Group Finance Co., Ltd.	Interbank bill credit	0.28	0.28	0.05
Qingdao Haichen Real Estate Development Co., Ltd. (青島海宸房地產開發有限公司)	Commercial housing development loan	0.16	0.16	0.03
Qingdao No.1 Courtyard Hotel Co., Ltd. (青島壹號院酒店有限公司)	Short-term working capital loan	0.10	0.10	0.02
Qingdao Mindray Ecological Environment Technology Co., Ltd. (青島邁帝瑞生態環境科技有限公司)	Short-term working capital loan	0.10	0.10	0.02
Qingdao Haishanghai Commercial Operation Co., Ltd. (青島海尚海商業運營有限公司)	Short-term working capital loan	0.10	0.10	0.02
Qingdao Tizhiwang IoT Technology Co., Ltd. (青島梯之網物聯科技有限公司)	Short-term working capital loan	0.10	0.10	0.02
Qingdao Haiyu Qingquan Hot Spring Hotel Co., Ltd. (青島海御清泉溫泉酒店有限公司)	Short-term working capital loan	0.10	0.10	0.02

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

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According to the provisions of the CSRC and SZSE, the Bank has made a forecast of the ordinary related party transactions in 2024 and published the Announcement on the Estimated Ordinary Related Party Transactions in 2024 (Announcement No.: 2024-008) on CNINFO website dated 28 March 2024. The related party transactions during the Reporting Period have not exceeded the forecast or did not need to be disclosed separately. The details of which are as follows:

- (1) Haier Group Corporation (海爾集團公司) and its related parties: The net amount of credit-related transactions at the end of the Reporting Period was RMB2,212 million and the balance of deposit transactions at the end of the Reporting Period was RMB60 million;
- (2) Intesa Sanpaolo S.p.A. and its related parties: There was no balance of credit-related transactions and deposit transactions at the end of the Reporting Period, and the actual amount of other non-credit transactions during the Reporting Period was RMB8 million;
- (3) Qingdao Conson Development (Group) Co., Ltd. and its related parties: The balance of credit-related transactions at the end of the Reporting Period was RMB1,394 million (including the balance of credit-related transactions between BQD Wealth Management and the related parties of Conson Group of RMB835 million), the balance of deposit transactions at the end of the Reporting Period was RMB246 million, and the actual amount of other non-credit transactions during the Reporting Period was RMB5 million;
- (4) BQD Financial Leasing Company Limited: The balance of credit-related transactions at the end of the Reporting Period was RMB700 million, and there was no balance of deposit transactions at the end of the Reporting Period, and the actual amount of other non-credit transactions during the Reporting Period was RMB405 million;
- (5) BQD Wealth Management Company Limited: There was no balance of credit-related transactions at the end of the Reporting Period, the balance of deposit transactions at the end of the Reporting Period was RMB225 million and the actual amount of other non-credit transactions was RMB1,316 million;
- (6) Tsingtao Brewery Co., Ltd.: There was no balance of credit-related transactions at the end of the Reporting Period and the balance of deposit transactions at the end of the Reporting Period was RMB3.6 billion;
- (7) Qingdao Rural Commercial Bank Co., Ltd.: The balance of credit-related transactions at the end of the Reporting Period was RMB495 million and there was no actual amount of other non-credit transactions;
- (8) China International Capital Corporation Limited: As at the end of the Reporting Period, China International Capital Corporation Limited was no longer a related party of the Bank and there was no balance of credit-related transactions at the end of the Reporting Period and the actual amount of other non-credit transactions other than deposits was RMB1 million;
- (9) Zaozhuang Bank Co., Ltd.: The balance of credit-related transactions at the end of the Reporting Period was RMB55 million;
- (10) Shandong Laiwu Rural Commercial Bank Co., Ltd.: There was no balance of credit-related transactions at the end of the Reporting Period;
- (11) Liqun Commercial Group Co., Ltd: The balance of credit-related transactions at the end of the Reporting Period was RMB246 million;
- (12) Mesnac Co., Ltd.: The balance of credit-related transactions at the end of the Reporting Period was RMB0.1 million and there was no balance of deposit transactions at the end of the Reporting Period;

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- (13) Triangle Tyre Co., Ltd.: As at the end of the Reporting Period, Triangle Tyre Co., Ltd. was no longer a related party of the Bank and the balance of deposit transactions was RMB1,038 million;
- (14) RemeGen Co., Ltd.: There was no balance of credit-related transactions at the end of the Reporting Period and there was no balance of deposit transactions at the end of the Reporting Period;
- (15) Qingdao Baheal Pharmaceutical Company Limited: There was no balance of credit-related transactions at the end of the Reporting Period;
- (16) Related natural persons: The balance of credit-related transactions at the end of the Reporting Period was RMB287 million, and the risk exposure was RMB287 million. The balance of deposit transactions at the end of the Reporting Period was RMB828 million and there was no actual amount of other non-credit transactions.

During the Reporting Period, the Bank engaged in related party transaction with one related party that the cumulative amount exceeded 5% of the Bank's most recently audited net assets. The transaction included deposit transactions provided to Tsingtao Brewery Co., Ltd. (hereinafter referred to as "Tsingtao Brewery"). The transaction was routine related party transaction expected to occur in 2024. JIANG Xinglu, an external Supervisor of the Bank, has served as an independent director of Tsingtao Brewery in the past twelve months.

The Bank provided deposit transactions to Tsingtao Brewery on commercial principles and under conditions not more favorable than those offered to non-related parties for similar transactions. As at the end of the Reporting Period, the balance of deposits held by Tsingtao Brewery with the Bank was RMB3.6 billion, accounting for 0.83% of the Bank's deposit business. These deposits represented time deposits with quarterly interest payments, with a weighted average interest rate of 2.43%.

12.2 Related party transactions in connection with acquisition or sale of assets or equity interest

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

12.3 Related party transactions in connection with joint external investment

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

12.4 Related creditors' rights and debts transactions

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

12.5 Transactions with related financial companies

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

12.6 Transactions between financial companies controlled by the Bank and related parties

The Bank does not control any financial companies.

12.7 Other significant related party transactions

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

XIII. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF

13.1 Custody, contracting and leasing

No matter related to custody, contracting, and leasing of assets of other companies by the Bank, or matter related to custody, contracting, and leasing of assets of the Bank by other companies, with its profit or loss brought to the Bank amounting to more than 10% of the Bank's total profit for the year, occurred during the Reporting Period or in previous periods and subsisted in the Reporting Period.

13.2 Significant guarantees

The guarantee business is the normal business of the Bank. During the Reporting Period, apart from the financial guarantee business within the Bank's normal scope of business, there was no significant guarantee matter that needed to be disclosed.

13.3 Entrusted cash and asset management

During the Reporting Period, the Bank did not have any entrusted wealth management or entrusted loan transactions beyond the Bank's normal scope of business.

13.4 Major contracts of daily operation

The Bank did not sign any major contracts of daily operation that need to be disclosed during the Reporting Period.

13.5 Other material contracts

There was no other material contract of the Bank during the Reporting Period.

XIV. ACQUISITION, MERGER AND DISPOSAL OF ASSETS DURING THE REPORTING PERIOD

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

XV. OTHER MATTERS OF SIGNIFICANCE

During the Reporting Period, save as disclosed, there was no other matter of significance that needed to be disclosed.

XVI. MAJOR ISSUES OF THE BANK'S SUBSIDIARIES

During the Reporting Period, save as disclosed, there was no other matter of significance for subsidiaries of the Bank.

XVII. PUBLICATION OF ANNUAL REPORT

This annual report prepared both in Chinese and English by the Company in accordance with the IFRS Accounting Standards and Hong Kong Listing Rules is available at the HKEXnews website of the Hong Kong Stock Exchange and the official website of the Bank. In case of any discrepancy in interpretation between the Chinese and English versions of the annual report, the Chinese version shall prevail.

This annual report prepared in Chinese by the Company in accordance with the Accounting Standards for Business Enterprises and the Rules for the Preparation of Annual Reports is available at the websites of the SZSE and the Bank.

Section IX Changes in Shareholdings and Information on Shareholders

I. CHANGES IN SHAREHOLDINGS

1.1 Changes in shareholdings

During the Reporting Period, changes in shareholdings of the Bank are as follows:

Unit: share

Items	As at 31 December 2023		Increase/decrease (+/-) during the Reporting Period					As at 31 December 2024	
	Number of shares	Percentage %	New issue	Bonus issue	Conversion from reserves	Others	Sub-total	Number of shares	Percentage %
I. Shares with selling restrictions	418,368,772	7.19	-	-	-	-2,031,543	-2,031,543	416,337,229	7.15
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. Shares held by state-owned legal entities	-	-	-	-	-	-	-	-	-
3. Shares held by other domestic investors	418,368,772	7.19	-	-	-	-2,031,543	-2,031,543	416,337,229	7.15
Of which: Shares held by domestic non-state-owned legal entities	415,238,638	7.14	-	-	-	-69,550	-69,550	415,169,088	7.13
Shares held by domestic natural individuals	3,130,134	0.05	-	-	-	-1,961,993	-1,961,993	1,168,141	0.02
4. Shares held by foreign investors	-	-	-	-	-	-	-	-	-
Of which: Shares held by foreign legal entities	-	-	-	-	-	-	-	-	-
Shares held by foreign natural individuals	-	-	-	-	-	-	-	-	-
II. Shares without selling restrictions	5,401,985,952	92.81	-	-	-	2,031,543	2,031,543	5,404,017,495	92.85
1. RMB ordinary shares	3,110,040,478	53.43	-	-	-	2,031,543	2,031,543	3,112,072,021	53.47
2. Domestic listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign shares	2,291,945,474	39.38	-	-	-	-	-	2,291,945,474	39.38
4. Others	-	-	-	-	-	-	-	-	-
III. Total number of shares	5,820,354,724	100.00	-	-	-	-	-	5,820,354,724	100.00

Notes: 1. During the Reporting Period, the changes in the Bank's shares were mainly due to the lock-up and unlocking of shares held by the Bank's resigned Directors, Supervisors and senior management personnel in accordance with the laws and regulations and unverified shareholders have completed share ownership verification and supplementary registration. The above changes in the shares do not involve any regulatory approval or share transfer.

2. During the Reporting Period, there was no change in the total number of shares of the Bank and the changes in shares as shown above had no impact on the financial indicators.

Section IX Changes in Shareholdings and Information on Shareholders

1.2 Changes of shares with selling restrictions

During the Reporting Period, the Bank did not release the shares with selling restrictions before the initial issue. The change in the shares with selling restrictions of the Bank was due to the lock-up and unlocking of the shares held by the resigned Directors, Supervisors and senior management of the Bank, the details of which are as follows:

Name of shareholders	Number of restricted shares at the beginning of the period	Number of restricted shares increased during the period	Number of restricted shares unlocked during the period	Number of restricted shares at the end of the period	Reason for the selling restrictions	Date of unlocking the restricted shares
GUO Shaoquan	487,500	–	487,500	–	Resignation lock-up	Half a year after expiration of his original term of office
WANG Lin	487,500	–	487,500	–	Resignation lock-up	
WANG Yu	487,500	–	487,500	–	Resignation lock-up	
LU Lan	370,500	–	370,500	–	Resignation lock-up	
MENG Xianzheng	361,043	–	361,043	–	Resignation lock-up	Half a year after resignation
YANG Fengjiang	487,500	162,500	–	650,000	Resignation lock-up	
Total	2,681,543	162,500	2,194,043	650,000	–	–

- Notes: 1. The lock-up and unlocking of the shares held by Directors, Supervisors and senior management shall be implemented in accordance with the Company Law, the Securities Law, and relevant regulations issued by the CSRC, SZSE and other regulatory agencies.
2. Mr. YANG Fengjiang is a Supervisor who resigned before the expiration of his original term of office, so “date of unlocking the restricted shares” filled in is the partial release date of 25% of the total shares held by him, and 75% of the total shares held by him will continue to be locked.

On 16 January 2025, a total of 186,891 shares in issue prior to the initial public offering of A shares were unlocked. After the unlocking of the restricted shares, the number of restricted A shares were 416,150,338 shares. For details, please refer to the Indicative Announcement for the Listing and Circulation of Shares Issued Prior to the Initial Public Offering of A shares which was published by the Bank on CNINFO website dated 14 January 2025 (Announcement No.: 2025-001).

II. SECURITIES ISSUANCE AND THE LISTING

2.1 Issue of securities (excluding preference shares) during the Reporting Period

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

2.2 Changes in the total number of shares and the shareholder structure of the Bank and the asset and liability structure of the Bank

During the Reporting Period, there was no change in the total number of shares of the Bank. For more details about the changes in shares subject to selling restrictions before initial offering, internal staff shares and the shareholdings of shareholders and the changes in assets and liability structure, please refer to the relevant parts of this report.

2.3 Existing internal staff shares

Prior to the listing of the A shares of the Bank on Shanghai Stock Exchange on 16 January 2019, the Bank totally had 1,008 shareholders of internal staff shares, who hold 38,161,150 shares of the Bank, which complies with the provisions of the Notice on the Regulation of Internal Staff Shares in Financial Enterprises (Cai Jin [2010] No. 97). As of the date for disclosure of this report, all our internal staff shares have been released from selling restrictions and put on the market (except for executive lockup shares formed in accordance with laws and regulations).

III. SHAREHOLDERS AND DE FACTO CONTROLLERS

3.1 Number of shareholders and their shareholdings in the Bank

Unit: share

Total number of ordinary shareholders at the end of the Reporting Period	54,983	Total number of ordinary shareholders as at the end of the last month before the date of the disclosure of the annual report	51,792	Total number of preference shareholders whose voting rights were resumed at the end of the Reporting Period	0	Total number of preference shareholders whose voting rights were resumed as at the end of the last month before the date of the disclosure of the annual report	0
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Section IX Changes in Shareholdings and Information on Shareholders

Shareholdings of shareholders who hold more than 5% of the shares or shareholdings of the top ten shareholders (excluding shares lent through securities lending and refinancing)

Name of shareholders	Nature of shareholders	Percentage of shareholding	Number of shares held as at the end of the Reporting Period	Increase or decrease during the Reporting Period	Number of shares with selling restrictions held	Number of shares without selling restrictions held	Share pledged, tagged or locked-up	
							Status of shares	Number of shares
Hong Kong Securities Clearing Company Nominees Limited	Overseas legal entity	21.87%	1,272,949,494	-6,750	-	1,272,949,494	Unknown	Unknown
Intesa Sanpaolo S.p.A.	Overseas legal entity	17.50%	1,018,562,076	-	-	1,018,562,076	-	-
Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd.	State-owned legal entity	11.25%	654,623,243	-	-	654,623,243	-	-
Qingdao Haier Industrial Development Co., Ltd. (青島海爾產業發展有限公司)	Domestic non-state-owned legal entity	9.15%	532,601,341	-	409,693,339	122,908,002	-	-
Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青島海爾空調電子有限公司)	Domestic on-state-owned legal entity	4.88%	284,299,613	-	-	284,299,613	-	-
Haier Smart Home Co., Ltd. (海爾智家股份有限公司)	Domestic non-state-owned legal entity	3.25%	188,886,626	-	-	188,886,626	-	-
Qingdao Hairen Investment Co., Ltd. (青島海仁投資有限責任公司)	Domestic non-state-owned legal entity	2.99%	174,083,000	-	-	174,083,000	-	-
Qingdao China Prosperity State-Owned Capital Investment Operation Group Co., Ltd.	State-owned legal entity	2.12%	123,457,855	-	-	123,457,855	-	-
Qingdao Jifa Group Co., Ltd. (青島即發集團股份有限公司)	Domestic non-state-owned legal entity	2.03%	118,217,013	-	-	118,217,013	-	-
Guosen Securities Company Limited (國信證券股份有限公司)	State-owned legal entity	1.18%	68,870,242	276,960	-	68,870,242	-	-

Strategic investors or general legal entities becoming one of the top ten shareholders of the Bank as a result of placing of new shares (if any) N/A

Description of the related relationships or acting in concert among the above shareholders Among the abovementioned shareholders, Qingdao Haier Investment and Development Co., Ltd., Qingdao Haier Air-Conditioner Electronics Co., Ltd. and Haier Smart Home Co., Ltd. are all under Haier Group, and they are persons acting in concert. The Bank is not aware of any other related relationships among other shareholders or whether they are parties acting in concert.

Description of the voting rights entrusted by the above shareholders, the voting rights the above shareholders are entrusted with, the voting the above shareholders abstained from Among the abovementioned shareholders, Qingdao Haier Industrial Development Co., Ltd. and Qingdao Haier Air-Conditioner Electronics Co., Ltd. have entrusted Haier Smart Home Co., Ltd. to exercise the voting rights of the shareholders corresponding to their shares.

Special description of the existence of a specific repurchase account among the top ten shareholders (if any) N/A

Section IX Changes in Shareholdings and Information on Shareholders

Shareholdings of the top ten shareholders without selling restrictions (excluding shares lent through securities lending and refinancing and executive lockup shares)

Name of shareholders	Number of shares held without selling restrictions as at the end of the Reporting Period		
	Types of shares	Number	
Hong Kong Securities Clearing Company Nominees Limited	Overseas listed foreign share	1,272,949,494	1,272,949,494
Intesa Sanpaolo S.p.A.	Overseas listed foreign share	1,018,562,076	1,018,562,076
Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd.	RMB ordinary shares	654,623,243	654,623,243
Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青島海爾空調電子有限公司)	RMB ordinary shares	284,299,613	284,299,613
Haier Smart Home Co., Ltd. (海爾智家股份有限公司)	RMB ordinary shares	188,886,626	188,886,626
Qingdao Hairen Investment Co., Ltd. (青島海仁投資有限責任公司)	RMB ordinary shares	174,083,000	174,083,000
Qingdao China Prosperity State-Owned Capital Investment Operation Group Co., Ltd.	RMB ordinary shares	123,457,855	123,457,855
Qingdao Haier Industrial Development Co., Ltd. (青島海爾產業發展有限公司)	RMB ordinary shares	122,908,002	122,908,002
Qingdao Jifa Group Co., Ltd. (青島即發集團股份有限公司)	RMB ordinary shares	118,217,013	118,217,013
Guosen Securities Company Limited (國信證券股份有限公司)	RMB ordinary shares	68,870,242	68,870,242

Explanation on the related relationships or acting in concert among the top 10 holders of unrestricted outstanding shares and that between the top 10 holders of unrestricted outstanding shares and the top ten shareholders

Explanation on the margin trading and securities lending by top ten ordinary shareholders (if any)

Qingdao Haier Investment and Development Co., Ltd., Qingdao Haier Air-Conditioner Electronics Co., Ltd. and Haier Smart Home Co., Ltd. are all under Haier Group, and they are persons acting in concert. The Bank is not aware of any related relationships among the remaining top ten ordinary shareholders without selling restrictions and that between the remaining top ten ordinary shareholders without selling restrictions and the top ten ordinary shareholders or whether they are parties acting in concert. The Bank is not aware of margin trading and securities lending business and refinancing business by holder of shares in which Hong Kong Securities Clearing Company Nominees Limited acts as an agent; as at the end of the Reporting Period, the remaining shareholders among the top ten ordinary shareholders did not participate in margin trading and securities lending business and refinancing business.

Section IX Changes in Shareholdings and Information on Shareholders

Notes

1. Among the total number of ordinary shareholders as at the end of the Reporting Period, there were 54,837 A share shareholders and 146 H share shareholders; in the total number of ordinary shareholders at the end of last month before the disclosure of the annual report, there were 51,646 A share shareholders and 146 H share shareholders;
2. The shares held by Hong Kong Securities Clearing Company Nominees Limited are the total number of shares in the Bank's H shareholders accounts traded on the trading platform of Hong Kong Securities Clearing Company Nominees Limited by it as an agent;
3. As at the end of the Reporting Period, Intesa Sanpaolo S.p.A., as an H share registered shareholder of the Bank, held 1,015,380,976 H shares, and the remaining 3,181,100 H shares were agented to and under the name of Hong Kong Securities Clearing Company Nominees Limited. In this table, the agent shares have been deducted from the number of shares held by Hong Kong Securities Clearing Company Nominees Limited;
4. The top ten ordinary shareholders and the top ten ordinary shareholders without selling restrictions of the Bank did not conduct any transactions on agreed repurchases during the Reporting Period.

3.2 Participation in shares lent through securities lending and refinancing by shareholders who hold more than 5% of the shares, the top ten shareholders and the top 10 holders of unrestricted outstanding shares

The Bank is not aware of the participation in shares lent through securities lending and refinancing by holders of shares represented by Hong Kong Securities Clearing Company Nominees Limited. Other shareholders of the Bank, including shareholders who hold more than 5% shares, the top ten shareholders and the top 10 holders of unrestricted outstanding shares did not participate in shares lent through securities lending and refinancing at the beginning and end of the Reporting Period.

3.3 Changes in top ten shareholders and top 10 holders of unrestricted outstanding shares due to lending/returning through refinancing, as compared with the previous period

Compared with the end of the third quarter of 2024, as of the end of 2024, the changes in the Bank's top ten shareholders and the top 10 holders of unrestricted outstanding shares as of the end of 2024 are not relevant to shareholders' participation in the securities lending and refinancing business.

3.4 Controlling shareholders of the Bank

As at the end of the Reporting Period, there was no controlling shareholder of the Bank. The Bank has no shareholder who may exercise more than 30% of the shares with voting rights of the Bank when acting alone or in concert with others, while any shareholder of the Bank cannot control the resolutions of the general meeting or the resolutions of the Board meeting by shares with voting rights he/she holds, and there is no shareholder who controls the conduct of the Bank through the general meeting or de facto controls the conduct of the Bank through the Board of Directors and senior management. At the same time, there is no shareholder de facto controlling the Bank in any other manner when acting alone or in concert with others. Therefore, the Bank has no controlling shareholders.

3.5 De facto controllers of the Bank and its person acting in concert

During the Reporting Period, there was no de facto controller of the Bank. There was no situation in which the Bank was under de facto control of investors due to their direct or indirect equity investment relationship, scheme of arrangement or other arrangements with the Bank. Therefore, there was no de facto controller of the Bank.

3.6 The total amount of shares pledged by the controlling shareholder or the largest shareholder of the Bank and the person acting in concert accounts for 80% of the total amount of shares held by the Bank

At the end of the Reporting Period, Haier Group Corporation held shares in the Bank through eight companies within the group and was the largest shareholder of the Bank. These eight companies were parties acting in concert and had not pledged any of their shares in the Bank.

3.7 Substantial shareholders of the Bank

1. Haier Group Corporation

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

Haier Group Corporation is a world's leading provider of better life and digital transformation solutions. It is committed to "More creation, More possibilities", creating infinite possibilities for a better life with global users, and creating infinite possibilities for industrial development with ecological partners. As a representative of the real economy, Haier continues to focus on real industries, always be user-centered, adheres to the original technology, and deploys three major tracks: smart housing ecosystem, healthcare industry ecosystem and digital economy industry ecosystem.

As at the end of the Reporting Period, Haier Group Corporation held a total of 1,055,878,943 A shares of the Bank via eight companies within the group, which accounted for 18.14% of the total ordinary share capital. The above shares were not pledged or frozen. Haier Smart Home Co., Ltd. (海爾智家股份有限公司) was one of those eight companies, and the directors recommended to the Bank were ZHOU Yunjie and TAN Lixia. These eight companies were persons acting in concert. The ultimate beneficiary of Haier Group Corporation is itself, and Haier Group Corporation is the de facto controllers of Haier Smart Home Co., Ltd. (collectively accounting for 34.47% of equity interests), Qingdao Haier Biomedical Co., Ltd. (collectively accounting for 42.66% of equity interests), INKON Life Technology Co., Ltd. (collectively accounting for 51.09% of equity interests), Qingdao Thunderobot Technology Co., Ltd. (青島雷神科技股份有限公司) (collectively accounting for 30.72% of equity interests), Zhongmiao Holdings (collectively accounting for 45.33% of equity interests) and Shanghai Raas Blood Products Co., Ltd. (collectively accounting for 26.60% of equity interests). Haier Group Corporation has declared to the Bank related parties in accordance with regulatory requirements. As at the end of the Reporting Period, the balance of the Bank's credit-related significant related party transactions³ with Haier Group Corporation and its related parties was RMB2,363 million. No non-credit-related significant related party transactions occurred during the Reporting Period.

³ Note: The data of related party transactions mentioned in this part are based on the caliber specified by the National Financial Regulatory Administration.

Section IX Changes in Shareholdings and Information on Shareholders

2. Intesa Sanpaolo S.p.A.

Intesa Sanpaolo S.p.A. (business registration number: 00799960158) was established on 5 January 2007 (through merger of Banca Intesa S.p.A. (意大利聯合銀行) and Sanpaolo IMI S.p.A. (意大利聖保羅意米銀行)) with its legal representative of Gian Maria GROS-PIETRO and a registered capital of EUR10,369 million. Intesa Sanpaolo S.p.A. is a multi-national bank headquartered in Turin, Italy. It is one of the most prominent players of the Eurozone's banking industry as well as the industry-leader of Italy's retail banking, corporate banking business and wealth management businesses. Intesa Sanpaolo S.p.A. has a total of approximately 3,300 branches in Italy, providing 13.90 million customers with high-quality service. Intesa Sanpaolo S.p.A. has established a strategic international layout, including approximately 900 branches serving 7.50 million customers, commercial banking in 12 countries and an international and professional service network for corporate customers in 25 countries.

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

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

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

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

As at the end of the Reporting Period, Qingdao Conson Development (Group) Co., Ltd. held a total of 872,471,173 shares of the Bank via three subsidiaries, including 654,623,893 A shares and 217,847,280 H shares, which together accounted for 14.99% of the total ordinary share capital. The above shares were not pledged or frozen. Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd., was one of the three companies, and the director recommended to the Bank was DENG Youcheng. The controlling shareholder and the de facto controller of Qingdao Conson Development (Group) Co., Ltd. is the State-owned Assets Supervision and Administration Committee of the Qingdao Municipal People's Government. It has no persons acting in concert, and its ultimate beneficiary is itself. The listed company it can control is Baiyang Aquatic Group, Inc (collectively accounting for 30.16% of equity interests). Qingdao Conson Development (Group) Co., Ltd. has declared to the Bank related parties in accordance with regulatory requirements. At the end of the Reporting Period, the balance of the Bank's credit-related significant related party transactions between the Bank and Qingdao Conson Development (Group) Co., Ltd. and its related parties was RMB359 million. No non-credit-related significant related party transactions occurred during the Reporting Period.

Section IX Changes in Shareholdings and Information on Shareholders

4. Qingdao East Steel Tower Stock Co., Ltd.

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

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

3.8 Restrictions on reduction of shares for the controlling shareholder, de facto controller, party to restructuring and other commitment entity

N/A.

IV. DETAILS OF THE IMPLEMENTATION OF THE SHARE REPURCHASE DURING THE REPORTING PERIOD

During the Reporting Period, the Bank did not have any plan for the repurchase of its shares or implement the repurchase of its shares.

V. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

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

Name of shareholders	Notes	Type of shares	Capacity	Number of shares held	Approximate percentage of the total number of shares ^(a)	Approximate percentage of the total number of A shares ^(a)	Approximate percentage of the total number of H shares ^(a)	Long/short position
Haier Group Corporation (海爾集團公司)	1	A shares	Interest of controlled corporation	1,055,878,943	18.14	29.93	–	Long
Haier Kaaosi Co., Ltd. (海爾卡奧斯股份有限公司)	2	A shares	Interest of controlled corporation	532,601,341	9.15	15.09	–	Long
Qingdao Haier Industrial Development Co., Ltd. (青島海爾產業發展有限公司)	2	A shares	Beneficial owner	532,601,341	9.15	15.09	–	Long
Haier Smart Home Co., Ltd. (海爾智家股份有限公司)	–	A shares	Beneficial owner	188,886,626	3.25	5.35	–	Long
			Interest of controlled corporation	318,085,033	5.46	9.01	–	Long
Qingdao Haier Air-Conditioner Electronics Co., Ltd. (青島海爾空調電子有限公司)	–	A shares	Beneficial owner	284,299,613	4.88	8.06	–	Long
Qingdao Conson Development (Group) Co., Ltd. (青島國信發展(集團)有限責任公司)	3	A shares	Interest of controlled corporation	654,623,893	11.25	18.55	–	Long
Qingdao Conson Industrial Co., Ltd. (青島國信實業有限公司)	3	A shares	Beneficial owner	654,623,893	11.25	18.55	–	Long
Intesa Sanpaolo S.p.A.	–	H shares	Beneficial owner	1,018,562,076	17.50	–	44.44	Long
AMTD Group Inc.	4	H shares	Interest of controlled corporation	367,675,000	6.32	–	16.04	Long
AMTD IDEA Group	4	H shares	Interest of controlled corporation	367,675,000	6.32	–	16.04	Long
AMTD Digital Inc.	4	H shares	Interest of controlled corporation	367,675,000	6.32	–	16.04	Long
World Media and Entertainment Universal Inc.	4	H shares	Interest of controlled corporation	367,675,000	6.32	–	16.04	Long
Jinan Binhe New District Constructive Investment Group Co., Ltd. (濟南濱河新區建設投資集團有限公司)	–	H shares	Beneficial owner	200,000,000	3.44	–	8.73	Long
Qingdao Conson Development (Group) Co., Ltd. (青島國信發展(集團)有限責任公司)	5	H shares	Interest of controlled corporation	217,847,280	3.74	–	9.50	Long
Qingdao Conson Financial Holdings Co., Ltd. (青島國信金融控股有限公司)	5	H shares	Beneficial owner	217,847,280	3.74	–	9.50	Long
Guosen Securities Company Limited (國信證券股份有限公司) on behalf of Guosen Securities QDII Huisheng No.6 Single Asset Management Scheme	–	H shares	Investment manager	231,618,500	3.98	–	10.11	Long
Ji'nan Pioneer Investment Group Co., Ltd. (濟南先行投資集團有限責任公司)	–	H shares	Beneficial owner	231,618,500	3.98	–	10.11	Long

Section IX Changes in Shareholdings and Information on Shareholders

Notes:

- (1) 1,055,878,943 shares of the Bank are held by Haier Group Corporation via its directly or indirectly controlled companies.
- (2) 532,601,341 shares of the Bank are directly held by Qingdao Haier Industrial Development Co., Ltd., which is 100% owned by Haier Kaaosi Co., Ltd. Therefore, Haier Kaaosi Co., Ltd. is deemed to be interested in all the shares of the Bank held by Qingdao Haier Industrial Development Co., Ltd.
- (3) Qingdao Conson Industrial Co., Ltd. (now renamed as Qingdao Guoxin Industrial and Financial Holdings (Group) Co., Ltd.) is 100% owned by Qingdao Conson Development (Group) Co., Ltd. Therefore, Qingdao Conson Development (Group) Co., Ltd. is deemed to be interested in all the shares of the Bank held by Qingdao Conson Industrial Co., Ltd.
- (4) According to the disclosure of interests notices submitted by World Media and Entertainment Universal Inc., AMTD Digital Inc., AMTD IDEA Group, and AMTD Group Inc. (尚乘集團有限公司) in relation to the relevant event on 29 November 2024, Wonderful Time with Co. Ltd directly holds 367,675,000 shares of the Bank. Wonderful Time with Co. Ltd is wholly-owned by World Media and Entertainment Group, and World Media and Entertainment Group is wholly-owned by World Media and Entertainment Universal Inc. AMTD Digital Inc. and AMTD IDEA Group hold 45.42% and 43.40% interests in World Media and Entertainment Universal Inc. respectively. AMTD IDEA Group holds 92.30% interests in AMTD Digital Inc., while AMTD Group Inc. holds 84.14% interests in AMTD IDEA Group. Therefore, World Media and Entertainment Universal Inc., AMTD Digital Inc., AMTD IDEA Group and AMTD Group Inc. are deemed to be interested in all the shares of the Bank held by Wonderful Time with Co. Ltd.
- (5) Qingdao Conson Financial Holdings Co., Ltd. directly holds 217,847,280 H shares of the Bank. To the best of the Bank's knowledge, Qingdao Conson Financial Holdings Co., Ltd. is a wholly-owned subsidiary of Qingdao Conson Development (Group) Co., Ltd. Therefore, Qingdao Conson Development (Group) Co., Ltd. is deemed to be interested in all the shares of the Bank held by Qingdao Conson Financial Holdings Co., Ltd. (in the capacity of interest of controlled corporation).
- (6) Save as disclosed in the above table, according to the disclosure of interests notice submitted by Ariana Capital Investment Limited in relation to the relevant event on 26 June 2020, Ariana Capital Investment Limited was interested in 176,766,469 H shares of the Bank directly held by it. As of 31 December 2024, no other disclosure of interests notices have been submitted by them.

Section IX Changes in Shareholdings and Information on Shareholders

- (7) Under Section 336 of the SFO, notices disclosing of interests shall be submitted by shareholders of the Bank upon satisfaction of certain conditions. Changes of shareholders' shareholdings in the Bank are not required to inform the Bank and the Hong Kong Stock Exchange, except for the satisfaction of certain conditions. Therefore, there could be difference between shareholders' latest shareholdings in the Bank and the shareholdings submitted to the Hong Kong Stock Exchange.
- (8) As at 31 December 2024, the number of the Bank's total issued ordinary shares, A shares and H shares are 5,820,354,724 shares, 3,528,409,250 shares and 2,291,945,474 shares, respectively.

As of 31 December 2024, save as disclosed above, in so far as the Directors, Supervisors and chief executives of the Bank are aware, there is no person who had an interest or short position in the shares, underlying shares or equity derivatives of the Bank which is required to be recorded in the register to be kept under section 336 of the SFO.

Section X Preference Shares

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

Section XI Report of the Board of Directors

I. PRINCIPAL ACTIVITIES

The principal activities of the Bank are: accept deposits from the public; provide short-term, medium-term and long-term loans; conduct domestic and overseas settlements; conduct acceptance, discounting and inter-bank discounting of notes; issue financial bonds; issue, cash-in and underwrite government bonds and financial bonds as agent; trade government bonds, financial bonds and corporate bonds; participate in interbank lending and borrowing and interbank deposit businesses; perform foreign exchange trading as agent; carry out the foreign exchange settlement and sales businesses; engage in bank card business; provide letter of credit service and guarantee; perform receipt and payment, insurance business as agent as well as other agency services including sales of precious metals; provide safe deposit box service; bond settlement agency business and the time deposits business of commercial banks for cash management of central treasury; securities investment fund custody; public securities investment fund sales; ordinary derivatives trading business; other businesses approved by the relevant national regulatory authorities.

II. OPERATIONS IN COMPLIANCE WITH LAWS AND REGULATIONS

During the Reporting Period, the Bank had been operating in compliance with relevant laws and regulations. Its decision-making procedures complied with the relevant laws, regulations and the Articles of Association.

III. BUSINESS REVIEW AND OUTLOOK

The business review and financial indicator of the Company during the Reporting Period and its development outlook for the upcoming year are set out in section “Corporate Information and Key Financial Highlights” and “Management Discussion and Analysis” of this annual report.

IV. EXPOSURE TO MAJOR RISKS

Please refer to section “Management Discussion and Analysis” for the major risks the Bank had exposed to during the Reporting Period.

V. EARNINGS AND DIVIDENDS

The revenue of the Company during the Reporting Period and the financial position of the Company as at the end of the Reporting Period are set out in the financial statements of this annual report. For details of the dividend, please refer to section “Significant Events”.

Taxation applying to dividends on ordinary shares

In accordance with the Enterprise Income Tax Law of the PRC effective from 1 January 2008 and the related implementation provisions, the Company shall withhold and pay enterprise income tax at the rate of 10% for non-resident enterprise shareholders whose names appear on the H-share register of members at close of business on the H share record date.

Pursuant to the Notice of the State Administration of Taxation on Issues Concerning Individual Income Tax After the Annulment of Document Guo Shui Fa [1993] No.045 (Guo Shui Han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) promulgated on 28 June 2011, dividend received by overseas resident individual shareholders from the shares issued by domestic non-foreign invested enterprises in Hong Kong are subject to individual income tax, which shall be withheld and paid by withholding agents according to relevant laws; however, the overseas resident individual shareholders of the shares issued by domestic non-foreign invested enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements between the countries where they reside and China and the tax arrangements between Mainland China and Hong Kong/Macau.

In accordance with the above tax regulations, the Bank shall generally withhold and pay individual income tax at the rate of 10% for individual holders of H shares of the Bank unless otherwise specified by the relevant tax regulations and tax agreements, in which case the Bank will conduct specific procedures according to the relevant regulatory requirements of tax authorities.

Section XI Report of the Board of Directors

For investors of the Hong Kong Stock Exchange (including enterprises and individuals) investing in the A shares of the Bank listed on SZSE (the “Shenzhen Southbound Trading”), the Bank will distribute the dividends in RMB through the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited to the account of the nominee holding such shares. The Bank will withhold income taxes at the rate of 10% on behalf of the investors and will report to the competent tax authorities for the withholding. For investors of Shenzhen Southbound Trading involved in the enjoying of tax treaty (arrangement) treatment, the withholding will be implemented in accordance with the Administrative Rules on Enjoying Treatment under Taxation Treaties by Non-resident Taxpayers (State Administration of Taxation Announcement 2019, No.35) (《非居民納稅人享受協定待遇管理辦法》(國家稅務總局公告2019年第35號)) and Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No.127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)).

The equity registration date and the distribution date of cash dividends and other arrangements for the investors of Shenzhen Southbound Trading will be the same as those for the A shareholders of the Bank. Details of the payment of dividends to the A shareholders of the Bank and related matters will be announced in due course.

For investors of the Shanghai Stock Exchange and the SZSE (including enterprises and individuals) investing in the H shares of the Bank listed on the Hong Kong Stock Exchange (the “Southbound Trading”), China Securities Depository and Clearing Corporation Limited, as the nominee holders for the investors of the Southbound Trading, shall receive the cash dividends distributed by the Bank and distribute the cash dividends received from the Bank to the relevant investors of the Southbound Trading through their depository and clearing systems. The cash dividends for the investors of Southbound Trading will be paid in RMB. Pursuant to the relevant requirements of the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Market Connect (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and the Notice of the Ministry of Finance, the State Administration of Taxation and the CSRC on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Market Connect (Cai Shui [2016] No. 127) (《財政部、國家稅務總局、中國證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), for dividends received by individual domestic investors from investing in H shares listed on the Hong Kong Stock Exchange through the Shanghai-Hong Kong stock exchanges connectivity mechanism (the “Shanghai-Hong Kong Stock Connect”) and the Shenzhen-Hong Kong stock exchanges connectivity mechanism (the “Shenzhen-Hong Kong Stock Connect”), the company of such H shares shall withhold individual income tax at the rate of 20% on behalf of the investors. For dividends received by domestic securities investment funds from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The company of such H shares will not withhold the income tax of dividends for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

The equity registration date and the distribution date of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the H shareholders of the Bank.

The Bank held no liability in respect of any claims arising from any delay in, or inaccurate determination of the identity of the shareholders or any disputes over the mechanism of withholding.

If in any doubt as to the above arrangement, the relevant shareholders of the Bank may consult with their tax consultants on the advices of the tax implications involved in holding and disposing of the relevant shares of the Bank in Mainland China, Hong Kong and other countries (regions).

The Bank will make a separate announcement regarding the dividend payment to A shareholders and any related matters.

VI. ANNUAL GENERAL MEETING OF 2024 AND THE DATE OF THE CLOSURE OF REGISTER OF MEMBERS

The Bank intends to hold the 2024 annual general meeting on Wednesday, 28 May 2025. In order to determine the list of shareholders of H shares who are entitled to attend and vote at the 2024 annual general meeting, the H share register of members of the Bank will be closed from Thursday, 22 May 2025 to Wednesday, 28 May 2025 (both days inclusive), during such period no transfer of H shares will be registered. Shareholders of H shares of the Bank who intend to attend and vote at the annual general meeting must lodge all 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 21 May 2025.

VII. DISTRIBUTABLE RESERVES

The details of distributable reserves of the Company during the Reporting Period are set out in the Consolidated Statement of Changes in Equity in the annual financial statements of the Company.

VIII. FINANCIAL INFORMATION HIGHLIGHTS

The highlights of the operational results, assets and liabilities of the Company for the three years prior to the end of the Reporting Period are set out in section "Corporate Information and Key Financial Highlights" of this annual report.

IX. DONATIONS

During the Reporting Period, the Company made charitable and other donations (including Bank of Qingdao Charitable Foundation in Qingdao City) of approximately RMB5.7371 million, mainly for donating money for education, caring for children in need, and supporting rural revitalization.

X. ENVIRONMENTAL POLICIES AND PERFORMANCE

The Bank has complied with the applicable environmental laws and regulations of which its business operations are located all the time, and has reviewed and improved the promoted environmental protection measures from time to time to enhance sustainability. For relevant information of the environmental policies and performance of the Bank during the Reporting Period, please refer to the Social Responsibility Report published by the Bank on the CNINFO website and HKEXnews website of the Hong Kong Stock Exchange.

XI. PROPERTY AND EQUIPMENT

The details of changes in property and equipment of the Company during the Reporting Period are set out in the notes to the financial statement of this annual report.

XII. ACQUISITIONS, DISPOSAL OF ASSETS DURING THE REPORTING PERIOD

During the Reporting Period, the Bank had no material acquisition and disposal of assets.

XIII. RETIREMENT BENEFITS

The retirement benefits provided by the Company to employees include defined contribution plan and defined benefit plan. The defined contribution plan is the basic pension insurance and the enterprise annuity plan in the social security system established and managed by the government agency that our employees participated in according to the requirements of relevant Chinese laws and regulations. As for defined benefit plan, Towers Watson Management Consulting Co., Ltd. (韜睿惠悅管理諮詢有限公司), an independent actuary was engaged by the Company in 2022 to assess the plan. The plan did not have corresponding asset and contribution, without significant changes incurred at the end of the Reporting Period. Towers Watson Management Consulting Co., Ltd. engaged a member of society of Actuaries in America. For details of retirement benefits, please refer to notes to the financial statements of this annual report.

XIV. SUBSTANTIAL SHAREHOLDERS

Details of the Bank's substantial shareholders as at the end of the Reporting Period are set out in section "Changes in Shareholdings and Information on Shareholders" and notes to the financial statements of this annual report.

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

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

XVI. PRE-EMPTIVE RIGHTS

There are no provisions in the relevant PRC laws and the Articles of Association for granting pre-emptive rights to shareholders of the Bank. The Articles of Association provides that, after the resolution made by the general meeting was submitted to and approved by the relevant national regulatory authorities, the Bank may increase its capital by the following ways: public issuance of shares; non-public issuance of shares; placing new shares to existing shareholders; distributing new shares to existing shareholders; performing capital conversion from capital reserve; any other ways permitted by laws, administrative regulations and relevant national regulatory authorities.

XVII. EMPLOYEES AND MAJOR CUSTOMER

Please refer to section "Corporate Governance" and the Social Responsibility Report published by the Bank on the website of the SZSE, HKEXnews website of the Hong Kong Stock Exchange, and the official website of the Bank for details of employees and employment policies of the Bank.

During the Reporting Period, the operating income from the top five largest customers of the Company did not exceed 30% of the total operating income of the Company.

XVIII. ISSUANCE OF DEBENTURE

On 16 December 2024, the Bank issued "2024 Tier-two Capital Bonds of Bank of Qingdao Co., Ltd." in China's national inter-bank bond market. The issue size of the bonds was RMB2.0 billion. The tier-two capital bonds are 10-year fixed-rate bonds. The issuer has conditional redemption rights at the end of the fifth year with a coupon rate of 2.15%. All proceeds were applicable to supplementing tier-two capital of the Bank in accordance with the applicable laws and as approved by relevant regulatory authorities.

XIX. EQUITY-LINKED AGREEMENT

During the Reporting Period, the Bank did not enter into or renew any equity-linked agreement.

XX. USE OF RAISED FUNDS

Please refer to section “Management Discussion and Analysis” for details of the use of raised funds of the Bank.

XXI. UNDERTAKINGS REGARDING THE LISTING OF H SHARES

As at the end of the Reporting Period, the Bank and the shareholders of the Bank have fulfilled their commitments in relation to the listing of H shares.

XXII. SHARE CAPITAL

Details of changes in the share capital of the Bank during the Reporting Period are set out in section “Changes in Shareholdings and Information on Shareholders”.

XXIII. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Information on the Directors, Supervisors and senior management of the Bank during the Reporting Period are set out in section “Corporate Governance”.

XXIV. CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank has received from each of its independent non-executive Directors the confirmation of his/her independence, and is of the view that all of its independent non-executive Directors are independent pursuant to the independence guidelines set out in Rule 3.13 of the Hong Kong Listing Rules.

XXV. FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS BETWEEN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

There are no relationships between each of the Directors, Supervisors and senior management of the Bank, including financial, business and family relationships.

XXVI. ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period was the Bank a party to any arrangements to enable the Directors or Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

XXVII. DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE AND SERVICE CONTRACTS

Save for the continuing connected transactions which are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules at the end of the Reporting Period and at any time during the year, none of the Directors or Supervisors of the Bank or any entity connected with the Directors or Supervisors had any interest, whether directly or indirectly, in any transaction, arrangement or contract of significance (excluding service contracts) in relation to the Bank's business to which the Bank is a party. None of the Directors or Supervisors have entered into any service contracts with the Bank, under which the Bank should pay compensation (other than statutory compensation) if the Bank terminates the contracts within one year.

XXVIII. PERMITTED INDEMNITY PROVISIONS AND INSURANCE FOR DIRECTORS

During the Reporting Period, the Bank bought effective liability insurance for all of the Directors in respect of legal actions against Directors arising from corporate events.

XXIX. MANAGEMENT CONTRACTS

During the Reporting Period, the Bank did not enter into any management contracts.

XXX. DIRECTORS AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors and Supervisors has any interest in a business that competes directly or indirectly, or is likely to compete with the business of the Bank.

XXXI. CORPORATE GOVERNANCE

Please refer to section "Corporate Governance" for details.

XXXII. CONNECTED TRANSACTIONS

Transactions between the Bank and the Bank's connected persons (as defined under the Hong Kong Listing Rules) constitute connected transactions of the Bank under Chapter 14A of the Hong Kong Listing Rules. The Bank provides commercial banking services and products to customers, including connected persons of the Bank (such as Directors, Supervisors, president of the Bank and/or their respective associates) in its daily and normal business. Such connected transactions are entered into during the course of the Bank's daily and normal business in accordance with normal commercial terms (or more privileged commercial terms to the Bank). Such connected transactions can be fully exempted from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Hong Kong Listing Rules. The Bank has reviewed all of its connected transactions and confirmed that it had complied with the requirements under Chapter 14A of the Hong Kong Listing Rules.

The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard 24, "Related Party Disclosures", and its interpretations by the International Accounting Standards Board. Certain related party transactions set out in the notes to the financial statements also constitute connected transactions or continuing connected transactions as defined under the Hong Kong Listing Rules, but none constitutes a discloseable connected transaction as required under the Hong Kong Listing Rules.

XXXIII. REMUNERATION POLICIES FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Please refer to section "Corporate Governance" for details.

XXXIV. INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES AND UNDERLYING SHARES OF THE BANK

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

Name of Director/ Supervisor/chief executive	Type of shares	Capacity	Number of shares held	Percentage of the total number of ordinary shares <small>Note</small>	Percentage of the total number of A shares <small>Note</small>	Long position/short position
CHEN Shuang	A shares	Beneficial owner	455,000	0.01%	0.01%	Long position

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

Apart from the above, in so far as the Directors, Supervisors and chief executives of the Bank are aware, no one had any interests and short positions in the shares, debentures and equity derivatives of the Bank which are required to be recorded in the register referred to in section 352 of the SFO, or interests and short positions which are required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code.

XXXV. PUBLIC FLOAT

Based on the public information available to the Bank and to the knowledge of the Directors, as at the end of the Reporting Period, the Bank has maintained sufficient public float as required by the Hong Kong Stock Exchange. As of the date for disclosure of this report, the public float of the Bank's A shares and H shares was 49.36%.

XXXVI. AUDITORS

During the Reporting Period, the domestic and overseas auditors of the Bank were KPMG Huazhen LLP and KPMG respectively. KPMG Huazhen LLP and KPMG audited the annual financial statements for the year prepared by the Company in accordance with Accounting Standards for Business Enterprises and IFRS Accounting Standards respectively, and issued unqualified audit reports.

The Board of Directors of
Bank of Qingdao Co., Ltd.

Section XII Report of the Board of Supervisors

During the Reporting Period, the Board of Supervisors earnestly carried out effective supervision on areas including the performance of duties by the Board of Directors, the senior management of the Bank and their members, the financial activities, internal control and risk management and in accordance with the duties conferred by the laws and regulations such as the Company Law and the Articles of Association of the Bank, and the Board of Supervisors has no objection to the supervision during the Reporting Period.

I. COMPLIANT OPERATIONS OF THE COMPANY

During the Reporting Period, the business operations of the Bank complied with the requirements of the Company Law, the Commercial Bank Law and the Articles of Association, and the decision-making procedures were legitimate and valid. The Directors and senior management of the Bank carried out their duties diligently in the course of business operation and management. None of them was found to have contravened any laws or regulations or the Articles of Association or to have committed any acts detrimental to the interests of the Bank and its shareholders.

II. AUTHENTICITY OF FINANCIAL REPORT

KPMG Huazhen LLP and KPMG audited the 2024 annual financial statements prepared by the Company in accordance with Accounting Standards for Business Enterprises and IFRS Accounting Standards respectively, and issued unqualified audit reports. The financial report has truly and completely reflected the financial position and operating results of the Company as at 31 December 2024.

III. INFORMATION DISCLOSURE

During the Reporting Period, the Board of Supervisors believed that the Bank has established a comprehensive information disclosure management system, and did not discover any non-compliance of information disclosure laws and regulations by the Bank.

IV. ACQUISITION AND DISPOSAL OF ASSETS OF THE COMPANY

During the Reporting Period, the Board of Supervisors did not find any insider trading or any acts detrimental to the interests of shareholders or leading to a drain on the assets in acquisition or disposal of assets.

V. RELATED PARTY TRANSACTIONS

For related party transactions conducted in the Reporting Period, the Board of Supervisors did not find any acts in violation of the principles of fairness or detrimental to the interests of the Company and its shareholders.

VI. IMPLEMENTATION OF RESOLUTIONS OF THE SHAREHOLDERS' GENERAL MEETING

The Board of Supervisors had no objection to the reports and proposals submitted by the Board of Directors to the shareholders' general meeting of the Bank in 2024; supervised the implementation of the resolutions of the shareholders' general meeting, and considered that the Board of Directors had conscientiously implemented the relevant resolutions of the shareholders' general meeting.

VII. INTERNAL CONTROL

The Board of Supervisors reviewed the 2024 Annual Internal Control Evaluation Report of Bank of Qingdao Co., Ltd. and had no objection to the contents of the report. During the Reporting Period, no material weakness in respect of the completeness, reasonableness, validity and execution of the Bank's internal control system and mechanism was identified.

The Board of Supervisors of
Bank of Qingdao Co., Ltd.

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 193 to 320, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 2024 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board 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"). 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 Code of Ethics for Professional Accountants issued by International Ethics Standards Board for Accountants ("IESBA Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA 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.

Independent auditor's report

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

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

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

Refer to the accounting policies in note 2(4), and note 19 and note 22 to the financial statements.

The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 December 2024, gross loans and advances to customers and accrued interest included for the purpose of expected credit loss assessment, as presented in the Group's consolidated statement of financial position, amounted to RMB341.563 billion, for which management recognized an impairment allowance of RMB9.347 billion; total financial investments measured at amortised cost and accrued interest included for the purpose of expected credit loss assessment amounted to RMB103.090 billion, for which management recognized an impairment allowance of RMB5.497 billion.</p> <p>The Group uses the expected credit loss model to determinate loss allowances of financial assets in accordance with the IFRS 9, Financial Instruments.</p> <p>The determination of loss allowances of loans and advances to customers and financial investments measured at amortised cost using the expected credit loss model is subject to the application of a number of key parameters and assumptions, including the credit risk staging, probability of default, loss given default, exposures at default and discount rates, adjustments for forward-looking information and other adjustment factors. Extensive management judgment is involved in the selection of those parameters and the application of the assumptions.</p> <p>In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses for corporate loans and advances, financial investments measured at amortised cost are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The expected credit losses for personal loans and advances are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience and other adjustment factors.</p>	<p>Our audit procedures to assess loss allowances of loans and advances to customers and financial investments measured at amortised cost included the following:</p> <ul style="list-style-type: none">• understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and advances to customers and financial investments measured at amortised cost, the credit risk staging process and the measurement of allowances for impairment.• with the assistance of our internal financial risk management specialists, assessing the appropriateness of the expected credit loss model used by management in determining the loss allowances and the appropriateness of the key parameters and assumptions in the expected credit loss model, which included credit risk staging, probability of default, loss given default, exposure at default, adjustments for forward-looking information and other adjustments, and assessing the appropriateness of related key management judgment.• for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collaterals. As part of these procedures, we assessed management's revisions to estimates and input parameters by comparing with prior period and considered the consistency of judgement.

Independent auditor's report

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

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

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

Refer to the accounting policies in note 2(4), and note 19 and note 22 to the financial statements.

The Key Audit Matter

How the matter was addressed in our audit

Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include the financial situation of the borrowers or the debtors, the security types, the recoverable amounts of collaterals, the seniority of the claims, and other repayment sources of the borrower or the debtor. Management refers to valuation reports of collaterals issued by qualified third party valuers and considers the influence of various factors including the market prices, locations and uses when assessing the value of property held a collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of a collateral.

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

- comparing the macroeconomic forward-looking information used in the model with market information to assess whether they were aligned with market and economic development.
- assessing the completeness and accuracy of data used in the expected credit loss model. For key internal data, we compared the total balance of list of the loans and advances and financial investments measured at amortised cost used by management to assess the allowances for impairment with the general ledger, to check the completeness of the data. We also selected samples to compare individual loan and advance and investment information with the underlying agreements and other related documentation, to check the accuracy of the data, and to check the accuracy of external data by comparing them with public resources.
- for key parameters used in the expected credit loss model which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis. In addition, we involved our IT specialists to assess the compilation logics of the overdue information of the loans and advances and financial investments measured at amortised cost and the system calculation of the internal credit grading of corporate customers for selected samples.

Independent auditor's report

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

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

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

Refer to the accounting policies in note 2(4), and note 19 and note 22 to the financial statements.

The Key Audit Matter

How the matter was addressed in our audit

- evaluating the validity of management's assessment on whether the credit risk of the loan and advance or the financial investment measured at amortised cost has, or has not, increased significantly since initial recognition and whether the loan and advance or the financial investment is credit-impaired by selecting samples which we checked loan and advance and investment overdue information, making enquiries of the credit managers about the borrowers' or the debtors' business operations, checking their financial information and researching market information about their businesses, understanding the credit risk status of the borrower or the debtor, and assessing the reasonableness of credit risk staging. Our samples of the loan and advance or the financial investment measured at amortised cost selected for credit review focus on accounts with high risk characteristics, including industries, public information and credit quality of accounts.
- evaluating the reasonableness of loss given default for selected samples of corporate loans and advances or financial investment measured at amortised cost that are credit-impaired, by checking the financial situation of the borrowers or the debtors, the security types, the seniority of the claims, the recoverable amount of collaterals, and other repayment sources of the borrower or the debtor. Evaluating management's assessment of the value of any property collateral for selected samples, by comparison with evaluation results based on the location, use of the property and market prices, or the prices of neighbouring properties. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows, assessed the viability of the Group's recovery plans; based on the above work, we selected samples and assessed the accuracy of calculation for the credit losses of loans and advances and financial investments measured at amortised cost by using the expected credit loss model.
- evaluating whether the presentation and disclosures in the consolidated financial statements in relation to loss allowances of loans and advances and financial investments measured at amortised cost meet the requirements of the prevailing accounting standards.

Independent auditor's report

Independent auditor's report to the shareholders of Bank of Qingdao Co., Ltd. (continued)
(A joint stock company incorporated in the People's Republic of China (the "PRC") with limited liability) (continued)

2. Assessment of fair value of financial instruments

Refer to the accounting policies in note 2(4), and note 46 to the financial statements.

The Key Audit Matter	How the matter was addressed in our audit
<p>Financial instruments carried at fair value account for a significant part of the Group's assets and liabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income. The Group mainly holds level 2 and level 3 financial instruments measured at fair value.</p> <p>The valuation of financial instruments measured at fair value of the Group is based on a combination of market data and valuation models which often require a considerable number of inputs. As in the case of level 2 financial instruments measured at fair value, the inputs of valuation models are mainly observable data. As in the case of level 3 financial instruments measured at fair value, where such observable data is not readily available, estimates need to be developed which can involve significant management judgments.</p> <p>We identified assessment of the fair value of financial instruments as a key audit matter because of the degree of complexity involved in the valuating certain financial instruments and the significant degree of judgment exercised by management in determining the inputs used in the valuation models.</p>	<p>Our audit procedures to assess the fair value of level 2 and 3 financial instruments included the following:</p> <ul style="list-style-type: none">• understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the valuation of financial instruments.• evaluating the fair value of level 2 and level 3 financial instruments on sample basis, by evaluating the Group's valuation models, obtaining inputs independently and verifying inputs, comparing our valuation results with the Group's results, and engaging KPMG valuation specialists to conduct independent valuation.• evaluating whether the presentation and disclosures in the consolidated financial statements in relation to fair value of financial instruments meet the requirements of the prevailing accounting standards.

Independent auditor's report

Independent auditor's report to the shareholders of Bank of Qingdao Co., Ltd. (continued)
(A joint stock company incorporated in the People's Republic of China (the "PRC") with limited liability) (continued)

3. Consolidation of structured entities

Refer to the accounting estimates in note 2(24), and note 48 to the financial statements.

The Key Audit Matter	How the matter was addressed in our audit
<p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing a wealth management product, an asset management plan, a trust plan, an asset-backed security, a debt investment plan or an investment fund.</p> <p>In determining whether the Group should consolidate a structured entity, management is required to consider the power it possesses, its exposure to variable returns, and its ability to use its power to affect returns. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.</p> <p>We identified the consolidation of structured entities as a key audit matter because of the complex nature of certain of these structured entities and the significant judgement exercised by management in the qualitative assessment of the terms and nature of each entity.</p>	<p>Our audit procedures to assess the consolidation of structured entities included the following:</p> <ul style="list-style-type: none">• understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over consolidation of structured entities.• selecting significant structured entities of each key product type and performing the following procedures:<ul style="list-style-type: none">– inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement of the Group in the structured entity; and to evaluate management's judgement over whether the Group has the ability to exercise power over the structured entity;– inspecting the risk and reward structure of the structured entity, including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns, to evaluate management's judgement as to the exposure, or rights, to variable returns from the Group's involvement in such an entity;– inspecting management's analyses of the structured entity including qualitative analyses and calculations of the magnitude and variability associated with the Group's economic interests in the structured entity to evaluate management's judgement over the Group's ability to affect its own returns from the structured entity;– evaluating management's judgement over whether the structured entity should be consolidated or not.• evaluating whether the presentation and disclosures in the consolidated financial statements in relation to consolidation of structured entities meet the requirements of the prevailing accounting standards.

Independent auditor's report

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

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

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

The directors are 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. This 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

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

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

- 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 appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of 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 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 Choi Ching Hin.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 March 2025

Consolidated statement of profit or loss

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

	Note	2024	2023
Interest income		22,421,432	21,140,032
Interest expense		(12,547,608)	(11,858,063)
Net interest income	3	9,873,824	9,281,969
Fee and commission income		1,993,954	2,113,031
Fee and commission expense		(484,401)	(526,512)
Net fee and commission income	4	1,509,553	1,586,519
Net trading gains/(losses)	5	10,687	(168,992)
Net gains arising from investments	6	1,854,294	1,622,863
Other operating income	7	166,333	158,992
Operating income		13,414,691	12,481,351
Operating expenses	8	(4,884,559)	(4,516,428)
Expected credit losses	11	(3,533,691)	(4,014,079)
Impairment losses on other assets		(1,312)	(17,447)
Profit before taxation		4,995,129	3,933,397
Income tax expense	12	(590,408)	(261,977)
Net profit for the year		4,404,721	3,671,420
Net profit attributable to:			
Equity shareholders of the Bank		4,264,120	3,548,599
Non-controlling interests		140,601	122,821
Basic and diluted earnings per share (in RMB)	13	0.69	0.57

The notes on pages 201 to 320 form part of these financial statements.

Consolidated statement of profit or loss and other comprehensive income

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

	Note	2024	2023
Net profit for the year		4,404,721	3,671,420
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
– Remeasurement of defined benefit liability	40(4)	(10,733)	(1,965)
– Changes in fair value of financial assets designated at fair value through other comprehensive income	40(4)	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)	1,459,373	834,836
– Credit losses of financial assets measured at fair value through other comprehensive income	40(4)	236,894	30,614
Other comprehensive income, net of tax		1,769,322	863,485
Total comprehensive income for the year		6,174,043	4,534,905
Total comprehensive income attributable to:			
Equity shareholders of the Bank		6,033,442	4,412,084
Non-controlling interests		140,601	122,821

The notes on pages 201 to 320 form part of these financial statements.

Consolidated statement of financial position

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

	Note	31 December 2024	31 December 2023
Assets			
Cash and deposits with the central bank	14	49,153,266	31,043,664
Deposits with banks and other financial institutions	15	3,495,177	2,210,368
Placements with banks and other financial institutions	16	14,844,347	14,021,225
Derivative financial assets	17	55,310	149,377
Financial assets held under resale agreements	18	7,496,541	13,944,652
Loans and advances to customers	19	332,554,291	292,992,926
Financial investments:			
– Financial investments measured at fair value through profit or loss	20	63,986,527	58,269,523
– Financial investments measured at fair value through other comprehensive income	21	94,075,023	114,985,134
– Financial investments measured at amortised cost	22	97,593,546	52,756,509
Long-term receivables	24	15,516,540	16,741,773
Property and equipment	25	3,437,254	3,540,989
Right-of-use assets	26	764,450	838,139
Deferred tax assets	27	3,553,816	3,793,887
Other assets	28	3,436,945	2,697,206
Total assets		689,963,033	607,985,372
Liabilities			
Borrowings from the central bank	29	28,240,081	18,235,088
Deposits from banks and other financial institutions	30	12,355,339	2,242,331
Placements from banks and other financial institutions	31	20,836,633	21,090,364
Financial liabilities measured at fair value through profit or loss	32	699,788	–
Derivative financial liabilities	17	162,430	71,107
Financial assets sold under repurchase agreements	33	35,504,160	36,880,567
Deposits from customers	34	443,425,535	395,467,359
Income tax payable		306,535	477,981
Debt securities issued	35	98,752,059	89,269,785
Lease liabilities	36	514,281	555,035
Other liabilities	37	4,266,363	3,756,512
Total liabilities		645,063,204	568,046,129

The notes on pages 201 to 320 form part of these financial statements.

Consolidated statement of financial position (continued)

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

	Note	31 December 2024	31 December 2023
Equity			
Share capital	38	5,820,355	5,820,355
Other equity instruments			
Including: perpetual bonds	39	6,395,783	6,395,783
Capital reserve	40(1)	10,687,091	10,687,634
Surplus reserve	40(2)	3,106,154	2,718,114
General reserve	40(3)	8,511,286	7,483,824
Other comprehensive income	40(4)	2,716,533	947,211
Retained earnings	41	6,695,179	5,011,018
Total equity attributable to equity shareholders of the Bank		43,932,381	39,063,939
Non-controlling interests		967,448	875,304
Total equity		44,899,829	39,939,243
Total liabilities and equity		689,963,033	607,985,372

Approved and authorised for issue by the board of directors on 26 March 2025.

Jing Zailun

Legal Representative (Chairman)

Wu Xianming

President

Chen Shuang

*Vice President in charge
of Finance Function*

Li Zhenguo

*General Manager of the Planning & Finance
Department*

(Company Stamp)

The notes on pages 201 to 320 form part of these financial statements.

Consolidated statement of changes in equity

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

For the year ended 31 December 2024

		Attributable to equity shareholders of the Bank									
	Note	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Total	Non-controlling interests	Total equity
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		5,820,355	6,395,783	10,687,091	3,106,154	8,511,286	2,716,533	6,695,179	43,932,381	967,448	44,899,829

The notes on pages 201 to 320 form part of these financial statements.

Consolidated statement of changes in equity (continued)

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

For the year ended 31 December 2023

		Attributable to equity shareholders of the Bank									
	Note	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2023		5,820,355	6,395,783	10,687,634	2,388,248	6,618,047	83,726	3,822,519	35,816,312	776,983	36,593,295
Total comprehensive income		–	–	–	–	–	863,485	3,548,599	4,412,084	122,821	4,534,905
Appropriation of profit:											
– Appropriation to surplus reserve	40(2)	–	–	–	329,866	–	–	(329,866)	–	–	–
– Appropriation to general reserve	40(3)	–	–	–	–	865,777	–	(865,777)	–	–	–
– Dividends	41	–	–	–	–	–	–	(1,164,457)	(1,164,457)	(24,500)	(1,188,957)
Balance at 31 December 2023		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

The notes on pages 201 to 320 form part of these financial statements.

Consolidated statement of cash flows

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

	2024	2023
Cash flows from operating activities		
Profit before taxation	4,995,129	3,933,397
<i>Adjustments for:</i>		
Expected credit losses	3,533,691	4,014,079
Impairment losses on other assets	1,312	17,447
Depreciation and amortisation	598,198	565,168
Unrealised foreign exchange losses	106,505	98,975
Net gains on disposal of property and equipment, intangible assets and other assets	(12,002)	(27,369)
Dividend income	(5,780)	(5,800)
Gains from changes in fair value	(325,188)	(323,405)
Net gains arising from investments	(1,525,756)	(1,293,782)
Interest expense on debt securities issued	2,288,089	2,074,024
Interest income from financial investments	(5,584,536)	(5,470,243)
Others	(1,886)	(11,734)
	4,067,776	3,570,757
<i>Changes in operating assets</i>		
Net increase in deposits with the central bank	(2,479,884)	(1,299,260)
Net (increase)/decrease in deposits with banks and other financial institutions	(150,000)	100,000
Net increase in placements with banks and other financial institutions	(2,077,304)	(4,048,000)
Net increase in loans and advances to customers	(41,976,241)	(32,293,707)
Net decrease/(increase) in financial assets held under resale agreements	6,450,000	(13,950,000)
Net increase in financial assets held for trading	(5,170,905)	–
Net decrease/(increase) in long-term receivables	1,080,597	(1,672,286)
Net increase in other operating assets	(783,544)	(180,894)
	(45,107,281)	(53,344,147)
<i>Changes in operating liabilities</i>		
Net increase in borrowings from the central bank	10,014,871	4,877,609
Net increase/(decrease) in deposits from banks and other financial institutions	10,102,076	(4,174,687)
Net (decrease)/increase in placements from banks and other financial institutions	(264,805)	3,292,994
Net (decrease)/increase in financial assets sold under repurchase agreements	(4,262,229)	11,473,894
Net increase in deposits from customers	45,961,747	44,715,083
Net increase in other operating liabilities	3,551,008	848,670
	65,102,668	61,033,563
Income tax paid	(1,111,570)	(1,123,243)
Net cash flows generated from operating activities	22,951,593	10,136,930
Cash flows from investing activities		
Cash received from disposal and redemption of investments	52,097,783	49,029,018
Cash received from investment gains and interest	6,960,621	7,273,934
Cash received from disposal of property and equipment, intangible assets and other assets	37,789	6,682
Payments for acquisition of investments	(72,003,845)	(72,959,278)
Payments for acquisition of property and equipment, intangible assets and other assets	(371,514)	(403,917)
Net cash flows used in investing activities	(13,279,166)	(17,053,561)

The notes on pages 201 to 320 form part of these financial statements.

Consolidated statement of cash flows (continued)

for the year ended 31 December 2023 (Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2024	2023
Cash flows from financing activities	42(2)		
Cash received from debt securities issued		102,086,676	106,455,676
Repayment of debt securities issued		(92,520,716)	(91,930,519)
Payments for interest on debt securities issued		(2,371,775)	(2,196,347)
Payments for dividends		(1,212,614)	(1,188,128)
Payment for lease liabilities		(148,450)	(148,387)
Net cash flows generated from financing activities		5,833,121	10,992,295
Effect of foreign exchange rate changes on cash and cash equivalents		3,765	12,111
Net increase in cash and cash equivalents		15,509,313	4,087,775
Cash and cash equivalents as at 1 January		15,596,772	11,508,997
Cash and cash equivalents as at 31 December	42(1)	31,106,085	15,596,772
Net cash flows generated from operating activities include:			
Interest received		17,739,520	16,276,438
Interest paid		(8,272,856)	(7,077,063)

The notes on pages 201 to 320 form part of these financial statements.

Notes to the financial statements

(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 2024.

The Bank has 16 branches, respectively in Jinan, Dongying, Weihai, Zibo, Dezhou, Zaozhuang, Yantai, Binzhou, Qingdao, Weifang, Linyi, Jining, Taian, Heze and Rizhao as at 31 December 2024. 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(24).

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(1) Statement of compliance and basis of preparation (continued)

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, discounted bills 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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(4) Financial instruments (continued)

(ii) Classification and subsequent measurement of financial assets (continued)

(a) Classification of financial assets (continued)

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.

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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(4) Financial instruments (continued)

(ii) Classification and subsequent measurement of financial assets (continued)

(b) Subsequent measurement of financial assets (continued)

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

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)).

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(4) Financial instruments (continued)

(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 policies in Note 2(16). 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. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by issuing another financial instrument.

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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(4) Financial instruments (continued)

(v) Impairment (continued)

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 45(1) Credit risk.

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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(4) Financial instruments (continued)

(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 when one of the following conditions is met:

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

When the financial asset has been transferred, 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 debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(4) Financial instruments (continued)

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

Securitisation

As part of its operational activities, the Group securities 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, 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 reasonable 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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(4) Financial instruments (continued)

(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.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to 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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(4) Financial instruments (continued)

(xi) *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 recognised in equity based on the actual proceeds received. 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.

(5) 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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(6) 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, and if the influence factors of the previous write-down of the value of precious metals have disappeared, the amount of the write-down shall be recovered and reversed within the amount of the original provision for price declines, and the amount of the reversal shall be recognised in profit or loss. Precious metals that are related to the Group's trading activities are initially recognized at fair value and subsequent changes in fair value are recognised in profit or loss.

(7) 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(11)).

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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(7) Property and equipment (continued)

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	20 – 50 years	3% – 5%	1.90% – 4.85%
Machinery equipment and others	5 – 10 years	3% – 5%	9.50% – 19.40%
Vehicles	5 years	3% – 5%	19.00% – 19.40%
Electronic equipment	3 – 7 years	3% – 5%	13.57% – 32.33%
Premises leased out under operating leases	20 – 50 years	3% – 5%	1.90% – 4.85%

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.

(8) 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(11)). 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 – 10 years

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

(9) Long-term deferred expenses

Long-term deferred expenses 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(11)).

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(10) 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(11) for the method of impairment test and allowances for impairment.

(11) 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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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.

(12) Employee 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 PRC, the Group participated in a defined contribution basic pension insurance and unemployment insurance in the social insurance system established and managed by government organisations, and annuity plan. The Group makes contributions to basic pension insurance plans and unemployment insurance based on the applicable benchmarks and rates stipulated by the government. The Group established supplementary defined contribution – annuity plan in accordance with the national enterprise annuity policies. 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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(12) Employee benefits (continued)

(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.

(13) 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.

At the end of the reporting period, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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, 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.

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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(13) Income tax (continued)

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.

(14) 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 47 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.

(15) 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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(15) Fiduciary activities (continued)

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.

(16) 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.

(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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(16) Income recognition (continued)

(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 is established.

(17) 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.

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. 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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(18) 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.

(19) 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(16).

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(19) Leases (continued)

(i) *As a lessee*

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, 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.

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(11).

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 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 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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(19) Leases (continued)

(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.

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.

(20) 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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(21) 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.

(22) 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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(23) 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(11).

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 equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

(24) Significant accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. 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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(24) Significant accounting estimates and judgements (continued)

(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 45(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 the selling price and related operating expenses 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 fixed assets' estimated useful lives will be revised.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(24) Significant accounting estimates and judgements (continued)

(vi) Determination of control over structured entities

The Group acts as manager to a number of investment funds, wealth management products, asset management plans, trust plans and assets-backed securities. 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, wealth management products, asset management plans, trust plans and assets-backed securities in which the Group has an interest or for which it is a sponsor, see Note 48.

3 NET INTEREST INCOME

	2024	2023
Interest income arising from		
Deposits with the central bank	343,133	313,957
Deposits with banks and other financial institutions	43,690	39,605
Placements with banks and other financial institutions	558,861	434,720
Loans and advances to customers		
– Corporate loans and advances	10,621,928	9,478,638
– Personal loans and advances	3,460,762	3,697,252
– Discounted bills	462,572	455,061
Financial assets held under resale agreements	250,412	138,768
Financial investments	5,584,536	5,470,243
Long-term receivables	1,095,538	1,111,788
Sub-total	22,421,432	21,140,032
Interest expense arising from		
Borrowings from the central bank	(506,900)	(405,466)
Deposits from banks and other financial institutions	(248,640)	(134,510)
Placements from banks and other financial institutions	(646,995)	(571,665)
Deposits from customers	(8,461,984)	(8,060,870)
Financial assets sold under repurchase agreements	(395,000)	(602,063)
Debt securities issued	(2,288,089)	(2,074,024)
Others	–	(9,465)
Sub-total	(12,547,608)	(11,858,063)
Net interest income	9,873,824	9,281,969

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

4 NET FEE AND COMMISSION INCOME

	2024	2023
Fee and commission income		
Wealth management service fees	928,870	929,831
Agency service fees	459,183	556,492
Custody and bank card service fees	316,846	377,895
Settlement fees	127,634	97,033
Others	161,421	151,780
Sub-total	1,993,954	2,113,031
Fee and commission expense	(484,401)	(526,512)
Net fee and commission income	1,509,553	1,586,519

5 NET TRADING GAINS/(LOSSES)

	Note	2024	2023
Net gains/(losses) from debt securities	(i)	228,620	(5,594)
Net losses of foreign exchange and foreign exchange derivative financial instruments	(ii)	(174,693)	(155,909)
Net losses of non-foreign exchange derivative financial instruments		(43,240)	(7,489)
Total		10,687	(168,992)

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

	2024	2023
Net gains on financial investments measured at FVTPL	1,412,961	1,192,290
Net gains on disposal of financial assets measured at FVOCI	453,241	436,381
Others	(11,908)	(5,808)
Total	1,854,294	1,622,863

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

7 OTHER OPERATING INCOME

	2024	2023
Government grants	116,737	123,782
Net gains on disposal of precious metals	33,406	–
Net gains on disposal of property and equipment, intangible assets and other assets	12,002	27,369
Rental income	–	1,501
Others	4,188	6,340
Total	166,333	158,992

8 OPERATING EXPENSES

	2024	2023
Staff costs		
– Salaries, bonuses and allowances	1,732,459	1,474,379
– Social insurance	84,902	77,235
– Housing allowances	128,650	117,400
– Staff welfare expenses	188,899	189,643
– Labor union expenses and staff education expenses	81,346	69,902
– Post-employment benefits		
– Defined contribution plans	288,543	266,038
– Early retirement and supplementary retirement plans	3,290	9,910
Sub-total	2,508,089	2,204,507
Property and equipment expenses		
– Depreciation and amortisation	598,198	565,168
– Electronic equipment operating expenses	146,626	142,468
– Maintenance expenses	134,838	128,474
Sub-total	879,662	836,110
Tax and surcharges	167,428	156,268
Other general and administrative expenses	1,329,380	1,319,543
Total	4,884,559	4,516,428

Note:

- (i) Other general and administrative expenses include auditor's remunerations (after tax) of RMB6.10 million for the year ended 31 December 2024 (2023: RMB6.45 million).

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

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:

	Year ended 31 December 2024					
Name	Fees	Salaries	Discretionary bonuses	Contributions to pension schemes	Other benefits	Total emoluments before tax
Executive directors						
JING Zailun	-	1,418	650	153	277	2,498
WU Xianming (Note (1)(i))	-	1,273	591	153	277	2,294
CHEN Shuang (Note (1)(iv))	-	936	425	153	234	1,748
LIU Peng	-	936	425	153	236	1,750
Non-executive directors						
ZHOU Yunjie	127	-	-	-	-	127
Rosario STRANO (Note (2))	-	-	-	-	-	-
TAN Lixia	127	-	-	-	-	127
Giamberto GIRALDO (Note (1)(viii), Note (2))	-	-	-	-	-	-
DENG Youcheng	134	-	-	-	-	134
Marco MUSSITA (Note (1)(v), Note (2))	-	-	-	-	-	-
Independent non-executive directors						
XING Lecheng	230	-	-	-	-	230
ZHANG Xu	237	-	-	-	-	237
CHEUNG Man Chor, Elton (Note (1)(ii))	207	-	-	-	-	207
DU Ning (Note (1)(iii))	215	-	-	-	-	215
Fan Xuejun (Note (1)(viii))	98	-	-	-	-	98
FANG Qiaoling (Note (1)(viii))	146	-	-	-	-	146
Supervisors						
HE Liangjun	82	-	-	-	-	82
WANG Dawei	-	625	951	153	149	1,878
LIU Wenjia (Note (1)(vi))	-	280	434	89	95	898
JIANG Xinglu	149	-	-	-	-	149
LU Kun	145	-	-	-	-	145
YANG Fengjiang (Note (1)(vii))	-	621	283	102	222	1,228
MENG Xianzheng (Note (1)(vi))	-	268	424	64	62	818
HAO Xianjing (Note (1)(ix))	149	-	-	-	-	149
Total	2,046	6,357	4,183	1,020	1,552	15,158

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

	Year ended 31 December 2023					
Name	Fees	Salaries	Discretionary bonuses	Contributions to pension schemes	Other benefits	Total emoluments before tax
Executive directors						
JING Zailun	–	1,406	1,043	152	324	2,925
WU Xianming (Note (1)(i))	–	992	739	111	234	2,076
CHEN Shuang (Note (1)(iv))	–	930	816	152	261	2,159
LIU Peng	–	930	829	152	263	2,174
WANG Lin (Note (1)(i))	–	39	32	6	12	89
Non-executive directors						
ZHOU Yunjie	125	–	–	–	–	125
Rosario STRANO (Note (2))	–	–	–	–	–	–
TAN Lixia	132	–	–	–	–	132
Marco MUSSITA (Note (1)(v), Note (2))	–	–	–	–	–	–
DENG Youcheng	131	–	–	–	–	131
Independent non-executive directors						
CHEUNG Simon (Note (1)(iii))	190	–	–	–	–	190
FANG Qiaoling (Note (1)(viii))	230	–	–	–	–	230
Tingjie ZHANG (Note (1)(ii))	61	–	–	–	–	61
XING Lecheng	224	–	–	–	–	224
ZHANG Xu	224	–	–	–	–	224
CHEUNG Man Chor, Elton (Note (1)(ii))	136	–	–	–	–	136
DU Ning (Note (1)(iii))	–	–	–	–	–	–
Supervisors						
YANG Fengjiang (Note (1)(vii))	–	930	906	152	323	2,311
WANG Dawei	–	607	905	152	160	1,824
MENG Xianzheng (Note (1)(vi))	–	600	957	152	169	1,878
HE Liangjun	77	–	–	–	–	77
HAO Xianjing (Note (1)(ix))	124	–	–	–	–	124
JIANG Xinglu	124	–	–	–	–	124
LU Kun	124	–	–	–	–	124
Total	1,902	6,434	6,227	1,029	1,746	17,338

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

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 2024 and 2023 are as follows:
 - (i) In January 2023, Mr. WANG Lin no longer served as executive director of the Bank. In March 2023, Mr. WU Xianming began to assume his duty as executive director.
 - (ii) In April 2023, Mr. Tingjie ZHANG no longer served as INED of the Bank. In April 2023, Mr. CHEUNG Man Chor, Elton began to assume his duty as INED of the Bank.
 - (iii) In December 2023, Mr. CHEUNG Simon no longer served as INED of the Bank. In December 2023, Mr. DU Ning began to assume his duty as INED of the Bank.
 - (iv) In November 2023, Ms. CHEN Shuang began to assume her duty as executive director.
 - (v) In May 2024, Mr. Marco MUSSITA no longer served as NED of the Bank.
 - (vi) 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.
 - (vii) In August 2024, Mr. Yang Fengjiang no longer served as supervisor of the Bank.
 - (viii) In August 2024, Ms. Fang Qiaoling no longer served as INED of the Bank. Mr. Giamberto GIRALDO began to assume his duty as NED of the Bank. Mr. Fan Xuejun began to assume his duty as INED of the Bank.
 - (ix) In November 2024, Mr. Hao Xianjing no longer served as INED 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 2024 have not yet been finalised. The difference in emoluments is not expected to have any significant impact on the Group's financial statements for the year ended 31 December 2024.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended 31 December 2024, the five individuals with the highest emoluments included four directors and one supervisor of the Bank (2023: four directors and one supervisor), whose emoluments are disclosed in Note 9.

11 EXPECTED CREDIT LOSSES

	2024	2023
Deposits with banks and other financial institutions	475	(942)
Placements with banks and other financial institutions	(9,604)	15,022
Financial assets held under resale agreements	(4,141)	8,130
Loans and advances to customers		
– Loans and advances to customers measured at amortised cost	2,184,040	1,933,153
– Loans and advances to customers measured at FVOCI	196,253	114,700
Financial investments measured at amortised cost	1,015,720	1,501,595
Financial investments measured at FVOCI		
– Debt instruments	119,605	(73,881)
Long-term receivables	57,376	207,306
Credit commitments	(155,351)	313,125
Others	129,318	(4,129)
Total	3,533,691	4,014,079

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

12 INCOME TAX EXPENSE

(1) Income tax for the reporting period:

	Note	2024	2023
Current tax		940,122	897,350
Deferred tax	27(2)	(349,714)	(635,373)
Total		590,408	261,977

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

	2024	2023
Profit before taxation	4,995,129	3,933,397
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	1,248,782	983,349
Tax effect of non-deductible expenses for tax purpose		
– Annuity	6,464	7,497
– Entertainment expenses	2,989	2,994
– Others	31,966	30,126
Sub-total	41,419	40,617
Tax effect of non-taxable income for tax purpose (Note (i))	(641,493)	(703,689)
Tax effect of perpetual bonds interest expense	(58,300)	(58,300)
Income tax	590,408	261,977

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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

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.

	Note	2024	2023
Weighted average number of ordinary shares (in thousands)	13(1)	5,820,355	5,820,355
Net profit attributable to equity shareholders of the Bank		4,264,120	3,548,599
Less: net profit attributable to other equity instruments holders of the Bank		233,200	233,200
Net profit attributable to ordinary shareholders of the Bank		4,030,920	3,315,399
Basic and diluted earnings per share (in RMB)		0.69	0.57

The Bank issued RMB4 billion and RMB2.4 billion of Domestic Perpetual Bonds on 14 July 2022 and 16 August 2022, respectively. Non-cumulative dividend payment method was adopted for Domestic Perpetual Bonds. The Bank classified these Domestic Perpetual Bonds as equity instruments, and the specific terms of these Domestic Perpetual Bonds are disclosed in Note 39.

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

	2024	2023
Number of ordinary shares in issue as at 1 January	5,820,355	5,820,355
Increase in weighted average number of new ordinary shares	—	—
Weighted average number of ordinary shares	5,820,355	5,820,355

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

14 CASH AND DEPOSITS WITH THE CENTRAL BANK

	Note	31 December 2024	31 December 2023
Cash on hand		477,724	532,013
Deposits with the central bank			
– Statutory deposit reserves	14(1)	21,367,533	18,919,609
– Surplus deposit reserves	14(2)	27,190,172	11,505,177
– Other deposits with the central bank	14(3)	108,924	76,964
Sub-total		48,666,629	30,501,750
Accrued interest		8,913	9,901
Total		49,153,266	31,043,664

- (1) The Bank places statutory deposit reserves with the PBOC in accordance with the relevant regulations. As at 31 December 2024, the statutory deposit reserve ratios for RMB deposits applicable to the Bank were 5.0% (31 December 2023: 5.0%). As at 31 December 2024, the statutory deposit reserve ratios for foreign currency deposits applicable to the Bank were 4.0% (31 December 2023: 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 2024	31 December 2023
In Chinese Mainland		
– Banks	2,705,226	1,766,460
– Other financial institutions	190,629	17,814
Outside Chinese Mainland		
– Banks	595,180	407,904
Accrued interest	6,266	19,839
Sub-total	3,497,301	2,212,017
Less: Allowances for impairment losses	(2,124)	(1,649)
Total	3,495,177	2,210,368

Notes to the financial statements

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16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2024	31 December 2023
In Chinese Mainland		
– Other financial institutions	14,575,304	13,798,000
Accrued interest	301,816	265,602
Sub-total	14,877,120	14,063,602
Less: Allowances for impairment losses	(32,773)	(42,377)
Total	14,844,347	14,021,225

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 2024			31 December 2023		
	Nominal amount	Fair value of		Nominal amount	Fair value of	
		Assets	Liabilities		Assets	Liabilities
Interest rate derivatives	71,440,050	35,679	(42,366)	72,856,704	67,032	(67,862)
Exchange rate derivatives and others	9,300,682	19,631	(120,064)	6,268,661	82,345	(3,245)
Total	80,740,732	55,310	(162,430)	79,125,365	149,377	(71,107)

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(Expressed in thousands of Renminbi, unless otherwise stated)

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(1) Analysed by type and location of counterparty

	31 December 2024	31 December 2023
In Chinese Mainland		
– Banks	7,500,000	13,950,000
Accrued interest	530	2,782
Sub-total	7,500,530	13,952,782
Less: Allowances for impairment losses	(3,989)	(8,130)
Total	7,496,541	13,944,652

(2) Analysed by type of security held

	31 December 2024	31 December 2023
Debt securities	7,500,000	13,950,000
Accrued interest	530	2,782
Sub-total	7,500,530	13,952,782
Less: Allowances for impairment losses	(3,989)	(8,130)
Total	7,496,541	13,944,652

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by nature

	31 December 2024	31 December 2023
Measured at amortised cost:		
Corporate loans and advances		
– Corporate loans	237,726,016	200,029,767
Sub-total	237,726,016	200,029,767
Personal loans and advances		
– Personal residential mortgages	47,195,920	46,945,476
– Personal consumption loans	20,121,229	21,842,557
– Personal business loans	11,018,978	10,295,732
Sub-total	78,336,127	79,083,765
Accrued interest	873,146	758,512
Less: Allowances for impairment losses of loans and advances to customers		
measured at amortised cost		
– 12-month ECL	(5,720,689)	(5,000,788)
– Lifetime ECL		
– not credit-impaired loans	(339,905)	(350,943)
– credit-impaired loans	(2,947,986)	(2,503,396)
Sub-total	(9,008,580)	(7,855,127)
Measured at FVOCI:		
Corporate loans and advances		
– Discounted bills	20,174,732	19,441,303
– Corporate loans (Forfeiting)	4,452,850	1,534,706
Sub-total	24,627,582	20,976,009
Carrying amount of loans and advances to customers	332,554,291	292,992,926

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

	31 December 2024	31 December 2023
Unsecured loans	75,061,395	61,496,406
Guaranteed loans	78,011,013	68,562,521
Loans secured by mortgages	122,295,448	114,490,600
Pledged loans	65,321,869	55,540,014
Gross loans and advances to customers	340,689,725	300,089,541

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

	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	1,372,306	1,341,590	1,956,371	152,656	4,822,923
As a percentage of gross loans and advances to customers	0.41%	0.39%	0.58%	0.04%	1.42%

	31 December 2023				
	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	362,919	529,698	126,931	8,447	1,027,995
Guaranteed loans	304,840	178,266	982,602	176,787	1,642,495
Loans secured by mortgages	966,163	218,145	290,692	34,233	1,509,233
Pledged loans	–	–	77,441	–	77,441
Total	1,633,922	926,109	1,477,666	219,467	4,257,164
As a percentage of gross loans and advances to customers	0.54%	0.31%	0.50%	0.07%	1.42%

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

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(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

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

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

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

	31 December 2023			
	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)	274,696,221	1,632,927	3,542,896	279,872,044
Less: Allowances for impairment losses	(5,000,788)	(350,943)	(2,503,396)	(7,855,127)
Net carrying amount of loans and advances to customers measured at amortised cost	269,695,433	1,281,984	1,039,500	272,016,917

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19 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

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

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

	31 December 2023			Total
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL- credit-impaired (Note (i))	
Gross/Carrying amount of loans and advances to customers at FVOCI	20,976,009	–	–	20,976,009
Allowances for impairment losses included in other comprehensive income	(142,370)	–	–	(142,370)

Note:

- (i) The definition of the credit-impaired financial assets is set out in Note 45(1) Credit risk.

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19 LOANS AND ADVANCES TO CUSTOMERS (continued)

(5) Movements of allowances for impairment losses

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

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

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

	2023			
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL- credit-impaired	Total
As at 1 January 2023	3,901,150	510,711	2,697,610	7,109,471
Transfer to:				
– 12-month ECL	45,754	(35,119)	(10,635)	–
– Lifetime ECL				
– not credit-impaired loans	(10,029)	11,714	(1,685)	–
– credit-impaired loans	(23,701)	(98,022)	121,723	–
Charge/(Reversal) for the year	1,087,614	(38,341)	883,880	1,933,153
Write-offs and transfer out	–	–	(1,243,813)	(1,243,813)
Recoveries of loans and advances previously written off	–	–	86,700	86,700
Other changes	–	–	(30,384)	(30,384)
As at 31 December 2023	5,000,788	350,943	2,503,396	7,855,127

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(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (continued)

(5) Movements of allowances for impairment losses (continued)

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

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

	2023			Total
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL- credit-impaired	
As at 1 January 2023	27,639	31	–	27,670
Charge/(Reversal) for the year	114,731	(31)	–	114,700
As at 31 December 2023	142,370	–	–	142,370

For information about the asset-backed securitisation transactions conducted by the Group in its normal course of business, refer to Note 49(2).

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20 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	31 December 2024	31 December 2023
Financial investments held for trading			
Debt securities, analysed by type of issuers			
– Governments and the central bank		40,817	200,957
– Banks and other financial institutions		8,610,645	3,344,037
– Corporate entities		61,299	–
Sub-total		8,712,761	3,544,994
Other financial investments measured at FVTPL			
Debt securities, analysed by type of issuers			
– Governments and the central bank		26,313	25,820
– Banks and other financial institutions		1,814,961	2,467,351
– Corporate entities		1,124,775	1,091,864
Sub-total		2,966,049	3,585,035
Investment funds		51,184,364	43,799,513
Asset management plans		777,284	6,895,445
Trust fund plans		346,069	444,536
Total		63,986,527	58,269,523
Listed	20(1)	921,048	1,132,525
Of which: listed outside Hong Kong		790,536	386,256
Unlisted		63,065,479	57,136,998
Total		63,986,527	58,269,523

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

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21 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Note	31 December 2024	31 December 2023
Debt securities, analysed by type of issuers			
– Governments and the central bank		19,374,542	24,874,801
– Policy banks		11,305,709	13,527,638
– Banks and other financial institutions		23,378,215	32,336,039
– Corporate entities		38,355,888	42,386,232
Sub-total		92,414,354	113,124,710
Other equity investments	21(1)	134,968	23,250
Accrued interest		1,525,701	1,837,174
Total		94,075,023	114,985,134
Listed	21(2)	22,676,842	35,671,807
Of which: listed outside Hong Kong		19,728,317	33,887,676
Unlisted		71,398,181	79,313,327
Total		94,075,023	114,985,134

- (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:

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

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(Expressed in thousands of Renminbi, unless otherwise stated)

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

Investees	2023						
	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	–	–	–	13,000	0.34	5,800
Shandong City Commercial Bank Alliance Co., Ltd.	10,000	–	–	–	10,000	1.14	–
City Commercial Banks Clearing	250	–	–	–	250	0.81	–
Total	23,250	–	–	–	23,250		5,800

Note:

- (i) For the year ended 31 December 2024 and 31 December 2023, 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:

	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:				
– 12-month ECL	–	–	–	–
– Lifetime ECL				
– not credit-impaired	(923)	923	–	–
(Reversal)/Charge for the year	(24,306)	75,882	68,029	119,605
As at 31 December 2024	49,843	77,856	121,778	249,477

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(Expressed in thousands of Renminbi, unless otherwise stated)

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

	2023			
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit- impaired	Total
As at 1 January 2023	51,725	152,028	–	203,753
Transfer to:				
– 12-month ECL	71,631	(71,631)	–	–
– Lifetime ECL				
– credit-impaired	–	(560)	560	–
(Reversal)/Charge for the year	(48,284)	(78,786)	53,189	(73,881)
As at 31 December 2023	75,072	1,051	53,749	129,872

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

	Note	31 December 2024	31 December 2023
Debt securities, analysed by type of issuers			
– Governments and the central bank		36,279,714	28,428,968
– Policy banks		19,250,418	10,718,845
– Banks and other financial institutions		24,304,134	5,771,567
– Corporate entities		15,640,701	3,262,782
Sub-total		95,474,967	48,182,162
Asset management plans		1,002,080	1,935,620
Trust fund plans		1,595,903	1,596,703
Other investments		3,776,416	4,758,576
Accrued interest		1,240,861	764,409
Less: Allowances for impairment losses	22(1)	(5,496,681)	(4,480,961)
Total		97,593,546	52,756,509
Listed	22(2)	27,707,150	16,856,264
Of which: listed outside Hong Kong		25,958,067	16,856,264
Unlisted		69,886,396	35,900,245
Total		97,593,546	52,756,509

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

22 FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST (continued)

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

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

	2023			Total
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	
As at 1 January 2023	191,705	27,839	2,727,174	2,946,718
Transfer to:				
– Lifetime ECL				
– not credit-impaired	(908)	908	–	–
(Reversal)/Charge for the year	(64,367)	(5,950)	1,571,912	1,501,595
Others	–	–	32,648	32,648
As at 31 December 2023	126,430	22,797	4,331,734	4,480,961

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

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23 INVESTMENT IN SUBSIDIARIES

	31 December 2024	31 December 2023
BQD Financial Leasing Company Limited	913,284	510,000
BQD Wealth Management Company Limited	1,000,000	1,000,000
Total	1,913,284	1,510,000

The subsidiaries are as follows:

Name	Percentage of equity interest	Voting rights	Paid-in capital (in thousands)	Amount invested by the	Place of registration and operations	Principal activities
				Bank (in thousands)		
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

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.

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24 LONG-TERM RECEIVABLES

	31 December 2024	31 December 2023
Minimum lease receivables	1,327,668	870,964
Less: Unearned finance lease income	(137,014)	(91,333)
Present value of finance lease receivables	1,190,654	779,631
Finance leaseback receivables	14,909,477	16,421,930
Sub-total	16,100,131	17,201,561
Accrued interest	166,360	214,762
Less: Allowances for impairment losses		
– 12-month ECL	(508,328)	(446,463)
– Lifetime ECL		
– not credit-impaired	(175,623)	(174,694)
– credit-impaired	(66,000)	(53,393)
Carrying amount	15,516,540	16,741,773

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

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

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

24 LONG-TERM RECEIVABLES (continued)

	2023			Total
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit- impaired	
As at 1 January 2023	265,041	65,109	107,694	437,844
Transfer to:				
– Lifetime ECL				
– not credit-impaired	(3,464)	3,464	–	–
Charge/(Reversal) for the year	184,886	106,121	(83,701)	207,306
Recoveries of previously written off	–	–	30,870	30,870
Others	–	–	(1,470)	(1,470)
As at 31 December 2023	446,463	174,694	53,393	674,550

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

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

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

24 LONG-TERM RECEIVABLES (continued)

	31 December 2023		
	Minimum lease receivables	Unearned finance income	Present value of finance lease receivables
Repayable on demand	–	–	–
Less than 1 year (inclusive)	386,192	(42,691)	343,501
1 year to 2 years (inclusive)	254,901	(23,620)	231,281
2 years to 3 years (inclusive)	116,160	(10,285)	105,875
3 years to 4 years (inclusive)	38,227	(6,158)	32,069
4 years to 5 years (inclusive)	27,499	(4,273)	23,226
More than 5 years	47,985	(4,306)	43,679
Indefinite (Note (i))	–	–	–
Total	870,964	(91,333)	779,631

Note:

- (i) See Note 45 (3) for the definition of indefinite direct lease receivables.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

25 PROPERTY AND EQUIPMENT

	Premises	Electronic equipment	Vehicles	Machinery equipment and others	Construction in progress	Total
Cost						
As at 1 January 2023	3,558,533	844,784	74,709	133,082	99,699	4,710,807
Increase	118,232	130,857	4,790	8,365	6,610	268,854
Decrease	(3,215)	(32,170)	(2,930)	(2,919)	–	(41,234)
As at 31 December 2023	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
Accumulated depreciation						
As at 1 January 2023	(572,419)	(533,947)	(53,622)	(84,433)	–	(1,244,421)
Increase	(84,651)	(85,201)	(5,995)	(13,210)	–	(189,057)
Decrease	–	30,488	2,784	2,768	–	36,040
As at 31 December 2023	(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)
Net book value						
As at 31 December 2024	3,017,743	365,119	16,023	38,369	–	3,437,254
As at 31 December 2023	3,016,480	354,811	19,736	43,653	106,309	3,540,989

As at 31 December 2024 and 31 December 2023, the Group did not have significant property and equipment which were temporarily idle.

As at 31 December 2024, the net book value of the Group's premises with incomplete title deeds was RMB88 million (31 December 2023: RMB93 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 2024 and 31 December 2023, 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 2024	31 December 2023
Held in Chinese Mainland		
– Long-term leases (over 50 years)	47,922	15,523
– Medium-term leases (10 – 50 years)	2,940,099	2,966,394
– Short-term leases (less than 10 years)	29,722	34,563
Total	3,017,743	3,016,480

Notes to the financial statements

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26 RIGHT-OF-USE ASSETS

	Premises	Others	Total
Cost			
As at 1 January 2023	1,305,999	4,114	1,310,113
Increase	168,646	–	168,646
Decrease	(102,493)	–	(102,493)
As at 31 December 2023	1,372,152	4,114	1,376,266
Increase	93,437	–	93,437
Decrease	(108,199)	(2,264)	(110,463)
As at 31 December 2024	1,357,390	1,850	1,359,240
Accumulated amortisation			
As at 1 January 2023	(480,551)	(2,604)	(483,155)
Increase	(156,801)	(651)	(157,452)
Decrease	102,480	–	102,480
As at 31 December 2023	(534,872)	(3,255)	(538,127)
Increase	(156,580)	(651)	(157,231)
Decrease	98,304	2,264	100,568
As at 31 December 2024	(593,148)	(1,642)	(594,790)
Net value			
As at 31 December 2024	764,242	208	764,450
As at 31 December 2023	837,280	859	838,139

27 DEFERRED INCOME TAX ASSETS

(1) Analysed by nature

	31 December 2024		31 December 2023	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Allowances for impairment losses	15,793,591	3,948,397	14,171,170	3,542,792
Deferred interest income from discounted bills	122,836	30,709	84,659	21,165
Change in fair value	(2,564,807)	(641,202)	(35,900)	(8,975)
Others	863,646	215,912	955,618	238,905
Total	14,215,266	3,553,816	15,175,547	3,793,887

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(Expressed in thousands of Renminbi, unless otherwise stated)

27 DEFERRED INCOME TAX ASSETS (continued)

(2) Analysed by movement

	Allowances for impairment losses	Deferred interest income from discounted bills Note (i)	Change in fair value	Others Note (ii)	Total
As at 1 January 2023	2,915,242	40,892	350,155	140,054	3,446,343
Recognised in profit or loss	637,755	(19,727)	(80,851)	98,196	635,373
Recognised in other comprehensive income	(10,205)	–	(278,279)	655	(287,829)
As at 31 December 2023	3,542,792	21,165	(8,975)	238,905	3,793,887
Recognised in profit or loss	484,570	9,544	(117,830)	(26,570)	349,714
Recognised in other comprehensive income	(78,965)	–	(514,397)	3,577	(589,785)
As at 31 December 2024	3,948,397	30,709	(641,202)	215,912	3,553,816

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

Notes to the financial statements

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28 OTHER ASSETS

	Note	31 December 2024	31 December 2023
Continuously involved assets		583,720	922,695
Intangible assets	28(1)	379,124	420,085
Long-term deferred expense		373,148	388,450
Prepayments		113,968	79,244
Interest receivables (Note (i))	28(2)	26,538	38,929
Reposessed assets (Note (ii))		9,654	6,056
Deferred expense		2,141	8,896
Precious metals		1,046	96,151
Prepayments for finance lease assets (Note (iii))		1,113,751	–
Others (Note (iv))		1,012,125	777,250
Sub-total		3,615,215	2,737,756
Less: Allowances for impairment losses		(178,270)	(40,550)
Total		3,436,945	2,697,206

Notes:

- (i) As at 31 December 2024, the book value of the Group's interest receivables after deducting the allowances for impairment is RMB17.17 million (31 December 2023: RMB30.53 million).
- (ii) As at 31 December 2024, reposessed assets of the Group mainly included premises, etc. The book value of the Group's reposessed assets is RMB7.43 million (31 December 2023: RMB5.15 million). The impairment allowances for reposessed assets of the Group is RMB2.22 million (31 December 2023: RMB0.91 million).
- (iii) Prepayments for finance lease assets are payments made by the subsidiary to suppliers for the construction of financing lease assets on behalf of lessees.
- (iv) Mainly includes other receivables and settlement receivables.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

(1) Intangible assets

	2024	2023
Cost		
As at 1 January	1,167,188	967,286
Increase	110,651	199,902
Decrease	(1,348)	–
As at 31 December	1,276,491	1,167,188
Accumulated amortisation		
As at 1 January	(747,103)	(614,210)
Increase	(151,612)	(132,893)
Decrease	1,348	–
As at 31 December	(897,367)	(747,103)
Net value		
As at 31 December	379,124	420,085
As at 1 January	420,085	353,076

Intangible assets of the Group mainly include software.

As at 31 December 2024 and 31 December 2023, 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 2024	31 December 2023
Interest receivables arising from:		
– Loans and advances to customers	25,067	38,929
– Long-term receivables	1,471	–
Total	26,538	38,929

29 BORROWINGS FROM THE CENTRAL BANK

	31 December 2024	31 December 2023
Borrowings	26,219,790	18,027,260
Re-discounted bills	1,866,591	49,386
Accrued interest	153,700	158,442
Total	28,240,081	18,235,088

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30 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2024	31 December 2023
In Chinese Mainland		
– Banks	5,600,705	873,923
– Other financial institutions	6,726,114	1,351,707
Accrued interest	28,520	16,701
Total	12,355,339	2,242,331

31 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2024	31 December 2023
In Chinese Mainland		
– Banks	20,452,230	17,570,190
– Other financial institutions	200,000	1,337,000
Outside Chinese Mainland		
– Banks	–	246,937
– Other financial institutions	–	808,236
Designated at FVTPL (relevant to gold leasing)		
In Chinese Mainland		
– Banks	–	959,180
Accrued interest	184,403	168,821
Total	20,836,633	21,090,364

32 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2024	31 December 2023
Financial liabilities designated at FVTPL		
– Structured notes	699,788	–
Total	699,788	–

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33 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(1) Analysed by type and location of counterparty

	31 December 2024	31 December 2023
In Chinese Mainland		
– Banks	35,499,592	36,872,938
Accrued interest	4,568	7,629
Total	35,504,160	36,880,567

(2) Analysed by types of collaterals

	31 December 2024	31 December 2023
Debt securities	31,389,153	26,800,000
Discounted bills	4,110,439	10,072,938
Accrued interest	4,568	7,629
Total	35,504,160	36,880,567

34 DEPOSITS FROM CUSTOMERS

	31 December 2024	31 December 2023
Demand deposits		
– Corporate customers	83,069,565	89,927,435
– Personal customers	33,121,069	29,854,416
Sub-total	116,190,634	119,781,851
Time deposits		
– Corporate customers	129,083,903	107,301,003
– Personal customers	186,676,503	158,589,578
Sub-total	315,760,406	265,890,581
Other deposits	72,966	389,827
Accrued interest	11,401,529	9,405,100
Total	443,425,535	395,467,359
Including:		
Pledged deposits	29,033,286	16,852,955

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35 DEBT SECURITIES ISSUED

	31 December 2024	31 December 2023
Debt securities issued (Note (i))	15,993,665	17,993,005
Certificates of interbank deposit issued (Note (ii))	82,539,617	71,008,248
Accrued interest	218,777	268,532
Total	98,752,059	89,269,785

Notes:

- (i) The Group has issued several debt securities with fixed interest rates. The details are as follows:
- (a) Five-year Financial Bonds were issued with an interest rate of 3.98% per annum and with a nominal amount of RMB1.0 billion in May 2019. The debts have matured on 22 May 2024 with annual interest payments. As at 31 December 2023, the fair value of the debts was RMB1.006 billion.
 - (b) Five-year Financial Bonds were issued with an interest rate of 3.98% per annum and with a nominal amount of RMB1.0 billion in May 2019. The debts have matured on 31 May 2024 with annual interest payments. As at 31 December 2023, the fair value of the debts was RMB1.006 billion.
 - (c) Five-year Small and Micro Enterprises Financial Bonds were issued with an interest rate of 3.84% per annum and with a nominal amount of RMB1.0 billion in December 2019. The debts have matured on 5 December 2024 with annual interest payments. As at 31 December 2023, the fair value of the debts was RMB1.012 billion.
 - (d) Five-year Small and Micro Enterprises Financial Bonds were issued with an interest rate of 3.80% per annum and with a nominal amount of RMB1.0 billion in December 2019. The debts have matured on 16 December 2024 with annual interest payments. As at 31 December 2023, the fair value of the debts was RMB1.012 billion.
 - (e) 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 2024, the fair value of the debts was RMB4.144 billion (31 December 2023: RMB4.151 billion).
 - (f) 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 2024, the fair value of the debts was RMB2.069 billion (31 December 2023: RMB2.059 billion).
 - (g) 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 2024, the fair value of the debts was RMB8.169 billion (31 December 2023: RMB8.022 billion).
 - (h) 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 2024, the fair value of the debts was RMB2.002 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 2024 and 2023, the outstanding fair value of certificates of interbank deposit was RMB82.651 billion and RMB71.050 billion respectively.

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36 LEASE LIABILITIES

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

	31 December 2024	31 December 2023
Less than 1 year (inclusive)	152,607	153,462
1 year to 2 years (inclusive)	107,442	119,559
2 years to 3 years (inclusive)	87,115	90,302
3 years to 5 years (inclusive)	131,638	140,888
More than 5 years	83,550	111,467
Total undiscounted lease liabilities	562,352	615,678
Lease liabilities on statement of financial position	514,281	555,035

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. In 2024, the Group's operating expenses include lease expenses relating to short-term leases and leases of low-value assets of RMB18.19 million (2023: RMB30.39 million).

37 OTHER LIABILITIES

	Note	31 December 2024	31 December 2023
Employee benefits payable	37(1)	1,090,741	758,284
Continuously involved liabilities		583,720	922,695
Settlement payable		522,917	157,760
ECL on credit commitments	37(2)	410,416	565,767
Taxes payable	37(3)	272,349	219,512
Risk guarantee deposits for leasing business		257,456	381,633
Payable raising from fiduciary activities		50,968	92,314
Dividend payable		20,930	20,087
Others		1,056,866	638,460
Total		4,266,363	3,756,512

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

37 OTHER LIABILITIES (continued)

(1) Employee benefits payable

	31 December 2024	31 December 2023
Salaries, bonuses and allowances payable	920,424	614,228
Social insurance	–	–
Housing allowances	–	–
Staff welfare expenses	8,341	8,341
Labor union expenses and staff education expenses	67,636	51,405
Post-employment benefits		
– defined contribution plans (Note (i))	–	–
Early retirement and supplementary retirement plans (Note (ii))	94,340	84,310
Total	1,090,741	758,284

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(12).

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 2024	31 December 2023
Discount rate — early retirement plans	1.25%	2.50%
Discount rate — supplementary retirement plans	2.00%	3.00%

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 2024 and 31 December 2023, there was no significant change in liabilities of early retirement and supplementary retirement plans that was attributable to changes in actuarial assumptions.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

37 OTHER LIABILITIES (continued)

(2) Expected credit loss on credit commitments

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

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

	2023			Total
	12-month ECL	Lifetime ECL- not credit-impaired	Lifetime ECL-credit-impaired	
As at 1 January 2023	249,614	3,028	–	252,642
Transfer to:				
– 12-month ECL	1,682	(1,682)	–	–
– Lifetime ECL				
– not credit-impaired loans	(47)	47	–	–
– credit-impaired loans	(18)	(261)	279	–
Charge/(Reversal) for the year	313,699	(295)	(279)	313,125
As at 31 December 2023	564,930	837	–	565,767

(3) Taxes payable

	31 December 2024	31 December 2023
Value added tax payable	196,471	166,720
Urban construction tax and surcharges payable	36,685	32,844
Others	39,193	19,948
Total	272,349	219,512

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

38 SHARE CAPITAL

Authorised and issued share capital

	31 December 2024	31 December 2023
Number of shares authorised, issued and fully paid at nominal value (in thousands)	5,820,355	5,820,355

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 2024 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	4,000,000	None	None
2022 Domestic Perpetual Bond								
Series 2	16 Aug 2022	Equity	3.55%	100RMB/Unit	24,000	2,400,000	None	None
Total						6,400,000		
Less: Issue costs						(4,217)		
Book value						6,395,783		

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

39 OTHER EQUITY INSTRUMENTS (continued)

(2) Main Clauses and Basic information

With the approvals of relevant regulatory authorities, the Bank issued RMB4 billion and RMB2.4 billion of undated capital bonds on 14 July 2022 and 16 August 2022 (hereinafter referred to as “2022 Domestic Perpetual Bond Series 1” and “2022 Domestic Perpetual Bond Series 2” respectively, collectively “Domestic Perpetual Bonds”) in the National Interbank Bond Market. The funds raised by the Bank from 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 and 3.55% for 2022 Domestic Perpetual Bond Series 2, resetting every 5 years. The rates are determined by a benchmark rate plus a fixed spread. The initial fixed spreads are the difference between the interest rate and the benchmark rate as determined at the time of issuance. The fixed spread 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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

39 OTHER EQUITY INSTRUMENTS (continued)

(3) Changes in perpetual bonds outstanding

Perpetual bonds outstanding	31 December 2023		Increase during the year		31 December 2024	
	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
Total	64,000	6,395,783	–	–	64,000	6,395,783

(4) Interests attribute to equity instruments' holders

Items	31 December 2024	31 December 2023
Total equity attribute to equity holders of the Bank	43,932,381	39,063,939
– Equity attribute to ordinary shareholders of the Bank	37,536,598	32,668,156
– Equity attribute to other equity instrument holders of the Bank	6,395,783	6,395,783
Total equity attribute to non-controlling interests	967,448	875,304
– Equity attribute to non-controlling interests of ordinary shares	967,448	875,304

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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

40 RESERVES (continued)

(3) General reserve

Pursuant to the “Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No.20)” issued by the MOF in March 2012, the Bank is required to 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 2024 amounted to RMB7.972 billion (31 December 2023: RMB7.072 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	2024						Balance at the end of the year
	Balance at the beginning of the year	Before-tax amount	Less: Previously recognised amount transferred to profit or loss	Less: Previously recognised amount transferred to retained earnings	Less: Income tax expense	Net-of-tax amount	
Items that will not be reclassified to profit or loss							
Including: Remeasurements of defined benefit plan	(18,818)	(14,310)	-	-	3,577	(10,733)	(29,551)
Changes in fair value of financial assets designated at fair value through other comprehensive income	-	111,718	-	-	(27,930)	83,788	83,788
Items that may be reclassified to profit or loss							
Including: Changes in fair value from financial assets measured at 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

Item	2023						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	(16,853)	(2,620)	-	-	655	(1,965)	(18,818)
Items that may be reclassified to profit or loss							
Including: Changes in fair value from financial assets measured at FVOCI	(72,988)	1,549,496	(436,381)	-	(278,279)	834,836	761,848
Credit losses of financial assets measured at FVOCI	173,567	165,933	(125,114)	-	(10,205)	30,614	204,181
Total	83,726	1,712,809	(561,495)	-	(287,829)	863,485	947,211

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

40 RESERVES (continued)

(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 instruments	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Total equity
			Perpetual bonds						
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		5,820,355	6,395,783	10,687,634	3,106,154	7,971,637	2,716,533	5,740,937	42,439,033

	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Total equity
			Perpetual bonds						
Balance at 1 January 2023		5,820,355	6,395,783	10,687,634	2,388,248	6,316,926	83,726	3,263,408	34,956,080
Total comprehensive income		-	-	-	-	-	863,485	3,298,655	4,162,140
Appropriation of profit:									
- Appropriation to surplus reserve	40(2)	-	-	-	329,866	-	-	(329,866)	-
- Appropriation to general reserve	40(3)	-	-	-	-	755,477	-	(755,477)	-
- Dividends	41	-	-	-	-	-	-	(1,164,457)	(1,164,457)
Balance at 31 December 2023		5,820,355	6,395,783	10,687,634	2,718,114	7,072,403	947,211	4,312,263	37,953,763

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

41 PROFIT APPROPRIATION

- (1) At the Bank's board of directors meeting held on 26 March 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).

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 2024.

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

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

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

- (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 2023.

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 2023.

- (5) At the Bank's 2022 annual general meeting held on 31 May 2023, the directors approved the following profit appropriation for the year ended 31 December 2022:

- Appropriated RMB284 million to surplus reserve;
- Appropriated RMB907 million to general reserve;
- Declared cash dividends to all ordinary shareholders of approximately RMB931 million representing RMB1.60 per 10 shares (before tax).

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

42 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(1) Cash and cash equivalents:

	31 December 2024	31 December 2023
Cash	477,724	532,013
Surplus deposit reserves with the central bank	27,190,172	11,505,177
Original maturity within three months:		
– Deposits with banks and other financial institutions	2,539,690	1,392,178
– Placements with banks and other financial institutions	200,000	1,500,000
– Certificates of interbank deposit issued	698,499	667,404
Total	31,106,085	15,596,772

(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 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

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

	Debt securities issued	Dividend payable	Lease liabilities	Total
Balance at 1 January 2023	74,866,951	19,258	515,043	75,401,252
Changes from financing cash flows:				
– Cash received from debt securities issued	106,455,676	–	–	106,455,676
– Payments for interest on debt securities issued	(2,196,347)	–	–	(2,196,347)
– Repayment of debt securities issued	(91,930,519)	–	–	(91,930,519)
– Payment for dividends	–	(1,188,128)	–	(1,188,128)
– Payment for lease liabilities	–	–	(148,387)	(148,387)
Total changes from financing cash flows	12,328,810	(1,188,128)	(148,387)	10,992,295
Other changes:				
– Dividends declared	–	1,188,957	–	1,188,957
– Increase in lease liabilities	–	–	168,517	168,517
– Interest expense	2,074,024	–	19,862	2,093,886
Balance at 31 December 2023	89,269,785	20,087	555,035	89,844,907

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 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 2024	31 December 2023				
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")	654,623	11.25%	11.25%	Qingdao	State-owned assets operation and investment, import and export of goods and technology	Limited liability company	Liu Bingbing
Qingdao Haier Industrial Development Co., Ltd. ("Haier Industrial Development")	532,601	9.15%	9.15%	Qingdao	Business services	Limited liability company	Xie Juzhi

Changes in ordinary shares of the Bank held by major shareholders

	ISP		Qingdao Conson		Haier Industrial Development	
	Number (in thousands of shares)	Percentage	Number (in thousands of shares)	Percentage	Number (in thousands of shares)	Percentage
As at 1 January 2023	1,018,562	17.50%	654,623	11.25%	532,601	9.15%
Increase	–	–	–	–	–	–
As at 31 December 2023	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%

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(1) Relationship of related parties (continued)

(a) Major shareholders (continued)

Changes in registered capital of major shareholders

	Currency	31 December 2024	31 December 2023
ISP	EUR	10,369 Million	10,369 Million
Qingdao Conson	RMB	10,000 Million	2,000 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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(2) Related party transactions and balances (continued)

(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 2024							
Loans and advances to customers	-	140,723	1,731,627	29,876	291,177	2,193,403	0.66%
Financial investments measured at FVOCI	-	799,391	-	-	-	799,391	0.85%
Deposits with banks and other financial institutions	17	-	-	-	-	17	0.00%
Placements with banks and other financial institutions	-	-	309,052	-	-	309,052	2.08%
Deposits from customers	67,068	292,515	164,888	3,894,677	1,094,692	5,513,840	1.24%
Deposits from banks and other financial institutions	-	53,710	136,413	207	-	190,330	1.54%
Credit commitments:							
Bank acceptances	-	-	152,746	100	-	152,846	0.32%
2024							
Interest income	-	35,300	90,477	415	10,383	136,575	0.61%
Interest expense	995	1,193	2,538	112,449	19,007	136,182	1.09%
Fee and commission income	-	4,628	120	-	-	4,748	0.24%
Fee and commission expense	-	-	-	-	-	-	0.00%
Operating expenses	-	755	-	-	-	755	0.02%
Other net operating losses	-	-	-	1,640	-	1,640	0.99%

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(2) Related party transactions and balances (continued)

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

	ISP and its group	Qingdao Conson and its group	Haier Industrial Development and its group	Other corporate related parties	Other individual related parties	Total	Proportion to gross amount/ balance of similar transactions
As at 31 December 2023							
Loans and advances to customers	–	10,250	1,532,652	1,477	301,535	1,845,914	0.63%
Financial investments measured at FVOCI	–	771,852	–	–	–	771,852	0.67%
Long-term receivables	–	–	63,484	–	–	63,484	0.38%
Deposits with banks and other financial institutions	2	–	–	–	–	2	0.00%
Deposits from customers	125,473	23,267	386,334	3,473,963	946,501	4,955,538	1.25%
Deposits from banks and other financial institutions	–	1,017	6,818	–	–	7,835	0.35%
Credit commitments:							
Bank acceptances	–	38,719	2,775	100	–	41,594	0.14%
2023							
Interest income	–	13,945	85,610	14	11,846	111,415	0.53%
Interest expense	1,334	414	4,359	105,591	13,498	125,196	1.06%
Fee and commission income	–	18,875	–	–	–	18,875	0.89%
Fee and commission expense	–	–	–	104	–	104	0.02%
Operating expenses	–	566	–	–	–	566	0.01%
Other net operating losses	–	–	–	1,590	–	1,590	1.00%

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

43 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(2) Related party transactions and balances (continued)

(b) Main transactions with subsidiaries

	31 December 2024	31 December 2023
Balances at the end of the year:		
Placements with banks and other financial institutions	704,797	820,437
Deposits from banks and other financial institutions	1,860,699	1,187,087
Other liabilities	1,742	1,594
	2024	2023
Transactions during the year:		
Interest income	12,324	61,675
Interest expense	6,265	6,757
Fee and commission income	203,349	239,159
Other net operating income	2,033	2,033

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

(3) Key management personnel

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

	2024	2023
Remuneration of key management personnel	19,234	20,237

The total compensation package for certain key management personnel for the year ended 31 December 2024 have not yet been finalised. The difference in emoluments is not expected to have significant impact on the Group's financial statements for the year ended 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 2024, the credit card overdraft balance of the Bank to the key management personnel amounted to RMB55.4 thousand (31 December 2023: RMB15.2 thousand), which have been included in loans and advances to related parties stated in Note 43(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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

44 SEGMENT REPORTING

Segment reporting is disclosed in accordance with the accounting policy set out in Note 2(22).

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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

44 SEGMENT REPORTING (continued)

Unallocated items and others

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

	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	(1,358,917)	4,529,938	(3,171,021)	–	–
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	107,327	40,719	9,908	8,379	166,333
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	(1,312)	–	–	–	(1,312)
Profit before taxation	2,787,770	674,697	1,055,821	476,841	4,995,129
Other segment information					
– Depreciation and amortisation	(247,907)	(268,819)	(78,797)	(2,675)	(598,198)
– Capital expenditure	153,694	166,658	47,514	3,648	371,514

	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					3,553,816
Total assets					689,963,033
Segment liabilities/Total liabilities	249,596,912	231,048,174	148,975,439	15,442,679	645,063,204
Credit commitments	71,459,568	23,799,065	–	–	95,258,633

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

44 SEGMENT REPORTING (continued)

Unallocated items and others (continued)

	2023				
	Corporate banking	Retail banking	Financial market business	Unallocated items and others	Total
External net interest income/(expense)	5,827,897	(643,671)	3,448,708	649,035	9,281,969
Internal net interest (expense)/income	(768,042)	3,146,158	(2,378,116)	–	–
Net interest income	5,059,855	2,502,487	1,070,592	649,035	9,281,969
Net fee and commission income/ (expense)	432,583	663,130	493,837	(3,031)	1,586,519
Net trading gains/(losses)	26,340	(827)	(194,505)	–	(168,992)
Net gains arising from investments	107,267	–	1,514,709	887	1,622,863
Other net operating income	124,165	13,526	13,246	8,055	158,992
Operating income	5,750,210	3,178,316	2,897,879	654,946	12,481,351
Operating expenses	(2,068,507)	(1,618,989)	(720,430)	(108,502)	(4,516,428)
Expected credit losses	(1,477,774)	(1,042,762)	(1,283,824)	(209,719)	(4,014,079)
Impairment losses on other assets	(908)	(16,539)	–	–	(17,447)
Profit before taxation	2,203,021	500,026	893,625	336,725	3,933,397
Other segment information					
– Depreciation and amortisation	(257,711)	(226,384)	(78,665)	(2,408)	(565,168)
– Capital expenditure	184,362	161,952	56,266	1,337	403,917

	31 December 2023				
	Corporate banking	Retail banking	Financial market business	Unallocated items and others	Total
Segment assets	234,423,008	95,339,912	257,396,759	17,031,806	604,191,485
Deferred tax assets					3,793,887
Total assets					607,985,372
Segment liabilities/Total liabilities	235,963,324	197,512,142	119,307,535	15,263,128	568,046,129
Credit commitments	53,460,793	23,106,489	–	–	76,567,282

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 RISK MANAGEMENT (continued)

(1) Credit risk

(a) Definition and scope

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

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

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

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

The core of the five categories are defined as follows:

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

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(b) Credit risk assessment method

Stage of financial instruments

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

The three risk stages are defined as follows:

- Stage 1: A financial instrument of which the credit risk has not significantly increase since initial recognition. An amount equal to 12-month ECL is recognised as loss allowance.
- Stage 2: A financial instrument with a significant increase in credit risk since initial recognition but is not considered to be credit-impaired. An amount equal to lifetime ECL is recognised as loss allowance.
- Stage 3: A financial instrument is considered to be credit-impaired as at the end of the reporting period. An amount equal to lifetime ECL is recognised as loss allowance.

Financial instruments that have low credit risk

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

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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(b) Credit risk assessment method (continued)

Significant increases in credit risk (continued)

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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(b) Credit risk assessment method (continued)

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.

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

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

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

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

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(b) Credit risk assessment method (continued)

Forward-looking information contained in ECL

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

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

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

For the year ended 31 December 2024, 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 fixed assets investment, used to estimate ECL, which is about 3.85% in the neutral scenario.

The Group has carried out sensitivity analysis of key economic variables, used in forward-looking measurement. As at 31 December 2024 and 31 December 2023, when the key economic indicators in the neutral scenario move up or down by 10.00%, 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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(e) Maximum credit risk exposure

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

The Group

	31 December 2024	31 December 2023
Deposits with the central bank	48,675,542	30,511,651
Deposits with banks and other financial institutions	3,495,177	2,210,368
Placements with banks and other financial institutions	14,844,347	14,021,225
Derivative financial assets	55,310	149,377
Financial assets held under resale agreements	7,496,541	13,944,652
Loans and advances to customers	332,554,291	292,992,926
Financial investments		
– Financial investments measured at FVTPL	12,802,163	14,470,010
– Financial investments measured at FVOCI	93,940,055	114,961,884
– Financial investments measured at amortised cost	97,593,546	52,756,509
Long-term receivables	15,516,540	16,741,773
Others	1,976,363	776,537
Subtotal	628,949,875	553,536,912
Credit commitments	95,258,633	76,567,282
Total	724,208,508	630,104,194

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(f) Risk concentration

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 2024		31 December 2023	
	Amount	Percentage	Amount	Percentage
Wholesale and retail trade	49,560,902	14.55%	40,112,000	13.37%
Manufacturing	40,561,826	11.91%	27,820,169	9.27%
Construction	38,247,453	11.23%	36,305,398	12.10%
Leasing and business activities	37,323,602	10.96%	29,443,983	9.81%
Water, environment and public utility management	23,579,334	6.92%	25,460,916	8.48%
Real estate	23,063,785	6.77%	22,645,613	7.55%
Transportation, storage and postal services	10,541,830	3.09%	5,858,262	1.95%
Production and supply of electric and heating power, gas and water	10,306,735	3.03%	5,478,243	1.83%
Financial service	9,491,088	2.79%	15,227,141	5.07%
Scientific research and technological services industries	5,026,353	1.48%	3,874,193	1.29%
Others	14,650,690	4.28%	8,779,858	2.93%
Subtotal for corporate loans and advances (including discounted bills and forfeiting)	262,353,598	77.01%	221,005,776	73.65%
Personal loans and advances	78,336,127	22.99%	79,083,765	26.35%
Total for loans and advances to customers	340,689,725	100.00%	300,089,541	100.00%

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(f) Risk concentration (continued)

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

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

	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

	31 December 2023					
	Unrated	AAA	AA	A	Below A	Total
Debt securities (analysed by type of issuers)						
Governments and the central bank	–	53,530,546	–	–	–	53,530,546
Policy banks	–	24,246,483	–	–	–	24,246,483
Banks and other financial institutions	415,583	40,675,409	2,331,253	142,925	353,824	43,918,994
Corporate entities	2,934,092	26,135,790	15,217,608	153,621	2,299,767	46,740,878
Total	3,349,675	144,588,228	17,548,861	296,546	2,653,591	168,436,901

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(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:

The Group

Financial assets measured at amortised cost	31 December 2024							
	Book balance				Allowances for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Cash and balances with the central bank	49,153,266	-	-	49,153,266	-	-	-	-
Deposits with banks and other financial institutions	3,497,301	-	-	3,497,301	(2,124)	-	-	(2,124)
Placements with banks and other financial institutions	14,877,120	-	-	14,877,120	(32,773)	-	-	(32,773)
Financial assets held under resale agreements	7,500,530	-	-	7,500,530	(3,989)	-	-	(3,989)
Loans and advances to customers								
– Corporate loans and advances	235,211,933	953,104	2,288,339	238,453,376	(5,460,433)	(124,444)	(1,688,351)	(7,273,228)
– Personal loans and advances	75,928,629	966,795	1,586,489	78,481,913	(260,256)	(215,461)	(1,259,635)	(1,735,352)
Financial investments	95,984,289	2,621,008	4,484,930	103,090,227	(34,648)	(977,103)	(4,484,930)	(5,496,681)
Long-term receivables	14,967,619	1,213,183	85,689	16,266,491	(508,328)	(175,623)	(66,000)	(749,951)
Total	497,120,687	5,754,090	8,445,447	511,320,224	(6,302,551)	(1,492,631)	(7,498,916)	(15,294,098)

Financial assets measured at FVOCI	31 December 2024							
	Book balance				Allowances for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
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)

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

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

31 December 2023								
	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	31,043,664	–	–	31,043,664	–	–	–	–
Deposits with banks and other financial institutions	2,212,017	–	–	2,212,017	(1,649)	–	–	(1,649)
Placements with banks and other financial institutions	14,063,602	–	–	14,063,602	(42,377)	–	–	(42,377)
Financial assets held under resale agreements	13,952,782	–	–	13,952,782	(8,130)	–	–	(8,130)
Loans and advances to customers								
– Corporate loans and advances	197,449,270	768,692	2,401,251	200,619,213	(4,565,865)	(162,644)	(1,576,878)	(6,305,387)
– Personal loans and advances	77,246,951	864,235	1,141,645	79,252,831	(434,923)	(188,299)	(926,518)	(1,549,740)
Financial investments	52,460,255	328,570	4,448,645	57,237,470	(126,430)	(22,797)	(4,331,734)	(4,480,961)
Long-term receivables	16,447,862	898,979	69,482	17,416,323	(446,463)	(174,694)	(53,393)	(674,550)
Total	404,876,403	2,860,476	8,061,023	415,797,902	(5,625,837)	(548,434)	(6,888,523)	(13,062,794)

31 December 2023								
	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	20,976,009	–	–	20,976,009	(142,370)	–	–	(142,370)
Financial investments	114,847,595	109,556	4,733	114,961,884	(75,072)	(1,051)	(53,749)	(129,872)
Total	135,823,604	109,556	4,733	135,937,893	(217,442)	(1,051)	(53,749)	(272,242)
Credit commitments	76,556,283	10,899	100	76,567,282	(564,930)	(837)	–	(565,767)

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(Expressed in thousands of Renminbi, unless otherwise stated)

45 RISK MANAGEMENT (continued)

(2) Market risk

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

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

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

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

(a) *Interest rate risk*

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

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

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

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(a) Interest rate risk (continued)

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

	31 December 2024					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	49,153,266	595,561	48,557,705	–	–	–
Deposits with banks and other financial institutions	3,495,177	6,266	2,539,396	949,515	–	–
Placements with banks and other financial institutions	14,844,347	301,120	6,216,512	8,027,402	299,313	–
Financial assets held under resale agreements	7,496,541	530	7,496,011	–	–	–
Loans and advances to customers (Note (i))	332,554,291	849,983	90,137,635	187,505,917	42,018,660	12,042,096
Financial investments (Note (iii))	255,655,096	54,484,362	7,369,464	24,734,978	97,734,527	71,331,765
Long-term receivables	15,516,540	159,121	1,693,829	9,052,990	4,610,600	–
Others	11,247,775	11,247,775	–	–	–	–
Total assets	689,963,033	67,644,718	164,010,552	230,270,802	144,663,100	83,373,861
Liabilities						
Borrowings from the central bank	28,240,081	153,700	7,418,242	20,668,139	–	–
Deposits from banks and other financial institutions	12,355,339	28,520	12,164,820	161,999	–	–
Placements from banks and other financial institutions	20,836,633	184,403	6,423,930	12,238,300	1,990,000	–
Financial liabilities measured at fair value through profit or loss	699,788	–	–	252,446	447,342	–
Financial assets sold under repurchase agreements	35,504,160	4,568	35,499,592	–	–	–
Deposits from customers	443,425,535	11,474,495	191,225,598	117,130,442	123,595,000	–
Debt securities issued	98,752,059	218,777	21,104,901	61,434,716	15,993,665	–
Others	5,249,609	4,735,328	67,172	81,315	297,810	67,984
Total liabilities	645,063,204	16,799,791	273,904,255	211,967,357	142,323,817	67,984
Asset-liability gap	44,899,829	50,844,927	(109,893,703)	18,303,445	2,339,283	83,305,877

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(Expressed in thousands of Renminbi, unless otherwise stated)

45 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(a) Interest rate risk (continued)

	31 December 2023					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	31,043,664	618,878	30,424,786	–	–	–
Deposits with banks and other financial institutions	2,210,368	19,839	2,190,529	–	–	–
Placements with banks and other financial institutions	14,021,225	264,764	7,728,689	5,830,950	196,822	–
Financial assets held under resale agreements	13,944,652	2,773	13,941,879	–	–	–
Loans and advances to customers (Note (i))	292,992,926	741,732	78,759,912	167,515,322	39,666,710	6,309,250
Financial investments (Note (ii))	226,011,166	52,049,245	4,612,581	18,677,727	89,722,313	60,949,300
Long-term receivables	16,741,773	206,949	6,638,805	5,095,740	4,800,279	–
Others	11,019,598	11,019,598	–	–	–	–
Total assets	607,985,372	64,923,778	144,297,181	197,119,739	134,386,124	67,258,550
Liabilities						
Borrowings from the central bank	18,235,088	158,442	5,791,966	12,284,680	–	–
Deposits from banks and other financial institutions	2,242,331	16,701	1,816,495	409,135	–	–
Placements from banks and other financial institutions	21,090,364	168,821	4,825,173	15,728,870	367,500	–
Financial assets sold under repurchase agreements	36,880,567	7,629	36,872,938	–	–	–
Deposits from customers	395,467,359	9,794,927	176,706,141	73,163,699	135,802,592	–
Debt securities issued	89,269,785	268,532	26,985,268	48,022,299	13,993,686	–
Others	4,860,635	4,305,600	59,115	87,745	318,647	89,528
Total liabilities	568,046,129	14,720,652	253,057,096	149,696,428	150,482,425	89,528
Asset-liability gap	39,939,243	50,203,126	(108,759,915)	47,423,311	(16,096,301)	67,169,022

Notes:

- (i) As at 31 December 2024 and 31 December 2023, 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 RMB1,679 million and RMB1,687 million, respectively.
- (ii) Financial investments include financial investments measured at FVTPL, financial investments measured at FVOCI, financial investments measured at amortised cost.

(Expressed in thousands of Renminbi, unless otherwise stated)

(2) Market risk (continued)

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.

	31 December 2024	31 December 2023
Changes in annualised equity	(Decrease)/Increase	(Decrease)/Increase
Interest rates increase by 100 bps	(1,895,430)	(2,301,467)
Interest rates decrease by 100 bps	2,009,853	2,465,394

- 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.

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45 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(b) Currency risk

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

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

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

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(b) Currency risk (continued)

	31 December 2023			
	RMB	USD	Others	Total
	(RMB equivalent)	(RMB equivalent)	(RMB equivalent)	(RMB equivalent)
Assets				
Cash and deposits with the central bank	30,874,843	164,850	3,971	31,043,664
Deposits with banks and other financial institutions	1,519,343	646,507	44,518	2,210,368
Placements with banks and other financial institutions	14,021,225	–	–	14,021,225
Financial assets held under resale agreements	13,944,652	–	–	13,944,652
Loans and advances to customers	292,134,455	858,471	–	292,992,926
Financial investments (Note (i))	219,582,545	6,428,621	–	226,011,166
Long-term receivables	16,741,773	–	–	16,741,773
Others	10,815,883	201,051	2,664	11,019,598
Total assets	599,634,719	8,299,500	51,153	607,985,372
Liabilities				
Borrowings from the central bank	18,235,088	–	–	18,235,088
Deposits from banks and other financial institutions	1,518,537	723,794	–	2,242,331
Placements from banks and other financial institutions	20,031,173	1,059,191	–	21,090,364
Financial assets sold under repurchase agreements	36,880,567	–	–	36,880,567
Deposits from customers	393,885,030	1,564,963	17,366	395,467,359
Debt securities issued	89,269,785	–	–	89,269,785
Others	4,801,894	32,994	25,747	4,860,635
Total liabilities	564,622,074	3,380,942	43,113	568,046,129
Net on-balance sheet position	35,012,645	4,918,558	8,040	39,939,243
Net position of foreign exchange swaps and others		(4,926,226)	3,173	(4,923,053)
Credit commitments	72,812,430	2,627,962	1,126,890	76,567,282

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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(b) Currency risk (continued)

	31 December 2024	31 December 2023
Changes in annualised net profit and equity	Increase/(Decrease)	Increase/(Decrease)
Foreign exchange rate increase by 100 bps	91	4
Foreign exchange rate decrease by 100 bps	(91)	(4)

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

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

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

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45 RISK MANAGEMENT (continued)

(3) Liquidity risk

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

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

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

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

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45 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis

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

	31 December 2024							
				Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
	Indefinite (Note (iii))	Repayable on demand (Note (iii))	Within one month					
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

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45 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

(a) Maturity analysis (continued)

	31 December 2023							
	Indefinite (Note (iii))	Repayable on demand (Note (iii))	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	18,996,573	12,047,091	–	–	–	–	–	31,043,664
Deposits with banks and other financial institutions	–	1,392,344	204,824	613,200	–	–	–	2,210,368
Placements with banks and other financial institutions	–	–	2,743,123	5,182,786	5,898,304	197,012	–	14,021,225
Financial assets held under resale agreements	–	–	13,944,652	–	–	–	–	13,944,652
Loans and advances to customers	1,158,219	529,295	26,255,077	24,352,523	90,063,777	80,582,868	70,051,167	292,992,926
Financial investments (Note (i))	212,289	–	27,251,756	7,515,812	20,025,622	104,657,017	66,348,670	226,011,166
Long-term receivables	18,361	–	786,671	1,021,260	4,925,045	9,846,309	144,127	16,741,773
Others	8,501,958	214,626	101,801	83,972	306,394	254,282	1,556,565	11,019,598
Total assets	28,887,400	14,183,356	71,287,904	38,769,553	121,219,142	195,537,488	138,100,529	607,985,372
Liabilities								
Borrowings from the central bank	–	–	231,661	5,683,599	12,319,828	–	–	18,235,088
Deposits from banks and other financial institutions	–	1,462,398	–	361,820	418,113	–	–	2,242,331
Placements from banks and other financial institutions	–	–	1,152,805	2,686,202	15,825,869	1,425,488	–	21,090,364
Financial assets sold under repurchase agreements	–	–	36,880,567	–	–	–	–	36,880,567
Deposits from customers	–	121,349,619	26,507,966	30,325,208	75,831,293	141,453,273	–	395,467,359
Debt securities issued	–	–	9,125,354	18,008,373	48,142,372	7,997,815	5,995,871	89,269,785
Others	580,348	83,108	526,439	700,614	761,477	1,102,407	1,106,242	4,860,635
Total liabilities	580,348	122,895,125	74,424,792	57,765,816	153,298,952	151,978,983	7,102,113	568,046,129
Net position	28,307,052	(108,711,769)	(3,136,888)	(18,996,263)	(32,079,810)	43,558,505	130,998,416	39,939,243

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”.

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45 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

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

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

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

31 December 2023									
	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	-	-	232,022	5,744,867	12,459,403	-	-	18,436,292	18,235,088
Deposits from banks and other financial institutions	-	1,462,398	-	365,386	433,163	-	-	2,260,947	2,242,331
Placements from banks and other financial institutions	-	-	1,153,854	2,756,377	16,144,021	1,526,428	-	21,580,680	21,090,364
Financial assets sold under repurchase agreements	-	-	36,884,708	-	-	-	-	36,884,708	36,880,567
Deposits from customers	-	121,349,619	27,254,653	30,459,475	78,726,999	151,534,377	-	409,325,123	395,467,359
Debt securities issued	-	-	9,140,000	18,132,000	49,090,000	9,569,600	6,836,400	92,768,000	89,269,785
Lease liabilities	-	17,035	27,987	18,482	89,958	350,748	111,467	615,677	555,035
Other financial liabilities	14,582	66,073	83,953	274,404	32,852	318,611	922,695	1,713,170	1,713,170
Total	14,582	122,895,125	74,777,177	57,750,991	156,976,396	163,299,764	7,870,562	583,584,597	565,453,699

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 RISK MANAGEMENT (continued)

(3) Liquidity risk (continued)

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

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

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 instruments:								
Derivative financial instruments settled on net basis	-	-	(12,371)	(12,838)	(30,136)	(1,108)	-	(56,453)
Derivative financial instruments settled on gross basis								
Including: Cash inflow	-	-	158,106	4,913,753	10,783	-	-	5,082,642
Cash outflow	-	-	(159,098)	(5,038,692)	(10,707)	-	-	(5,208,497)
Total	-	-	(992)	(124,939)	76	-	-	(125,855)

31 December 2023								
	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 instruments:								
Derivative financial instruments settled on net basis	-	-	(74)	1,236	269	(230)	-	1,201
Derivative financial instruments settled on gross basis								
Including: Cash inflow	-	-	18,158	236,902	5,025,338	-	-	5,280,398
Cash outflow	-	-	(18,151)	(235,551)	(5,060,830)	-	-	(5,314,532)
Total	-	-	7	1,351	(35,492)	-	-	(34,134)

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 RISK MANAGEMENT (continued)

(4) Operational risk

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

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

(5) Capital management

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

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

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

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 2024. The Group calculates the capital adequacy ratio in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) and other relevant requirements as at 31 December 2023.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 RISK MANAGEMENT (continued)

(5) Capital management (continued)

	31 December 2024	31 December 2023
Total core tier-one capital	38,016,853	33,328,054
– Share capital	5,820,355	5,820,355
– Eligible portion of capital reserve	10,687,091	10,687,634
– Other comprehensive income	2,716,533	947,211
– Surplus reserve	3,106,154	2,718,114
– General reserve	8,511,286	7,483,824
– Retained earnings	6,695,179	5,011,018
– Eligible portion of non-controlling interests	480,255	659,898
Core tier-one capital deductions	(379,124)	(923,175)
Net core tier-one capital	37,637,729	32,404,879
Other tier-one capital	6,459,817	6,483,769
– Additional tier-one capital instruments and related premium	6,395,783	6,395,783
– Eligible portion of minority interests	64,034	87,986
Net tier-one capital	44,097,546	38,888,648
Tier two capital	12,932,928	10,358,946
– Eligible portions of tier-two capital instruments issued	8,000,000	6,000,000
– Surplus allowances for impairment	4,804,860	4,182,973
– Eligible portion of non-controlling interests	128,068	175,973
Total net capital	57,030,474	49,247,594
Total risk weighted assets	413,212,378	384,977,512
Core tier-one capital adequacy ratio	9.11%	8.42%
Tier-one capital adequacy ratio	10.67%	10.10%
Capital adequacy ratio	13.80%	12.79%

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

46 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.

(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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

46 FAIR VALUE (continued)

(2) Financial instruments measured at fair value

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

	31 December 2024			
	Level 1	Level 2	Level 3 Note (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

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

46 FAIR VALUE (continued)

(2) Financial instruments measured at fair value (continued)

	31 December 2023			Total
	Level 1	Level 2	Level 3 Note (i)	
Financial investments measured at FVTPL				
– Debt securities	–	7,130,029	–	7,130,029
– Asset management plans	–	–	6,895,445	6,895,445
– Trust fund plans	–	–	444,536	444,536
– Investment funds	–	43,799,513	–	43,799,513
Derivative financial assets	–	149,377	–	149,377
Financial investments measured at FVOCI				
– Debt securities	–	114,961,884	–	114,961,884
– Other equity investments	–	–	23,250	23,250
Loans and advances to customers measured at FVOCI	–	–	20,976,009	20,976,009
Total financial assets	–	166,040,803	28,339,240	194,380,043
Placements from banks and other financial institutions measured at FVTPL	–	959,180	–	959,180
Derivative financial liabilities	–	69,353	1,754	71,107
Total financial liabilities	–	1,028,533	1,754	1,030,287

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

46 FAIR VALUE (continued)

(2) Financial instruments measured at fair value (continued)

(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 2024:

	As at 1 January 2024	Transfer into level 3	Transfer out of level 3	Total gains or losses for the year In profit or loss	In other comprehensive income	Purchases, issues, disposals and settlements Purchases	Issues	Disposals and settlements	Others	As at 31 December 2024
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

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

46 FAIR VALUE (continued)

(2) Financial instruments measured at fair value (continued)

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

The following table shows the movement of level 3 financial instruments measured at fair value during the year of 2023:

	As at 1 January 2023	Transfer into level 3	Transfer out of level 3	Total gains or losses for the year In profit or loss	In other comprehensive income	Purchases, issues, disposals and settlements			As at 31 December 2023
						Purchases	Issues	Disposals and settlements	
Financial investments measured at FVTPL									
– Asset management plans	7,787,802	–	–	(404,175)	–	1,000,000	–	(1,488,182)	6,895,445
– Trust fund plans	791,832	–	–	308,126	–	76,820	–	(732,242)	444,536
Financial investments measured at FVOCI									
– Other equity investments	23,250	–	–	–	–	–	–	–	23,250
Loans and advances to customers measured at FVOCI	22,694,130	–	–	599,273	29,447	90,014,037	–	(92,360,878)	20,976,009
Total financial assets	31,297,014	–	–	503,224	29,447	91,090,857	–	(94,581,302)	28,339,240
Derivative financial liabilities	1,071	–	–	683	–	–	–	–	1,754
Total financial liabilities	1,071	–	–	683	–	–	–	–	1,754

(3) Transfers between levels

For the year ended 31 December 2024 and 31 December 2023, there were no transfers between levels.

(4) Valuation of financial instruments with significant unobservable inputs

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

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

46 FAIR VALUE (continued)

(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.

(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.

(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.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

46 FAIR VALUE (continued)

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

(v) Debt securities issued (continued)

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

	31 December 2023				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost (including accrued interest)					
– Debt securities	45,953,528	48,852,365	–	48,767,500	84,865
Total	45,953,528	48,852,365	–	48,767,500	84,865
Financial liabilities					
Securities issued (including accrued interest)					
– Debt securities	18,261,537	18,537,559	–	18,537,559	–
– Certificates of interbank deposit	71,008,248	71,049,727	–	71,049,727	–
Total	89,269,785	89,587,286	–	89,587,286	–

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

47 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 2024	31 December 2023
Bank acceptances	48,117,074	30,246,042
Unused credit card commitments	23,799,065	23,106,489
Financing letters of guarantees issued	11,032,397	9,269,141
Usance letters of credit	9,977,991	10,263,325
Non-financing letters of guarantees issued	1,044,271	1,502,597
Sight letters of credit	909,835	906,974
Irrevocable loan commitments	378,000	1,272,714
Total	95,258,633	76,567,282

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 2024	31 December 2023
Credit risk-weighted amount of contingent liabilities and commitments	25,534,545	24,236,360

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 2024. The credit risk-weighted amount represents the amount calculated in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) and other relevant requirements as at 31 December 2023. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors.

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

(3) Capital commitments

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

	31 December 2024	31 December 2023
Contracted but not paid for	70,458	56,049

(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 2024 and 31 December 2023. 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) Bond 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 2024	31 December 2023
Bond redemption obligations	4,167,547	3,822,379

(6) Pledged assets

	31 December 2024	31 December 2023
Investment securities	63,543,344	59,141,534
Discounted bills	4,110,439	10,072,938
Total	67,653,783	69,214,472

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

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

The Group's pledged assets in relation to the purchase of bills under resale agreements can be sold or repledged. As at 31 December 2024 and 31 December 2023, the Group did not have these discounted bills under resale agreements. As at 31 December 2024 and 31 December 2023, the Group did not sell or repledge any pledged assets which it has an obligation to repurchase when they are due.

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48 INTERESTS IN STRUCTURED ENTITIES

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

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. The Group does not consolidate these structured entities. Such structured entities include asset management plans, trust fund plans, asset-backed securities and investment funds. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and are financed through the issue of notes to investors.

The following tables set out an analysis of the carrying amounts of interests held by the Group as at 31 December 2024 and 31 December 2023 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 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

31 December 2023					
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost	Carrying amount	Maximum exposure
Investment funds	43,799,513	–	–	43,799,513	43,799,513
Asset management plans	6,895,445	–	1,811,073	8,706,518	8,706,518
Trust fund plans	444,536	–	116,904	561,440	561,440
Asset-backed securities	107,227	4,789,048	922,411	5,818,686	5,818,686
Total	51,246,721	4,789,048	2,850,388	58,886,157	58,886,157

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

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(Expressed in thousands of Renminbi, unless otherwise stated)

(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 2024, the carrying amounts of the management and other service fee receivables being recognised was RMB192 million in the consolidated statement of financial position (31 December 2023: RMB190 million).

As at 31 December 2024, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, was RMB199.326 billion (31 December 2023: RMB208.122 billion).

(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 2024, the amount of fee and commission income recognised from the above mentioned structured entities by the Group was RMB14 million (2023: RMB16 million).

During the year ended 31 December 2024, the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2024 but matured before 31 December 2024 was RMB12.915 billion (2023: RMB6.862 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.

Notes to the financial statements

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49 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 2024 and for the year ended 31 December 2023, the Group did not carry out new asset securitisation business.

(3) Transfer of non-performing loans

For the year ended 31 December 2024, the Group transferred loans and advances to customers to independent third parties with principal amount of RMB11 million (2023: RMB85 million), and with the transfer price (including overdue interest, penalty interest, etc.) of RMB12 million (2023: RMB88 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.

50 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 2024, the entrusted loans balance of the Group was RMB5.651 billion (31 December 2023: RMB5.603 billion).

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

51 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	31 December 2024	31 December 2023
Assets		
Cash and deposits with the central bank	49,133,814	31,024,474
Deposits with banks and other financial institutions	2,139,304	1,112,039
Placements with banks and other financial institutions	15,549,144	14,841,661
Derivative financial assets	55,310	149,377
Financial assets held under resale agreements	7,496,541	13,944,652
Loans and advances to customers	332,554,291	292,992,926
Financial investments:		
– Financial investments measured at fair value through profit or loss	69,211,599	58,269,523
– Financial investments measured at fair value through other comprehensive income	94,075,023	114,985,134
– Financial investments measured at amortised cost	89,478,244	52,756,509
Investment in subsidiary	1,913,284	1,510,000
Property and equipment	3,228,598	3,320,366
Right-of-use assets	763,635	836,684
Deferred tax assets	3,370,221	3,649,736
Other assets	1,828,793	2,353,839
Total assets	670,797,801	591,746,920
Liabilities		
Borrowings from the central bank	28,240,081	18,235,088
Deposits from banks and other financial institutions	14,216,923	3,429,418
Placements from banks and other financial institutions	6,235,354	6,521,623
Financial liabilities measured at fair value through profit or loss	699,788	–
Derivative financial liabilities	162,430	71,107
Financial assets sold under repurchase agreements	32,614,696	36,880,567
Deposits from customers	443,425,535	395,467,359
Income tax payable	222,789	402,070
Debt securities issued	98,752,059	89,269,785
Lease liabilities	513,806	553,923
Other liabilities	3,275,307	2,962,217
Total liabilities	628,358,768	553,793,157

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

51 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (continued)

	31 December 2024	31 December 2023
Equity		
Share capital	5,820,355	5,820,355
Other equity instruments		
Including: perpetual bonds	6,395,783	6,395,783
Capital reserve	10,687,634	10,687,634
Surplus reserve	3,106,154	2,718,114
General reserve	7,971,637	7,072,403
Other comprehensive income	2,716,533	947,211
Retained earnings	5,740,937	4,312,263
Total equity	42,439,033	37,953,763
Total liabilities and equity	670,797,801	591,746,920

Approved and authorised for issue by the board of directors on 26 March 2025.

Jing Zailun

Legal Representative (Chairman)

Wu Xianming

President

Chen Shuang

*Vice President in charge of
Finance Function*

Li Zhenguo

*General Manager of
the Planning & Finance Department*

(Company Stamp)

Notes to the financial statements

(Expressed in thousands of Renminbi, unless otherwise stated)

52 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2024

Up to the date of issue of these 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 2024. The revised and new accounting standards and interpretations which are issued but not yet effective for the accounting period ended 31 December 2024, are set out below:

	Effective for accounting periods beginning on or after
Lack of Exchangeability – Amendments to IAS 21	1 January 2025
Classification and Measurement of Financial Instruments	
– 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

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

53 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.

54 COMPARATIVE FIGURES

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

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the 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 2024	31 December 2023
Qualified and high-quality current assets	95,465,058	75,270,402
Net cash outflows in the next 30 days	47,023,000	47,606,972
Liquidity coverage ratio (RMB and foreign currency)	203.02%	158.11%

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 2024	31 December 2023
Leverage ratio	5.79%	5.83%

The Group calculates the leverage ratio in accordance with the Regulation Governing Capital of Commercial Banks and other relevant requirements as at 31 December 2024. The Group calculates the leverage ratio in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) and other relevant requirements as at 31 December 2023. According to the above provisions, a minimum leverage ratio 4% is required.

(3) Net stable funding ratio

	31 December 2024	30 September 2024
Available stable funding	424,164,612	419,235,038
Required stable funding	352,570,107	342,817,507
Net stable funding ratio	120.31%	122.29%

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

Unaudited Supplementary Financial Information (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

2 Currency concentrations

	31 December 2024			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	9,272,027	7,395	207,829	9,487,251
Spot liabilities	(2,805,094)	(344)	(206,431)	(3,011,869)
Forward purchases	176,547	–	2,312	178,859
Forward sales	(6,567,035)	–	–	(6,567,035)
Net long position	76,445	7,051	3,710	87,206
Structural exposure	–	–	–	–

	31 December 2023			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	8,299,500	7,542	43,611	8,350,653
Spot liabilities	(3,380,942)	(601)	(42,512)	(3,424,055)
Forward purchases	251,396	–	3,876	255,272
Forward sales	(5,177,622)	–	(703)	(5,178,325)
Net long position	(7,668)	6,941	4,272	3,545
Structural exposure	–	–	–	–

Unaudited Supplementary Financial Information (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

3 International claims

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

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

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

	31 December 2024			
	Public sector entities	Banks and other financial institutions	Non-bank private sector institutions	Total
– Asia Pacific	214,116	4,889,767	3,849,358	8,953,241
– of which attributed to Hong Kong	–	3,971,076	10,158	3,981,234
– North and South America	–	437,383	–	437,383
– Europe	–	82,083	–	82,083
	214,116	5,409,233	3,849,358	9,472,707

	31 December 2023			
	Public sector entities	Banks and other financial institutions	Non-bank private sector institutions	Total
– Asia Pacific	163,649	4,921,472	2,662,833	7,747,954
– of which attributed to Hong Kong	–	4,490,416	–	4,490,416
– North and South America	–	378,902	–	378,902
– Europe	–	14,909	–	14,909
	163,649	5,315,283	2,662,833	8,141,765

Unaudited Supplementary Financial Information (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

4 Total amount of overdue loans and advances to customers

	31 December 2024	31 December 2023
Total loans and advances whose principal or interest has been overdue		
– between 3 and 6 months (inclusive)	629,331	351,864
– between 6 months and 1 year (inclusive)	712,259	574,245
– over 1 year	2,109,027	1,697,133
Total	3,450,617	2,623,242
As a percentage of total loans and advances (excluding accrued interest)		
– between 3 and 6 months (inclusive)	0.18%	0.12%
– between 6 months and 1 year (inclusive)	0.21%	0.19%
– over 1 year	0.62%	0.57%
Total	1.01%	0.88%

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