



# 威海银行

WEIHAI BANK

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

**Stock Short Name: Weihai Bank Stock Code: 09677**

# 2025

## ANNUAL REPORT



# CONTENTS

<b>2</b>	Important Notice
<b>3</b>	Definitions
<b>5</b>	Corporate Information
<b>7</b>	Summary of Accounting Data and Financial Indicators
<b>9</b>	Chairman’s Statement
<b>11</b>	Chapter 1 Management Discussion and Analysis
<b>74</b>	Chapter 2 Environmental and Social Responsibility
<b>79</b>	Chapter 3 Changes in Share Capital and Information on Shareholders
<b>85</b>	Chapter 4 Directors, Senior Management and Employees
<b>100</b>	Chapter 5 Corporate Governance Report
<b>123</b>	Chapter 6 Report of the Board of Directors
<b>134</b>	Chapter 7 Important Events
<b>137</b>	Chapter 8 Independent Auditor’s Report
<b>145</b>	Chapter 9 Consolidated Financial Statements and Notes to the Consolidated Financial Statements
<b>271</b>	Chapter 10 Unaudited Supplementary Financial Information
<b>275</b>	List of Institutions

# IMPORTANT NOTICE

1. The Board of Directors, Directors, and senior management of the Bank warrant that there are no false representations, misleading statements or material omissions contained in this report, and they jointly and severally accept responsibility for the truthfulness, accuracy and completeness of the information contained in this report.
2. The 2025 annual report of the Bank (the “**Report**”) was approved unanimously at the tenth meeting of the ninth session of the Board of the Bank held on March 27, 2026, which was considered and approved by way of valid voting. 14 directors were eligible to attend the meeting, and 14 directors attended such meeting in person.
3. The 2025 annual financial report of the Group prepared in accordance with the Accounting Standards for Business Enterprises has been audited by KPMG Huazhen LLP, which has issued a standard unqualified audit report. The 2025 annual financial report prepared in accordance with the International Financial Reporting Standards has been audited by KPMG, which has issued a standard unqualified audit report.
4. MENG Dongxiao, the Chairman, ZHANG Wenbin, the President, and ZHAO Na (趙娜), the Head of the Finance Department of the Bank, warrant the truthfulness, accuracy and completeness of the financial report in the Report.
5. Forward-looking statements, including future plans, contained in the Report do not constitute any actual commitments of the Bank to investors. Investors and related persons are advised to maintain sufficient risk awareness and understand the difference between plans, forecasts and commitments.
6. During the Reporting Period, the Bank was not aware of any major risks that would adversely affect the Bank’s future development strategies and business objectives. The principal risks exposed by the Bank in its operation and management as well as the corresponding measures adopted by the Bank are detailed in the Report. For details, please refer to “Risk Management” and “Future Prospects” in the section headed “Management Discussion and Analysis” of the Report.
7. For the financial data and indicators set out in the Report, save as stated otherwise, the monetary unit is denominated in RMB. Due to the use of different units (thousand/million) in the data of this report, rounding differences may occur in total or comparison. Please refer to the exact figures disclosed in the notes to the financial statements for accuracy.
8. The Report has been prepared in both Chinese and English. In the event of any discrepancy, the Chinese version shall prevail.

# DEFINITIONS

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

"Articles of Association"	the Bank's existing Articles of Association of Weihai Bank Co., Ltd.
"Bank", "our Bank" or "Weihai Bank"	Weihai Bank Co., Ltd. (formerly Weihai City Commercial Bank Co., Ltd.), a joint stock limited company established in the PRC in July 1997 in accordance with the relevant PRC laws and regulations, and, if the context requires, includes its predecessors, branches and sub-branches, excluding its subsidiary
"Caixin Asset"	Weihai Caixin Asset Operation Co., Ltd., (威海市財鑫資產運營有限公司)
"Central Bank" or "PBOC"	the People's Bank of China
"Company Law"	The Company Law of the People's Republic of China (《中華人民共和國公司法》)
"Corporate Governance Code"	Corporate Governance Code under Appendix C1 to the Listing Rules
"Group", "our Group", "we" or "us"	the Bank and its subsidiary and, where the context requires, includes its predecessors, branches and sub-branches
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRSs"	International Financial Reporting Standards, International Accounting Standards, the related standards, amendments and explanatory announcement, as issued by the International Accounting Standards Board
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"NFRA" or "CBIRC"	National Financial Regulatory Administration (國家金融監督管理總局), former China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
"Reporting Period"	the year ended December 31, 2025
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

# Definitions

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

# CORPORATE INFORMATION

## BASIC INFORMATION

### Legal Chinese Name

威海銀行股份有限公司  
(Abbreviation “威海銀行”)

### Legal English Name

Weihai Bank Co., Ltd. (Abbreviation “Weihai Bank”)

### Legal Representative

MENG Dongxiao (孟東曉)

### Secretary to the Board

ZHANG Jia'en (張家恩)  
Contact Number: (86) 631-5236187  
E-mail: whccb@whccb.com

### Joint Company Secretaries

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

### Registered Capital

RMB5,980,058,344

### Registered Address and Office Address

No. 137A, Qingdao North Road, Weihai City,  
Shandong Province, the PRC  
Postcode: 264200  
Customer Service Hotline: (86) 40000-96636  
Complaint Hotline: (86) 631-5221290  
Website: www.whccb.com

### Principal Place of Business in Hong Kong

40th Floor, Dah Sing Financial Centre, 248 Queen's Road  
East, Wanchai, Hong Kong

### H Share Registrar

Computershare Hong Kong Investor Services Limited

### Unified Social Credit Code

913700002671339534

### Financial License Institution Number

B0176H337100001

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

The Stock Exchange of Hong Kong Limited  
Stock Short Name: WEIHAI BANK  
Stock Code: 09677

### Annual Reports are Available at

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

### Legal Adviser

*Hong Kong, China*

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

### Auditor

*Mainland China Auditor*

KPMG Huazhen LLP  
8/F, Office Tower E2, Oriental Plaza, No. 1 East Chang'an  
Avenue, Dongcheng District, Beijing, the PRC

*International Auditor*

KPMG  
8/F, Prince's Building, No. 10 Chater Road, Central, Hong  
Kong

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

# Corporate Information

## COMPANY PROFILE

Established in 1997, the Bank is funded and controlled by Shandong Hi-Speed Group Company. It currently operates nearly 130 branches and sub-branches in Jinan, Tianjin, Qingdao and other cities, and is the first local corporate bank in Shandong Province to achieve full coverage of all prefecture-level cities in the province. In 2016, the Bank became the first financial institution in Shandong Province to establish a financial leasing company. On 12 October 2020, the Bank was successfully listed on the Main Board of the Hong Kong Stock Exchange. On 26 February 2025, the Bank officially changed its name from “Weihai City Commercial Bank Co., Ltd.” to “Weihai Bank Co., Ltd.”.

Since its establishment, Weihai Bank has always remained true to its original aspiration and mission of serving the real economy, adhered to its market positioning of “serving urban and rural residents, small and medium-sized enterprises, and the local economy”, actively integrated into regional economic and social development, and forged a distinctive development path of its own. With high-quality services and strong performance, Weihai Bank has won high praise and wide recognition from all sectors of society. It has been successively awarded honours including: “Most Competitive Small and Medium-sized Bank” (“最具競爭力中小銀行”); “Five-Star Unit for ‘Party Building + Corporate Culture Management’” (“黨建+企業文化管理’五星單位”); “2025 Excellent Practice Award for New Quality Productive Forces in Finance” (“2025金融新質生產力優秀實踐獎”); “ESG Class A Unit” in Shandong Banking Industry” (“山東省銀行業”ESG A類單位”); and “First Batch of Class A Taxpaying Financial Institutions in Shandong Province” (“山東省首批A級納稅金融單位”). The Bank’s brand reputation and social influence have been significantly enhanced.

<b>Vision:</b>	To become a “first-class city commercial bank in China”
<b>Philosophy:</b>	Take root in Shandong    Serve with sincerity
<b>Values:</b>	Altruism    Integrity    Agility    Openness
<b>Direction:</b>	Marketization    Specialization    Refinement    Digitalization

# SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

Unit: RMB million (except percentages)

	2025	2024	Current year compared to previous year Change (%)	2023	2022	2021
<b>Operating results</b>						
Net interest income	<b>7,716.8</b>	6,999.9	10.24	6,623.5	6,450.5	6,047.5
Net fee and commission income	<b>743.4</b>	574.4	29.42	632.7	677.4	592.1
Net trading gains and losses, net gains arising from investments and other operating income	<b>1,457.4</b>	1,741.3	(16.30)	1,479.2	1,163.0	737.8
<b>Operating income</b>	<b>9,917.6</b>	9,315.6	6.46	8,735.4	8,290.9	7,377.4
Operating expenses	<b>(2,380.9)</b>	(2,237.6)	6.40	(1,950.3)	(1,898.9)	(1,592.9)
Credit impairment losses	<b>(4,751.6)</b>	(4,571.6)	3.94	(4,493.3)	(4,170.0)	(3,569.6)
<b>Profit before tax</b>	<b>2,785.1</b>	2,506.4	11.12	2,291.8	2,222.0	2,214.9
<b>Net profit</b>	<b>2,503.7</b>	2,198.1	13.90	2,116.3	2,078.5	1,891.7
Including: Net profit attributable to equity shareholders of the Bank	<b>2,252.4</b>	1,991.7	13.09	1,933.8	1,906.4	1,745.4
<b>Per share (RMB/share)</b>						
Earnings per share attributable to equity shareholders of the Bank	<b>0.35</b>	0.30	16.67	0.29	0.28	0.26

	December 31 2025	December 31 2024	As at the end of current year compared to the end of previous year Change (%)	December 31 2023	December 31 2022	December 31 2021
<b>Key indicators of assets and liabilities</b>						
<b>Total assets</b>	<b>504,520.5</b>	441,463.8	14.28	391,876.8	343,703.0	304,520.8
Including: Total loans	<b>226,998.6</b>	210,331.2	7.92	189,965.2	164,297.2	143,292.7
Add: Accrued interests	<b>1,781.6</b>	1,779.1	0.14	1,612.1	1,090.4	668.5
Less: Impairment allowances for loans and advances to customers measured at amortised costs	<b>5,084.9</b>	4,604.0	10.45	4,172.6	3,637.2	3,593.9
Loans and advances to customers	<b>223,695.3</b>	207,506.3	7.80	187,404.7	161,750.4	140,367.3
<b>Total liabilities</b>	<b>469,144.7</b>	410,666.3	14.24	363,868.9	317,970.4	280,350.6
Including: Total deposits	<b>342,332.6</b>	293,489.5	16.64	266,596.2	229,493.7	203,833.6
Add: Accrued interests	<b>8,943.2</b>	8,462.1	5.69	7,382.3	4,993.8	3,008.4
Deposits from customers	<b>351,275.8</b>	301,951.6	16.34	273,978.5	234,487.5	206,842.0
<b>Total equity</b>	<b>35,375.8</b>	30,797.5	14.87	28,007.9	25,732.6	24,170.2
Share capital	<b>5,980.1</b>	5,980.1	-	5,980.1	5,980.1	5,980.1
Total equity attributable to equity shareholders of the Bank	<b>33,300.2</b>	28,898.1	15.23	26,240.0	24,147.2	23,255.9
<b>Per share (RMB/share)</b>						
Net assets per share attributable to equity shareholders of the Bank	<b>4.57</b>	4.16	9.86	3.70	3.35	3.20

## Summary of Accounting Data and Financial Indicators

	December 31 2025	December 31 2024	As at the end of current year compared to the end of previous year Change	December 31 2023	December 31 2022	December 31 2021
<b>Profitability indicators (%)</b>						
Return on average total assets <sup>(1)</sup>	<b>0.53</b>	0.53	-	0.58	0.64	0.66
Weighted average return on net assets <sup>(2)</sup>	<b>8.50</b>	7.55	0.95	8.15	8.63	8.55
Net interest spread <sup>(3)</sup>	<b>1.56</b>	1.63	(0.07)	1.76	1.94	2.12
Net interest margin <sup>(4)</sup>	<b>1.68</b>	1.77	(0.09)	1.89	2.07	2.24
Net fee and commission income to operating income ratio	<b>7.50</b>	6.17	1.33	7.24	8.17	8.03
Cost-to-income ratio <sup>(5)</sup>	<b>22.84</b>	22.88	(0.04)	21.31	21.80	20.50
<b>Asset quality indicators (%)</b>						
Non-performing loan ratio <sup>(6)</sup>	<b>1.41</b>	1.41	-	1.45	1.46	1.47
Provision coverage ratio <sup>(7)</sup>	<b>160.14</b>	156.07	4.07	152.12	154.68	171.56
Allowance-to-borrowing ratio <sup>(8)</sup>	<b>2.26</b>	2.20	0.06	2.21	2.26	2.53
<b>Capital adequacy indicators (%)</b>						
Core tier-one capital adequacy ratio	<b>8.84</b>	9.31	(0.47)	8.77	8.81	9.35
Tier-one capital adequacy ratio	<b>10.84</b>	10.82	0.02	10.41	10.61	11.33
Capital adequacy ratio	<b>13.49</b>	13.76	(0.27)	13.38	13.83	14.59
Total equity to total assets ratio	<b>7.01</b>	6.98	0.03	7.15	7.49	7.94
<b>Other indicators (%)</b>						
Liquidity ratio	<b>135.0</b>	115.27	19.73	86.52	79.09	63.22
Loan-to-deposit ratio <sup>(9)</sup>	<b>66.31</b>	71.67	(5.36)	71.26	71.59	70.30

### Notes:

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

# CHAIRMAN'S STATEMENT

The year 2025 marks the decisive conclusion of the 14th Five-Year Plan and the planning and groundwork phase for the 15th Five-Year Plan. It has also been a year of diligent efforts and fruitful achievements for Weihai Bank. This year, profound changes unseen in a century accelerated across the world, while China's domestic economy continued to develop toward higher quality and greater innovation. Against this backdrop, the banking industry faced both opportunities and challenges. Standing at the historical juncture between two Five-Year Plans, Weihai Bank adhered to the principle of "seeking progress while maintaining stability, and reinforcing stability through progress." Guided by its values of "altruism, integrity, agility, and openness," the Bank remained committed to serving the real economy and advancing innovation-driven development. With dedication reflecting its original aspiration and solid work delivering tangible results, the Bank delivered an outstanding "answer sheet" of high-quality and sustainable development.

**This year, we strengthened Party leadership to ensure steady and sustainable development.** The Bank consistently adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implemented the overall requirements for Party building in the new era, and actively practiced the political and people-oriented nature of financial work. By continuously promoting the deep integration of Party building with business operations, the Bank further unified thinking, consolidated collective strength, and strengthened execution through Party building, thereby leading high-quality development with high-quality Party building.

**This year, we achieved new record highs in our performance indicators.** In the face of a complex and evolving macroeconomic environment and increasingly intense industry competition, we continuously intensified market expansion efforts. With the total assets surpassing RMB500 billion, the bank successfully entered the rank of mid-sized banks. Major business indicators, including deposits, loans and profits, all hit record highs, while various quality indicators continued to improve, achieving coordinated development in scale, quality and efficiency.

**This year, we stimulated vitality through reform and transformation.** Following the transformation direction of "marketization, specialization, refinement and digitalization," we adhered to the principles of "customer-centric, market-oriented and striver-based" We continuously improved the organizational structure, advanced institutional and mechanism reforms, optimized performance evaluation policies, accelerated the development of market-oriented teams, and established professional and technical talent tracks, thereby continuously enhancing professional capabilities and development potential.

**This year, we fostered leadership team worked in full unity.** Adhering to the principles of "those who perform shall be empowered" and "meritocracy above all", we carried forward the fine tradition of efficient execution. Our leadership team worked in full unity with a strong sense of purpose, fostering a vibrant atmosphere for dedicated work and entrepreneurial endeavor. We further implemented the "talent-driven bank development" strategy, strengthening both internal cultivation and external recruitment of talents. Externally, we launched university-bank cooperation initiatives with Shandong University and Harbin Institute of Technology. Internally, we established a hierarchical and categorized talent development model and advanced a normalized secondment and exchange mechanism, striving to build a high-quality, professional talent teams.

**This year, we rooted ourselves in the real economy and pursued meticulous development.** Taking the service of national strategies and people's livelihood needs as the foundation of our growth, we adhered to the philosophy of "taking root in Shandong and serving with sincerity" and focused our efforts precisely on the "Five Major Articles". We rolled out distinctive products such as the "Green Agriculture Loan (綠農貸)", "Green Factory Loan (綠色工廠貸)", "Low-carbon Park Loan (低碳園區貸)", and "Carbon Footprint Certification Loan (碳足跡認證貸)", and launched Weike series of businesses, including Navigation Loan (啟航貸), Leadership Navigation Loan (領航貸) and Voyage Navigation Loan (遠航貸). Relevant products and cases were selected into the Annual Golden Dragon • Financial Power "Five Major Articles" case list and the Shandong Provincial "high-quality product finance" typical cases respectively.

# Chairman's Statement

**This year, we further consolidated the foundations of our development.** We embedded the “Five Dos and Five Don’ts” principles of China’s distinctive financial culture deeply into our practices, strengthened the development of a comprehensive risk management system, and effectively improved overall asset quality. We also advanced the two-year initiative to enhance internal control and risk management, fully leveraged the role of audit as the third line of defense, fostered a culture of compliance, promoted a sound compliance environment, and established a mechanism of “managing people by the system, handing our business according to proven processes”, thereby continuously reinforcing the foundations for high-quality development.

**This year, we cultivated a strong atmosphere of our family culture.** Upholding the belief that “sea embraces all rivers; greatness lies in its inclusiveness”, we launched the employee forum “Hai Na Bai Chuan” to actively listen to the voices of frontline staffs. We awarded the first Chairman’s Award Fund and organized the inaugural selections of “Model Woman” and “Top 10 Outstanding Youth.” As a result, employees’ initiative, creativity and self-motivation continued to grow, their sense of fulfillment and well-being steadily improved, demonstrating a vibrant spirit marked by confidence, high morale and perseverance.

**This year, we witnessed a steady rise in our reputation and public recognition.** We remained committed to serving the people through finance, resonating with the real economy and closely aligning our services with people’s livelihood needs. We launched integrated service platforms such as the “Elderly Care Market” and the “Real Estate Market,” and organized bank-enterprise engagement initiatives including the “Strategic Client Visit Campaign,” “Financial Services Coordination Sessions,” and “Green Finance Promotion Events.” Our bank has become the first city commercial bank in Shandong Province to sign the UN Principles for Responsible Banking. We have been rated as ESG Class A Unit for three consecutive years, and have received the national “2025 Financial New Quality Productivity Excellent Practice Award.” Through actively fulfilling our social responsibilities, we continue to demonstrate the value of the banking sector.

With a promising wind beneath our wings, we set off anew on our ten-thousand-mile journey, shouldering great responsibilities. The year 2026 marks the 105th anniversary of the founding of the Communist Party of China, and also the opening year of the 15th Five-Year Plan period. We will comprehensively implement the spirit of the 20th CPC National Congress, the 2nd, 3rd and 4th Plenary Sessions of the 20th CPC Central Committee and the Central Economic Work Conference, and the Bank would adhere to the overarching principle of “pursuing stability while advancing steadily, and enhancing quality and efficiency”, and center its operations around “promoting high-quality and sustainable development”. We will focus intensively on its core business, drive innovation-led transformation, tailor strategies to local conditions, and cultivate distinctive competitive strengths. Moving in step with the times and resonating with the real economy, we aim to deliver better services, more stable operations, and stronger performance, thereby giving back to both new and existing shareholders, valued customers, and all sectors of society. With determination, we will advance toward the grand goal of building a strong financial nation and strive to write a new chapter of high-quality and sustainable development.

**MENG Dongxiao**

*Chairman of Weihai Bank Co., Ltd.*

March 2026

# CHAPTER 1 MANAGEMENT DISCUSSION AND ANALYSIS

## I. REVIEW OF ECONOMIC, FINANCIAL AND POLICY ENVIRONMENT

In 2025, the global economic growth rate slowed down compared with 2024, and inflation showed a downward trend overall. The performance of different economies was divergent. The tariff policy of the US government posed significant constraints on the development of global trade. Artificial intelligence emerged as a key development focus in the field of emerging technologies. The world economy sought development amid industrial chain restructuring, geopolitics constantly adjusted through conflicts and mediation, and the international order gradually transformed amid the collision of new and old forces. Faced with profound and complex changes in domestic and foreign situations, China's economy forged ahead under pressure and developed towards newness and improvement. The construction of a modern industrial system continued to advance, new strides were made in reform and opening up, positive progress was achieved in defusing risks in key areas, and people's livelihood security was further strengthened. Shandong Province firmly undertook the mission of "taking the lead and shouldering heavy responsibilities". The province's economy operated steadily and for the better, with its regional GDP exceeding RMB10 trillion, representing an increase of 5.5% over the previous year, making it the third province in the country and the first in northern China to surpass the RMB10 trillion mark.

In 2025, China implemented a more proactive fiscal policy, which not only effectively supported current economic growth and fulfilled people's livelihood needs, but also effectively promoted economic structural transformation, laying a solid foundation for the medium and long-term sustainable development of the economy and society. The People's Bank of China implemented a moderately accommodative monetary policy and launched a package of financial support measures, which effectively consolidated the momentum of economic recovery and improvement. Throughout 2025, the total financial volume maintained rapid growth, and the comprehensive social financing cost was further reduced. The financial structure showed a continuous optimization trend. Monetary policy tools increased support for key areas of expanding domestic demand such as technological innovation and consumption promotion, achieving full coverage of all areas of the "Five Major Articles of Finance".

## II. SUMMARY OF OVERALL OPERATIONS

In the face of a complex macroeconomic and financial environment, we have adhered to the principle of "seeking progress while maintaining stability, and promoting stability through progress", continuously innovated our service models, steadily increased credit supply, and actively integrated into economic and social development. The key features of our work during the year are as follows:

**Stable expansion of business scale.** The total assets amounted to RMB504,521 million, representing an increase of RMB63,057 million or 14.28% as compared to the end of 2024; total deposit balances increased by RMB48,843 million or 16.64% as compared to the end of 2024; and total loan balances increased by RMB16,667 million or 7.92% as compared to the end of 2024.

## II. SUMMARY OF OVERALL OPERATIONS (CONT'D)

**Constantly increasing efficiency.** Operating income for the year amounted to RMB9,918 million, representing a year-on-year increase of RMB602 million or 6.46%. Net profit for the year amounted to RMB2,504 million, representing a year-on-year increase of RMB306 million or 13.90%.

**Steady improvement in quality.** The non-performing loan ratio stood at 1.41%; the capital adequacy ratio was 13.49 %; and the provision coverage ratio was 160.14%, with continuous compliance with all regulatory indicators.

**Strategically guided direction.** We took the “Five Major Financial Articles” as our primary responsibilities and core businesses. In green finance, we established the Green Finance Department as a first-tier department at the head office level, focusing on in-depth research on industries and sectors. In inclusive finance, we initiated strategic cooperation with Tailong Bank, implementing the approach of “scenario-based, batch-based, and online-based” operations. In technology finance, we set up the Technology Finance Department at the head office level, creating a product system covering the enterprise growth cycle. In digital finance, we launched the second phase of the digital transformation project to enhance digital marketing capabilities and intelligent risk control. In elderly care finance, we focused on improving service experience, with 10 outlets rated as national “Elderly-friendly Service Demonstration Outlets”.

**Accelerated specialty cultivation.** We innovated the “Green+” financial service model and launched distinctive products such as “Green Agriculture Loan (綠農貸)”, “Green Factory Loan (綠色工廠貸)”, “Low-carbon Park Loan (低碳園區貸)”, and “Carbon Footprint Certification Loan (碳足跡認證貸)”. The balance of green loans amounted to RMB56,210 million, representing an increase of RMB18,933 million or 50.79% as compared to the end of 2024, continuously polishing the “Golden the Green” brand (綠色成金). The Weihai Sci-Tech Startup Navigation Loan (啟航貸), Leadership Navigation Loan (領航貸) and Voyage Navigation Loan (遠航貸) series have been launched, and a technology finance product system covering the full enterprise growth lifecycle has been established. Tech loans have increased by 70% from the end of 2024. Relevant products have been respectively selected into the annual Golden Dragon · Financial Power “Five Major Articles” Case List (年度金龍·金融力量“五篇大文章”案例榜單) and the “Quality Financial Products” Typical Cases in Shandong province (山東省“好品金融”典型案例).

**Steadily advanced transformation.** Adhering to the four transformation directions of “marketization, specialization, refinement and digitization”, we reformed mechanisms and systems, accelerated the construction of smart operation outlets, established a professional technical talent sequence, and implemented vertical management of credit and financial lines. Our professional capabilities and development potential had been continuously enhanced.

Continuously enhanced image. We were the first city commercial bank in Shandong Province to sign the UN Principles for Responsible Banking. We have been rated as ESG “Level A Unit” for three consecutive years, the highest in the ESG assessment, and honored as a “Party-building and Corporate Culture Management Five-Star Unit (黨建+企業文化管理五星單位)”. We also received the national “2025 Financial New Quality Productivity Excellent Practice Award (2025金融新質生產力優秀實踐獎)”. Our social influence had been continuously enhanced.

## III. ANALYSIS OF INCOME STATEMENT

### 3.1 Financial Highlights

During the Reporting Period, our operating income amounted to RMB9,918 million, representing an increase of RMB602 million or 6.46% as compared to the end of 2024; net profit amounted to RMB2,504 million, representing an increase of RMB306 million or 13.90% as compared to 2024, mainly due to intensified business expansion efforts, with net interest income, net fee and commission income, and other related items all showing corresponding increases.

Unit: RMB million (except percentages)

	2025	2024	Change	Rate of change (%)
<b>Net interest income</b>	<b>7,716.8</b>	6,999.9	716.9	10.24
Interest income	<b>17,116.9</b>	16,499.0	617.9	3.75
Interest expenses	<b>(9,400.1)</b>	(9,499.1)	99.0	(1.04)
<b>Net fee and commission income</b>	<b>743.4</b>	574.4	169.0	29.42
Fee and commission income	<b>1,006.6</b>	641.7	364.9	56.86
Fee and commission expenses	<b>(263.2)</b>	(67.3)	(195.9)	291.08
<b>Net trading gains and losses, net gains arising from investments and other operating income</b>	<b>1,457.4</b>	1,741.3	(283.9)	(16.30)
<b>Operating income</b>	<b>9,917.6</b>	9,315.6	602.0	6.46
Operating expenses	<b>(2,380.9)</b>	(2,237.6)	(143.3)	6.40
Credit impairment losses	<b>(4,751.6)</b>	(4,571.6)	(180.0)	3.94
<b>Profit before tax</b>	<b>2,785.1</b>	2,506.4	278.7	11.12
Income tax expense	<b>(281.4)</b>	(308.3)	26.9	(8.73)
<b>Net profit</b>	<b>2,503.7</b>	2,198.1	305.6	13.90
Including: Net profit attributable to equity shareholders of the Bank	<b>2,252.4</b>	1,991.7	260.7	13.09
Net profit attributable to non-controlling interests	<b>251.3</b>	206.4	44.9	21.75

III. ANALYSIS OF INCOME STATEMENT (CONT'D)

3.2 Net Interest Income

Net interest income was the largest component of our operating income, representing 75.14% and 77.81% of our operating income in 2024 and 2025, respectively. In 2025, our net interest income amounted to RMB7,717 million, representing an increase of RMB717 million or 10.24% as compared to 2024. The following table sets forth the average balances of our interest-earning assets and interest-bearing liabilities, related interest income or expense and the average yields on related assets or the average costs of related liabilities for the periods indicated.

Unit: RMB million (except percentages)

	Average balance	2025 Interest income/expense	Average yield/cost (%) <sup>(1)</sup>	Average balance	2024 Interest income/expense	Average yield/cost (%) <sup>(1)</sup>
<b>Interest-earning assets</b>						
Loans and advances to customers	218,058.1	10,055.6	4.61	198,292.4	9,853.7	4.97
Financial investments	169,486.9	4,457.0	2.63	139,734.1	4,495.2	3.22
Deposits with the central bank <sup>(2)</sup>	23,811.5	311.4	1.31	23,713.0	306.8	1.29
Deposits with banks and other financial institutions	2,096.0	17.7	0.84	900.5	5.5	0.61
Placements with banks and other financial institutions	9,441.5	249.6	2.64	5,922.2	209.5	3.54
Lease receivables	32,138.2	1,952.6	6.08	24,827.3	1,593.2	6.42
Financial assets held under resale agreements	4,702.4	73.0	1.55	1,829.6	35.1	1.92
<b>Total interest-earning assets</b>	<b>459,734.6</b>	<b>17,116.9</b>	<b>3.72</b>	<b>395,219.1</b>	<b>16,499.0</b>	<b>4.17</b>
<b>Interest-bearing liabilities</b>						
Deposits from customers	318,895.9	6,892.6	2.16	275,436.4	6,834.8	2.48
Deposits from banks and other financial institutions	4,930.5	106.6	2.16	5,977.1	155.4	2.60
Placements from banks and other financial institutions	32,249.9	793.6	2.46	26,041.2	929.9	3.57
Borrowings from the central bank	15,417.5	263.0	1.71	10,509.8	200.0	1.90
Financial assets sold under repurchase agreements	13,031.0	207.8	1.59	12,880.5	218.9	1.70
Debt securities issued <sup>(3)</sup>	49,684.4	1,136.5	2.29	43,635.0	1,160.1	2.66
<b>Total interest-bearing liabilities</b>	<b>434,209.2</b>	<b>9,400.1</b>	<b>2.16</b>	<b>374,480.0</b>	<b>9,499.1</b>	<b>2.54</b>
<b>Net interest income</b>		<b>7,716.8</b>			<b>6,999.9</b>	
<b>Net interest spread</b>			<b>1.56</b>			<b>1.63</b>
<b>Net interest margin</b>			<b>1.68</b>			<b>1.77</b>

Notes:

- (1) Calculated as interest income/expenses divided by average balance.
- (2) Consisted primarily of statutory deposit reserves and surplus deposit reserves.
- (3) Consisted of certificates of interbank deposits, financial bonds and tier-two capital bonds issued by us.

# Chapter 1 Management Discussion and Analysis

## III. ANALYSIS OF INCOME STATEMENT (CONT'D)

### 3.2 Net Interest Income (Cont'd)

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

Unit: RMB million (except percentages)

	2025 vs 2024		Net increase/ (decrease) <sup>(3)</sup>
	Increase/(decrease) due to Volume <sup>(1)</sup>	Rate <sup>(2)</sup>	
<b>Assets</b>			
Loans and advances to customers	911.5	(709.6)	201.9
Financial investments	782.4	(820.6)	(38.2)
Deposits with the Central Bank	1.3	3.3	4.6
Deposits with banks and other financial institutions	10.1	2.1	12.2
Placements with banks and other financial institutions	93.0	(52.9)	40.1
Lease receivables	444.2	(84.8)	359.4
Financial assets held under resale agreements	44.6	(6.7)	37.9
<b>Changes in interest income</b>	<b>2,287.1</b>	<b>(1,669.2)</b>	<b>617.9</b>
<b>Liabilities</b>			
Deposits from customers	939.3	(881.5)	57.8
Deposits from banks and other financial institutions	(22.6)	(26.2)	(48.8)
Placements from banks and other financial institutions	152.8	(289.1)	(136.3)
Borrowings from the central bank	83.7	(20.7)	63.0
Financial assets sold under repurchase agreements	2.4	(13.5)	(11.1)
Discounted bills	138.4	(162.0)	(23.6)
Debt securities issued			
<b>Changes in interest expenses</b>	<b>1,294.0</b>	<b>(1,393.0)</b>	<b>(99.0)</b>
<b>Changes in net interest income</b>	<b>993.1</b>	<b>(276.2)</b>	<b>716.9</b>

Notes:

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

## III. ANALYSIS OF INCOME STATEMENT (CONT'D)

### 3.3 Interest Income

During the Reporting Period, our interest income amounted to RMB17,117 million, representing an increase of RMB618 million or 3.75% as compared to 2024, primarily due to the steady growth in our loan portfolio and financial leasing scale, which has driven a consistent increase in interest income.

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

Unit: RMB million (except percentages)

	2025		2024	
	Amount	% of total (%)	Amount	% of total (%)
<b>Interest income</b>				
Loans and advances to customers	<b>10,055.6</b>	<b>58.75</b>	9,853.7	59.72
Financial investments	<b>4,457.0</b>	<b>26.04</b>	4,495.2	27.25
Deposits with banks and other financial institutions	<b>17.7</b>	<b>0.1</b>	5.5	0.03
Placements with banks and other financial institutions	<b>249.6</b>	<b>1.46</b>	209.5	1.27
Financial assets held under resale agreements	<b>73.0</b>	<b>0.43</b>	35.1	0.21
Lease receivables	<b>1,952.6</b>	<b>11.41</b>	1,593.2	9.66
Deposits with the central bank	<b>311.4</b>	<b>1.81</b>	306.8	1.86
<b>Total interest income</b>	<b>17,116.9</b>	<b>100.00</b>	16,499.0	100.00

#### *Interest income from loans and advances to customers*

Our interest income from loans and advances to customers accounted for 59.72% and 58.75% of our interest income in 2024 and 2025, respectively. Our interest income from loans and advances to customers amounted to RMB10,056 million in 2025, representing an increase of RMB202 million or 2.05% as compared to 2024, primarily due to our sustained efforts to strengthen credit support for the real economy, the scale of our lending operations has steadily expanded. The average balance of loans and advances increased by 9.97% from RMB198,292 million in 2024 to RMB218,058 million in 2025. Although loan yields declined amid falling market interest rates, the growth in scale drove a steady rise in interest income from loans.

## III. ANALYSIS OF INCOME STATEMENT (CONT'D)

### 3.3 Interest Income (Cont'd)

#### *Interest income from financial investments*

During the Reporting Period, our interest income from financial investments amounted to RMB4,457 million, representing a decrease of RMB38 million or 0.85% as compared to 2024, primarily due to the downward trend in market interest rates, the yield on financial investments has declined.

#### *Lease receivables*

During the Reporting Period, our interest income from lease receivables amounted to RMB1,953 million, representing an increase of RMB359 million or 22.56% as compared to 2024, primarily due to is the steady expansion of the financing lease business, which has driven the growth in interest income from lease receivables.

### 3.4 Interest Expenses

During the Reporting Period, our interest expenses amounted to RMB9,400 million, representing a decrease of RMB99 million or 1.04% as compared to 2024, primarily due to the steady growth in our liability scale, we proactively optimized the structure of our liability operations and increased the utilization of low-cost funding, leading to a year-on-year decrease in interest expenses. The following table sets forth a breakdown of our interest expenses for the periods indicated.

Unit: RMB million (except percentages)

	2025		2024	
	Amount	% of total (%)	Amount	% of total (%)
<b>Interest expenses</b>				
Deposits from customers	6,892.6	73.32	6,834.8	71.95
Deposits with banks and other financial institutions	106.6	1.13	155.4	1.64
Placements from banks and other financial institutions	793.6	8.44	929.9	9.79
Borrowings from the central bank	263.0	2.80	200.0	2.11
Financial assets sold under repurchase agreements	207.8	2.21	218.9	2.30
	1,136.5	12.10		
Debt securities issued			1,160.1	12.21
<b>Total interest expenses</b>	<b>9,400.1</b>	<b>100.00</b>	9,499.1	100.00

## III. ANALYSIS OF INCOME STATEMENT (CONT'D)

### 3.4 Interest Expenses (Cont'd)

#### *Interest expenses on deposits from customers*

Deposits from customers were our primary source of funding. Interest expenses on deposits from customers represented 71.95% and 73.32% of our total interest expenses in 2024 and 2025, respectively. In 2025, our interest expense on deposits amounted to RMB6,893 million, an increase of RMB58 million or 0.85% compared to 2024. This growth primarily resulted from intensified deposit marketing efforts, and the steady expansion of our deposit base. The average deposit balance grew by 15.78% from RMB275,436 million in 2024 to RMB318,896 million in 2025, driving the year-on-year increase in deposit interest expense. In 2025, we continued optimizing our deposit business structure, with the average interest rate on deposits decreasing by 0.32 percentage point compared to 2024. This largely offset the impact of deposit volume growth on interest expense.

#### *Interest expenses on deposits with banks and other financial institutions*

Interest expenses on deposits with banks and other financial institutions accounted for 1.64 % and 1.13% of our total interest expenses in 2024 and 2025, respectively. In 2025, our interest expenses on deposits with banks and other financial institutions amounted to RMB107 million, a decrease of RMB49 million compared to 2024, representing a decrease of 31.40%. This reduction was primarily due to adjustments made to our liability structure in response to market interest rate fluctuations, resulting in a measured reduction in the scale of interbank placements.

#### *Interest expense on central bank borrowings*

Interest expense on central bank borrowings accounted for 2.11% and 2.80% of our total interest expense in 2024 and 2025, respectively. In 2025, interest expense on borrowings from the central bank amounted to RMB263 million, an increase of RMB63 million or 31.50% compared to 2024. This growth primarily resulted from our ongoing optimization of the liability business structure and increased utilization of low-cost funds from the central bank. The average balance of borrowings from the central bank rose by 46.70% from RMB10,510 million in 2024 to RMB15,418 million in 2025.

#### *Interest expense on interbank borrowings*

Interest expense on interbank borrowings accounted for 9.79% and 8.44% of our total interest expense in 2024 and 2025, respectively. In 2025, interest expense on interbank borrowings amounted to RMB794 million, a decrease of RMB136 million, or 14.66%, compared to 2024. This reduction was primarily driven by our ongoing efforts to strengthen liability cost management, resulting in an average interest rate on borrowed funds that decreased by 1.11 percentage points compared to 2024.

## III. ANALYSIS OF INCOME STATEMENT (CONT'D)

### 3.5 Net Fee and Commission Income

During the Reporting Period, our net fee and commission income amounted to RMB743 million, representing an increase of RMB169 million or 29.42 % as compared to 2024, primarily due to year-on-year increases in commission income from agency services and guarantee services. The following table sets forth the principal components of our net fee and commission income for the periods indicated.

Unit: RMB million

	2025	2024
<b>Fee and commission income</b>		
Agency service fees	758.1	433.8
Settlement and clearing fees	48.0	46.3
Bank card services fees	12.7	16.5
Acceptance and guarantee services fees	140.7	121.5
Others <sup>(1)</sup>	47.1	23.6
<b>Sub-total</b>	<b>1,006.6</b>	641.7
<b>Fee and commission expenses</b>		
Settlement and clearing fees	(225.8)	(44.3)
Bank card service fees	(9.1)	(9.9)
Others <sup>(2)</sup>	(28.3)	(13.1)
<b>Sub-total</b>	<b>(263.2)</b>	(67.3)
<b>Net fee and commission income</b>	<b>743.4</b>	574.4

Notes:

- (1) Consisted primarily of income from payment and collection clearance accounts and safekeeping business.
- (2) Consisted primarily of safekeeping fees and other expenses.

## III. ANALYSIS OF INCOME STATEMENT (CONT'D)

### 3.6 Net Trading Gains and Losses, Net Gains Arising from Investments and Other Operating Income

During the Reporting Period, our net trading gains and losses, net gains arising from investments and other operating income amounted to RMB1,457 million, representing a decrease of RMB284 million or 16.30 % as compared to 2024. This change was primarily due to a decline in the valuation of non-standardised assets. The following table sets forth the details of our net trading gains and losses, net gains arising from investments and other operating income for the periods indicated:

Unit: RMB million

	2025	2024
Net trading gains and losses	(273.7)	26.9
Net gains arising from investments	1,408.0	1,356.4
Other operating income	323.1	358.0
<b>Total</b>	<b>1,457.4</b>	<b>1,741.3</b>

### 3.7 Operating Expenses

During the Reporting Period, our operating expenses amounted to RMB2,381 million, an increase of RMB143 million or 6.40% compared to 2024. This growth primarily resulted from higher labor costs, taxes, and depreciation and amortization expenses due to business expansion and increased staffing levels. The following table sets forth the principal components of our operating expenses for the periods indicated.

Unit: RMB million (except percentages)

	2025	2024
Staff remuneration costs	1,187.9	1,061.5
Depreciation and amortisation	397.0	348.3
Taxes and surcharges	115.5	106.7
Rental and property management expenses	18.1	19.5
Interest expenses on lease liabilities	19.8	18.1
Other general and administrative expenses	642.6	683.5
<b>Total operating expenses</b>	<b>2,380.9</b>	<b>2,237.6</b>
<b>Cost-to-income ratio</b>	<b>22.84%</b>	<b>22.88%</b>

## III. ANALYSIS OF INCOME STATEMENT (CONT'D)

### 3.8 Credit Impairment Losses

During the Reporting Period, our credit impairment losses amounted to RMB 4,752 million, representing an increase of RMB 180 million compared to 2024, or a growth of 3.94%. This increase was primarily attributable to the year-on-year rise in impairment provisions for lease operations, driven by the expansion of our leasing business scale. The table below sets forth the principal components of our credit impairment losses for the periods indicated.

Unit: RMB million

	2025	2024
Financial assets held under resale agreements	2.8	0.5
Loans and advances to customers	3,314.6	3,325.0
Financial investments	914.0	834.2
Lease receivables	479.6	287.5
Credit commitments	2.6	(10.5)
Others	38.0	134.9
<b>Total</b>	<b>4,751.6</b>	<b>4,571.6</b>

### 3.9 Income Tax Expense

During the Reporting Period, our income tax expense amounted to RMB 281 million, representing a decrease of RMB 27 million or 8.73% compared to 2024. This reduction was primarily attributable to increased revenue from tax-exempt operations. The following table sets forth the reconciliation between the income tax calculated at the statutory income tax rate applicable to our profit before tax and our actual income tax for the periods indicated.

Unit: RMB million

	2025	2024
Profit before tax	2,785.1	2,506.4
Income tax calculated at statutory tax rate	696.3	626.6
Tax effect of non-deductible expenses and others	34.9	44.5
Tax effect of non-taxable income <sup>(1)</sup>	(449.8)	(362.8)
<b>Income tax expense</b>	<b>281.4</b>	<b>308.3</b>

Note:

- (1) The non-taxable income include interest income from Chinese government and local government bonds, as well as fund distributions, which are exempt from income tax under Chinese tax regulations.

## IV. ANALYSIS OF STATEMENT OF FINANCIAL POSITION

### 4.1 Assets

As of the end of the Reporting Period, our total assets amounted to RMB 504,521 million, an increase of RMB 63,057 million or 14.28% compared to the end of 2024. This growth primarily resulted from the steady expansion of our business scale, with loans and advances issued increasing by RMB 16,189 million or 7.80% compared to the end of 2024. Financial investments rose by RMB 20,575 million or 12.31% compared to the end of 2024. Additionally, we appropriately increased assets such as repurchase agreements and funds lent out to meet business needs. The following table sets forth the composition of our total assets as of the dates indicated.

Unit: RMB million (except percentages)

	December 31, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Loans and advances to customers	<b>223,695.3</b>	<b>44.34</b>	207,506.3	47.00
Financial investments	<b>187,712.4</b>	<b>37.21</b>	167,137.4	37.86
Cash and deposits with the Central Bank	<b>29,746.6</b>	<b>5.90</b>	27,352.5	6.20
Financial assets held under resale agreements	<b>4,797.1</b>	<b>0.95</b>	962.3	0.22
Deposits with banks and other financial institutions	<b>3,638.5</b>	<b>0.72</b>	3,204.7	0.73
Placements with banks and other financial institutions	<b>10,705.9</b>	<b>2.12</b>	71.8	0.02
Property and equipment	<b>4,922.7</b>	<b>0.98</b>	3,886.8	0.88
Right-of-use assets	<b>475.9</b>	<b>0.09</b>	464.1	0.11
Deferred tax assets	<b>4,035.2</b>	<b>0.80</b>	2,866.6	0.65
Lease receivables	<b>32,704.5</b>	<b>6.48</b>	24,338.8	5.51
Other assets <sup>(1)</sup>	<b>2,086.4</b>	<b>0.41</b>	3,672.5	0.82
<b>Total assets</b>	<b>504,520.5</b>	<b>100.00</b>	441,463.8	100.00

Note:

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

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

### 4.1 Assets (Cont'd)

#### 4.1.1 Loans and advances to customers

As of the end of the Reporting Period, the total loans amounted to RMB226,999 million, representing an increase of RMB16,667 million or 7.92% as compared to the end of 2024; among them, the balance of our corporate loans amounted to RMB171,523 million, representing an increase of RMBRMB21,005 million or 13.96% as compared to the end of 2024; the balance of personal loans amounted to RMB37,410 million, representing a decrease of RMB5,894 million or 13.61% as compared to the end of 2024; discounted bills amounted to RMB18,065 million, representing an increase of RMB1,556 million or 9.42% as compared to the end of 2024.

*Loans by business type*

Unit: RMB million (except percentages)

	December 31, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Corporate loans	171,523.2	75.56	150,518.0	71.56
Personal loans	37,410.1	16.48	43,303.8	20.59
Discounted bills	18,065.3	7.96	16,509.4	7.85
<b>Total loans</b>	<b>226,998.6</b>	<b>100.00</b>	210,331.2	100.00
Add: Interest accrued	1,781.6	–	1,779.1	–
Less: Provision for loans and advances to customers measured at amortised cost	5,084.9	–	4,604.0	–
<b>Loans and advances to customers</b>	<b>223,695.3</b>	–	207,506.3	–

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

### 4.1 Assets (Cont'd)

#### 4.1.1 Loans and advances to customers (Cont'd)

##### Corporate loans by industry

Unit: RMB million (except percentages)

	December 31, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
<b>Industry:</b>				
Leasing and business services	39,556.6	23.06	31,620.5	21.01
Wholesale and retail	29,088.7	16.96	20,893.0	13.88
Manufacturing	22,715.6	13.24	21,114.9	14.03
Construction	22,342.0	13.03	18,728.9	12.44
Water conservancy, environment and public facilities management	21,419.4	12.49	22,231.3	14.77
Electricity, heat, gas and water production and supply	11,896.0	6.94	7,877.7	5.23
Real estate	8,334.5	4.86	7,274.2	4.83
Agriculture, forestry, animal husbandry and fishery	4,498.8	2.62	3,923.9	2.61
Transportation, warehousing and postal services	2,933.1	1.71	2,826.3	1.88
Education	2,252.1	1.31	2,223.3	1.48
Health and social work	1,745.7	1.02	932.5	0.62
Accommodation and catering	1,440.4	0.84	1,351.7	0.90
Scientific research and technical services industry	875.3	0.51	504.6	0.33
Others <sup>(1)</sup>	2,425.0	1.41	9,015.2	5.99
<b>Total corporate loans</b>	<b>171,523.2</b>	<b>100.00</b>	150,518.0	100.00

Note:

- (1) Others consist primarily of information transmission, software and information technology services, mining, culture, sports and entertainment, resident services, maintenance and other services.

As of the end of the Reporting Period, the top five industries to which we distributed loans were leasing and business services, wholesale and retail, manufacturing, construction and water conservancy, environment and public facilities management; loans to customers in these five industries totaled RMB39,557 million, RMB29,089 million, RMB22,716 million, RMB22,342 million and RMB21,419 million, respectively, accounting for 23.06%, 16.96%, 13.24%, 13.03% and 12.49% of our total corporate loans, respectively.

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

### 4.1 Assets (Cont'd)

#### 4.1.1 Loans and advances to customers (Cont'd)

##### Corporate loans by product type

Unit: RMB million (except percentages)

	December 31, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Working capital loans	124,027.1	72.31	99,406.8	66.04
Fixed asset loans	43,923.4	25.61	41,113.7	27.32
Other loans <sup>(1)</sup>	3,572.7	2.08	9,997.5	6.64
<b>Total corporate loans</b>	<b>171,523.2</b>	<b>100.00</b>	<b>150,518.0</b>	<b>100.00</b>

Note:

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

##### Personal loans by product type

Unit: RMB million (except percentages)

	December 31, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Residential mortgage loans	14,131.1	37.77	14,844.6	34.28
Personal consumption loans	12,137.8	32.45	14,585.0	33.68
Personal business loans	11,141.2	29.78	13,874.2	32.04
<b>Total personal loans</b>	<b>37,410.1</b>	<b>100.00</b>	<b>43,303.8</b>	<b>100.00</b>

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

**4.1 Assets (Cont'd)**

*4.1.1 Loans and advances to customers (Cont'd)*

*Discounted bills*

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

Unit: RMB million (except percentages)

	December 31, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Bank acceptance bills	<b>8,123.2</b>	<b>44.97</b>	14,852.1	89.96
Commercial acceptance bills	<b>9,942.1</b>	<b>55.03</b>	1,657.3	10.04
Total discounted bills	<b>18,065.3</b>	<b>100.00</b>	16,509.4	100.00

*Distribution of loans and advances to customers by collateral*

Unit: RMB million (except percentages)

	December 31, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Pledged loans	<b>26,889.1</b>	<b>11.85</b>	23,427.6	11.14
Collateralised loans	<b>69,207.2</b>	<b>30.49</b>	66,363.8	31.55
Guaranteed loans	<b>88,450.0</b>	<b>38.96</b>	72,428.2	34.44
Unsecured loans	<b>24,387.0</b>	<b>10.74</b>	31,602.2	15.02
Discounted bills	<b>18,065.3</b>	<b>7.96</b>	16,509.4	7.85
Gross loans	<b>226,998.6</b>	<b>100.00</b>	210,331.2	100.00

# Chapter 1 Management Discussion and Analysis

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

### 4.1 Assets (Cont'd)

#### 4.1.1 Loans and advances to customers (Cont'd)

*Distribution of loans and advances to customers by geographical region*

Unit: RMB million (except percentages)

	December 31, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
<b>Region:</b>				
Weihai City	<b>76,808.9</b>	<b>33.84</b>	76,415.3	36.33
Outside Weihai City	<b>150,189.7</b>	<b>66.16</b>	133,915.9	63.67
Gross loans	<b>226,998.6</b>	<b>100.00</b>	210,331.2	100.00

#### 4.1.2 Financial investments

As of the end of the Reporting Period, the carrying value of our financial investments stood at RMB 187,712 million, an increase of RMB 20,575 million compared to the end of 2024, representing a growth of 12.31%. The following table sets forth the composition of our financial investment portfolio as of the dates indicated.

*Classification of financial investments by business model and cash flow characteristics*

Unit: RMB million (except percentages)

	December 31, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Financial investments measured at amortised cost	<b>89,623.0</b>	<b>47.75</b>	76,739.4	45.91
Financial investments measured at fair value through other comprehensive income	<b>85,171.3</b>	<b>45.37</b>	82,862.5	49.58
Financial investments measured at fair value through profit or loss	<b>12,918.1</b>	<b>6.88</b>	7,535.5	4.51
<b>Total financial investments</b>	<b>187,712.4</b>	<b>100.00</b>	167,137.4	100.00

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

**4.1 Assets (Cont'd)**

*4.1.2 Financial investments (Cont'd)*

*Financial investments measured at amortised cost*

As of the end of the Reporting Period, the book value of our financial investments measured at amortized cost amounted to RMB 89,623 million, an increase of RMB 12,884 million or 16.79% compared to the end of 2024. This growth primarily resulted from expanding investments in interest-bearing bonds, including government bonds, to provide support for local economies, promote coordinated regional development, and optimize our asset structure.

Unit: RMB million

	December 31, 2025	December 31, 2024
Debt securities issued by the following institutions in mainland China		
Government	<b>47,638.9</b>	35,164.3
Policy banks	<b>17,233.3</b>	12,646.8
Banks and other financial institutions	<b>9,599.7</b>	9,357.0
Corporates	<b>11,567.3</b>	15,560.5
Interests accrued	<b>1,653.9</b>	1,443.9
<b>Sub-total</b>	<b>87,693.1</b>	74,172.5
Investment management products	<b>3,839.6</b>	4,098.0
Asset-backed securities	<b>492.8</b>	818.2
Less: Allowance for impairment losses	<b>(2,402.5)</b>	(2,349.3)
<b>Total</b>	<b>89,623.0</b>	76,739.4

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

### 4.1 Assets (Cont'd)

#### 4.1.2 Financial investments (Cont'd)

*Financial investments measured at fair value through other comprehensive income*

As of the end of the Reporting Period, the carrying amount of our financial investments measured at fair value through other comprehensive income amounted to RMB85,171 million, representing an increase of RMB2,308 million, or 2.79%, compared to the end of 2024. This growth primarily resulted from our expansion of investments in government bonds to optimize our asset structure and provide support for regional economic development. The following table sets forth the components of our financial investments measured at fair value through other comprehensive income as of the dates indicated.

Unit: RMB million

	December 31, 2025	December 31, 2024
Debt securities issued by the following institutions in mainland China		
Government	27,987.5	13,326.5
Policy banks	16,421.0	18,005.7
Banks and other financial institutions	30,456.2	32,308.0
Corporates	7,358.4	10,868.0
Interests accrued	934.6	1,099.8
<b>Sub-total</b>	<b>83,157.7</b>	75,608.0
Interbank deposits	1,386.2	6,461.2
Asset-backed securities	312.3	478.2
Equity instruments	315.1	315.1
<b>Total</b>	<b>85,171.3</b>	82,862.5

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

**4.1 Assets (Cont'd)**

*4.1.2 Financial investments (Cont'd)*

*Financial investments measured at fair value through profit or loss*

As of the end of the Reporting Period, the carrying amount of our financial investments measured at fair value through profit or loss amounted to RMB12,918 million, representing an increase of RMB5,382 million, or 71.43%, compared to the end of 2024. This growth primarily resulted from the optimisation of the asset structure and a moderate increase in the scale of bond investments and investment management products. The following table sets forth the components of our financial investments measured at fair value through profit or loss as of the dates indicated.

Unit: RMB million

	December 31, 2025	December 31, 2024
Debt securities issued by the following institutions in mainland China		
– Banks and other financial institutions	1,907.8	1,428.9
– Corporates	144.4	–
<b>Sub-total</b>	<b>2,052.2</b>	1,428.9
Asset-backed securities	612.3	–
Fund investments	6,591.3	4,919.9
Investment management products	3,607.3	947.0
Repossessed equity	55.0	239.7
<b>Total</b>	<b>12,918.1</b>	7,535.5

# Chapter 1 Management Discussion and Analysis

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

### 4.2 Liabilities

As of the end of the Reporting Period, our total liabilities amounted to RMB 469,145 million, an increase of RMB 58,478 million or 14.24% compared to the end of 2024. This growth was primarily driven by our sustained efforts to intensify deposit marketing, resulting in a deposit intake increase of RMB 49,324 million or 16.34% over the end of 2024. Concurrently, we optimized our liability structure and increased utilization of low-cost funds from the central bank, with central bank borrowings rising by RMB 8,595 million compared to the end of 2024. The following table sets forth the composition of our total liabilities as of the dates indicated.

Unit: RMB million (except percentages)

	December 31, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Deposits from customers	<b>351,275.8</b>	<b>74.88</b>	301,951.6	73.53
Financial assets sold under repurchase agreements	<b>6,982.5</b>	<b>1.49</b>	12,101.7	2.95
Deposits from banks and other financial institutions	<b>3,366.2</b>	<b>0.72</b>	5,313.5	1.29
Placements from banks and other financial institutions	<b>34,699.4</b>	<b>7.40</b>	27,470.5	6.69
Debt securities issued	<b>48,715.1</b>	<b>10.38</b>	49,717.7	12.11
Borrowing from the Central Bank	<b>19,005.0</b>	<b>4.05</b>	10,409.6	2.53
Income tax payable	<b>473.6</b>	<b>0.10</b>	478.4	0.12
Lease liabilities	<b>469.2</b>	<b>0.10</b>	453.3	0.11
Other liabilities <sup>(1)</sup>	<b>4,157.9</b>	<b>0.88</b>	2,770.0	0.67
<b>Total liabilities</b>	<b>469,144.7</b>	<b>100.00</b>	410,666.3	100.00

Note:

- (1) Other liabilities consisted primarily of financial liabilities measured at fair value through profit or loss, interest payable, payment and collection clearance accounts, accrued staff costs and dividend payable.

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

**4.2 Liabilities (Cont'd)**

*4.2.1 Deposits from customers*

Deposits from customers are our primary source of funding. As of the end of 2024 and 2025, deposits accounted for 73.53% and 74.88% of our total liabilities, respectively. As of the end of the Reporting Period, total deposits reached RMB 342,333 million, an increase of RMB 48,843 million or 16.64% compared to the end of 2024. This growth primarily resulted from our sustained efforts in deposit marketing and customer acquisition, with both corporate and personal deposits achieving solid growth. The following table sets forth the composition of our deposits from customers as of the dates indicated.

Unit: RMB million (except percentages)

	December 31, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand deposits	<b>54,976.6</b>	<b>16.06</b>	57,361.0	19.54
Time deposits	<b>107,120.8</b>	<b>31.29</b>	94,022.7	32.04
<b>Sub-total</b>	<b>162,097.4</b>	<b>47.35</b>	151,383.7	51.58
Personal deposits				
Demand deposits	<b>11,529.8</b>	<b>3.37</b>	10,572.2	3.60
Time deposits	<b>168,700.0</b>	<b>49.28</b>	131,524.2	44.82
<b>Sub-total</b>	<b>180,229.8</b>	<b>52.65</b>	142,096.4	48.42
Inward and outward remittances	<b>5.4</b>	<b>0.00</b>	9.4	0.00
<b>Total</b>	<b>342,332.6</b>	<b>100.00</b>	293,489.5	100.00
Interests accrued	<b>8,943.2</b>		8,462.1	
<b>Deposits from customers</b>	<b>351,275.8</b>		301,951.6	

# Chapter 1 Management Discussion and Analysis

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

### 4.2 Liabilities (Cont'd)

#### 4.2.2 Placements from banks and other financial institutions

As of the Reporting Period, our outstanding borrowed funds balance amounted to RMB 34.699 billion, an increase of RMB 7,229 million compared to the end of 2024, representing a growth of 26.32%. This increase was primarily attributable to the sustained expansion of our financial leasing operations, which necessitated a corresponding rise in the scale of borrowed funds.

#### 4.2.3 Borrowings from the central bank

As of the end of the Reporting Period, our outstanding borrowings from the central bank amounted to RMB 19,005 million, an increase of RMB 8,595 million or 82.57% compared to the end of 2024. This was primarily due to our ongoing optimization of the liability business structure, appropriately increasing the utilization of low-cost funds from the central bank, resulting in a corresponding increase in outstanding borrowings from the central bank.

### 4.3 Shareholders' Equity

As of the end of the Reporting Period, our total equity amounted to RMB 35,376 million, an increase of RMB 4,578 million or 14.87% compared to the end of 2024. Total equity attributable to our shareholders reached RMB 27,301 million, up RMB 2,402 million or 9.65% from the end of 2024. The following table sets forth the composition of our shareholders' equity as of the dates indicated.

Unit: RMB million (except percentages)

	December 31, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Share capital	5,980.1	16.90	5,980.1	19.42
Capital reserve	7,356.9	20.80	4,925.1	15.99
Other equity instruments	5,999.1	16.96	3,999.3	12.99
Surplus reserve	2,107.3	5.96	1,904.0	6.18
General reserve	4,657.7	13.17	4,144.8	13.46
Other comprehensive income	277.4	0.78	1824.4	5.93
Retained earnings	6,921.7	19.56	6,120.4	19.87
Total equity attributable to equity shareholders of the Bank	33,300.2	94.13	28,898.1	93.84
Non-controlling interests	2,075.6	5.87	1,899.4	6.16
<b>Total equity</b>	<b>35,375.8</b>	<b>100.00</b>	30,797.5	100.00

## V. OFF-BALANCE SHEET ITEMS

Our off-balance sheet items particularly include credit commitment and capital commitment. Credit commitment is the most important component, and as of the end of the Reporting Period, the balance of credit commitment amounted to RMB76,506 million. For details, please refer to note 49 (1) to the financial statements in this report.

For details of pledges as collateral for liabilities, please refer to Note 49(5) to the financial statements in this report.

## VI. ANALYSIS OF LOAN QUALITY

During the Reporting Period, we continued to strengthen the management and control of the quality of credit assets, and the quality of credit assets remained stable. As of the end of the Reporting Period, our total loans (excluding accrued interest) amounted to RMB226,999 million, representing an increase of RMB16,667 million or 7.92% as compared with the end of 2024; total non-performing loans amounted to RMB3,210 million, representing an increase of RMB250 million or 8.45% as compared with the end of 2024.

### 6.1 Distribution of Loans by Five-category Classification

Unit: RMB million (except percentages)

	December 31, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Normal loans	218,955.2	96.46	201,596.2	95.85
Special-mentioned loans	4,833.2	2.13	5,774.9	2.74
<b>Sub-total of normal loans</b>	<b>223,788.4</b>	<b>98.59</b>	207,371.1	98.59
Substandard loans	1,727.1	0.76	1,221.7	0.58
Doubtful loans	1,053	0.46	1,476.1	0.70
Loss loans	430.1	0.19	262.3	0.13
<b>Sub-total of non-performing loans</b>	<b>3,210.2</b>	<b>1.41</b>	2,960.1	1.41

Under the five-category loan classification system, our non-performing loans include substandard, doubtful and loss loans. As of the end of the Reporting Period, our non-performing loan ratio remained stable as compared to the end of 2024. In particular, the proportion of substandard loans increased by 0.18 percentage points to 0.76% as compared to the end of 2024, while the proportion of doubtful loans decreased by 0.24 percentage point to 0.46% as compared to the end of 2024, and the proportion of loss loans increased by 0.06 percentage points to 0.19% compared to the end of 2024.

# Chapter 1 Management Discussion and Analysis

## VI. ANALYSIS OF LOAN QUALITY (CONT'D)

### 6.2 Distribution of Non-performing Corporate Loans by Industry

Unit: RMB million (except percentages)

	December 31, 2025			December 31, 2024		
	Amount of non-performing loans	% of total	Non-performing loan ratio (%)	Amount of non-performing loans	% of total	Non-performing loan ratio (%)
Real estate	612.8	49.50	7.35	395.4	55.03	5.44
Wholesale and retail	311.8	25.19	1.07	151.5	21.09	0.72
Manufacturing	236.5	19.10	1.04	95.9	13.35	0.45
Construction	33.3	2.69	0.15	20.8	2.89	0.11
Information transmission, software and information technology services	11.8	0.95	1.37	2.6	0.36	0.67
Agriculture, forestry, animal husbandry and fishery	9.1	0.74	0.20	24.1	3.35	0.61
Transportation, warehousing and postal services	6.5	0.53	0.22	5.8	0.81	0.21
Scientific research and technical services	4.3	0.35	0.49	3.5	0.49	0.69
Others	11.8	0.95	0.01	18.9	2.63	0.03
<b>Total</b>	<b>1,237.9</b>	<b>100</b>	<b>0.72</b>	<b>718.5</b>	<b>100</b>	<b>0.49</b>

Note:

- (1) Others consist primarily of resident services, maintenance and other services, leasing and business services, water conservancy, environment and public facilities management, electricity, heat, gas and water production and supply, culture, sports and entertainment, accommodation and catering, hygiene and social welfare and education.

# Chapter 1 Management Discussion and Analysis

## VI. ANALYSIS OF LOAN QUALITY (CONT'D)

### 6.3 Distribution of Non-performing Loans by Geographical Region

Unit: RMB million (except percentages)

	December 31, 2025			December 31, 2024		
	Amount	% of total	Non-performing loan ratio (%)	Amount	% of total	Non-performing loan ratio(%)
Weihai City	1,140.4	35.52	1.48	631.8	21.34	0.83
Outside Weihai City	2,069.8	64.48	1.38	2,328.3	78.66	1.74
<b>Total non-performing loans</b>	<b>3,210.2</b>	<b>100.00</b>	<b>1.41</b>	<b>2,960.1</b>	<b>100.00</b>	<b>1.41</b>

### 6.4 Concentration of Borrowers

Pursuant to the Administrative Measures for the Large Risk Exposure of Commercial Banks and the Core Indicators for Risk Supervision of Commercial Banks (Provisional), loans to a single borrower by a commercial bank shall not exceed 10% of its net capital. As of the end of the Reporting Period, the amount of loans to our largest single customer accounted for 4.8% of our net capital, which was in compliance with regulatory requirements.

#### *Loans to the top ten single borrowers*

Unit: RMB million (except percentages)

	Industry	Loan amount as of the end of the Reporting Period	% of total loans	% of net capital	Five-category classification
Borrower A	Leasing and business services	1,998.0	0.88	4.80	Normal
Borrower B	Water conservancy, environment and public facilities management	1,862.8	0.82	4.47	Normal
Borrower C	Leasing and business services	1,750.0	0.77	4.20	Normal
Borrower D	Wholesale and retail	1,650.0	0.73	3.96	Normal
Borrower E	Leasing and business services	1,500.0	0.66	3.60	Normal
Borrower F	Leasing and business services	1,460.0	0.64	3.51	Normal
Borrower G	Leasing and business services	1,453.8	0.64	3.49	Normal
Borrower H	Water conservancy, environment and public facilities management	1,443.2	0.64	3.46	Normal
Borrower I	Leasing and business services	1,247.8	0.55	3.00	Normal
Borrower J	Leasing and business services	1,222.4	0.54	2.93	Normal
<b>Total</b>		<b>15,588.0</b>	<b>6.87</b>	<b>37.42</b>	

# Chapter 1 Management Discussion and Analysis

## VII. SEGMENT REPORTING

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

Unit: RMB million (except percentages)

	December 31, 2025		December 31, 2024	
	Operating income of the segment	% of total	Operating income of the segment	% of total
Corporate banking	6,488.7	65.43	5,817.5	62.45
Retail banking	1,574.4	15.87	1,691.7	18.16
Financial market business	1,861.0	18.76	1,803.1	19.36
Others	(6.5)	(0.06)	3.3	0.03
<b>Total</b>	<b>9,917.6</b>	<b>100.00</b>	<b>9,315.6</b>	<b>100.00</b>

## VIII. BUSINESS DEVELOPMENT

We thoroughly implemented national policies and actively upheld the political and people-oriented nature of the financial work, regarded the “Five Major Articles” for serving the real economy as the primary responsibility and core mission, focused on empowering the real economy through corporate operations, provided targeted support to areas of public welfare through retail operations, and expand channels for value creation through financial markets operations, enhancing the effectiveness in serving the real economy and driving our own sustainable, high-quality development.

### 8.1 Five Major Articles

In 2025, We remained committed to serving the real economy, focusing on “Five Major Articles”, technology finance, green finance, inclusive finance, pension finance, and digital finance, clarified our direction, prioritized core focus, and concentrated resources to build a competitive edge through differentiation, achieving significant results.

## VIII. BUSINESS DEVELOPMENT (CONT'D)

### 8.1 Five Major Articles (Cont'd)

#### (1) Green Finance

The Bank has thoroughly advanced the “Year of Substantial Enhancement of Green Finance” campaign (綠色金融大幅提升年), kept closely aligned with the orientation of green transformation of the regional economy, innovatively developed a diversified range of green products, explored a targeted service and management model, and built the distinctive brand of “Golden the Green(綠色成金)”, making sustained financial contributions to the “Dual Carbon Goals (雙碳目標)”. First, product innovation has been promoted to improve quality and efficiency. The “Green Plus” model (綠色+模式) has been fully implemented with targeted multi-dimensional layout. On the basis of models including “Green Plus Blue (綠色+藍色)”, “Green Plus Supply Chain (綠色+供應鏈)” and “Green Plus Inclusive (綠色+普惠)”, 23 green financial products have been successively launched. The first “Carbon Footprint-linked Loan (碳足跡掛鉤貸款)” and “Blue Biodiversity + Sustainable Development-linked Loan (藍色生物多樣性+可持續發展掛鉤貸款)” in Shandong province have been innovatively introduced. “Marine Industry Loan(海洋產業貸)” has been awarded the Innovative Marine Financial Service Products by the Marine Affairs Bureau of Shandong Province in 2025 (山東省海洋局2025年涉海金融服務產品創新獎). Second, information disclosure has highlighted distinctive features. The Bank has actively explored information disclosure in compliance with the TNFD framework, and issued the 2024 Annual Nature-related Financial Disclosures Report (《2024年度自然相關資訊揭露(TNFD)報告》), becoming the first commercial bank in China to systematically disclose nature-related information. Third, the brand image has been positively shaped. The Bank has actively integrated into cooperation networks, and jointly built a green finance service ecosystem with local governments, industry associations, green enterprises and financial institutions, enhancing the visibility and influence of the “Golden the Green” (綠色成金) brand. Fourth, channel development has deepened consensus. The Bank has formally signed the United Nations Principles for Responsible Banking (PRB) (聯合國《負責任銀行原則》), becoming the first city commercial bank in Shandong Province to sign the Principles. It has joined professional green finance organizations such as the China-UK Biodiversity (“中英生物多樣性”), and actively participated in domestic and international green finance exchanges. Fifth, scientific and technological empowerment has focused on breakthroughs. The Green Finance Management System has been fully launched. Through the in-depth integration of intelligent platforms and the whole process of green finance business, functions including intelligent identification of green loans, accurate measurement of environmental benefits and carbon emission accounting have been realized, significantly improving the efficiency and accuracy of green business recognition and further enhancing green finance service capacity. As at the end of the Reporting Period, the outstanding green loans amounted to RMB56.21 billion, an increase of RMB18.933 billion or 50.79% compared with the end of 2024, accounting for 24.76% of total loans. Both the increment and proportion ranked among the top of city commercial banks in Shandong province.

## VIII. BUSINESS DEVELOPMENT (CONT'D)

### 8.1 Corporate Banking (Cont'd)

#### (2) Tech Finance

The Bank thoroughly implemented the national requirements on advancing the major article of technology finance, centered on the main theme of high-quality development, and focused on specialized business areas. It pursued both volume expansion and structural optimization, advanced policy empowerment and service innovation in tandem, and built a tech finance service system covering the full life cycle of enterprises to achieve deep integration between financial supply and corporate innovation efficiency. First, it improved the organizational structure to consolidate the service foundation. The Bank set up a Tech Finance Department at the head office and appointed tech finance specialists at branches, forming a vertical management system of “head office coordination and branch collaboration”. Through specialized team building and resource integration, a collaborative front-middle-back office mechanism was established to deliver efficient, targeted financial services to tech enterprises. Second, it innovated the product system to empower tech enterprises. Relying on the integrated service framework of the five chains – policy chain, innovation chain, industrial chain, capital chain and talent chain – it systematically established a full-cycle gradient service matrix of “Guardian Navigation Loan (護航貸), Startup Navigation Loan (啟航貸), Leadership Navigation Loan (領航貸) and Voyage Navigation Loan (遠航貸) series”, precisely targeting the differentiated financing needs of enterprises at various stages including start-up, growth, and maturity. This product system was successfully awarded as a typical case of “Good Products Finance · Empowering Sci-Tech Innovation” (好品金融·賦能科創) in Shandong Province. Third, it optimized the service model to improve quality and efficiency. The Bank launched an innovative investment-loan linkage comprehensive service scheme, integrating credit support and equity investment resources to meet the diversified financing needs of tech enterprises. It also rolled out special products such as Research & Development Loan (科研貸) and Smart Factory Loan (智能工廠貸), established a rapid approval channel, and enhanced service response efficiency. Fourth, it improved the institutional system to strengthen risk control. The Bank formulated and refined administrative measures for tech finance products and criteria for tech finance asset identification, further raising business standardization and risk control capacity to drive high-quality development of tech finance. Fifth, it built an ecological platform to deepen collaborative empowerment. By creating a “Sci-Tech Innovation Win-Win Circle (科創共贏圈)”, the Bank actively built a platform connecting policy, industrial and capital resources, providing a one-stop “financing + intellectual support (融資+融智)” solution. It fully practiced the philosophy of being a partner bank that grows together with enterprises, upgraded bank-enterprise cooperation from single capital supply to strategic collaboration, and built an open, shared and win-win tech finance ecosystem. By the end of the Reporting Period, the Bank’s outstanding loans to tech-based enterprises reached RMB17,211 million, an increase of RMB7,111 million or 70.41% compared with the end of 2024.

## VIII. BUSINESS DEVELOPMENT (CONT'D)

### 8.1 Corporate Banking (Cont'd)

#### (3) *Inclusive Finance*

The Bank has effectively advanced the major article of inclusive finance. First, the bank has established an inclusive specialised institution, the small enterprise financial service center, and set up Inclusive Finance Department, achieving full coverage of specialised inclusive finance teams across all institutions. Relying on the three-dimensional service framework of “Head Office Specialized Operation + Branch Coverage (總行專營+分支覆蓋)”, the team of inclusive customer managers has been expanded through multiple channels to continuously extend marketing reach. Second, the quality of inclusive product and service has been improved. In-depth exploration has been made on the specific scenario of government procurement, and the “Government Procurement Loan (政採貸)” business launched on the basis of government procurement contracts. Focusing on solving financing guarantee difficulties, the fully online credit product “xcellent Enterprise Loan (優企貸)” has been introduced mainly based on tax and cash flow information. Third, the interconnection of public-private service chains has been promoted. Relying on agile teams for public-private linkage (公私聯動敏捷小組), the sharing of customer resources has been strengthened to promote full-chain inclusive finance services for upstream and downstream enterprises. Fourth, the bank-guarantee collaborative service model and new bank-guarantee cooperation have been deepened, and the coordination with the local management centers of the agricultural credit guarantee company to identify local specialised industrial clusters and promote the integration of specialised clusters into the agricultural guarantee risk-sharing mechanisms, significantly enhancing the ability to provide credit enhancement guarantees for “agriculture, rural areas, and farmers” as well as small and micro entities; meanwhile, specialised products such as the Preferential Agricultural Loan (惠農貸), greenhouse loan and electronic warehouse receipt pledge loan have been promoted to support the upgrading of the agricultural industry. As at the end of the Reporting Period, the outstanding balance of inclusive loans of the Bank amounted to RMB35.631 billion, an increase of RMB3.860 billion or 12.15% from the end of 2024. The average interest rate on inclusive loans was 4.30%, and the number of inclusive loan customers stood at approximately 67,400, effectively meeting the funding needs of inclusive micro and small enterprises.

## VIII. BUSINESS DEVELOPMENT (CONT'D)

### 8.1 Corporate Banking (Cont'd)

#### (4) Pension Finance

The Bank has actively responded to the national strategic deployment for the development of the elderly care service industry, comprehensively increased financial support for the development of elderly care services, and actively explored new models for the development of elderly finance business. First, benchmark outlets for elderly finance have been built. In 2025, focus was placed on developing age-friendly service outlets. The Bank's Huancui Supervising Division has become one of the first eight "Demonstration Outlets for Elderly Finance" (養老金融示範行) accredited by the PBC Shandong Branch. Another 10 age-friendly outlets have successfully passed the on-site acceptance by the National Financial Technology Certification Center (Beijing). Second, elderly care credit has been increased. For elderly care institutions and enterprises in the elderly care industry chain, mortgage loans secured by real property rights such as land use rights and real estate as well as elderly care facilities, and pledge loans secured by equity interests including accounts receivable, intellectual property rights and bed usage charging rights have been provided, fully supporting the high-quality development of the silver-haired economy. Third, the online comprehensive service platform "Elderly Care Market" has been innovatively built to provide one-stop services covering clothing, food, housing, transportation, finance and health for the elderly. Four core sectors, namely elderly finance, tourism and catering, agricultural and sideline products, and health care, have been formed, creating a closed-loop ecosystem of "information aggregation + service implementation (信息匯聚+服務落地)". Fourth, the service quality for elderly customers has been continuously enhanced. The large-font version personal online banking and mobile banking have been launched for online clients, and green channels for elderly care services have been established at offline outlets, providing multi-channel caring services for elderly customers.

## VIII. BUSINESS DEVELOPMENT (CONT'D)

### 8.1 Corporate Banking (Cont'd)

#### (5) Digital Finance

The Bank has adhered to technology-driven innovation and data-empowered development, systematically advancing digital finance construction to comprehensively enhance our digital capabilities in serving the real economy. First, we have continuously promoted digital transformation. We engaged professional consulting firms to conduct digital transformation assessments, precisely identifying development gaps and areas for improvement. We introduced the Digital Transformation Project Management Measures (《數字化轉型項目管理辦法》), established a project management leadership team and a PMO working group, and improved the full-cycle project management mechanism. Second, we deepen public data utilization. Focusing on data requirements for the “Five Major Initiatives,” we solidify our data foundation, leveraging 50 million public data entries from industrial and commercial, social security, and tax authorities throughout the year to transform data from a “resource” into an “asset”. In the 2025 “Data Element X” Competition’s Shandong Regional Contest, our entry Harnessing Data Element Value to Empower High-Quality Green Finance Development (《發揮數據要素價值賦能綠色金融業務高質量發展》) won second prize in the Financial Services category. Simultaneously, the Bank strictly implemented graded and categorized data management, applying specialized de-identification to sensitive data to ensure “usable but invisible (可用不可見)”, thereby safeguarding security. Third, we advanced product and service innovation. Focusing on scenario needs, we launched a series of distinctive products including Shared e-Loan (共享e貸), White-Collar Loan 2.0 (白領貸2.0), Privilege Loan (尊享貸), Boost Loan (助力貸), and Premium Enterprise Loan (優企貸), building an integrated “technology + industry + finance” service system. In supply chain finance, we implemented a list-based marketing approach for core enterprises to drive business volume growth. We continuously optimized the supply chain platform by adding features like facial recognition to enhance user experience and platform engagement. Fourth, we gained industry recognition. This year, we received multiple honors including the “Outstanding Scenario Finance Innovation Case Award (場景金融創新優秀案例獎)” from Jinke Innovation Association (金科創新社), the “Outstanding Case of Innovative Development in Chinese Banking (中國銀行業創新發展優秀案例)” from Tsinghua Financial Review, and the “Best Supply Chain Finance Growth Bank Award (最佳供應鏈金融成長銀行)” at the 10th China Supply Chain Finance Annual Conference (第十屆中國供應鏈金融年會).

## VIII. BUSINESS DEVELOPMENT (CONT'D)

### 8.2 Corporate Banking

The Bank's corporate banking business adhered to a strategy of seeking progress through stability, anchored the efforts in the goal of high-quality development, fully relied on the advantages of shareholders, business scale and network, and continuously improved comprehensive service capability by aligning with regional development plans and focusing on local specialised industries, establishing a differentiated and distinctive business model. By vigorously advancing the "Five Major Articles", strengthening chain marketing, technology empowerment, collaboration of lines and lines, and refined management, the accuracy and efficiency of services to the real economy have been continuously improved to drive steady growth in the scale and efficiency of the business, while providing robust financial support for regional economic development.

#### (1) Corporate customers

Rooted in Shandong and committed to providing dedicated service, the Bank has established a stable corporate customer base primarily comprising the governmental agencies, state-owned enterprises, business units, and industrial and commercial enterprises. The marketing focus of the Bank's corporate customers was firstly, to closely align with the strategic direction of the "Five Major Article," and leverage the scale and efficiency of the Bank through platform building and selected customers, forming a group of high quality customers in the green finance, technology finance, and industry and trade finance categories; secondly, to deepen chain marketing, rely on core customers, integrate core customer resources, make full use of supply chain products, explore upstream and downstream industrial chains, marketed high-quality supply chain financial customers, and expand the service scope for the financial products of the Bank; thirdly, to strengthen the construction and association of channel visitors, play the role of the main position of the branch, deeply cultivate parks, associations, streets and other specific channel lists, enrich the channel construction and association mode, followed up channel referrals to drive conversions, and continuously stimulate new momentum for the growth of the customer base. As of the end of the Reporting Period, there were 85,541 corporate customers, representing a net increase of 14,795 customers as compared with that as of the end of 2024.

## VIII. BUSINESS DEVELOPMENT (CONT'D)

### 8.2 Corporate Banking (Cont'd)

#### (2) *Corporate deposits*

During the Reporting Period, the Bank has achieved steady growth in corporate deposits. First, it focused on customer base development by relying on differentiated and specialised financial services including channel-based customer visits, list-based customer visits and chain marketing, to expand the customer base, drive growth and consolidate the customer foundation; second, it strengthened scenario development by deeply exploring business linkage scenarios centered on the "Five Major Article," embedding deposit expansion into service chains such as technology finance, green finance, and supply chain finance to improve the standards of linkage marketing and refined marketing. Third, it advanced technological empowerment by continuously optimizing system platforms to support business opportunity acquisition and accurate marketing, enhancing the effectiveness of corporate deposit expansion.

As of the end of the Reporting Period, the balance of corporate deposits amounted to RMB162,097 million, representing an increase of RMB10,714 million or 7.08% as compared with the end of 2024, accounting for 47.35% of the balance of all deposits. In particular, the balance of corporate demand deposits amounted to RMB54,977 million, accounting for 33.92% of the balance of corporate deposits; and the balance of corporate time deposits amounted to RMB107,121 million, accounting for 66.08% of the balance of corporate deposits.

#### (3) *Corporate loans*

During the Reporting Period, the Bank closely aligned with national strategic priorities and regulatory guidelines, remained committed to the fundamental role of finance in serving the real economy, and continued to optimize the allocation of credit resources. The credit allocation prioritized green finance, technology finance, and industrial finance, with a particular focus on specialized and sophisticated enterprises, strategic emerging industries, and advanced manufacturing, provided targeted support to ensure the stability and smooth operation of industrial and supply chains, while increasing financial support for private enterprises, rural revitalization, and people's livelihood security. Meanwhile, active supports for the transformation and upgrading of traditional industries, technological transformation and energy conservation and environmental protection projects and continuous improvements in the quality and efficiency of credit services, and continuous efforts to foster a favorable business environment for financing.

As of the end of the Reporting Period, the balance of corporate loans was RMB171,523 million, representing an increase of RMB21,005 million or 13.96% as compared with the end of 2024, of which the working capital loans was RMB124,027 million, accounting for 72.31% of the balance of corporate loans; the balance of fixed asset loans was RMB43,923 million, accounting for 25.61% of the balance of corporate loans; and the balance of other loans was RMB3,573 million, accounting for 2.08% of the balance of corporate loans.

## VIII. BUSINESS DEVELOPMENT (CONT'D)

### 8.2 Corporate Banking (Cont'd)

#### (4) *Supply chain financing business*

During the Reporting Period, building on the distinctive characteristics of the regional industries, the Bank promoted the deep integration of supply chain finance with industrial finance, transportation finance, technology finance, and inclusive finance, continuously enhancing its comprehensive service capabilities. Centering on four key scenarios including raw material procurement, manufacturing, warehousing and logistics, and end-user sale, a differentiated product and service system has been established to precisely address the financing needs of customers at all stage of the industrial chain. Focusing on key customers and adhering to the philosophy of “serving our customers’ customers” to conduct chain marketing. High-quality core enterprises such as large central and state-owned enterprises, listed companies, industry leaders, and top 100 companies were prioritized in identifying the needs of their upstream and downstream customers, tailoring service solutions, and meeting their diverse service requirements. Continuously advancements in the digital transformation of the supply chain business and launch of new scenarios and models to increase the number of high-quality external platform integrations, and further expand the customer acquisition channels. As of the end of the Reporting Period, the Bank’s balance of supply chain financing business was RMB18,143 million.

#### (5) *Trade finance business*

During the Reporting Period, the Bank developed the “Weiyin Cross-Border Pass (威銀跨境通)” cross-border financial product system, which encompasses a wide range of products and services including settlement, financing, foreign exchange hedging, asset appreciation, and overseas expansion services, providing diversified and comprehensive financial support to corporate customers engaged in cross-border transactions. As of the end of the Reporting Period, the Bank had 24 branches and sub-branches providing international settlement services and had established agency relationship with over 200 banks, covering the countries (regions) including mainland China, Hong Kong, Germany and the United States. The Bank has continued to deepen tiered management and targeted services for trade finance customers, steadily expand the customer base, and enhance the quality and efficiency of the business operations. During the Reporting Period, the trading and financial services transaction volume amounted to US\$11,091 million.

## VIII. BUSINESS DEVELOPMENT (CONT'D)

### 8.3 Retail Banking Business

During the Reporting Period, the Bank continued to deepen the transformation of its retail business, with “reinforcing technology empowerment, accelerating digital transformation” as the engine, expanding scale, optimizing structure, enhancing profitability, and upgrading the customer experience as the core, driving the retail business shifts from “product-driven” to “customer-driven,” continuously optimizing the organizational structure of the retail business, strengthening customers management, and enhancing the retail business’s overall profitability and market competitiveness to achieve high-quality and rapid development.

#### (1) Retail customers

The Bank adhered to a dual-pronged approach of “expanding scale and optimizing structure,” deepened integrated customer acquisition channels such as public-private collaboration and scenario-based customer acquisition, gradually established a full-cycle customer management system, refined the retail product portfolio, reinforced technology empowerment, and built diversified marketing models to enhance customer retention and loyalty, thereby driving synchronized growth in both the retail customer scale and AUM (Assets Under Management). Continuous promotion of the comprehensive development of third-party wealth management, insurance, mutual funds, and precious metals businesses, enrichment of wealth product offerings, to deepen the wealth management capabilities for clients and increase fee-based income. At the same time, a dedicated “business-technology integration” team has been established to further develop marketing management tools on the smart marketing platform, thereby creating a long-term, foundational technological platform to support both client-facing marketing and internal marketing management.

The Bank has a wide range of retail banking customers in Shandong Province and Tianjin. As of the end of the Reporting Period, the assets retained by approximately 5,148,400 retail customers in the Bank amounted to RMB224,334 million, representing an increase of 23.52% as compared with the end of 2024. The Bank continued to enhance its wealth management capabilities for high-net-worth private customers, has established a secondary division within the private banking department, deepening its engagement with private banking customers, as of the end of the Reporting Period, the financial assets retained in the Bank by customers with personal financial assets of over RMB2 million amounted to RMB37,532 million, accounting for 16.73% of the personal financial assets of the Bank.

#### (2) Personal deposit business

The Bank regarded personal deposits as the cornerstone of sound retail operations and has implemented a range of measures to drive steady growth in total personal deposits. Continuous enhancement of cost control for personal deposits, aligning with refined, differentiated, and tiered product strategies, deepening marketing efforts in key scenarios such as payroll disbursement, and continuously optimizing the structure of personal deposits, thereby further solidifying the foundation. As of the end of the Reporting Period, the balance of the Bank’s personal deposits reached RMB180,230 million, representing an increase of RMB38,133 million or 26.84% as compared with the end of 2024.

## VIII. BUSINESS DEVELOPMENT (CONT'D)

### 8.3 Retail Banking Business (Cont'd)

#### (3) *Personal loan business*

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

#### *Personal consumption loans*

The Bank closely aligns itself with the national strategy of expanding domestic demand and promoting consumption, continuously deepening the transformation of its personal consumption lending business. With a steadfast client-centric approach, the Bank has vigorously developed a suite of consumer loan products under its “Happy Consumption Loan” brand, as well as “Quick e-Loan”—an online, revolving, and distinctive consumer loan product. Through differentiated and refined bundled marketing initiatives, the Bank channels financial resources to support the upgrading and quality enhancement of household consumption, thereby achieving concurrent improvements in business mix, risk management capabilities, and service delivery. This has effectively driven high-quality growth in the Bank’s personal consumption lending business. As of the end of the Reporting Period, the Bank’s personal consumption loans amounted to RMB12,138 million.

#### *Residential mortgage loans*

During the Reporting Period, the Bank promoted the interest rate adjustment in outstanding mortgage and the adjustment in repricing cycle in accordance with the requirements of national policies to support residents’ reasonable housing needs and steadily develop individual residential mortgage loans. The Bank strengthened the risk prevention and control of mortgage business, and focused on marketing high-quality developers, high-quality properties and high-quality customers to promote the growth of residential mortgage business. As at the end of the Reporting Period, the residential mortgage loans amounted to RMB14,131 million.

#### *Personal business loans*

In personal business lending, the Bank adheres to a community-based and grid-oriented marketing approach and has launched the “Weiyin Easy Loan” product. Tailored for high-quality properties and creditworthy borrowers, the Bank introduced the “Preferred Property e-Loan” offering. Additionally, the “Support Loan” product was developed specifically to serve growth-oriented individual entrepreneurs and high-potential, reputable, distinctive, or newly emerging clients. As of the end of the Reporting Period, the Bank’s outstanding personal business loans amounted to RMB11,141 million.

## VIII. BUSINESS DEVELOPMENT (CONT'D)

### 8.3 Retail Banking Business (Cont'd)

#### (4) *Personal wealth management business*

During the Reporting Period, the Bank provided customers with a series of products including “Steady Growth (穩健成長)” and “Happy Share of Earnings (快樂享盈)”. As of the end of the Reporting Period, the scale of the Bank’s personal wealth management business reached RMB29,596 million, all of which were net-worth wealth management.

#### (5) *Bank card business*

Debit card business: During the Reporting Period, the Bank has driven steady growth in debit card issuance through a series of initiatives, including optimizing business processes, expanding the range of debit card options, and enhancing cardholder benefits. As of the end of the Reporting Period, the Bank issued a total of approximately 5,182,200 debit cards, representing an increase of approximately 143,600 cards or 2.85% as compared with the end of 2024. During the Reporting Period, the total transaction volume of consumption through the Bank’s debit cards was RMB3,652 million.

Credit card business: The Bank implements a refined service strategy for its credit card business, tailored to distinct customer segments. Based on applicants’ credit ratings, the Bank offers three product tiers: Classic, Gold, and Platinum cards. Cardholders in each tier enjoy exclusive benefits and preferential services commensurate with their card type. Specifically targeting vehicle owners, the Bank actively promotes its Vehicle Owner Credit Card, which provides dedicated green mobility services to this segment. Beyond basic spending functionality, the Bank’s credit cards also offer a diverse range of installment payment products, covering key consumption scenarios such as automobile purchases and general consumer goods. As of the end of the Reporting Period, the Bank had issued a total of approximately 224,300 credit cards.

### 8.4 Financial Market Business

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

## VIII. BUSINESS DEVELOPMENT (CONT'D)

### 8.4 Financial Market Business (Cont'd)

#### (1) *Proprietary investment*

The Bank continued to optimize investment structure, reduced the proportion of investment and SPV investment, improved asset liquidity and supported the development of the real economy. As of the end of the Reporting Period, the Bank had financial investments with a carrying amount of RMB187,712 million, representing an increase of RMB20,575 million or 12.31% as compared to the end of 2024. In 2025, the increase in such assets was mainly due to the following reasons: firstly, our active risk management and adjustment of investment structure by moderately increasing the investment in low-risk policy bank bonds and government bonds according to the situation of bond markets; and secondly, the increase in holding of policy bank bonds, local government debt, bank and other financial institution bonds for the purpose of both liquidity and efficiency.

#### (2) *Interbank business*

The Bank actively utilized different types of interbank liabilities and reasonably matched their maturity structure, which effectively reduced the cost of interbank liabilities and also met the Bank's needs for liquidity management. Meanwhile, the Bank responded to regulatory guidance, paid attention to market movements and actively participated in market transactions. During the Reporting Period, the Bank's transaction volume in the national interbank market reached RMB5.78 trillion.

#### (3) *Investment banking business*

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

During the Reporting Period, the Bank has been approved by the National Association of Financial Market Institutional Investors (NAFMII) as a credit risk mitigation warrant (CRMW) originator.

## VIII. BUSINESS DEVELOPMENT (CONT'D)

### 8.4 Financial Market Business (Cont'd)

#### (4) *Wealth management business*

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

During the Reporting Period, proceeds of RMB44,299 million were raised from the wealth management business (all of which were open-end wealth management products). Proceed from open-end products subject to redemption of principal amounted to RMB49,398 million in aggregate. The balance of the wealth management products as of the end of the Reporting Period was RMB30,767 million.

### 8.5 Internet Finance Business

The Bank always attaches great importance to the important role of technology in driving business development. It focuses on digital transformation and market orientation, prioritizes sustained product innovation capabilities, embraces a scenario-based mindset, continues building an autonomous, controllable, open and ecological smart bank that delivers outstanding performance, and cultivates core competitiveness through enhancing technology empowerment.

#### (1) *Self-service banking*

The Bank's self-service banking facilities include ATMs, self-service deposit and withdrawal machines, smart teller machines, Smart Terminals (智能终端), Smart Self-Service Receipt Machines (智能回單機), Smart Counter (智能櫃檯) and automatic inquiry machines. These facilities provide customers with convenient banking services while allowing the Bank to reduce operating costs. Services provided through these facilities include balance inquiry, cash deposit and withdrawal, fund transfer, and payment of public utility bills. As of the end of the Reporting Period, the Bank had 489 self-service banking facilities.

In addition, the Bank actively upgrades its self-service banking facilities and uses innovative applied technology on them in order to provide better services and experiences to customers. For instance, the Bank had rolled out facial recognition systems on smart devices. Smart devices offer similar functions as traditional bank tellers and operate only on touch-screen systems, which reduces the communication and inquiry time with bank tellers and improves the efficiency of business processing through intuitive function display. As of the end of the Reporting Period, the Bank had 245 smart devices.

## VIII. BUSINESS DEVELOPMENT (CONT'D)

### 8.5 Internet Finance Business (Cont'd)

#### (2) *Electronic banking channels*

The Bank continued to build a diversified electronic banking service system, encompassing an full-channel service matrix that includes online banking, mobile banking, telephone banking, and WeChat banking, effectively expanding the financial services coverage with 24/7 constant service, extending the service radius, and significantly enhancing financial service penetration, operational efficiency, and the customer experience.

#### *Online banking*

The Bank's online banking platform, accessible via its official website entrance [www.whccb.com](http://www.whccb.com), offers comprehensive financial services to corporate banking customers and personal customers. Corporate customers: supports core corporate banking services such as account inquiry and management, payment and settlement, payroll processing, and fund transfers; personal customers: provides retail financial services including account management, transfer and remittance, wealth management products, bill payment services, and personal loans. In 2025, the personal online banking platform had undergone a comprehensive upgrade, supporting personalized settings to offer a tailored experience for each user, with a brand-new UI design, the interface became more refined and polished, enhancing both the visual experience and ease of use, thereby further improving customer satisfaction and enabling more sophisticated management capabilities. As of the end of the Reporting Period, the Bank had a total of approximately 759,900 online banking customers, including approximately 78,500 corporate banking customers and approximately 681,400 retail banking customers. During the Reporting Period, an aggregate transaction amount of RMB1,367,684 million was processed through the Bank's online banking platform.

#### *Mobile banking*

The Bank's mobile banking APP leveraged secure authentication and encrypted communication technologies to provide customers with 24/7 mobile financial services, with functions including account information inquiry, transfer and remittance, top-up and payment, investment and wealth management, fund collection, withdrawal via mobile phone and outlet inquiry. The APP also includes SMS notification services that deliver real-time updates on account transactions, account safety verification and risk alerts. In 2025, the corporate mobile banking underwent optimization and upgrades, enabling one-screen access to all services, and comprehensive functional upgrades across accounts, settlements, payroll processing, wealth management, loans and bills, significantly enhancing the convenience and user experience for corporate customers conducting business via mobile devices. As of the end of the Reporting Period, the Bank had approximately 4.0593 million mobile banking users, representing an increase of 6.60% as compared with the end of 2024. During the Reporting Period, an aggregate transaction amount of RMB198,895 million was processed through the Bank's mobile banking platform.

In addition, the Bank opened its official WeChat account in 2014, which serves as a lightweight service touch-point and an important hub for customer interaction. Customers can link their bank cards via WeChat to receive real-time transaction alert, and with WeChat bank, services including account inquiries, conversion of time and demand deposits, application for personal loans, management of credit cards, payment of public utility bills, outlet inquiry, interest rate inquiry, business appointment and video banking are available. As of the end of the Reporting Period, the Bank's official WeChat account had approximately 525,800 subscribers.

## VIII. BUSINESS DEVELOPMENT (CONT'D)

### 8.5 Internet Finance Business (Cont'd)

#### (1) *Electronic banking channels (Cont'd)*

##### *Video banking*

During the Reporting Period, the Bank actively expanded its video banking service channels, breaking through the limitations of traditional physical branches and continuously enhancing remote customer service capabilities. Four new business scenarios were introduced within the year, further optimizing the customer experience. Significant progress was made in replacing counter services with video banking for operations such as password resets and customer information maintenance, effectively alleviating counter service pressure and reducing operational costs. In the field of inclusive finance, leveraging an integrated "online + offline" service model combined with a full-process dual-recording security mechanism, the Bank successfully facilitated the "Chain e-Bao (鏈e寶)" financing business. This enhanced both service security and customer experience. The related innovative practices were honored with the Group's Social Responsibility Award, reflecting the Bank's positive achievements in digital services and social responsibility.

##### *Online loans*

In order to improve the convenience of services, the Bank launched a digital finance platform built on a mobile internet architecture. Leveraging cloud computing data processing capabilities and fully adopting machine learning and deep learning technologies, this platform enables batch, automated, and intelligent processing of retail credit operations. We have established the "Quick e-Loan" (快e貸) online lending brand, which has spawned multiple products including Premium Loan, White-Collar Loan, Premium Enterprise Loan, and Quick e-Pay. This ecosystem covers five major areas: consumption, business operations, enterprises, mortgages, and payments. The product system delivers fully online processes, real-time approvals, and inclusive digital financial services accessible to all customer segments. It supports standardized, batch-processed, and intelligent retail credit operations characterized by "one-second QR code scanning, one-minute approval, one-minute disbursement, and lifetime cloud-based credit lines". As of the Reporting Period, the loan balance of the Quick e-Loan reached RMB12.649 billion.

### 8.6 Digital Development

In 2025, the Bank thoroughly implemented its "Digital Finance" strategic deployment, leveraging technology as an engine to comprehensively invigorate business operations. By strengthening top-level design, deepening industry-technology integration, implementing precision data-driven approaches, and solidifying security foundations, the Bank established a new-generation digital capability system supporting high-quality development, with the value of technology-driven empowerment continuously demonstrated. During the Reporting Period, the total information technology investment reached RMB300.6367 million, accounting for 3.03% of operating revenue.

## VIII. BUSINESS DEVELOPMENT (CONT'D)

### 8.6 Digital Development (Cont'd)

Strengthening institutional frameworks and infrastructure support to lay a solid foundation for high-quality development. The Bank has continued to refine its management of technology-related career tracks and its digital talent development system, focusing on building a specialized technology team. At the same time, we have consolidated our infrastructure foundation by successfully completing the migration and commissioning of the new metropolitan data center, thereby comprehensively enhancing business continuity and infrastructure resilience, and providing robust technological support for the Bank's high-quality development.

Deepening the integration of business and technology with refined management, driving enhanced business quality and efficiency. The Bank leverages key initiatives to advance the deep integration of technology and operations, elevating digital service capabilities: First, digital empowerment in green finance has yielded significant results. The launch of the green finance management system achieved over 90% accuracy in identifying green business opportunities, effectively supporting the attainment of green credit allocation targets. Second, the integration of business and technology continues to deepen in key areas. Focusing on core scenarios such as retail wealth management and inclusive micro-enterprise financing, we iteratively optimize system functions, build a standardized credit product system, and enhance market responsiveness and customer service efficiency. Third, the quality and efficiency of project management have been comprehensively improved. With 81 projects planned for the year, measures such as categorized and tiered online management, optimized management processes, and strengthened investment and production change controls ensured efficient project implementation and stable system operation. Fourth, independent R&D capabilities steadily improved. Strengthening the development of in-house R&D teams, the Bank focused on independent R&D in key areas such as online lending platforms and credit middle platforms, solidifying its business support capabilities.

Mining the value of data applications to empower business innovation and development. The Bank focuses on full lifecycle data management, driving deep integration between data and business operations: First, advancing projects such as Phase II of the Data Middle Platform's lake-warehouse integration to refine data architecture and models, solidifying the foundation for data applications; Second, embedding data governance throughout the entire information system development process, strengthening data quality monitoring and issue resolution to continuously enhance source data quality; Third, through a unified external data management platform, we achieve "centralized integration, distribution, and control" of external data, processing 32.51 million service calls annually to support 23 business systems. Fourth, we hosted the "Business-Technology Integration, Data-Intelligence Empowerment (業技融合數智賦能)" Data Application Analysis Competition, collecting 30 high-quality entries and incubating over 10 reusable cases to foster a culture where "everyone understands data and everyone uses data". Fifth, we strengthened data security management systems, conducted emergency drills and risk assessments, strictly implemented regulatory requirements, and ensured data security and stable business operations.

## VIII. BUSINESS DEVELOPMENT (CONT'D)

### 8.6 Digital Development (Cont'd)

Focusing on cutting-edge technological exploration to ignite the engine of digital and intelligent innovation. The Bank actively explores frontier technologies such as artificial intelligence and large-scale models, steadily advancing project planning and scenario-based pilot initiatives. The construction of the digital and intelligent employee process automation platform has yielded initial results, achieving scaled application across multiple scenarios including position reporting compilation, operational inspection guidance, and bidding information extraction. This has effectively alleviated manual workload while enhancing operational and service efficiency.

### 8.7 Analysis of Subsidiary

Shandong Tongda Financial Leasing Co., Ltd. was established in June 2016, and was the first commercial bank in Shandong Province to initiate the establishment of a financial leasing company. The strong synergy between the businesses of Tongda Financial Leasing and the Bank has notably improved its ability to provide comprehensive financial services to customers. It has become one of the important forces of our "Broad Corporate Banking (大公司)" business segment. During the Reporting Period, Tongda Financial Leasing strived to support the development of the real economy, strengthen internal control and compliance management, and served customers in 23 provinces and cities across China, with its business covering public facilities management, urban public utilities, transportation and logistics, energy conservation and environmental protection, culture, tourism and education, medical and health care, and business services. In 2025, Tongda Financial Leasing was awarded the title of "Exemplary organization of Enterprise Culture Construction in Shandong during the '14th Five-Year Plan Period" by the Shandong Corporate Culture Society and was also selected as the "Green Leasing Leading Enterprise" by the Global Leasing Industry Competitiveness Forum.

As of the end of the Reporting Period, the registered capital of Tongda Financial Leasing was RMB1,650 million and it was registered in Jinan, Shandong. We held 54.55% equity interest in Tongda Financial Leasing, which is principally engaged in the provision of financial leasing solutions to customers, including direct lease, operating leases and sale-and-leaseback. As of the end of 2025, the total assets of Tongda Financial Leasing reached RMB40.263 billion. During the Reporting Period, the operating income of Tongda Financial Leasing was RMB1,537 million, representing an increase of 38.16% as compared to 2024; net profit amounted to RMB553 million, representing an increase of 21.75% as compared to 2024.

## IX. CAPITAL MANAGEMENT

### 9.1 Capital Adequacy Ratio

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

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

**IX. CAPITAL MANAGEMENT (CONT'D)**

**9.1 Capital Adequacy Ratio (Cont'd)**

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

Unit: RMB million (except percentages)

	December 31, 2025	December 31, 2024
<b>Core tier-one capital</b>		
Share capital	5,980.1	5,980.1
Qualifying portion of capital reserve	7,356.9	4,925.1
Surplus reserve	2,107.3	1,904.0
General reserve	4,657.7	4,144.8
Other comprehensive income	277.4	1,824.4
Retained earnings	6,921.7	6,120.4
Qualifying portions of non-controlling interests	1,375.2	1,032.9
<b>Total core tier-one capital</b>	<b>28,676.3</b>	25,931.7
<b>Core tier-one capital deductions</b>	<b>(1,365.5)</b>	(447.0)
<b>Net core tier-one capital</b>	<b>27,310.8</b>	25,484.7
Other tier-one capital	6,182.4	4,136.9
<b>Net tier-one capital</b>	<b>33,493.2</b>	29,621.6
<b>Tier-two capital</b>	<b>8,159.0</b>	8,024.2
<b>Total capital, net</b>	<b>41,652.2</b>	37,645.8
<b>Total risk-weighted assets</b>	<b>308,869.2</b>	273,670.3
Including: Total credit risk-weighted assets	289,525.5	257,157.2
Total market risk-weighted assets	3,828.6	1,861.1
Total operational risk-weighted assets	15,515.1	14,652.0
<b>Core tier-one capital adequacy ratio</b>	<b>8.84%</b>	9.31%
<b>Tier-one capital adequacy ratio</b>	<b>10.84%</b>	10.82%
<b>Capital adequacy ratio</b>	<b>13.49%</b>	13.76%

## IX. CAPITAL MANAGEMENT (CONT'D)

### 9.2 Leverage Ratio Analysis

Pursuant to the Administrative Measures for the Capital of Commercial Banks (《商業銀行資本管理辦法》), a minimum leverage ratio of 4% is required for commercial banks. As of the end of the Reporting Period, our leverage ratio was 5.89%, which was higher than the regulatory requirements.

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

Unit: RMB million (except percentages)

	December 31, 2025	September 30, 2025	June 30, 2025	March 31, 2025
Leverage ratio	<b>5.89%</b>	5.47%	5.70%	5.50%
Net tier-one capital	<b>33,493.2</b>	30,850.1	31,203.9	28,972.4
Balance of on-and off-balance sheet assets after adjustment	<b>568,795.5</b>	564,484.4	547,898.3	526,795.2

## X. RISK MANAGEMENT

### 10.1 Organizational Structure and Management Functions of Risk Management System

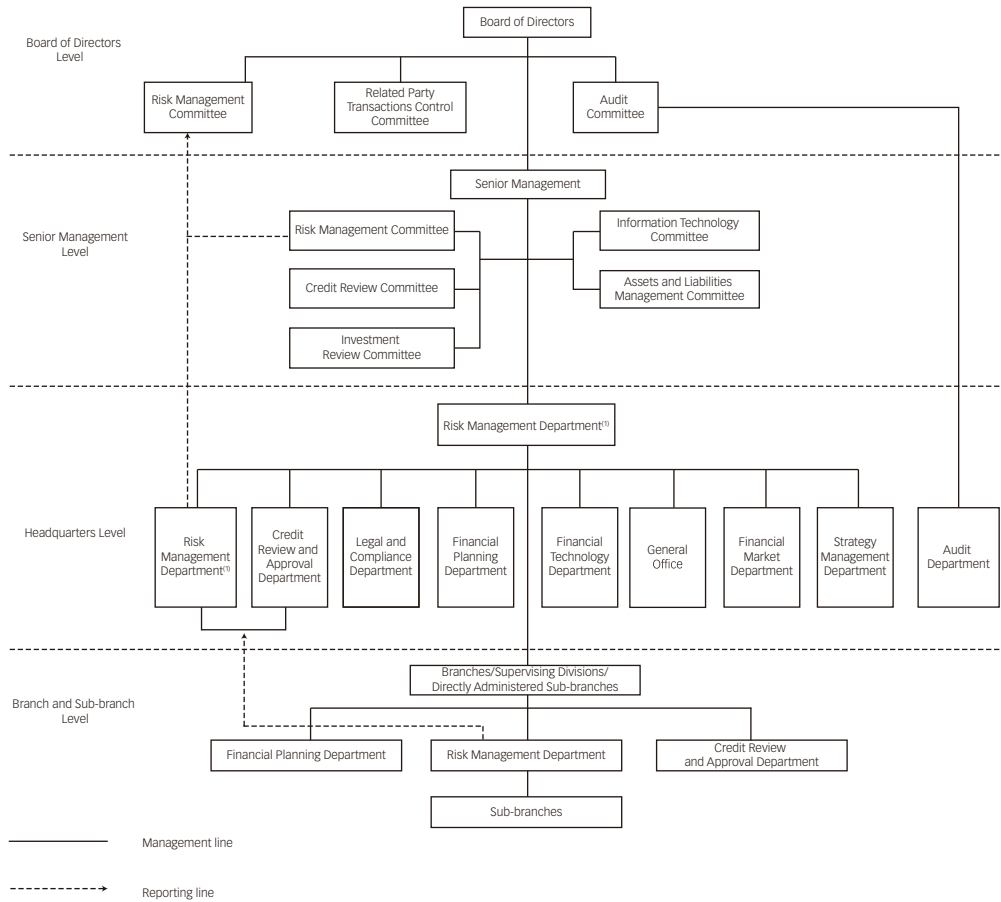
The Bank's risk management is aimed to establish and maintain a centralized and vertical risk management system, to regulate the interactions among the front, middle and back offices, further develop a comprehensive risk management system covering various risks as a commercial bank and subsidiary, and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

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

**X. RISK MANAGEMENT (CONT'D)**

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

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



*Note:*

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

## X. RISK MANAGEMENT (CONT'D)

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

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

– *Board of Directors and its special committees*

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

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

– *Senior management and its special committees*

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

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

– *Main risk management departments of the headquarters*

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

– *Risk management of branches*

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

## X. RISK MANAGEMENT (CONT'D)

### 10.2 Credit Risk

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

- Credit risk management objectives: under the premise of meeting the requirements of regulatory authorities, depositors and other stakeholders for the stable operation of the Bank, the Bank will ensure the steady development of credit business and the safety of asset quality, properly assume credit risk and obtain risk returns corresponding to the level of risk commitment, so as to achieve the balance between risk and return.
- Credit risk management policies and procedures: the Bank has established and continuously improved its system of credit risk management policies and regulations, which comprise a broad range of basic policies, systems and methods and are prepared with clear categorization, in a scientific way and with comprehensive coverage. Its credit risk policy management system comprises policies it developed in line with its development strategy and risk appetite, including policies in respect of credit, industries, regions, customers and products. It has formulated credit risk management rules and regulations, including credit approval, limit management, internal rating, credit authorization, credit management, collateral management, post-disbursement management, and disposal and written-off, to ensure that all risk management activities are carried out in accordance with relevant rules and regulations. During the Reporting Period, the Bank focused on enhancing the effectiveness of credit risk management, with key initiatives including: the Bank, firstly, continued to revise credit risk policies and systems to standardize management requirements and refine credit approval policies, ensuring the policy framework consistently meets both regulatory compliance and internal management needs; Secondly, the Bank closely aligned with national industrial and financial policy directions by formulating specialized credit policy guidelines to clarify the development trajectory of lending operations and achieve targeted allocation of credit resources. It established management mechanisms such as differentiated authorization and specialized approval personnel, refine differentiated credit access standards, and created a long-term control model with orderly entry and exit procedures to strengthen the rigidity of institutional constraints; Thirdly, the Bank deepened the transformation of our control model by strengthening head office empowerment and enhancing the vertical oversight capabilities of the head office and fully leveraging the three-in-one “Iron Triangle” risk control framework—comprising “customer manager-risk manager-professional approver”—to advance risk control measures upstream, achieving a dynamic equilibrium between effective risk management and steady business growth; Fourthly, the Bank enhanced technological empowerment through digital transformation. The Bank continuously optimized and upgraded risk management tools such as the post-loan management platform and the next-generation credit middle-office system, so as to enhance system support capabilities across the entire credit risk management process to enhance the timeliness and effectiveness of credit management.

## X. RISK MANAGEMENT (CONT'D)

### 10.2 Credit Risk (Cont'd)

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

### 10.3 Market Risk

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

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

## X. RISK MANAGEMENT (CONT'D)

### 10.3 Market Risk (Cont'd)

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

As of the end of the Reporting Period, no market risk indicator of the Bank exceeded the market risk limits for 2025 as determined by the Board, so that the market risk assumed by the Bank could be controlled within a tolerable and reasonable range.

### 10.4 Operational Risk

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

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

## X. RISK MANAGEMENT (CONT'D)

### 10.4 Operational Risk (Cont'd)

During the Reporting Period, the Bank fully implemented the regulatory requirements on operational risk prevention and improved the operational risk management system to ensure safe and stable operations. First, the Bank strengthened risk identification and assessment. It conducted quarterly monitoring and analysis of operational and compliance risks, reviewed key management indicators, critical operational processes, and significant risk points, and reinforced accountability for risk control. The Bank also carried out process mapping and Risk and Control Self-Assessment (RCSA) activities to identify and analyze vulnerabilities and potential risk exposures in business processes, enabling targeted measures to mitigate hidden risks. Second, the Bank refined its risk prevention and control management. It established and improved a mechanism for cascading operational risk appetite throughout the organization, clearly defined risk appetite objectives, optimized risk limit indicators, and conducted stress testing to ensure operational risks remained within acceptable thresholds. The Bank focused on risk prevention in key areas, enhanced authorization management across all business lines, intensified efforts to prevent and address illicit financial activities, and implemented precise, granular control measures. Third, the Bank deepened its management capability building. It enhanced the functionality of its internal control, compliance, and operational risk management systems, strengthened ex-ante risk identification and assessment for new products and new businesses, moved risk controls further upstream, and improved both the efficiency and accuracy of risk identification. The Bank also reinforced personnel conduct management by clarifying employee behavioral standards and professional ethics requirements, thereby fostering a sound operational risk management culture. During the Reporting Period, the Bank had no material operational risk loss event.

### 10.5 Liquidity Risk Management

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

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

## X. RISK MANAGEMENT (CONT'D)

### 10.5 Liquidity Risk Management (Cont'd)

During the Reporting Period, the Bank actively responded to market changes in accordance with the liquidity risk management requirement of “closely monitoring market developments,” optimized its business structure, and continuously enhanced its liquidity risk management capabilities. The Bank focused on strengthening liquidity risk management in the following aspects:

First, enhancing market analysis. The Bank closely monitored the impact of macro monetary policy and external market environment changes on liquidity risk. By integrating these factors with its own business fluctuations, the Bank dynamically adjusted the scale and term structure of its assets and liabilities, increased reserves of high-quality liquid assets, and effectively addressed liquidity risks.

Second, enhancing daily liquidity monitoring. Following the “monthly planning, ten-day monitoring, weekly scheduling, daily reporting” framework, the Bank dynamically monitored central bank funding position limits and cash flow status through its liquidity risk management system. It conducted real-time oversight of intraday large-value transactions, maintained a reasonable level of excess reserve funds, and ensured the security of intraday fund payments.

Third, continuously optimizing the liability structure. The Bank steadily increased deposit volumes, proactively expanded financing channels, intensified utilization of central bank re-lending and rediscount funds, diversified funding sources, and reasonably managed the scale and proportion of interbank liabilities. This approach proactively enhanced the Bank's refined control over liquidity risk, ensuring a dynamic balance between liquidity security and business development.

Fourth, emphasized liquidity contingency management. The Bank conducted quarterly liquidity stress tests, prudently adjusted stress scenarios and parameters in response to market environment changes and internal business fluctuations, fully assessed the impact of various risks on the Bank's on- and off-balance sheet operations, and enhanced the effectiveness of stress testing, as well as timely revise contingency plans based on test results to effectively prevent and control liquidity risks.

During the Reporting Period, the Bank's liquidity indicators, including the liquidity ratio and liquidity coverage ratio, meeting regulatory requirements and the Board's liquidity risk management standards.

### 10.6 Bank Account Interest Rate Risk Management

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

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

# Chapter 1 Management Discussion and Analysis

## X. RISK MANAGEMENT (CONT'D)

### 10.6 Bank Account Interest Rate Risk Management (Cont'd)

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

Unit: RMB million

	December 31, 2025		December 31, 2024	
	Net profit income	Equity	Net profit income	Equity
Increase by 25 basis points	(149.3)	(769.5)	(175.7)	(892.7)
Decrease by 25 basis points	149.3	782.0	175.7	911.8

### 10.7 Information Technology Risk

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

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

## X. RISK MANAGEMENT (CONT'D)

### 10.7 Information Technology Risk (Cont'd)

During the Reporting Period, the Bank continued to enhance its IT risk prevention and control framework, strengthened its capacity to manage IT risks, and ensured the stable operation of business across the organization. First, the Bank reinforced system security and solidified its IT defense lines. It continuously improved its operational maintenance assurance mechanisms, optimized the performance of its information systems, and intensified efforts in maintaining, updating, and monitoring these systems to guarantee their secure and stable operation across the entire Bank. Second, the Bank deepened its risk control mechanisms and enhanced the effectiveness of risk governance. It established a dual-track working mechanism combining comprehensive risk screening with targeted inspections, routinely conducted risk monitoring and assessments, effectively identified weak points in risk management, and implemented closed-loop corrective actions. The Bank also enhanced the construction of its risk monitoring indicator library, significantly improving the accuracy of risk early-warning capabilities and the overall quality and efficiency of risk monitoring. Third, the Bank refined its business continuity management framework and strengthened its emergency response capabilities. It regularly conducted disaster recovery switch-over drills involving actual business operations and continually expanded the scope and complexity of drill scenarios. The Bank further improved its overarching emergency response plan as well as specialized contingency plans, resulting in sustained enhancement of its incident response capabilities. Additionally, it carried out periodic Business Impact Analyses (BIAs) to identify critical business functions and essential systems, promptly supplemented key resources, and further bolstered its emergency support capacity. Fourth, the Bank strengthened its management of technology outsourcing and reinforced related risk controls. It strictly implemented due diligence requirements for critical outsourcing activities and rigorously enforced service provider admission criteria. The Bank conducted on-site inspections of non-on-site critical outsourcing engagements to enhance oversight of service providers. It also performed a comprehensive IT outsourcing risk assessment during the year, ensuring timely remediation of all identified issues and effectively elevating the security standards of outsourced services.

### 10.8 Strategic Risk

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

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

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

## X. RISK MANAGEMENT (CONT'D)

### 10.9 Reputational Risk

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

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

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

### 10.10 Concentration Risk

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

- The goal of concentration risk management: the Bank continues to strengthen the ability of concentration risk management and reduce the Bank's losses caused by the default in the same or related business areas, customers, products, etc., and ensure the steady and sound development of the Bank's credit business and the safety of asset quality.

## X. RISK MANAGEMENT (CONT'D)

### 10.10 Concentration Risk (Cont'd)

- The policies and procedures of concentration risk management: the Bank has established a concentration risk organizational structure, management system and process based on the scale and complexity of its business to effectively identify, measure, monitor and report concentration risks. Through adjusting credit strategies, implementing limit controls, and strengthening list-based management, the Bank ensured that limit controls are adhered to in its operational management. The Bank regularly conducts stress tests on its concentration risks to effectively identify potential risks and formulate corresponding measures to ensure effective management and control of concentration risks.

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

### 10.11 Compliance Risk

Compliance risk refers to the possibility that the Bank or its employees may incur criminal, administrative, or civil liability, suffer financial or reputational losses, or face other adverse consequences due to violations of compliance standards resulting from the Bank's operational and management practices or the conduct of its employees in the performance of their duties.

- The goal of compliance risk management: by establishing and improving the compliance risk management framework, the Bank can effectively identify and manage compliance risks, promote the construction of a comprehensive risk management system, and ensure legal and compliant operations.
- The policies and procedures of compliance risk management: the Compliance Management Measures of the Bank specifies the organisational structure, division of responsibilities, and safeguards for compliance management; the Compliance Risk Management Procedure regulates the management process of monitoring, identifying, controlling and reporting compliance risks to monitor, analyze, identify, control and report compliance risks, and establishes a scientific compliance risk management and control system.

## X. RISK MANAGEMENT (CONT'D)

### 10.11 Compliance Risk (Cont'd)

During the Reporting Period, the Bank attached great importance to building compliance culture, and continued to improve the mechanism for compliance risk management to enhance level of compliance risk management. First, the foundation of compliance management has been solidified. Set up the position of a Chief Compliance Officer at the head office and Compliance Officers at first-tier branches, who bear specific leadership responsibilities for compliance management to further improve the compliance management structure system; in line with new regulatory requirements, revision and improvement of documents such as the "Compliance Management Measures of Weihai Bank" and the "Compliance Risk Management Procedures of Weihai Bank" have been made to strengthen the institutional safeguards for compliance. Second, distinctive compliance activities have been conducted. A series of "Essential Knowledge and Required Competencies (應知應會)" activities including policy assessments, training sessions, exams, and competitions have been organized to enhance employees' professional competencies and improve their ability to fulfill compliance duties; outstanding teams and individuals have been recognized and rewarded to leverage the exemplary leadership of compliance role models and reinforce positive compliance guidance. Third, the effectiveness of inspection and supervision has been enhanced. "Five Elements (五有)" system inspections have been carried out to strengthen performance evaluations for issue rectification, and establish a virtuous cycle of "inspection-assessment-rectification-improvement" to continuously improve regulatory enforcement; revision of the "zero tolerance" and "zero occurrence" issue lists has been made based on actual conditions, to guide employees to firmly establish a mindset of bottom lines and awareness of red lines, and improve the long-term mechanism of "managing people by rules and handling affairs by processes," continuously fostering a compliance culture where violations are discouraged, prevented and disincentivized. The Bank remained firmly committed to compliant development, embedding legal and regulatory compliance throughout all stages of business operations and across all personnel. Through regular compliance education and long-term institutional mechanisms, the Bank institutionalized sound compliance practices, underpinning its sustainable growth and driving operational excellence through high-standard compliance management.

## X. RISK MANAGEMENT (CONT'D)

### 10.12 Money Laundering and Terrorist Financing Risk

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

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

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

## X. RISK MANAGEMENT (CONT'D)

### 10.13 Legal Risk

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

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

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

## XI. FUTURE PROSPECTS

### 11.1 Analysis of the Operating Situation in the Next Year

Looking ahead to 2026, the century-defining transformation is accelerating, with change and turmoil intertwined and global economic recovery continuing to face significant pressure. The United States' tariff policies is expected to exert ongoing pressure on the global economy, and geopolitical risks would remain elevate. At the same time, continuous innovation in emerging technologies, particularly artificial intelligence, is anticipated to provide further momentum for global development. China is set to implement more proactive and effective macroeconomic policies, enhancing their forward-looking orientation, precision, and coordination. Efforts would focus on persistently expanding domestic demand, optimizing supply, improving the quality of incremental growth, revitalizing existing resources, and fostering new quality productive forces tailored to local conditions, thereby driving an effective improvement in economic quality alongside a reasonable increase in output. Shandong Province would anchor its strategy on the directive to "walk in front and shoulder major responsibilities (走在前、挑大梁)", prioritizing both the expansion of domestic demand and supply-side optimization, advancing public well-being, accelerating the development of a pioneering zone for green, low-carbon, high-quality growth, and establishing a new high ground for high-standard opening-up, all aimed at achieving both qualitative enhancement and quantitative sustainability in economic development.

China will continue to implement a more proactive fiscal policy, expand fiscal expenditure, further optimize its structure, and deepen reforms in key areas of fiscal and taxation systems. It will also maintain a moderately accommodative monetary policy and strengthen both counter-cyclical and cross-cyclical macroeconomic adjustments. Regulatory authorities will employ a multi-pronged approach to enhance banks' willingness to extend credit to priority sectors and increase policy support for the financial sector's "Five Major Articles". Monetary policy will be closely coordinated with other policies to amplify overall policy effectiveness, jointly promoting the expansion of effective domestic demand and further facilitating the structural transformation and optimization of the economy.

### 11.2 Development Strategies and Major Work Measures in the Next Year

#### *Guiding philosophy*

We will comprehensively implement the spirit of the 20th CPC National Congress, the 2nd, 3rd and 4th Plenary Sessions of the 20th CPC Central Committee and the Central Economic Work Conference, and the Bank would adhere to the overarching principle of "pursuing stability while advancing steadily, and enhancing quality and efficiency", take "accelerating the building of a strong financial nation" as its strategic guiding framework, and center its operations around "promoting high-quality and sustainable development". It will actively practice China's distinctive financial culture and vigorously uphold the core values of "altruism, integrity, agility, and openness". The Bank will deepen its efforts in delivering on the financial sector's "Five Major Articles", consistently place the people's interests first, focus intensively on its core business, drive innovation-led transformation, tailor strategies to local conditions, and cultivate distinctive competitive strengths. It will better balance development and security, striving to achieve a robust and dynamic start to its 15th Five-Year Plan period.

## XI. FUTURE PROSPECTS (CONT'D)

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

#### *Work concepts*

We will adhere to the “four transformations” direction (Marketization, Specialization, Refinement and Digitization). The Bank will anchor itself firmly to its strategic objectives, proactively raise its own standards, take initiative, maintain strategic resolve, and operate with agility and efficiency, thereby strengthening its sense of ownership and self-driven momentum for growth. Focusing on capability enhancement, the Bank will benchmark against industry leaders, adopt a problem-oriented approach, address weaknesses, and rigorously uphold risk and compliance baselines, continuously reinforcing its differentiated and distinctive core competitiveness.

#### *Work measures*

In line with the above guiding philosophy, work concepts and work goals, in 2026, the Bank will center its efforts on the transformational direction of “Marketization, Specialization, Refinement and Digitization”, with a focus on the following six priority areas:

Firstly, strengthening Party leadership to guide strategic direction and closely follow the “compass” of the new journey. The Bank will deeply understand the political imperatives of financial work and ensure Party leadership is embedded throughout all aspects of operations and management, effectively converting the Party’s political and organizational strengths into core competitive advantages.

Secondly, deepening reform and transformation to unleash new drivers for excellence. The Bank will steadfastly advance its “four transformations” direction (Marketization, Specialization, Refinement and Digitization), centered on the core objective of “enhancing quality and efficiency”, and will push forward transformation with strategic resolve.

Thirdly, cultivating distinctive strengths to build a differentiated “moat”. Upholding the principle of “rooted in Shandong, serving with sincerity”, the Bank will pursue a path of differentiated and specialized development. Head Office will concentrate resources to nurture standout businesses, while branches will tailor strategies to local conditions and deepen regional specialties, collectively forging a robust competitive moat.

Fourthly, strengthening risk management to weave a comprehensive “safety net”. The Bank will firmly uphold bottom-line thinking and red-line awareness, actively practice the “Five Dos and Five Don’ts” principles of China’s distinctive financial culture, and consistently prioritize “the interests of Weihai Bank above any individual interest” to safeguard sound and stable operations.

Fifthly, focusing on capability building to forge a professional “vanguard force”. The Bank will intensify benchmarking against peer institutions, support employees’ career development and personal growth, and continuously elevate the professional competence and capabilities of its entire workforce.

Sixthly, demonstrating responsibility and initiating to sound the “charge” for the 15th Five-Year Plan. Seizing the strategic window of opportunity at the outset of the 15th Five-Year Plan, the Bank will anchor its vision of becoming a “nationally leading city commercial bank”, drive all lines of work to new heights, and write a new chapter of high-quality development for Weihai Bank.

# CHAPTER 2 ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

The Bank focuses on green and low-carbon development, and implements the Environment, Social and Governance (ESG) concepts in the process of strategy formulation and business operations. In 2025, the Bank vigorously developed green finance and innovated green products to support the development of green industries. Meanwhile, the Bank promoted green operations to enhance resource utilization efficiency and reduce environmental impact. In addition, the Bank improved its green financial service system through the establishment of green sub-branches and contributed to rural revitalization and the development of small and micro enterprises through inclusive finance. The Bank also served the real economy and increased credit support to promote the high-quality development of the economy. By strengthening consumer protection and enhancing service quality, the Bank increased customer satisfaction and contributed to the sustainable development of the society.

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

## I. GREEN FINANCE

In 2025, the Bank continued to advance its green finance development plan and top-level design, coordinating the orderly implementation of all green finance initiatives.

In 2025, according to the Bank's Three-Year Action Plan for Green Finance (2023–2025), on the basis of the "Year of Green Finance Development" in 2023 and the "Year of Green Finance Branding" in 2024, we have designated 2025 as the "Year of Substantial Advancement in Green Finance", outlining specific implementation steps and development pathways for green finance. In 2025, the Bank extended the experience gained from establishing a Green Finance Department at Head Office to its branch network, setting up dedicated Green Finance Departments in 11 institutions and appointing dedicated Green Finance Product Managers in those not yet equipped with such departments. At the sub-branch level, the Bank successfully promoted the Head Office Business Department and Rongcheng Sub-branch to be recognized as "Green Sub-branches" by Weihai City. Through coordinated efforts between Head Office and branches, the Bank established a comprehensive organizational structure and management system for green finance. Building on this foundation, the Bank further refined its institutional framework by issuing a series of policies, including Weihai Bank Measures for the Management of Green Finance Specialist Teams, Weihai Bank Interim Measures for Green Finance Performance Evaluation (Trial), and Weihai Bank Interim Measures for Client Eligibility Management in Green Finance. In parallel, the Bank implemented an integrated package of supportive measures—such as optimizing approval processes, establishing green channels, lowering internal transfer pricing, and incorporating green finance performance into evaluation incentives—to effectively reduce corporate financing costs and strengthen its commitment to sustainable development.

In 2025, the Bank closely aligned with the green transformation priorities of regional economies and actively implemented the new development philosophy by enhancing the quality of its ESG management. It integrated ESG considerations into the entire credit lifecycle—including client onboarding and credit approval—and applied differentiated policies accordingly. The Bank strengthened cross-departmental coordination, enhanced monitoring of environmental risks, and advanced its own green operations and sustainable development capabilities to fulfill its social responsibilities. For green project financing, the Bank established dedicated roles responsible for green eligibility assessments and formed specialized approval teams to review green loan applications, thereby enhancing the professionalism and independence of the green project approval process.

## Chapter 2 Environmental and Social Responsibility

### I. GREEN FINANCE (CONT'D)

In 2025, the Bank continued to deepen its strategic layout and capability building in green finance, actively promoting both internal-external collaboration and frontier practices. Internally, the Green Finance Department conducted peer benchmarking to systematically study best practices in organizational structure, product innovation, and green branch development. At the same time, the Bank established a long-term cooperation mechanism with consulting firms, engaging external experts to conduct policy research and deliver specialized training programs. It also maintained frequent engagement with regulatory authorities, government agencies, and relevant channels to strengthen pipeline development and business preparation, thereby effectively empowering its branches and sub-branches. In terms of external collaboration and disclosure, the Bank actively embraced international sustainable development principles by formally signing the United Nations' Principles for Responsible Banking, becoming the first city commercial bank in Shandong Province to do so. It also joined specialized domestic and international platforms such as the China-UK Biodiversity Finance Working Group, engaging deeply in collaborative initiatives on transition finance, nature-related financing, and related topics. In October 2025, the Bank published its 2024 Nature-Related Financial Disclosures (TNFD) Report (2024年度自然相關信息披露(TNFD)報告), marking it as the first commercial bank in China to systematically disclose nature-related information. Additionally, the Bank co-hosted multiple industry events, including TNFD workshops, to continuously strengthen dialogue with peers and enterprises, thereby advancing the high-quality and sustainable development of green finance.

In 2025, in recognition of its outstanding contributions in the field, the Bank has obtained the "Advanced Collective in Green, Low-Carbon, and High-Quality Development Work – Weihai City, 2024 (2024年威海市綠色低碳高質量發展工作先進集體)", "Class A (Highest Tier) ESG Rating Institution – 2024 (2024年度ESG評價最高等級A類單位)", "Exemplary Case of 'Good Finance Product' – 2025 (2025"好品金融"典型案例)", "Outstanding Case in Innovation and Development of China's Banking Industry (中國銀行業創新發展優秀案例)", "Typical ESG Practice Case in the Banking Sector (銀行業ESG典型實踐案例)", "Second Prize in the Financial Services Track, Shandong Final of the 'Data Elements ×' Competition (數據要素×"大賽山東分賽決賽金融服務賽道二等獎)", "2025 Award for Innovation in Marine Financial Services Products (2025年涉海金融服務產品創新獎)", "GF60 Award for Best Sustainable Financial Institution (GF60最佳可持續發展金融機構)" and "Golden Dragon · Financial Power: Case Study on the Financial Sector's 'Five Major Articles'(金龍·金融力量金融五篇大文章案例)".

## Chapter 2 Environmental and Social Responsibility

### II. GREEN OUTLETS

The Bank actively responds to regulatory requirements by establishing Green Sub-branch, treating it as key platforms for advancing green finance reform and innovation, and effectively leveraging its exemplary and leading role. By increasing credit allocation to green finance, accelerating the innovation of green financial products, and strengthening environmentally friendly, low-carbon operational practices, the Bank aims to establish these sub-branches as industry exemplars in green finance. The Bank provides differentiated support to its green sub-branches across multiple dimensions, including credit resource allocation, dedicated approval channels, preferential internal funding pricing, performance evaluation mechanisms, staffing arrangements, and specialized training—to foster replicable and scalable best practices and further advance green finance reform and innovation.

The Bank actively advanced its “Year of Substantial Advancement in Green Finance” initiative, conducting specialized training programs to help all staff accurately grasp the strategic requirements of green finance and deepen their understanding of its implementation approach. By integrating its local business strengths with green finance, the Bank continued to strengthen its distinctive green finance brand. Green sub-branches established dedicated green finance service teams to precisely align with enterprise needs, implementing tailored strategies such as “one client, one solution” and “one branch, one signature product”, and systematically carrying out financial advisory services. The Bank introduced a differentiated performance evaluation framework for green finance development, placing strong emphasis on positive incentives for personnel at green sub-branches. It also launched a dedicated fast-track approval channel for green loans, significantly enhancing the customer experience across green lending services. Furthermore, the Bank intensified market promotion through multiple channels to raise the visibility and recognition of its green finance brand, thereby providing sustained financial momentum to support green, low-carbon, and high-quality development.

Following the honor of the first “Green Sub-branches” in Weihai City was awarded to Huancai Sub-branch of the Bank in 2024. In 2025, the Bank’s Head Office Business Department and Rongcheng Sub-branch were officially designated as “Green Sub-branches” by Weihai City. These green sub-branches uphold the integrated core philosophy of “green, low-carbon, and smart”, fully embedding green principles into every aspect of their operations—including office management, credit business, and channel development.

In 2025, the Bank developed the Bank-wide Carbon Peaking Action Plan jointly. Centered on the core objective of “ensuring carbon peaking by 2030 and striving to achieve it as early as 2029”, the plan outlined five key strategic pathways to ensure that carbon peaking is accomplished through development, and that higher-quality growth is achieved in the process of reaching peak emissions. The Bank actively explored multiple approaches to develop carbon-neutral branches, and continuously advancing the construction of green and carbon-neutral branches across the organisation. Following its purchase of 138.7 tons of marine carbon sink credits in 2024, the Bank again participated in the acquisition of 300 tons of CO<sub>2</sub> equivalent in 2025, specifically earmarked to offset the carbon emissions of its green sub-branches, thereby establishing “carbon-neutral” branches.

## Chapter 2 Environmental and Social Responsibility

### III. GREEN OPERATION

The Bank advocates the concept of green office operations, promotes energy-saving and environmentally friendly equipment and initiatives, and conducts a wide range of internal activities aimed at promoting green and low-carbon concepts. In terms of energy conservation, through the refined management of energy, the Bank carries out carbon emissions surveys and statistics within the Bank regularly, and increases the efforts in monitoring energy consumption of water, electricity, heating and gas. In terms of water conservation, the Bank posted water conservation advocacy posters and signage at its Head Office and branch office premises, minimized unnecessary use of bottled water in daily operations and meetings, and enhanced water-use efficiency through measures such as installing water-saving fixtures. During the Reporting Period, the Bank further developed green canteens, promoted the “Clean Plate Campaign” to prevent food waste, and strengthened environmentally responsible waste disposal practices.

### IV. ENVIRONMENTAL ISSUES

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

### V. SERVING THE REAL ECONOMY

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

In 2025, the Bank implemented the important decisions and deployments of the Party Central Committee, focused on the “Five Major Articles” for serving the real economy, strengthened resource integration in combination with its own endowment characteristics, accelerated business layout, systematically planned key business areas such as “green finance, technology finance, inclusive finance, pension finance and digital finance” from a strategic perspective, formulated action implementation plans, and built financial engine for high-quality production capacity.

### VI. INCLUSIVE FINANCE

The Bank actively capitalized on policy incentives applying for relending facilities supporting agriculture and small businesses and proactively issuing special-purpose financial bonds for loans to small and micro enterprises, thereby increasing credit allocation to this segment and effectively reducing their financing costs. At the same time, the Bank strengthened its integrated “online platform + offline network” service model. Its online lending platform underwent iterative upgrades to support features such as on-demand borrowing and repayment, as well as revolving credit usage. Offline, the Bank deepened its community- and grid-based client manager services, bringing tailored financial solutions directly to industrial parks, commercial districts, urban communities, and rural areas.

### VII. CONSUMER RIGHTS PROTECTION

The Bank firmly embedded consumer rights protection requirements into all stages of its business operations and management. During the Reporting Period, the Bank carried out the following key initiatives: firstly, it established an efficient complaint management system. By integrating multiple online and offline channels, the Bank strictly implemented a “first-point-of-contact responsibility” policy and a time-bound resolution mechanism. It also actively conducted root-cause analyses and post-complaint reviews to continuously improve its products and services. Secondly, it delivered targeted financial literacy and education campaigns. The Bank organized events such as the “3·15 Education and Publicity Week on Consumer Rights Protection”, the “Financial Knowledge Outreach Tour”, and “Financial Education Week”, focusing on vulnerable groups including the elderly, youth, and new urban residents. Through diverse online and offline formats, it disseminated essential financial knowledge and raised awareness of financial risks. Thirdly, it reinforced safeguards for personal information security. In strict compliance with applicable laws and regulations, the Bank enhanced end-to-end data lifecycle management and adopted both technical and administrative measures to ensure the security of customer information. Fourthly, it standardized sales and marketing practices. The Bank fully implemented suitability management requirements, strengthened content review for marketing materials, and rigorously enforced the “dual recording” and traceability protocols throughout the sales process. Fifthly, it strengthened internal, long-term oversight mechanisms. Consumer protection metrics were incorporated into performance evaluations, and the Bank regularly conducted specialized audits and training programs to enhance organization-wide awareness and execution capability regarding consumer rights protection.

# CHAPTER 3 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

## I. CHANGES IN SHARE CAPITAL

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

	December 31, 2025		Changes during the Reporting Period Number of shares (Shares)	December 31, 2024	
	Number of shares (Shares)	Percentage of total shares (%)		Number of shares (Shares)	Percentage of total shares (%)
Domestic State Shares	919,671,509	15.38	–	919,671,509	15.38
Domestic state-owned legal person shares	3,210,718,852	53.69	28,593,500	3,182,125,352	53.21
Domestic social legal person shares	758,683,992	12.69	(28,593,500)	787,277,492	13.17
Domestic natural person shares	82,122,991	1.37	–	82,122,991	1.37
H Shares	1,008,861,000	16.87	–	1,008,861,000	16.87
<b>Total number of Shares</b>	<b>5,980,058,344</b>	<b>100.00</b>	–	5,980,058,344	100.00

## II. INFORMATION ON SHAREHOLDERS

### 2.1 Total Number of Holders of Domestic Shares

As of the end of the Reporting Period, the total number of holders of Domestic Shares of the Bank was 1,038.

## Chapter 3 Changes in Share Capital And Information on Shareholders

### II. INFORMATION ON SHAREHOLDERS (CONT'D)

#### 2.2 Particulars of the Top Ten Shareholders of Domestic Shares

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

No.	Name of shareholders	Shareholder nature	Total number of shares held as at the end of the Reporting Period (Shares)	Percentage of total shares as at the end of the Reporting Period (%)	Pledging or freezing status of shares	Quantity
1	Shandong Hi-Speed Group Company	State-owned legal person shares	2,126,237,528	35.56	Normal	-
2	Weihai Municipal Finance Bureau	State shares	919,671,509	15.38	Normal	-
3	Shandong Hi-Speed	State-owned legal person shares	693,957,987	11.60	Normal	-
4	China National Heavy Duty Truck Group Co., Ltd.	State-owned legal person shares	243,084,607	4.06	Normal	-
5	Weihai Tian'an Real Estate Development Co., Ltd.	Social legal person shares	136,570,491	2.28	Normal	-
6	Shandong Gold Non-ferrous Metal Mine Group Co., Ltd.	State-owned legal person shares	90,185,970	1.51	Normal	-
7	Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd.	Social legal person shares	83,157,762	1.39	Normal	-
8	Shandong Homey Aquatic Development Co., Ltd.	Social legal person shares	71,463,546	1.20	Normal	-
9	Shandong Tianxicheng Enterprise Management Co., Ltd.	Social legal person shares	65,084,061	1.09	Normal	-
10	Weihai Xing'an Construction Engineering Co., Ltd.	Social legal person shares	60,054,251	1.00	Normal	-

## Chapter 3 Changes in Share Capital And Information on Shareholders

### II. INFORMATION ON SHAREHOLDERS (CONT'D)

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

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

Name of shareholders	Class of shares	Nature of interest	Number of shares directly or indirectly held (Shares)	Long position/ short position	Approximate % of interest in the Bank (%)	Approximate % of the relevant class of shares of the Bank (%)
Shandong Hi-Speed Group Company <sup>(1)</sup>	Domestic shares	Beneficial owner and interest in controlled corporation	2,820,195,515	Long position	47.16	56.73
Weihai Municipal Finance Bureau	Domestic shares	Beneficial owner	919,671,509	Long position	15.38	18.50
Shandong Hi-Speed <sup>(1)</sup>	Domestic shares	Beneficial owner	693,957,987	Long position	11.60	13.96
China Hongojiao Group Limited	H shares	Beneficial owner	263,545,000	Long position	4.41	26.12
Heze City Investment Holdings Group Co., Ltd. <sup>(2)</sup>	H shares	Interest in controlled corporation	139,594,000	Long position	2.33	13.84
Heze City Investment Holdings Hong Kong International Co., Limited <sup>(2)</sup>	H shares	Beneficial owner	139,594,000	Long position	2.33	13.84
Shenzhen Shengqiu Investment Co., Ltd.	H shares	Beneficial owner	137,305,000	Long position	2.30	13.61
TEDA Investment Holding Co., Ltd.	H shares	Beneficial owner	113,940,000	Long position	1.91	11.29
Tianjin TEDA Industrial Group Co., Ltd. (天津泰達實業集團有限公司) <sup>(3)</sup>	H shares	Interest in controlled corporation	113,940,000	Long position	1.91	11.29
Tianjin Bohai State-owned Assets Management Co., Ltd. (天津渤海國有資產經營管理有限公司) <sup>(3)</sup>	H shares	Interest in controlled corporation	113,940,000	Long position	1.91	11.29
Tsinlien Group Company Limited (津聯集團有限公司) <sup>(3)</sup>	H shares	Beneficial owner	113,940,000	Long position	1.91	11.29
Jinan Licheng Holdings Group Co., Ltd.	H shares	Beneficial owner	111,852,000	Long position	1.87	11.09
Shandong Lulong Construction Co., Ltd. <sup>(4)</sup>	H shares	Beneficial owner	71,003,000	Long position	1.19	7.04
YANG Shulan <sup>(4)</sup>	H shares	Interest in controlled corporation	71,003,000	Long position	1.19	7.04

## Chapter 3 Changes in Share Capital And Information on Shareholders

### II. INFORMATION ON SHAREHOLDERS (CONT'D)

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

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

*Notes:*

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

Shandong Hi-Speed is owned by Shandong Hi-Speed Group Company as to approximately 63.57%. Therefore, Shandong Hi-Speed Group Company is deemed to be interested in all the shares held by Shandong Hi-Speed for the purpose of the SFO.

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

## Chapter 3 Changes in Share Capital And Information on Shareholders

### II. INFORMATION ON SHAREHOLDERS (CONT'D)

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

Notes: (Cont'd)

- (5) Zhaojin Mining Industry Company Limited indirectly holds 68,712,000 H shares through its wholly-owned subsidiary, Sparky International Company Limited. Shandong Zhaojin Group Company Limited holds a 33.27% interest in Zhaojin Mining Industry Company Limited. Accordingly, for the purposes of the SFO, both Zhaojin Mining Industry Company Limited and Shandong Zhaojin Group Company Limited are deemed to have an interest in the 68,712,000 H shares held by Sparky International Company Limited.
- (6) Tianjin Guangcheng Investment Group Co., Ltd. wholly owns Tianjin Jizhou Xincheng Agricultural Development Co., Ltd. through its wholly-owned subsidiary, Tianjin Jizhou Xincheng Construction Investment Co., Ltd.. Accordingly, Tianjin Guangcheng Investment Group Co., Ltd. and Tianjin Jizhou Xincheng Construction Investment Co., Ltd. are deemed to be interested in the 67,040,000 H shares held by Tianjin Jizhou Xincheng Agricultural Development Co., Ltd. for the purpose of the SFO.

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

### III. MAJOR SHAREHOLDERS DURING THE REPORTING PERIOD

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

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

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

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

#### 3.2 Other Major Shareholders

Under the requirements of the Interim Measures for Management of Commercial Bank Equity (《商業銀行股權管理暫行辦法》), the Bank doesn't have any other major shareholders.

### IV. NOMINATION OF DIRECTORS BY SHAREHOLDERS

1. Shandong Hi-Speed Group Company nominated Mr. MENG Dongxiao, Mr. CHEN Xiaojun and Mr. JIAO Weifeng as Directors of the Bank;
2. Weihai Municipal Finance Bureau nominated Mr. ZHAO Bing as a Director of the Bank;
3. Shandong Hi-Speed nominated Mr. KANG Jian as a Director of the Bank.

# CHAPTER 4 DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

## I. CURRENT DIRECTORS AND SENIOR MANAGEMENT

### 1.1 Directors

The Board consists of 14 Directors, including 4 executive Directors, 5 non-executive Directors and 5 independent non-executive Directors. Our Directors are elected for a term of three years and are subject to re-election, and the cumulative term of an independent non-executive Director shall not exceed six years. The following table sets forth certain information regarding our Directors.

Name	Age	Position	Date of appointment <sup>(1)</sup>
Mr. MENG Dongxiao	54	Executive Director and Chairman	April 2016
Mr. ZHANG Wenbin	43	Executive Director and President	August 2021
Mr. LU Jiliang	36	Executive Director and Vice President	August 2021
Mr. JIANG Yi	45	President	December 2024
Mr. CHEN Xiaojun	56	Non-executive Director	December 2024
Mr. ZHAO Bing	58	Non-executive Director	August 2021
Mr. JIAO Weifeng	49	Non-executive Director	December 2024
Mr. KANG Jian	55	Non-executive Director	December 2024
Ms. LI Jie	53	Non-executive Director	November 2022
Mr. FAN Chi Chiu	40	Independent Non-executive Director	June 2020
Mr. WANG Yong	52	Independent Non-executive Director	November 2022
Ms. SUN Zuying	63	Independent Non-executive Director	August 2021
Mr. YANG Yunhong	54	Independent Non-executive Director	October 2023
Mr. PENG Feng	47	Independent Non-executive Director	December 2024

*Note:*

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

## Chapter 4 Directors, Senior Management and Employees

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

#### 1.2 Senior Management

Name	Age	Position	Date of appointment <sup>(1)</sup>
Mr. ZHANG Wenbin	43	President	December 2024
Mr. LU Jiliang	36	Vice President	February 2021
Mr. JIANG Yi	45	Vice President	October 2023
Mr. ZHU Liying	54	Vice President	November 2025
Mr. HOU Xuesong	36	Vice President	November 2025
Mr. ZHANG Xiaodong	56	Chief Risk Officer	June 2021
Mr. ZHANG Jia'en	50	Secretary to the Board	September 2022

*Note:*

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

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

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

#### 2.1 Changes in Directors

On May 12, 2025, Ms. TAO Zunjian, executive Director of the Bank, resigned from her positions as Executive Director of the Bank and member of the Related Party Transactions Committee and the Consumer Rights Protection Committee of the Board of Directors due to age reasons. For details of the change, please refer to the Bank's announcement dated May 12, 2025.

On August 28, 2025, the Board of Directors proposed to nominate Mr. GUO Youhui and Mr. ZHOU Liang as candidates for non-executive directors of the Bank. The appointment of the directors was approved by the shareholders' general meeting on September 29, 2025. The terms of office of the newly appointed non-executive directors shall take effect upon the approval of their qualifications from the National Financial Regulatory Administration Shandong Office, and shall be effective from the date on which their qualifications are approved and ending on the expiration of the term of the ninth session of the Board of Directors of the Bank. Then, Mr. JIAO Weifeng and Mr. KANG Jian will cease to hold the positions of non-executive directors of the Bank and their respective roles in the relevant special committees of the Board. As of the end of the Reporting Period, Mr. GUO Youhui and Mr. ZHOU Liang had not yet received approval from the National Financial Regulatory Administration Shandong Office. For details of the changes, please refer to the Bank's announcements dated August 28, 2025 and September 29, 2025, and the circular dated September 14, 2025.

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

#### 2.2 Changes in Supervisors

On October 31, 2025, the Bank has received the approval from the National Financial Regulatory Administration Shandong Office regarding the amendments to the Articles of Association of Weihai Bank. According to the amendments to the Articles of Association, with effect from such date, the Bank will no longer establish the Board of Supervisors, as well as its special committees and standing bodies. The incumbent Supervisors shall cease to serve as Supervisors of the Bank and members of the special committees established under the Board of Supervisors.

#### 2.3 Changes in Senior Management

On May 21, 2025, the Board of Directors of the Bank resolved that Ms. TAO Zunjian ceased to serve as Vice President and Chief Accountant of the Bank.

On July 31, 2025, the Board of Directors of the Bank appointed Mr. ZHU Liying and Mr. HOU Xuesong as Vice Presidents of the Bank. The qualification of Mr. ZHU Liying was approved by the National Financial Regulatory Administration Shandong Office on November 5, 2025, and the qualification of Mr. HOU Xuesong was approved by the National Financial Regulatory Administration Shandong Office on November 11, 2025.

### III. CHANGES IN JOINT COMPANY SECRETARIES

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

### IV. BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

#### 4.1 Biographies of Directors

##### 1. *MENG Dongxiao, Executive Director*

**Mr. MENG Dongxiao**, aged 54. Mr. MENG has been the chairman of the Bank since December 2024. From August 2024 to December 2024, he acted as the acting chairman of the Bank. He was the president of the Bank from February 2018 to August 2024. He was the vice president of the Bank from March 2016 to February 2018. Prior to joining the Bank, from October 2003 to February 2016, he successively served as the assistant to the president of the eastern sub-branch of the Shanghai branch, the general manager of the quality control center of the commercial enterprise finance division, the general manager of compliance and quality control center of the SME finance division and the general manager of the Shanghai branch of the health finance division of China Minsheng Bank (中國民生銀行). He was a lecturer at Shanghai Customs College (上海海關專科學校) (currently known as Shanghai Customs College (上海海關學院)) from August 1996 to September 2003.

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

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

#### 4.1 Biographies of Directors (Cont'd)

##### 2. *ZHANG Wenbin, Executive Director*

**Mr. ZHANG Wenbin**, aged 43, is an engineer. Mr. ZHANG has been the president of the Bank since December 2024. He acted as the acting president of the Bank from August 2024 to December 2024. He had served as a vice president of the Bank from August 2021 to August 2024. He successively served as the president of Weifang Branch, the general manager of Transportation Finance Department, the general manager of Corporate Banking Department, Chief Corporate Business Officer and the assistant to the president of the Bank from February 2017 to August 2021. He served as the general manager of Transportation Finance Department of the Bank from March 2016 to February 2017. He served as the deputy general manager of Shandong Hi-Speed Singapore Co., Ltd. (山東高速新加坡有限公司) from May 2014 to March 2016. He successively served as a manager of the business department of sub-branches, the deputy general manager of corporate banking department, and the president of Industrial New Zone Sub-branch of the Bank from September 2004 to May 2014.

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

##### 3. *LU Jiliang, Executive Director*

**Mr. LU Jiliang**, aged 36, is an economist and an engineer. Mr. LU has been serving as a vice president of the Bank since February 2021. He was a secretary to the Board of the Bank from August 2021 to December 2021. He successively served as the vice president and the president of Tongda Financial Leasing from February 2019 to February 2021. He successively served as the deputy general manager of the party community working department (黨群工作部) and the president (行長) of Huancui Supervising Division (環翠管轄行) of the Bank from January 2015 to February 2019. Before joining the Bank, he worked at China Development Bank Co., Ltd., Shandong Province Branch from July 2013 to December 2014.

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

##### 4. *JIANG Yi, Executive Director*

**Mr. JIANG Yi**, aged 45. Mr. JIANG has served as a vice president of the Bank since October 2023. He was the assistant to the president of the Bank from February 2021 to October 2023. He successively served as the president of Linyi Branch and Jinan Branch of the Bank from May 2016 to February 2021. He successively served as the sub-branch customer manager, business department manager, assistant to the sub-branch president, and the president of the Lingang Economic and Technological Development Zone Sub-branch of the Bank from November 2009 to May 2016.

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

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

#### 4.1 Biographies of Directors (Cont'd)

##### 5. *CHEN Xiaojun, Non-executive Director*

**Mr. CHEN Xiaojun**, aged 56. Mr. CHEN has been serving as the chief legal counsel of Shandong Hi-Speed Group Company since April 2022. He successively served as an accredited external director (專職外部董事) at Shandong Luliang Group Co., Ltd. (山東魯糧集團有限公司), Shandong Seed Industry Group Co., Ltd. (山東種業集團有限公司), Shandong Taishan Geological Surveying Group Co., Ltd. (山東泰山地勘集團有限公司), Shandong Hi-Speed Group Company and Shandong Talent Development Group Co., Ltd. (山東人才發展集團有限公司) from November 2017 to April 2022. He successively served as the deputy director of the policy and regulation department, researcher of the enterprise reform department and director of the directors' and supervisors' supervision department of the Shandong SASAC from October 2004 to November 2017. He successively served as the associate chief officer, chief officer and captain of the public order department of the Public Security Department of Shandong Province from July 1990 to October 2004.

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

##### 6. *JIAO Weifeng, Non-executive Director*

**Mr. JIAO Weifeng**, aged 49, is a senior accountant. Mr. JIAO has been serving as the director of the finance shared service center of Shandong Hi-Speed Group Company since December 2023. He served as a director and general manager of Shandong Expressway Dongying Development Co., Ltd. (山東高速東營發展有限公司) from November 2020 to December 2023 and the deputy general manager of Shandong Hi-Speed Service Development Group Co., Ltd. (山東高速服務開發集團有限公司) from October 2020 to December 2020. He successively served as the deputy general manager, chief legal counsel and chief auditor of Qilu Transportation Service Development Group Company Limited (齊魯交通服務開發集團有限公司) from May 2018 to October 2020 and the deputy general manager of Qilu Transportation Development Group Company Limited Electronic Toll Collection Branch (齊魯交通發展集團有限公司電子收費分公司) from June 2016 to May 2018. He served as the deputy director of the finance department of China Petroleum Shandong Sales Branch (中國石油山東銷售分公司) from March 2013 to June 2016 and the chief accountant of China Petroleum Shandong Jinan Sales Branch (中國石油山東濟南銷售分公司) from November 2002 to March 2013. He successively served as the accountant, chief financial controller and deputy general manager of Yantai Muping CPC Oil Products Sales Co., Ltd. (煙台牟平中油油品銷售有限公司) from July 2000 to November 2002.

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

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

#### 4.1 Biographies of Directors (Cont'd)

##### 7. ZHAO Bing, Non-executive Director

**Mr. ZHAO Bing**, aged 58, is an accountant. Mr. ZHAO has been serving as the legal representative (法定代表人) and the director (主任) of Weihai State-Owned Enterprise Finance Directors Talent Management Center (威海市國有企業財務總監人才管理中心) since August 2024. He has been serving as external directors of municipal state-owned enterprises as accredited by Weihai State-Owned Enterprise External Directors Talent Management Center (威海市國有企業外部董事人才管理中心) since August 2019. He served as the chairman of the supervisory board of Weihai State-owned Property Management Ltd. (威海市國有資本運營公司) as accredited by Weihai State-owned Enterprise Directors and Supervisors Work Management Center (威海市國有企業董事監事工作管理中心) from August 2014 to August 2019. He successively served as a staff member, deputy section chief, and section chief of the Off-budget Integration Section (預算外綜合科), National Treasury Payment Center (國庫支付中心), and Finance and International Co-operation Section (金融與國際合作科) of Weihai City Finance Bureau (威海市財政局) from May 1997 to August 2014. He successively served as a staff member and a director of office of the Finance Bureau of Huancai District of Weihai City from November 1986 to May 1997.

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

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

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

#### 4.1 Biographies of Directors (Cont'd)

##### 8. *KANG Jian, Non-executive Director*

**Mr. KANG Jian**, aged 55, is an economist. Mr. KANG has served as a director and general manager of Shandong Hi-Speed Sichuan Industrial Development Co., Ltd since February 2025. He served as the deputy general manager of Shandong Hi-Speed since April 2019 to February 2025. He served as the vice president of Ping An Bank Co., Ltd. Jinan Branch (平安銀行股份有限公司濟南分行) from June 2013 to April 2019, the vice president of Jinan management department of Industrial Bank Co., Ltd. Jinan Branch (興業銀行股份有限公司濟南分行濟南管理部) from October 2012 to June 2013 and the president and leader of the preparation team of Industrial Bank Co., Ltd. Tai'an Branch (興業銀行股份有限公司泰安分行) from March 2010 to October 2012. He successively served as the deputy section chief, section chief, assistant to general manager, deputy general manager and deputy director in the finance division, risk department I, risk management department, business development department III and retail business department of Industrial Bank Co., Ltd. Jinan Branch (興業銀行股份有限公司濟南分行) from June 2001 to March 2010. He successively worked at the human resources department, the investment department, the asset preservation department and the credit department of China Construction Bank Corporation Shandong Branch from August 1992 to June 2001.

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

##### 9. *LI Jie, Non-executive Director*

**Ms. LI Jie**, aged 53, is a senior economist and an accountant. She has served as the head of the Board Office of the Bank since March 2013, after serving as its deputy head from November 2011 to March 2013. Prior to joining the Bank, she successively worked for the Economic and Trade Development Company of Weihai Economic and Technological Development Zone (威海經濟技術開發區經濟貿易發展總公司), Weihai Yongyuan Leather Company Limited (威海永元皮革有限公司), Weihai Hengya Apparel Company Limited (威海恒亞服裝有限公司) and Weihai Honglin Electronics Co., Ltd. (威海市泓淋電子有限公司).

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

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

#### 4.1 Biographies of Directors (Cont'd)

##### 10. *FAN Chi Chiu, Independent Non-executive Director*

**Mr. FAN Chi Chiu**, aged 40, is a certified public accountant of Hong Kong. Mr. FAN served as the chief investment officer of AB Builders Group Limited, the shares of which are listed on the Hong Kong Stock Exchange (stock code: 1615), from November 2021 to June 2025. He was an executive director of Grace Wine Holdings Limited, the shares of which are listed on the Hong Kong Stock Exchange (stock code: 8146), from July 2017 to September 2021. He successively served as the chief financial controller and the chief financial officer of ELL Environmental Holdings Limited, the shares of which are listed on the Hong Kong Stock Exchange (stock code: 1395), from April 2015 to September 2021. He served as the finance director of Vantasia Holdings (H. K.) Limited from April 2014 to March 2015. He worked as an analyst in Barclays Investment Bank from July 2011 to February 2014 and a senior associate at PricewaterhouseCoopers from October 2007 to June 2011.

Mr. FAN is currently an independent non-executive director of Hevol Services Group Co. Limited, the shares of which are listed on the Hong Kong Stock Exchange (stock code: 6093), Shinelong Automotive Lightweight Application Limited, the shares of which are listed on the Hong Kong Stock Exchange (stock code: 1930), and Xuanzhu Biopharmaceutical Co., Ltd., the shares of which are listed on the Hong Kong Stock Exchange (stock code: 2575).

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

##### 11. *WANG Yong, Independent Non-executive Director*

**Mr. WANG Yong**, aged 52, is a professor. Mr. WANG has been serving as the director of Digital Economy Research Center of the School of Social Sciences, Tsinghua University (清華大學社會科學學院數字經濟研究中心) since January 2024. He successively served as a lecturer, assistant director (所長助理), associate director (副所長) and executive associate director (常務副所長) for Institute of Economics of the School of Humanities and Social Sciences, Tsinghua University (清華大學人文社會科學學院經濟學研究所) from May 2004 to July 2024.

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

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

#### 4.1 Biographies of Directors (Cont'd)

##### 12. *SUN Zuying, Independent Non-executive Director*

**Ms. SUN Zuying**, aged 63, is an accountant, an economist, a certified public accountant and an asset appraiser. Ms. SUN has been serving at Weihai Yinghua Investment Consultation Co., Ltd. (威海英華投資諮詢有限公司) as the legal representative since April 2021. She founded Shandong Yinghua Certified Public Accountants (山東英華會計師事務所), and served as the chief accountant (主任會計師) from November 1997 to May 2021. She was the department director (部門主任) of an accounting firm under Weihai Municipal Finance Bureau from July 1988 to November 1997, and was a teacher in Shandong Banking School (山東省銀行學校) from July 1984 to July 1988.

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

##### 13. *YANG Yunhong, Independent Non-executive Director*

**Mr. YANG Yunhong**, aged 54, is a professor. Mr. YANG joined the Guanghua School of Management of Peking University in September 2000, and has been a professor since August 2011. He served as an assistant professor of School of Economics and Management of Wuhan University from July 1998 to September 2000.

Mr. YANG currently serves as an independent director of Xinghe Fund Management Company Limited (興合基金管理有限公司). Mr. YANG obtained a doctoral degree in probability statistics (概率統計) from Wuhan University (武漢大學) in July 1998.

##### 14. *PENG Feng, Independent Non-executive Director*

**Mr. PENG Feng**, aged 47. Mr. PENG has been the executive partner of Hangzhou Chengxiang Technology Partnership (Limited Partnership) (杭州承襄科技合夥企業(有限合夥)) and Hangzhou Chengyue Technology Partnership (Limited Partnership) (杭州承月科技合夥企業(有限合夥)) since October 2019, and the general manager of Shenzhen Chengzhang Technology Co., Ltd. (深圳承章科技有限公司) since April 2019. He was a senior vice president at Hangzhou Dasouche Automotive Services Co., Ltd. (杭州大搜車汽車服務有限公司) from September 2017 to April 2019. He successively served as the financial market director, the director of commercial platform business of the micro loan business department, the general manager of the strategic development department and the general manager of Alipay Urban Development Center (支付寶城市發展中心) of Zhejiang Ant Small and Micro Financial Services Group Co., Ltd. from August 2015 to September 2017. He successively worked at the human resources department, the general office, the second regulatory department and the urban commercial bank regulatory department of the CBRC, and served as a director of the urban commercial bank regulatory department of CBRC from July 2004 to August 2015.

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

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

#### 4.2 Biographies of Senior Management

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

**Mr. ZHU Liying**, aged 54, is an economist. Mr. ZHU has served as a Vice President of the Bank since November 2025. He served as Chief Audit Officer (首席審批官) of the Bank from August 2021 to November 2025. From March 2017 to August 2021, he successively served as general manager of the small business banking department (小企業銀行部), general manager of the Inclusive Finance Department (普惠金融部), concurrently general manager of the Small Business Financial Service Center (小企業金融服務中心), and general manager of the Credit Approval Department (授信審批部) of the Bank. Prior to joining our Bank, Mr. ZHU worked at Ping An Bank Co., Ltd. Jinan Branch (平安銀行濟南分行) from January 2015 to March 2017. From February 2012 to January 2015, he successively worked at Linyi Branch (臨沂分行) and Jining Branch (濟寧分行) of China Minsheng Banking Corp., Ltd (中國民生銀行). From July 1995 to February 2012, he successively worked at Luo Zhuang District Sub-branch (羅莊區支行), Linyi Branch (臨沂分行), and Shandong Provincial Branch (山東省分行) of China Construction Bank (中國建設銀行).

Mr. ZHU obtained a bachelor’s degree in economics from Changchun Taxation College (長春稅務學院) in 1995, majoring in money and banking.

**Mr. HOU Xuesong**, aged 36. Mr. HOU has served as a Vice President of the Bank since November 2025. He served as Marketing Director of the Bank from July 2025 to November 2025. From August 2024 to July 2025, he served as Marketing Director, concurrently general manager of the Transportation Finance Department (交通金融部) and President of Jinan Branch of the Bank (濟南分行). From April 2022 to August 2024, he served as Marketing Director and concurrently President of Jinan Branch of the Bank. From July 2021 to April 2022, he served as President of Jinan Branch of the Bank. From April 2021 to July 2021, he performed the duties of President of Jinan Branch on an acting basis. From December 2018 to April 2021, he successively served as President of Laiwu Branch (萊蕪分行), and general manager of the Human Resources Department (Party Committee Office) (人力資源部(黨委辦公室)) of the Bank. From June 2015 to December 2018, he successively served as deputy general manager of the the Credit Approval Department of the Bank, and performed the duties of President of Laiwu Branch on an acting basis. Prior to joining our Bank, Mr. HOU worked at Dongying Bank (東營銀行). from July 2011 to June 2015.

Mr. HOU obtained a master’s degree in business administration from Northeast Agricultural University (東北農業大學) in 2023, majoring in business administration.

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

#### 4.2 Biographies of Senior Management (Cont'd)

**Mr. ZHANG Xiaodong**, aged 56, is an economist. Mr. ZHANG has served as a Chief Risk Officer of the Bank since June 2021. He served as a vice president of the Bank from November 2018 to June 2021. From September 2005 to November 2018, he successively served as a staff of development and renovation department, deputy director of the credit management department, director of the credit management department, general manager of the Risk Management Department, general manager of the small business banking department, the general manager of the Credit Review and Approval Department, Chief Credit Approver and assistant to the president of the Bank. Prior to joining our Bank, Mr. ZHANG worked at the business development department of Huaxia Bank Co., Ltd. Jinan Branch from December 2003 to September 2005. From October 2002 to October 2003, he served as an assistant to the general manager at WEGO Group Co., Ltd. (威高集團有限公司). From July 1993 to May 2001, Mr. ZHANG was the leader of import team of settlement business department at Bank of China Weihai Branch.

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

**Mr. ZHANG Jia'en**, aged 50, is an economist. Mr. ZHANG has been the secretary to the Board of our Bank since September 2022. From October 2009 to November 2024, he successively served as a staff of the general office, deputy director of the general office, director (主任) of the general office, general manager of the Strategic Management Department and the director of Policy Research Office of the Bank. Prior to joining our Bank, he worked for AJ Securities Company Limited from September 2007 to April 2009 and for Guangsha Holdings Venture Capital Co., Ltd. (廣廈控股創業投資有限公司) from July 2006 to July 2007.

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

#### 4.3 Joint Company Secretaries

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

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

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

#### 4.3 Joint Company Secretaries (Cont'd)

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

#### 4.4 Confirmation of Independence of Independent Non-executive Directors

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

### V. SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

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

### VI. REMUNERATION PAID TO DIRECTORS AND SENIOR MANAGEMENT

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

Please refer to note 9 to the financial statements of the Report for the total remuneration of the Directors and Supervisors during the Reporting Period. As at the end of the Reporting Period, no remuneration was paid by the Bank to any of the Directors, Supervisors or the five highest paid individuals (including Directors, Supervisors and employees) as inducement to join or upon joining the Bank or as a compensation for loss of office.

### VII. STAFF AND HUMAN RESOURCE MANAGEMENT

#### 7.1 Composition of employees

Taking into account various factors, the Bank has set a target of at least 50% of its staff (including senior management) being female. As at the end of the Reporting Period, the total number of our regular employees reached 3,934, of which 56% were female, 27.3% were employees aged 30 or below, and 97.4% were employees with bachelor's degree or above. An excellent team of professionals helps to cultivate a corporate culture of active innovation and strengthen the ability to respond to market changes and seize market opportunities.

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

#### 7.2 Remuneration policy

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

The Board of Directors is responsible for designing the remuneration management system and policy of the Bank in accordance with relevant national laws and policies, and assumes an ultimate responsibility for the remuneration management. The Nomination and Remuneration Committee is set up under the Board of Directors. The management is responsible for organizing the implementation of resolutions of the Board of Directors on the remuneration management, and the Human Resources Department is responsible for specific matters. The Bank strictly complied with the Labour Law, the Supervisory Guidelines on Sound Compensation in Commercial Banks and other laws and regulations, and formulated a scientific and reasonable incentive constraint mechanism that is compatible with long-term stable and sustainable development. Firstly, it stipulates that the remuneration structure of the Bank mainly includes basic salary, performance-based remuneration and medium and long-term performance. Among them, performance-based remuneration and medium and long-term performance are variable remuneration, which are distributed based on factors such as current and long-term performance contribution and risk condition, and different lock-up periods are set for medium and long-term performance based on the length of service of employees in the Bank and are subject to deferred payments for all employees. Secondly, in accordance with regulatory requirements and operational management needs, it establishes mechanisms for deferred compensation and clawback provisions, implementing the deferred payment of performance-based remuneration for senior management and personnel with significant risk impact. If a risk occurs within the specified period of time and causes losses, the performance-based remuneration of the relevant responsible person shall be recovered and paid back and the pay-back amount shall be recognized according to the determination of responsibility. If the risk loss within the responsibilities of such responsible person is unusually exposed within the specified period, the Bank is entitled to recover all performance-based remuneration paid in the corresponding period and refuse to pay all unpaid amount. The above provision shall also apply to resigned and retired employees. During the Reporting Period, the Bank had a total of 1,036 senior management personnel and employees in positions with significant risk exposure. Their fixed compensation totaled RMB122.27 million, standard variable compensation prior to performance evaluation was RMB263.07 million, and actual variable compensation after performance evaluation was RMB232.61 million, of which RMB101.23 million was deferred. The Bank implemented clawback provisions for performance-based compensation and submitted the 2025 implementation results to the Board of Directors for review. Thirdly, it clarifies the constraints of risk cost control indicators on performance-based remuneration, and stipulates that the risk cost control indicators of the Bank include capital adequacy ratio, non-performing loan ratio, provision coverage ratio, case risk ratio, and leverage ratio; that when measuring the costs of credit risk and market risk, the economic capital allocation and changes in capital cost itself as well as provision costs and actual losses shall be considered; and that when measuring liquidity risk costs, the liquidity coverage ratio under the stress testing and the cost of liquidity resources themselves shall be mainly considered.

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

#### 7.2 Remuneration policy (Cont'd)

The Bank has established a sound total remuneration allocation mechanism, and formulates the annual remuneration scheme in accordance with the relevant provisions and the actual conditions of its operation and management, the details of which are filed with the relevant authorities. The Bank has continuously improved its internal remuneration distribution mechanism, with remuneration resources tilted towards grassroots institutions and frontline employees, which has effectively enhanced the momentum for the sustainable development of the entire Bank. During the Reporting Period, the Bank's economic, risk and social responsibility indicators have generally met the annual targets.

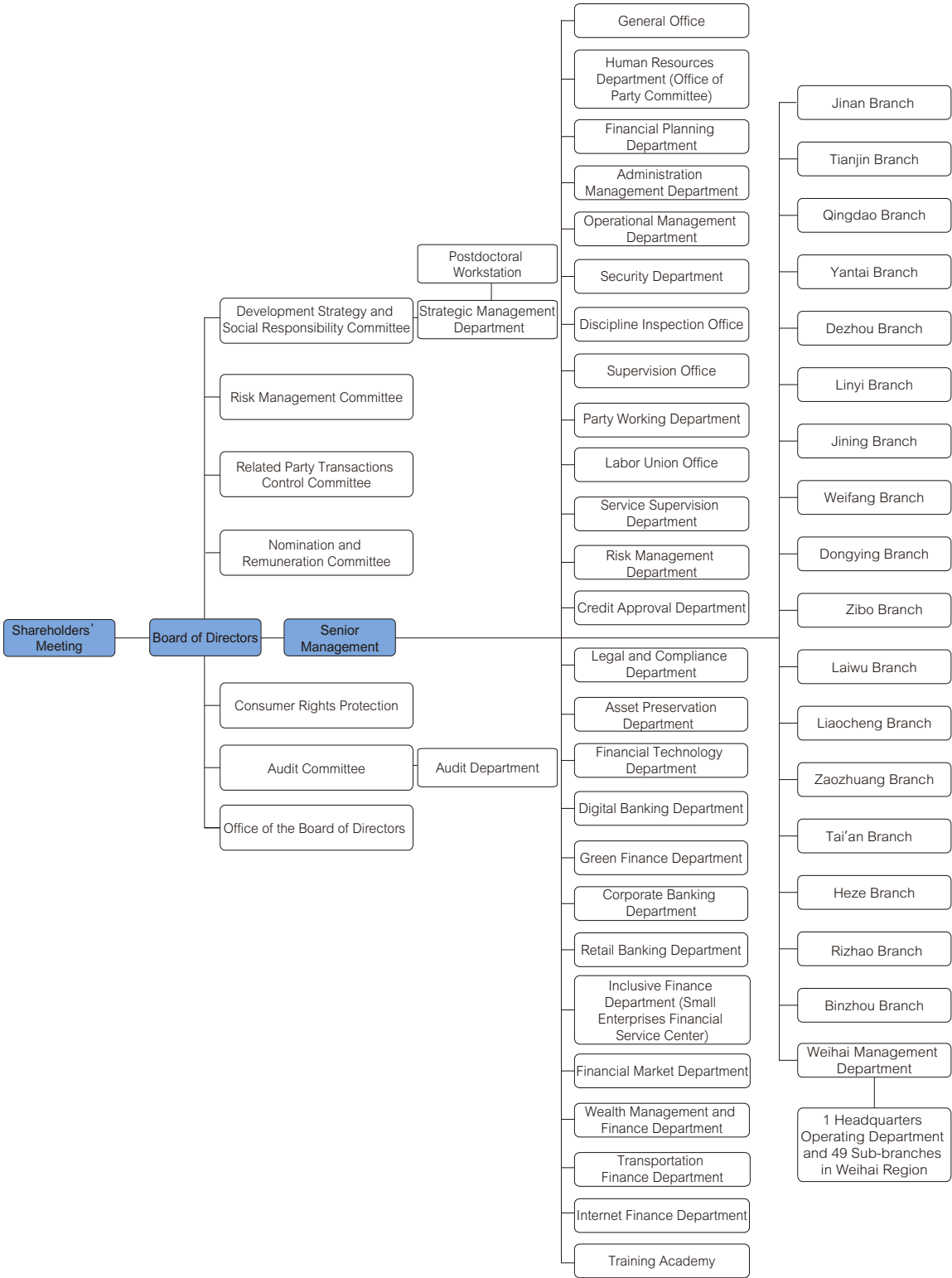
#### 7.3 Training scheme

In 2025, the Bank's training focused on the transformation direction of "marketization, specialization, refinement and digitization", innovated training models, expanded talent development pathways, and solidly carried out various training activities. Firstly, the Bank implemented tiered and categorized talent development programs. It organized a series of special programs including the "Dream Voyage (追夢遠航)" training for new campus recruits, the "Original Aspiration & Growth (初心成長)" development program for outstanding young employees, and the "Loyalty & Commitment (忠心擔當)" leadership training program, to fully support the building of the Bank's talent echelon. Secondly, the Bank created market-oriented highlight programs. It launched distinctive initiatives such as the "menu-based" on-site training delivered to grassroots institutions ("菜單式"送訓下基層), and advanced education programs in universities for middle and senior management, to empower business development. Thirdly, the Bank held a variety of featured competitions. It successfully launched the inaugural Micro-Lecture Competition and Case Extraction Competition, to continuously foster a strong learning atmosphere across the entire Bank. Fourthly, the Bank improved the level of refined management and control. It perfected the training system framework, strengthened standardized management and control over the full lifecycle of training, to provide systematic guarantee for the practical effectiveness of training. Fifthly, the Bank advanced the construction of digital platforms. It optimized the functions of the "Zhiniao (知鳥)" platform, and simultaneously strengthened the coordinated linkage of publicity positions including the corporate TV station and WeChat Official Account, to solidify the digital support for training work.

#### 7.4 Share incentive scheme

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

VIII. ORGANIZATIONAL STRUCTURE CHART



# CHAPTER 5 CORPORATE GOVERNANCE REPORT

## I. GENERAL INFORMATION ON CORPORATE GOVERNANCE

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

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

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

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

## II. SHAREHOLDERS' MEETING

### 2.1 Duties of the Shareholders' meeting

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

### II. SHAREHOLDERS' MEETING (CONT'D)

#### 2.2 Convening of the Shareholders' meeting

During the Reporting Period, the Bank held one annual general meeting, one extraordinary general meeting, one domestic Shareholders class meeting and one H Shareholders class meeting, details of which are set out below:

On June 18, 2025, the Bank held the 2024 annual general meeting in Weihai City, with a total of 25 Shareholders and valid proxies, representing 4,650,059,959 voting shares in aggregate and accounting for 77.82% of total issued shares with voting rights at the 2024 annual general meeting, attended and voted at the meeting. 12 resolutions were considered and approved, including Profit Distribution Plan for 2024 and Appointment of External Audit Institution for 2025, etc.

On September 29, 2025, the Bank held the 2025 first extraordinary general meeting, 2025 first domestic Shareholders class meeting and 2025 first H Shareholders class meeting in Weihai City, with a total of 26 Shareholders and valid proxies, representing 4,798,255,097 voting shares in aggregate and accounting for 80.30% of total issued shares with voting rights at the extraordinary general meeting, attended and voted at the meeting. 8 resolutions were considered and approved, including Issuance of Domestic Shares to Specific Target Placees, Non-public Issuance of H Shares, Changes in Registered Capital and Consequential Amendments to the Articles of Association after the Completion of the Issuance, Dissolution of the Board of Supervisors and Appointment of Non-executive Directors; with a total of 22 Shareholders and valid proxies, representing 4,242,643,097 voting shares in aggregate and accounting for 85.43% of total issued shares with voting rights at the domestic Shareholders class meeting, attended and voted at the meeting. 5 resolutions were considered and approved, including Issuance of Domestic Shares to Specific Target Placees, Non-public Issuance of H Shares, Amendments to the Articles of Association; with a total of 4 Shareholders and valid proxies, representing 555,612,000 voting shares in aggregate and accounting for 55.07% of total issued shares with voting rights at the H Shareholders class meeting, attended and voted at the meeting. 5 resolutions were considered and approved, including Issuance of Domestic Shares to Specific Target Placees, Non-public Issuance of H Shares, Amendments to the Articles of Association.

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

### III. THE BOARD AND ITS SPECIAL COMMITTEES

#### 3.1 Duties of the Board

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

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

#### 3.2 Operation of the Board

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

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

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

#### 3.3 Composition of the Board

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

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

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

The Board of Directors of the Bank has put in place effective mechanisms to ensure that independent views and opinions are available to the Board of Directors. Firstly, the Board of Directors of the Bank is composed of executive Directors, non-executive Directors and independent non-executive Directors, so as to meet the regulatory requirement that the independent non-executive Directors shall represent at least one-third of the Board of Directors and guarantee independent views and opinions from the composition. Secondly, the Bank has strict procedures for the selection, nomination and appointment of Directors. The Nomination and Remuneration Committee of the Board of Directors reviews the resumes of candidates and makes recommendations to the Board of Directors with full consideration of laws and regulations as well as the Bank's Articles of Association, Board Diversity Policy and Administrative Measures for the Selection and Appointment of Directors and Senior Management. Thirdly, the Bank establishes a clear working mechanism for independent non-executive Directors and formulates Working Rules for Independent Directors. Independent non-executive Directors actively participate in board meetings, express objective and impartial independent opinions on major matters, and provide constructive discussions and suggestions. The independent non-executive Directors will receive remuneration in cash without the performance-based remuneration according to the financial performance of the Bank. Fourthly, the Nomination and Remuneration Committee of the Board of Directors of the Bank evaluates the independence of Directors, especially independent non-executive Directors, the time spent on the Bank and their performance every year, and reports to the Board of Directors. Fifthly, all Directors of the Bank may engage intermediary agencies to provide professional advice at the Bank's expense in performing their duties as Directors and considering it necessary. After discussion, it was concluded that the mechanism for the Board of Directors of the Bank to obtain independent views and opinions in 2025 was properly implemented and effective.

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

#### 3.5 Changes in members of the Board during the Reporting Period

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

#### 3.6 Directors' responsibilities for preparing financial statements

The Directors are responsible for supervising the preparation of a financial report for each accounting year and ensuring that the financial report gives a true and fair view of the financial position, operating results and cash flow of the Group. In preparing the financial report for the year ended December 31, 2025, appropriate accounting policies have been selected and applied consistently, and prudent and reasonable judgment and estimation have been made. The Directors acknowledge their responsibilities for preparing the financial report, and the reporting responsibility statement issued by the auditors in relation to their report is set out in the Independent Auditor's Report.

#### 3.7 Meetings of the Board and the Directors' attendance at the meetings

During the Reporting Period, the Bank held 6 Board meetings in total, at which 106 resolutions were considered and passed on topics mainly including final accounts report, budget plan and profit distribution plan. Apart from regular Board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of other Directors during the year. Details of the Board meetings held during the Reporting Period are set out below:

Session	Date of Meeting	Form of Meeting
3rd meeting of the 9th session of the Board	March 28, 2025	On-site Meeting
4th meeting of the 9th session of the Board	May 21, 2025	On-site Meeting
5th meeting of the 9th session of the Board	July 31, 2025	On-site Meeting
6th meeting of the 9th session of the Board	August 28, 2025	On-site Meeting
7th meeting of the 9th session of the Board	October 31, 2025	On-site Meeting
8th meeting of the 9th session of the Board	December 15, 2025	On-site Meeting

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

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

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

Members of the Board	Attendances in Person at Board Meetings/ Attendances Required at Board Meetings	Attendances by Proxy at Board Meetings	Shareholders' General Meetings and Shareholders class meetings
Mr. MENG Dongxiao	6/6	0	4/4
Mr. ZHANG Wenbin	6/6	0	4/4
Mr. LU Jiliang	5/6	1	4/4
Mr. JIANG Yi	6/6	0	4/4
Mr. CHEN Xiaojun	5/6	1	4/4
Mr. JIAO Weifeng	6/6	0	4/4
Mr. ZHAO Bing	6/6	0	4/4
Mr. KANG Jian	5/6	1	4/4
Ms. LI Jie	6/6	0	4/4
Mr. WANG Yong	4/6	2	4/4
Mr. FAN Chi Chiu	6/6	0	4/4
Mr. YANG Yunhong	6/6	0	4/4
Ms. SUN Zuying	5/6	1	4/4
Mr. PENG Feng	5/6	1	4/4
Ms. TAO Zunjian <sup>(1)</sup>	1/1	0	0/0

Note:

- (1) On May 12, 2025, Ms. TAO Zunjian, an executive Director of the Bank, resigned from her positions as executive Director of the Bank, the member of the Related Party Transactions Control Committee and Consumer Rights Protection Committee under the Board of Directors.

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

#### 3.8 Independent non-executive Director

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

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

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

#### 3.9 Special committees of the Board

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

##### 1. *Development Strategy and Social Responsibility Committee*

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

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

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

### 3.9 Special committees of the Board (Cont'd)

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

During the Reporting Period, the Development Strategy and Social Responsibility Committee held 4 on-site meetings in total, at which 12 resolutions were considered and passed on topics mainly including the capital planning for the recent three years, the evaluation and improvement on the strategy implementation, and issuance of domestic shares to specific target places.

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

Committee Members	Attendances Required	Attendances in Person	Attendances by Proxy
Mr. MENG Dongxiao	4	4	0
Mr. ZHANG Wenbin	4	4	0
Mr. LU Jiliang	4	4	0
Mr. ZHAO Bing	4	4	0
Mr. YANG Yunhong	4	4	0
Mr. WANG Yong	4	4	0
Mr. CHEN Xiaojun	4	4	0
Mr. PENG Feng	4	4	0
Mr. JIANG Yi	4	4	0

#### 2. *Audit Committee*

The Bank has established the Audit Committee with written rules of procedure in accordance with the relevant requirements of the Listing Rules, and the rules of procedure were amended in December 2025, which indicates that the Audit Committee shall exercise the functions and powers of the Board of Supervisors as stipulated in the Company Law. As of the end of the Reporting Period, the Audit Committee consists of five Directors, namely Ms. SUN Zuying, Mr. FAN Chi Chiu, Mr. JIAO Weifeng, Mr. KANG Jian and Mr. YANG Yunhong. The chairman of the Audit Committee is Ms. SUN Zuying. Ms. SUN Zuying, Mr. FAN Chi Chiu and Mr. YANG Yunhong are independent non-executive Directors. Mr. JIAO Weifeng and Mr. KANG Jian are non-executive Directors. The majority of the members of the Audit Committee of the Bank are independent non-executive Directors.

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

### 3.9 Special committees of the Board (Cont'd)

#### 2. Audit Committee (Cont'd)

The primary duties of the Audit Committee include: reviewing the Bank's financial information and its disclosure, supervising and evaluating internal and external audit work as well as internal controls; reviewing the Bank's medium and long-term audit plans and annual audit plan; recommending independent external auditor to the Board of the Bank, reviewing and supervising the audit of the Bank's operation and management by external auditor; coordinating the communication between internal auditors and external auditors; supervising the conduct of Directors and senior management in the performance of their duties; and performing the functions and powers of the Board of Supervisors as stipulated in the Company Law and other duties as stipulated by laws and regulations, regulatory requirements and the Articles of Association.

During the Reporting Period, the Audit Committee held 10 on-site meetings in total, at which 28 resolutions were considered and passed on topics mainly including annual report and interim report, appointment of external auditor, internal audit work, internal control evaluation and certain audit reports.

The Audit Committee has reviewed the Group's 2025 interim report prepared in accordance with the International Financial Reporting Standards and the 2025 annual report prepared in accordance with the PRC Accounting Standards for Business Enterprises and the International Financial Reporting Standards. During the audit period, the Audit Committee had several meetings and communications with the external auditors in the absence of the executive Directors and senior management. On March 24, 2026, the Audit Committee had reviewed the audited consolidated financial statements as of the end of the Reporting Period. It also reviewed the effectiveness of the internal control system and the internal audit functions of the Bank by regularly listening to the audit department's report on internal audit.

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

Committee Members	Attendances Required	Attendances in Person	Attendances by Proxy
Ms. SUN Zuying	10	10	0
Mr. FAN Chi Chiu	10	10	0
Mr. JIAO Weifeng	10	10	0
Mr. KANG Jian	10	10	0
Mr. YANG Yunhong	10	10	0

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

### 3.9 Special committees of the Board (Cont'd)

#### 3. Related Party Transactions Control Committee

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

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

During the Reporting Period, the Related Party Transactions Control Committee held 5 on-site meetings, at which 13 resolutions were considered and passed on topics mainly including the credit business for major related party transactions and the report on the control of related party transactions.

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

Committee Members	Attendances Required	Attendances in Person	Attendances by Proxy
Mr. FAN Chi Chiu	5	5	0
Mr. WANG Yong	5	5	0
Mr. LU Jiliang	5	5	0
Ms. LI Jie	5	5	0
Ms. TAO Zunjian <sup>(1)</sup>	1	1	0

Note:

(1) Since May 12, 2025, Ms. TAO Zunjian ceased to serve as the member of the Related Party Transactions Control Committee.

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

### 3.9 Special committees of the Board (Cont'd)

#### 4. Risk Management Committee

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

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

During the Reporting Period, the Risk Management Committee held 5 on-site meetings in total, at which 27 resolutions were considered and passed on topics mainly including risk profile, capital adequacy ratio assessment, annual risk appetite strategies, internal capital adequacy assessment and business continuity management assessment. The Risk Management Committee regularly reviews the Bank's risk management system covering various main types of risks such as credit risk, market risk, operational risk, information technology risk, reputational risk and strategic risk by regularly listening to senior management's report on the Bank's risk management on a quarterly basis, and proposes opinions and suggestions on improving the Bank's risk management work based on the economic development trend and changes in macroeconomic control policies and the actual business development of the Bank.

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

Committee Members	Attendances Required	Attendances in Person	Attendances by Proxy
Mr. CHEN Xiaojun	5	5	0
Mr. PENG Feng	5	5	0
Mr. ZHAO Bing	5	5	0
Mr. JIAO Weifeng	5	5	0
Ms. SUN Zuying	5	5	0

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

#### 3.9 Special committees of the Board (Cont'd)

##### 5. *Nomination and Remuneration Committee*

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

The primary duties of the Nomination and Remuneration Committee include:

##### *Nomination Duties*

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

##### *Remuneration Duties*

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

During the Reporting Period, the Nomination and Remuneration Committee held 4 on-site meetings in total, at which 12 resolutions were considered and passed on topics mainly including the evaluation of the performance of Directors and senior management, the examination of the qualifications of proposed Directors and the assessment of business performance.

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

### 3.9 Special committees of the Board (Cont'd)

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

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

Committee Members	Attendances Required	Attendances in Person	Attendances by Proxy
Mr. WANG Yong	4	4	0
Mr. YANG Yunhong	4	4	0
Mr. KANG Jian	4	4	0
Mr. FAN Chi Chiu	4	4	0
Mr. PENG Feng	4	4	0
Ms. SUN Zuying	0	0	0

*Note:*

Ms. SUN Zuying has served as a member of the Nomination and Remuneration Committee since December 15, 2025, on the same date, Mr. KANG Jian ceased to be the member of the Nomination and Remuneration Committee.

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

The Board consists of fourteen members, including four executive Directors, five non-executive Directors and five independent non-executive Directors. Our Directors have a balanced mix of experiences, including banking, corporate management, economics, law, accounting, auditing and finance. In addition, the Board has a relatively wide range of age, ranging from 36 years old to 63 years old. Taking into account various factors, the Bank has proposed a target number of female members on the Board of Directors of not less than two. The Bank had two female members on the Board of Directors by the end of 2025 and had achieved the goal of gender diversity on the Board. The Bank believes that the current composition of the Board is in line with the principles of the board diversity policy. In the selection and search for Director candidates, the Nomination and Remuneration Committee will take full account of the proportion of female members. For the objectives and details of gender diversity, please refer to "Directors, Senior Management and Employees – Composition of employees" in this report.

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

#### 3.9 Special committees of the Board (Cont'd)

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

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

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

##### 6. *Consumer Rights Protection Committee*

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

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

During the Reporting Period, the Consumer Rights Protection Committee held 2 on-site meetings in total, at which 3 resolutions were considered and passed on topics mainly including the Report on the Consumer Rights Protection Work and the Environmental Information Disclosure Report.

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

#### 3.9 Special committees of the Board (Cont'd)

##### 6. Consumer Rights Protection Committee (Cont'd)

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

Committee Members	Attendances Required	Attendances in Person	Attendances by Proxy
Mr. ZHAO Bing	2	2	0
Ms. LI Jie	2	2	0
Mr. KANG Jian	2	2	0
Mr. JIANG Yi	2	2	0
Ms. TAO Zunjian <sup>(1)</sup>	1	1	0

*Note:*

(1) Ms. TAO Zunjian ceased to serve as the member of the Consumer Rights Protection Committee from May 12, 2025.

### IV. BOARD OF SUPERVISORS AND ITS SPECIAL COMMITTEES

On October 31, 2025, the Bank has received the approval from the National Financial Regulatory Administration Shandong Office regarding the amendments to the Articles of Association of Weihai Bank. According to the amendments to the Articles of Association, with effect from such date, the Bank will no longer establish the Board of Supervisors, as well as its special committees and standing bodies (the Supervision Committee and the Nomination Committee). The incumbent Supervisors shall cease to serve as Supervisors of the Bank and members of the special committees established under the Board of Supervisors.

As of October 31, 2025, the Board of Supervisors consisted of nine Supervisors, including three employees' representative Supervisors, namely Mr. ZHANG Renzhao, Mr. LU Guangming and Ms. WANG Wenjing; three Shareholders' representative Supervisors, namely Ms. ZHAO Lijie, Mr. ZHOU Hao and Mr. BI Jianchao; and three external Supervisors, namely Mr. CHU Dianhui, Mr. LIU Xiao and Ms. WANG Hongmei.

## Chapter 5 Corporate Governance Report

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

From January to October 2025, the Bank held 4 meetings of the Board of Supervisors, considered 30 resolutions and heard 53 resolutions, which mainly involved topics including plans in terms of budget and final accounts, dividend distribution, issuance of domestic shares to specific target placees, non-public issuance of H shares, and listened to and considered relevant reports such as operation and management of the banks, financial activities, internal control of risks and related party transactions.

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

Members of the Board of Supervisors	Attendances Required	Attendances in Person	Attendances by Proxy
Mr. ZHANG Renzhao	4	4	0
Ms. ZHAO Lijie	4	4	0
Mr. ZHOU Hao	4	4	0
Ms. WANG Wenjing	4	4	0
Mr. BI Jianchao	4	4	0
Mr. CHU Dianhui	4	4	0
Mr. LIU Xiao	4	4	0
Ms. WANG Hongmei	4	4	0
Mr. LU Guangming	4	4	0

As of October 31, 2025, the Supervision Committee consisted of four Supervisors, namely Ms. WANG Hongmei, Mr. LIU Xiao, Ms. ZHAO Lijie and Mr. LU Guangming. The chairman of the Supervision Committee is Ms. WANG Hongmei. The Supervision Committee held 4 meetings in total, at which all members attended and a total of 26 resolutions were considered, including the supervision opinions on assets and liabilities ratio and risk management matters, the supervision and inspection work, the development strategy evaluation report, financial information and its disclosure, the internal control of the Bank and the issuance of shares.

As of October 31, 2025, the Nomination Committee consisted of four Supervisors, namely Mr. CHU Dianhui, Mr. ZHOU Hao, Mr. BI Jianchao and Ms. WANG Wenjing. The chairman of the Nomination Committee is Mr. CHU Dianhui. The Nomination Committee held 1 meeting in total, at which all members attended and 5 resolutions were considered, including the evaluation of the performance of duties by the Board of Directors, senior management and its members and the evaluation of Supervisors.

As of October 31, 2025, the Bank convened two Shareholders' meetings and two Shareholders class meetings in total. The Board of Supervisors sent representatives to attend the meetings and supervised on the spot whether the contents considered at the meetings, meeting procedures and voting processes comply with the laws and regulations.

As of October 31, 2025, in order to strengthen the basic work of performance evaluation, the Supervisors attended the Board meetings and recorded the key contents and information related to the meetings, which were used as the basic information for the year-end evaluation of the Board of Supervisors and effectively improved the objectivity of evaluation.

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

During the Reporting Period, the Board of Directors of the Bank paid significant attention to enhancing the Directors' expertise, with a special focus on arranging relevant trainings. All the Directors (including Mr. MENG Dongxiao, Mr. ZHANG Wenbin, Mr. LU Jiliang, Mr. JIANG Yi, Mr. CHEN Xiaojun, Mr. ZHAO Bing, Mr. JIAO Weifeng, Mr. KANG Jian, Ms. LI Jie, Mr. FAN Chi Chiu, Mr. WANG Yong, Ms. SUN Zuying, Mr. YANG Yunhong and Mr. PENG Feng, as well as a retiring Director, Ms. TAO Zunjian) of the Bank have fully complied with the principle C.1 set out in Part 2 of the Corporate Governance Code regarding Directors shall participate in continuous professional development as well as PRC regulatory requirements, actively participating in special trainings on performance of Directors, corporate governance, anti-corruption and integrity construction and among others.

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

### VI. CHAIRMAN OF THE BOARD AND PRESIDENT

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

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

### VII. SENIOR MANAGEMENT

Senior management of the Bank is accountable to the Board of Directors and organizes and carries out the business management activities of the Bank and reports to the Board of Directors according to the authorization of the Board of Directors.

The Bank practices a president accountability system led by the Board. The Bank has also appointed vice presidents and other senior management members to cooperate with the president of the Bank and perform their respective management responsibilities. The president and senior management shall regularly report to the Board of Directors the Bank's operating results, material contracts, financial position, risk profile, business prospects and other information in a timely, accurate and complete manner in accordance with laws, regulations, rules, the Articles of Association of the Bank and the authorization of the Board of Directors.

### VIII. COMPANY SECRETARIES

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

### **IX. RELATIONSHIP BETWEEN THE DIRECTORS, AND SENIOR MANAGEMENT**

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

### **X. AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

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

Furthermore, in light of the latest regulatory requirements under national laws and regulations and from regulatory authorities, the Bank amended and supplemented some provisions of the Articles of Association based on its actual circumstances including arrangements such as the dissolution of the Board of Supervisors and removal of Shareholders class meetings. These amendments have been considered and approved at the 2025 first extraordinary general meeting, the 2025 first domestic Shareholders class meeting and the 2025 first H Shareholders class meeting of the Bank held on September 29, 2025, and have taken effect upon approval by the National Financial Regulatory Administration Shandong Office on October 31, 2025, thereby taking effect. For details of the amendments, please refer to the Bank's circular dated September 14, 2025 and announcements dated August 28, 2025, September 29, 2025 and November 6, 2025.

### **XI. COMMUNICATIONS WITH THE SHAREHOLDERS**

The Bank has formulated the Shareholders' communication policy to maintain communications and contacts with shareholders and stakeholders. Shareholders may attend and vote at the annual general meeting of the Bank in person or by proxy, and may communicate with Directors or make inquiries at the meeting. The Bank shall issue its interim and annual results and reports and other announcements within the time stipulated by the Listing Rules, and we inform Shareholders, investors and other stakeholders of latest developments of the Bank through several channels including the website and WeChat official account of the Bank. The Board of Directors has reviewed the communication channels and correspondence activities with Shareholders and stakeholders in 2025 and confirmed that Shareholders' communication policy of the Bank has been properly implemented and took effect within 2025.

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

Address: No. 137A, Qingdao North Road, Weihai City, Shandong Province, the PRC

Tel: (86) 631-5236187

Email: whccb@whccb.com

### XII. SHAREHOLDERS' RIGHTS

#### 12.1 Procedures for the Shareholders to convene an extraordinary general meeting

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

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

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

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

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

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

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

### XII. SHAREHOLDERS' RIGHTS (CONT'D)

#### 12.2 Procedures for making proposals at the Shareholders' meetings

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

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

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

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

### XIII. EXTERNAL AUDITORS AND THEIR REMUNERATION

On April 30, 2024, the Shareholders' general meeting of the Bank considered and approved the Resolution on the Appointment of External Auditors for 2024, and agreed to engage Zhongxinghua Certified Public Accountants LLP (中興華會計師事務所(特殊普通合夥)) and BDO Limited as the domestic and overseas auditors of the Bank for 2024, respectively. BDO China Shu Lun Pan Certified Public Accountants LLP will no longer be engaged as the domestic auditor for 2024.

On June 18, 2025, the Shareholders' general meeting of the Bank considered and approved the Resolution on the Appointment of External Auditors for 2025, and agreed to engage KPMG Huazhen LLP and KPMG, as the domestic and overseas auditors of the Bank for 2025, respectively. Zhongxinghua Certified Public Accountants LLP and BDO Limited will no longer be engaged as the domestic and overseas auditors, respectively. As of December 31, 2025, the continuous period for providing auditing services to the Bank by the domestic auditor, KPMG Huazhen LLP, and the overseas auditor, KPMG, have reached 1 year.

During the Reporting Period, the Bank agreed to pay a total of RMB3,600,000 for audit fees to KPMG Huazhen LLP and KPMG for the annual audit, interim review of financial statements and the internal control audit. In addition, the Bank agreed to pay RMB90,000 for fees of non-audit services related to the audit of senior management's economic responsibilities (mainly for the audits of economic responsibilities of senior management) to BDO China Shu Lun Pan Certified Public Accountants LLP. The above fees include related taxes and fees.

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

### XIV. RISK MANAGEMENT AND INTERNAL CONTROL

#### 14.1 Risk Management

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

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

The Bank has built a whole-process digitalized risk management system and continuously improved its technology capability in risk management work through strengthening the application of internal and external data and risk models in fields such as business access, risk alert and differentiated risk management strategies. The Bank has established risk management systems such as the post-loan management platform, investment business credit risk management and control system, risk control platform, model monitoring platform, which fully utilizes these systems and tools in risk identification, measurement and monitoring. During the Reporting Period, the Bank continuously optimized the post-loan management platform and early warning system functions in conjunction with the adjustment of management strategies; leveraging the implementation of the Administrative Measures for the Capital of Commercial Banks, the Bank established a risk-weighted asset (RWA) measurement system, improving the accuracy of credit risk, market risk and operational risk calculations, thus further improving its overall risk management capability.

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

#### 14.2 Internal Control

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

The Bank continues to leverage the long-term mechanism of “managing people by the system, handling our business according to proven processes” and continuously improves its system management framework. During the Reporting Period, the Bank conducted a series of activities to ensure staff ‘must-know and must-master’ knowledge of regulations, including system assessments, training, examinations, and competitions; revised and enhanced the compliance management systems in line with new regulatory requirements; strengthened compliance reviews of regulations, further refining systems, clarifying standards, and standardizing processes; conducted regular system evaluations, with the Bank’s regulatory improvements publicly disclosed to ensure key revisions and implementation standards are fully understood and adhered to; amended the ‘zero tolerance’ and ‘zero occurrence’ issue lists to continuously strengthen institutional development, better translating institutional advantages into governance effectiveness; and continuously enhanced the effectiveness of internal correction, conducted “Five Elements (五有)” system inspections, quarterly case prevention and control investigations, and various special risk investigations, which fully inspected key management indicators, key operation steps and key risk points, strictly implemented rectification and enforced accountability thereafter, with aim to further consolidate its compliance base.

During the Reporting Period, the Bank implemented an independent and vertically structured internal audit system. The Board bears ultimate responsibility for ensuring the independence and effectiveness of internal audit; an Audit Committee established under the Board is responsible for guiding, evaluating, and supervising internal audit activities. The Bank’s Audit Department reports directly to the Chairman and conducts independent, objective audits across the entire Bank. It regularly reports to the Board (including the Audit Committee). The Audit Department oversees the adequacy and effectiveness of internal controls, organizes and implements Bank-wide internal control evaluations, and promotes enhanced risk management capabilities across all institutions.

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

#### 14.2 Internal Control (Cont'd)

During the Reporting Period, the Bank's Audit Department formulated annual audit plans based regulatory requirements as well as operation, management and business profile, which were approved by the Board of Directors. First of all, the Bank's Audit Department carried the annual audit plans strictly, comprehensively strengthened supervision on internal audit, and by leveraging on-site inspections and off-site monitoring and other methods, the Bank conducted special audits on its exposures to various risks such as credit risk, market risk, and information technology risk, and conducted in-depth supervision to key institutions in conjunction with regular audit and economic responsibility auditing, thus to realize full coverage of due diligence auditing. Moreover, the Bank's Audit Department insisted on audit under the support of technology to improve the development of next-generation intelligent informatized audit, and also consolidated data sources basis of audit system and promote the development of tools such as visual modelling and early warning monitoring, so as to enhance the quality and efficiency of IT-based auditing. Furthermore, the Bank's Audit Department established an audit quality control mechanism to strengthen whole process quality control of audit projects, thus to improve refined management and mitigate audit risks. Last, the Bank's Audit Department improved supervision mechanism for rectification to promote a sound system construction and optimize process management, and achieve source redress. The Bank's Audit Department also strengthened information communication and results sharing with Discipline Inspection and Supervision Department and functional departments, and built a greater supervision system to promote high-quality and stable development across the Bank.

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

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

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

# CHAPTER 6 REPORT OF THE BOARD OF DIRECTORS

## I. PRINCIPAL ACTIVITIES

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

## II. BUSINESS REVIEW

### 2.1 Business Review

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

### 2.2 Environmental Policies and Performance

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

### 2.3 Compliance with Relevant Laws and Regulations

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

### II. BUSINESS REVIEW (CONT'D)

#### 2.4 Consumer Rights Protection

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

The Bank earnestly upheld the political and people-oriented nature of financial work, and comprehensively integrated consumer rights protection into all aspects of the Bank’s strategic planning, corporate culture and operational management. The Board of Directors would bear ultimate responsibility, with senior management spearheading implementation to ensure a robust consumer rights protection framework and effective execution. The Bank consistently applied consumer rights protection principles throughout all business processes, including product design, marketing communications, information disclosure, fee management, personal data protection, and complaint handling. The Bank rigorously regulated sales practices, enhanced customer information security management, maintained accessible and diverse complaint channels, and effectively safeguarded legitimate rights and interests of consumers. The Bank continuously conducted routine financial literacy education campaigns to enhance consumers’ financial understanding. By strengthening internal assessments, audits, and training, the Bank established long-term mechanisms to drive the ongoing advancement of consumer protection work.

#### 2.5 Relationship with Employees

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

#### 2.6 Dividend Policies and Dividends

##### 1. Dividends

The Bank shall formulate profit distribution plans according to its own operating conditions, risk conditions, capital planning, market environment and other factors, take into account the overall interests of all shareholders and the sustainable development of the Bank, and balance the relationship between cash dividends and capital replenishment. For details of undistributed profits, please refer to note 42 to the financial statements in this report.

### II. BUSINESS REVIEW (CONT'D)

#### 2.6 Dividend Policies and Dividends (Cont'd)

##### 1. Dividends (Cont'd)

In accordance with the resolution of the 2024 annual general meeting of the Bank convened on June 18, 2025, 2024 annual dividend was distributed in cash with the amount of RMB598 million (tax inclusive), being a cash dividend of RMB10 (tax inclusive) per 100 shares distributed to the ordinary shareholders whose names appeared on the register of members on the record date for equity distribution. The final dividend was distributed to Shareholders on July 30, 2025.

The Board of Directors proposed that the Bank shall distribute 2025 dividends in cash in 2026 with the amount not more than RMB687 million (tax inclusive), and distribute a cash dividend of RMB10 (tax inclusive) per 100 shares to the ordinary Shareholders whose names appear on the register of members of the Bank on the record date for equity distribution. The proposed final dividend is expected to be distributed to the Shareholders on or around July 30, 2026, and the profit distribution plan will be submitted to the 2025 annual general meeting for approval. The Bank will make further announcement on the book closure date and record date in relation to the proposed final dividend.

##### 2. Tax Relief

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

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

### II. BUSINESS REVIEW (CONT'D)

#### 2.6 Dividend Policies and Dividends (Cont'd)

##### 2. Tax Relief (Cont'd)

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

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

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

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

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

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

### II. BUSINESS REVIEW (CONT'D)

#### 2.6 Dividend Policies and Dividends (Cont'd)

##### 2. Tax Relief (Cont'd)

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

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

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

#### 2.7 Events after the Reporting Period

As of the end of the Reporting Period, the Bank did not have any material subsequent events.

### III. ISSUANCE OF BONDS

During the Reporting Period, the Bank issued certificates of interbank deposit with an aggregate principal amount of RMB56,630 million. On June 23, 2025, the Bank issued perpetual bonds with the nominal value of RMB2 billion, carrying a coupon rate of 2.40% and a term of 5+n years. On October 23, 2025, the Bank issued tier-two capital bonds with the nominal value of RMB2 billion, carrying a coupon rate of 2.60% and a term of 5+5 years. On November 28, 2025, the Bank issued sci-tech innovation bonds with the nominal value of RMB1 billion, carrying a coupon rate of 1.94% and a term of 5 years. On December 17, 2025, the Bank issued green financial bonds with the nominal value of RMB2 billion, carrying a coupon rate of 1.85% and a term of 3 years. On December 19, 2025, the Bank issued specialised finance bonds for small and micro enterprises loans with the nominal value of RMB4 billion and a coupon rate of 1.85% for a term of 3 years. Please refer to note 34 and note 37 to the financial statements of this report for details of bonds that were not issued during the Reporting Period.

### IV. DIRECTORS AND SENIOR MANAGEMENT

#### 4.1 Biographies of Directors and Senior Management

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

#### 4.2 Service Contracts of Directors

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

## IV. DIRECTORS AND SENIOR MANAGEMENT (CONT'D)

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

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

Name of Director/ chief executive	Class of shares	Capacity	Number of Domestic Shares directly or indirectly held	Percentage of total issued shares <sup>(1)</sup> (%)	Percentage of total class shares <sup>(1)</sup> (%)	Long position/ short position
Mr. ZHANG Wenbin	Domestic Shares	Beneficial owner	70,266	0.0012	0.0014	Long position
Ms. SUN Zuying	Domestic Shares	Beneficial owner	21,756	0.0004	0.0004	Long position

*Note:*

- (1) The percentages above are calculated based on the total number of issued shares of 5,980,058,344 shares and the total number of Domestic Shares of 4,971,197,344 shares of the Bank as of the end of the Reporting Period.

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

### IV. DIRECTORS AND SENIOR MANAGEMENT (CONT'D)

#### 4.4 Directors' Interests in Transactions, Arrangements or Contracts

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

#### 4.5 Directors' Interests in Competing Business

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

#### 4.6 Arrangements for Directors to Acquire Shares or Debentures

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

#### 4.7 Remuneration of Directors

According to the remuneration policy of the Bank, in assessing the remuneration payable to the Directors of the Bank, the Nomination and Remuneration Committee will take into account a number of factors including the comparable remuneration paid by the Bank and the term of office, obligations, responsibilities and performance (as the case may be) of the Directors of the Bank. For details of the remuneration of the Directors, please refer to note 9 to the financial statements and "Directors, Senior Management and Employees" of this report. As of the end of the Reporting Period, the Bank did not grant any incentive shares to the Directors and senior management.

#### 4.8 Permitted Indemnity Provision and Directors' Insurance

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

## Chapter 6 Report of the Board of Directors

### V. MANAGEMENT CONTRACTS

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

### VI. MAJOR CUSTOMERS

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

### VII. DONATIONS

During the Reporting Period, the Bank made charitable and other donations in an aggregate amount of approximately RMB290,000.

### VIII. RESERVES

Details of the changes in the reserves of the Bank during the Reporting Period are set out in the consolidated statement of changes in equity in the financial statements of this report. As of the end of the Reporting Period, the distributable reserves of the Group amounted to RMB6.922 billion.

### IX. CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

On September 1, 2025, the Bank entered into conditional Domestic Share Subscription Agreements with Shandong Hi-Speed Group Company and Shandong Hi-Speed respectively, pursuant to which Shandong Hi-Speed Group Company and Shandong Hi-Speed conditionally agreed to subscribe for, and the Bank conditionally agreed to issue and allot, up to 324,213,962 Domestic Shares and up to 105,816,432 Domestic Shares respectively, representing a total of up to 430,030,394 Domestic Shares, at a subscription price of RMB3.29 per Domestic Share, with subscription amounts of approximately up to RMB1,066,663,935 and RMB348,136,062 (equivalent to HK\$1,171,141,466 and HK\$382,235,271 respectively, based on the exchange rate prevailing on the date of the Board meeting) respectively. The net proceeds from the issuance, after deducting relevant issuance expenses, will be entirely used to supplement the Bank's core Tier 1 capital. As Shandong Hi-Speed Group Company, Shandong Hi-Speed are the controlling Shareholders and substantial Shareholders of the Bank respectively, Shandong Hi-Speed Group Company, Shandong Hi-Speed and their associates are connected persons of the Bank, Shandong Hi-Speed's Subscription will constitute a connected transaction of the Bank pursuant to the Listing Rules and is subject to the announcement, reporting and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. For details, please refer to the Company's announcements dated July 31, 2025 and September 1, 2025, and the circular dated September 14, 2025.

### **IX. CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS(CONT'D)**

As of the date of this report, Shandong Hi-Speed's Subscription is still under progress, no new Domestic Shares have been issued by the Bank.

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

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

### **X. COMPLIANCE WITH CORPORATE GOVERNANCE PRACTICES**

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

### **XI. SUFFICIENCY OF PUBLIC FLOAT**

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

### **XII. RETIREMENT BENEFITS**

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

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

During the Reporting Period, neither the Bank nor any of its subsidiary had purchased, sold or redeemed any listed securities of the Bank (including sale of treasury shares, if any). As at the end of the Reporting Period, the Bank did not hold any treasury shares of the Bank.

### XIV. EQUITY-LINKED AGREEMENTS

On July 31, 2025, the Board of Directors announced that, in order to improve the capital adequacy ratio of the Bank, ensure that the capital adequacy ratio meets regulatory requirements, safeguard the steady growth of various businesses and effectively support the development of the real economy, the Board of Directors proposed the issuance of no more than 758,020,103 Domestic Shares and no more than 153,834,000 H Shares to the eligible subscribers. As stated under the paragraph “CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS” in the Report of the Board of Directors, on September 1, 2025, the Bank entered into conditional Domestic Share Subscription Agreements with Shandong Hi-Speed Group Company and Shandong Hi-Speed respectively. Subsequently, on December 21, 2025, the Bank entered into the H Share Subscription Agreement with Tsinlien Group, pursuant to which Tsinlien Group conditionally agreed to subscribe for, and the Bank conditionally agreed to allot and issue, no more than 150,000,000 H Shares at a subscription price of RMB3.29 per H Share, with a cash consideration not exceeding RMB493,500,000 (equivalent to HK\$541,837,307). The net proceeds from the issuance, after deducting relevant issuance expenses, will be entirely used to supplement the Bank’s core Tier 1 capital. On December 24, 2025, the Bank entered into the Domestic Share Subscription Agreement with Caixin Asset, pursuant to which Caixin Asset conditionally agreed to subscribe for, and the Bank conditionally agreed to allot and issue, no more than 327,989,709 Domestic Shares at a subscription price of RMB3.29 per Domestic Share, with a cash consideration not exceeding RMB1,079,086,143 (equivalent to HK\$1,184,780,403). The net proceeds from the issuance, after deducting relevant issuance expenses, will be entirely used to supplement the Bank’s core Tier 1 capital. For details, please refer to the Company’s announcements dated July 31, 2025, September 1, 2025, December 21, 2025 and December 24, 2025, and the circular dated September 14, 2025.

Save as Shandong Hi-Speed’s Subscription mentioned in Connected Transactions and Continuing Connected Transactions and for the above disclosure, during the Reporting Period, no other equity-linked agreements were entered into by the Bank or subsisted. As of the date of this report, the abovementioned subscriptions are still under progress, no new H Shares and new Domestic Shares have been issued by the Bank.

### XV. PRE-EMPTIVE RIGHTS

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

### XVI. AUDITORS

For information about the Bank’s auditors, please refer to the “Corporate Governance Report”.

On behalf of the Board of Directors  
**MENG Dongxiao**  
*Chairman*

# CHAPTER 7 IMPORTANT EVENTS

## FULFILLMENT OF UNDERTAKINGS

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

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

## MATERIAL LITIGATION OR ARBITRATION

As of the end of the Reporting Period, the Bank was the plaintiff in 6 outstanding litigations with a principal balance of over RMB30 million, involving an amount of RMB1.14 billion. The Bank was not the defendant in any outstanding litigations or arbitrations with a principal balance of over RMB10 million. The above outstanding litigations and arbitrations are all loan disputes arising from banking business of the Bank, and as of the end of the Reporting Period, the Bank did not expect that such litigation (individually or jointly) would have a material adverse effect on the Bank's business, financial position and results of operations.

### **PENALTIES AND RECTIFICATION**

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

### **MATERIAL CONTRACTS, MATERIAL GUARANTEES AND SIGNIFICANT INVESTMENTS**

#### **Material Contracts**

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

#### **Material Guarantees**

As of the end of the Reporting Period, the balances of letters of guarantees and letters of credit of the Bank amounted to RMB2.844 billion and RMB16.024 billion, respectively. The guarantee business is in the ordinary course of business of the Bank, and the above businesses are financial guarantee business within the scope of business approved by the National Financial Regulatory Administration during the Reporting Period.

#### **Significant Investments**

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

#### **Disposal of Assets and Mergers**

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

### **SIGNIFICANT EVENTS OF SUBSIDIARY**

During the Reporting Period, the subsidiary had no significant event.

### RELATED PARTY TRANSACTIONS

#### Related Party Transactions Related to Daily Operations

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

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

In accordance with the requirements of the NFRA, during the Reporting Period, there were five resolutions on material related party transactions, which reviewed and considered the related party transactions between the Bank and Shandong Hi-Speed Group Co. Ltd., Shangdong Tongda Financial Leasing Co., Ltd., Weihai Industrial Investment Group Co., Ltd., Dongying United Petrochemical Company Limited and Weihai Thermoelectricity Group Co., Ltd.

As of the end of the Reporting Period, the Bank's balance of the credit exposure to related party transactions was RMB6.979 billion as required by the NFRA, accounting for 19.17% of net capital.

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

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

#### Related Party Transactions in Relation to Joint External Investment

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

#### Related Party Credit and Debt Transactions

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

#### Related Party Transactions in Relation to Receipt of Services

During the Reporting Period, the Bank recorded the total amount of RMB166 million in relation to related party transactions for the receipt of services (excluding the cumulative amount exempted from review and disclosure based on the methods of related party transactions).

#### Deposits and Other Related Party Transactions

During the Reporting Period, the Bank recorded the total amount of RMB29.391 billion in relation to related party transactions for deposits in the Bank from related parties (excluding the cumulative amount exempted from review and disclosure based on the methods of related party transactions) in accordance with the requirements of the NFRA.

# CHAPTER 8 INDEPENDENT AUDITOR'S REPORT



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

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

### OPINION

We have audited the consolidated financial statements of Weihai Bank Co., Ltd. (the "**Bank**") and its subsidiaries (the "**Group**") set out on pages 145 to 270, which comprise the consolidated statement of financial position as at 31 December 2025, 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, comprising material accounting policy information and other explanatory information.

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

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

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

## KEY AUDIT MATTERS (CONTINUED)

<b>1. Measurement of expected credit losses of loans and advances to customers and financial investments measured at amortised cost</b>	
<p>Refer to the accounting policy in "Note2(7) (v) Impairment, Note2(26) (i) Measurement of ECLs", and "Note18 Loans and advances to customers, Note 21 Financial investments measured at amortised cost, Note 11 Credit impairment losses and Note 46(1) Credit risk" to the consolidated financial statements.</p>	
<b>The Key Audit Matter</b>	<b>How the matter was addressed in our audit</b>
<p>The Group measures the expected credit losses for loans and advances to customers and financial investments measured at amortised cost in accordance with IFRS 9, Financial Instruments.</p> <p>The determination of ECL allowances of loans and advances to customers and financial investments measured at amortised cost 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, adjustments for forward-looking information and other adjustment factors. Extensive management judgement is involved in the selection of those parameters and the application of the assumptions.</p>	<p>Our audit procedures to assess ECL allowances of loans and advances to customers and financial investments measured at amortised cost included the following:</p> <ul style="list-style-type: none"> <li>understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over credit approval, recording and monitoring, credit risk staging and measurement of ECL allowances of loans and advances to customers and financial investments measured at amortised cost.</li> <li>with the assistance of KPMG's financial risk specialists, assessing the appropriateness of the ECL model in determining ECL allowances and the appropriateness of the key parameters and assumptions, 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 judgement.</li> </ul>

**KEY AUDIT MATTERS (CONTINUED)**

<p><b>1. Measurement of expected credit losses of loans and advances to customers and financial investments measured at amortised cost</b></p>	
<p>Refer to the accounting policy in “Note2(7) (v) Impairment, Note2(26) (i) Measurement of ECLs”, and “Note18 Loans and advances to customers, Note 21 Financial investments measured at amortised cost, Note 11 Credit impairment losses and Note 46(1) Credit risk” to the consolidated financial statements.</p>	
<p><b>The Key Audit Matter</b></p> <p>The amount of ECL of loans and advances to customers and financial investments measured at amortised costs is significant, and the measurement has a high degree of estimation uncertainty. In view of these reasons, we identified this as a key audit matter.</p>	<p><b>How the matter was addressed in our audit</b></p> <ul style="list-style-type: none"> <li>• assessing, on a sample basis, the accuracy of data used in the ECL model such as the loan balance, due date, interest rate, credit enhancements, and involving KPMG’s IT specialists to assess the compilation logics of the overdue information of the loans and advances to customers.</li> <li>• evaluating, on a sample basis, the reasonableness of management’s assessment on whether the credit risk of the loans and advances to customers and financial investments measured at amortised costs has increased significantly since initial recognition and whether the loans and advances to customers and financial investments measured at amortised costs are credit-impaired. We selected samples from industries more vulnerable to the current economic situation and from borrowers or debtors with potential increase in credit risk. For selected samples, we assessed overdue information, made enquiries of the credit managers about the borrowers’ or debtors’ business operations, assessed borrowers’ or debtors’ financial information and performed market research on their businesses, to assess their credit risk status, and the reasonableness of the credit risk staging.</li> </ul>

**KEY AUDIT MATTERS (CONTINUED)**

<p><b>1. Measurement of expected credit losses of loans and advances to customers and financial investments measured at amortised cost</b></p>	
<p>Refer to the accounting policy in “Note2(7) (v) Impairment, Note2(26) (i) Measurement of ECLs”, and “Note18 Loans and advances to customers, Note 21 Financial investments measured at amortised cost, Note 11 Credit impairment losses and Note 46(1) Credit risk” to the consolidated financial statements.</p>	
<p><b>The Key Audit Matter</b></p>	<p><b>How the matter was addressed in our audit</b></p>
	<ul style="list-style-type: none"> <li>• for credit-impaired corporate loans and advances and financial investments measured at amortised cost, selecting samples to assess the reasonableness of ECL allowances based on the financial situation of the borrowers or the debtors, the security types, collateral valuations, and other repayment sources of the borrowers or the debtors.</li> <li>• selecting samples and assessing the accuracy of calculation for the ECL allowances of loans and advances to customers and financial investments measured at amortised cost.</li> <li>• assessing the reasonableness of the disclosures in the financial statements in relation to ECL allowances of loans and advances to customers and financial investments measured at amortised cost with reference to the requirements of the applicable accounting standards.</li> </ul>

**KEY AUDIT MATTERS (CONTINUED)**

<p><b>2. Consolidation of structured entities</b></p>	
<p>Refer to the accounting policy in “Note2(4) Consolidated financial statements, Note2(26) (iv) Determination of control over structured entities”, and “Note 50 Interests in structured entities” to the consolidated financial statements.</p>	
<p><b>The Key Audit Matter</b></p> <p>Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities.</p> <p>The Group may acquire an ownership interest in a structured entity, through initiating, managing or investing shares in a wealth management product, an investment fund, an asset management plan, a trust plan or an asset-backed security.</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 judgement exercised by management in the qualitative assessment of the terms and nature of each entity.</p>	<p><b>How the matter was addressed in our audit</b></p> <p>Our audit procedures to assess the consolidation of structured entities included the following:</p> <ul style="list-style-type: none"> <li>• assessing the design and implementation of the key internal controls of financial reporting over consolidation of structured entities.</li> <li>• selecting certain structured entities and performing the following procedures:                             <ul style="list-style-type: none"> <li>– inspecting the related contracts, internal establishment documents and information disclosed to investors to evaluate management’s judgement over whether the Group has the ability to exercise power over the structured entity;</li> <li>– inspecting the risk and reward structure of the structured entity to evaluate management’s judgement as to the exposure, or rights, to variable returns from the Group’s involvement in such an entity; and</li> <li>– performing independent analysis of the structured entity to assess the Group’s ability to affect its own returns from the structured entity and whether the structured entity should be consolidated or not.</li> </ul> </li> <li>• assessing the reasonableness of the disclosures in the financial statements in relation to consolidation of structured entities with reference to the requirements of the applicable accounting standards.</li> </ul>

## Chapter 8 Independent Auditor's Report

### KEY AUDIT MATTERS (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.

## Chapter 8 Independent Auditor's Report

### KEY AUDIT MATTERS (CONTINUED)

#### Auditor's responsibilities for the audit of the consolidated financial statements (continued)

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

## Chapter 8 Independent Auditor's Report

### KEY AUDIT MATTERS (CONTINUED)

#### Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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 Wong Yuen Shan (practising certificate number: P04563).

#### KPMG

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

27 March 2026

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025 (Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	<b>2025</b>	2024
Interest income		<b>17,116,917</b>	16,499,022
Interest expense		<b>(9,400,082)</b>	(9,499,101)
<b>Net interest income</b>	<i>3</i>	<b>7,716,835</b>	6,999,921
Fee and commission income		<b>1,006,581</b>	641,719
Fee and commission expense		<b>(263,150)</b>	(67,363)
<b>Net fee and commission income</b>	<i>4</i>	<b>743,431</b>	574,356
Net trading (losses)/gains	<i>5</i>	<b>(273,749)</b>	26,886
Net gains arising from investments	<i>6</i>	<b>1,407,962</b>	1,356,485
Other operating income	<i>7</i>	<b>323,106</b>	357,957
<b>Operating income</b>		<b>9,917,585</b>	9,315,605
Operating expenses	<i>8</i>	<b>(2,380,814)</b>	(2,237,614)
Credit impairment losses	<i>11</i>	<b>(4,751,639)</b>	(4,571,600)
<b>Profit before tax</b>		<b>2,785,132</b>	2,506,391
Income tax expense	<i>12</i>	<b>(281,403)</b>	(308,268)
<b>Net profit</b>		<b>2,503,729</b>	2,198,123
<b>Net profit attributable to:</b>			
Equity shareholders of the Bank		<b>2,252,432</b>	1,991,714
Non-controlling interests		<b>251,297</b>	206,409
Basic and diluted earnings per share (In RMB)	<i>13</i>	<b>0.35</b>	0.30

The notes on pages 153 to 270 form part of these financial statements.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025 (Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	<b>2025</b>	2024
<b>Net profit</b>		<b>2,503,729</b>	2,198,123
<b>Other comprehensive income:</b>			
Item that will not be reclassified to profit or loss			
Changes in the fair value of financial assets designated to be measured at fair value through other comprehensive income	<i>39</i>	–	(468)
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of financial assets measured at fair value through other comprehensive income	<i>39</i>	<b>(1,585,177)</b>	1,583,501
Allowance for ECLs of financial assets measured at fair value through other comprehensive income	<i>39</i>	<b>38,135</b>	(3,512)
<b>Other comprehensive income, net of tax</b>		<b>(1,547,042)</b>	1,579,521
<b>Total comprehensive income</b>		<b>956,687</b>	3,777,644
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Bank		<b>705,390</b>	3,571,235
Non-controlling interests		<b>251,297</b>	206,409

The notes on pages 153 to 270 form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025 (Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	<b>31 December 2025</b>	31 December 2024
<b>Assets</b>			
Cash and deposits with the central bank	14	<b>29,746,599</b>	27,352,477
Deposits with banks and other financial institutions	15	<b>3,638,459</b>	3,204,654
Placements with banks and other financial institutions	16	<b>10,705,945</b>	71,844
Financial assets held under resale agreements	17	<b>4,797,122</b>	962,276
Loans and advances to customers	18	<b>223,695,299</b>	207,506,283
Financial investments:			
– Financial investments measured at fair value through profit or loss	19	<b>12,918,081</b>	7,535,466
– Financial investments measured at fair value through other comprehensive income	20	<b>85,171,313</b>	82,862,526
– Financial investments measured at amortised cost	21	<b>89,623,004</b>	76,739,412
Lease receivables	23	<b>32,704,477</b>	24,338,837
Property and equipment	24	<b>4,922,726</b>	3,886,772
Right-of-use assets	25	<b>475,863</b>	464,063
Deferred tax assets	26	<b>4,035,182</b>	2,866,557
Other assets	27	<b>2,086,426</b>	3,672,607
<b>Total assets</b>		<b>504,520,496</b>	441,463,774
<b>Liabilities</b>			
Borrowings from the central bank	28	<b>19,004,974</b>	10,409,572
Deposits from banks and other financial institutions	29	<b>3,366,168</b>	5,313,451
Placements from banks and other financial institutions	30	<b>34,699,374</b>	27,470,479
Financial liabilities measured at fair value through profit or loss	31	<b>977,830</b>	–
Financial assets sold under repurchase agreements	32	<b>6,982,518</b>	12,101,725
Deposits from customers	33	<b>351,275,810</b>	301,951,559
Income tax payable		<b>473,616</b>	478,400
Debt securities issued	34	<b>48,715,091</b>	49,717,679
Lease liabilities		<b>469,181</b>	453,336
Other liabilities	35	<b>3,180,119</b>	2,770,106
<b>Total liabilities</b>		<b>469,144,681</b>	410,666,307

The notes on pages 153 to 270 form part of these financial statements.

# Consolidated Statement of Financial Position

As at 31 December 2025 (Expressed in thousands of Renminbi, unless otherwise stated)

	<i>Note</i>	<b>31 December 2025</b>	31 December 2024
<b>Equity</b>			
Share capital	36	<b>5,980,058</b>	5,980,058
Other equity instruments	37	<b>5,999,092</b>	3,999,262
Including: perpetual bonds		<b>5,999,092</b>	3,999,262
Capital reserve	38	<b>7,356,872</b>	4,925,135
Other comprehensive income	39	<b>277,392</b>	1,824,434
Surplus reserve	40	<b>2,107,277</b>	1,903,978
General reserve	41	<b>4,657,710</b>	4,144,801
Retained earnings	42	<b>6,921,763</b>	6,120,445
Total equity attributable to equity shareholders of the Bank		<b>33,300,164</b>	28,898,113
Non-controlling interests		<b>2,075,651</b>	1,899,354
<b>Total equity</b>		<b>35,375,815</b>	30,797,467
<b>Total liabilities and equity</b>		<b>504,520,496</b>	441,463,774

Approved and authorised for issue by the board of directors on 27 March 2026.

**Meng Dongxiao**  
Legal Representative  
(Chairman)

**Zhang Wenbin**  
President

**Zhao Na**  
In-charge of Accounting Department

The notes on pages 153 to 270 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025 (Expressed in thousands of Renminbi, unless otherwise stated)

For the year ended 31 December 2025

Note	Attributable to equity shareholders of the Bank								Non-controlling interests	Total equity
	Share capital	Other equity instrument	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Sub-total		
Balance at 1 January 2025	5,980,058	3,999,262	4,925,135	1,824,434	1,903,978	4,144,801	6,120,445	28,898,113	1,899,354	30,797,467
Total comprehensive income	-	-	-	(1,547,042)	-	-	2,252,432	705,390	251,297	956,687
Capital contribution from equity holders 38	-	-	2,431,737	-	-	-	-	2,431,737	-	2,431,737
Capital contribution from other equity instruments holders 37	-	1,999,830	-	-	-	-	-	1,999,830	-	1,999,830
Appropriation of profit:										
– Appropriations to surplus reserve 40	-	-	-	-	203,299	-	(203,299)	-	-	-
– Appropriation to general reserve 41	-	-	-	-	-	512,909	(512,909)	-	-	-
– Dividends paid to ordinary equity holders 42	-	-	-	-	-	-	(598,006)	(598,006)	(75,000)	(673,006)
– Dividends paid to other equity instruments holders 42	-	-	-	-	-	-	(136,900)	(136,900)	-	(136,900)
Balance at 31 December 2025	5,980,058	5,999,092	7,356,872	277,392	2,107,277	4,657,710	6,921,763	33,300,164	2,075,651	35,375,815

The notes on pages 153 to 270 form part of these financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2025 (Expressed in thousands of Renminbi, unless otherwise stated)

For the year ended 31 December 2024

	Note	Attributable to equity shareholders of the Bank								Non-controlling interests	Total equity
		Share capital	Other equity instrument	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Sub-total		
Balance at 1 January 2024		5,980,058	4,099,201	4,925,460	244,913	1,720,576	3,690,579	5,579,161	26,239,948	1,767,945	28,007,893
Total comprehensive income		-	-	-	1,579,521	-	-	1,991,714	3,571,235	206,409	3,777,644
Reduction in capital of other equity instruments holders	37	-	(2,999,675)	(325)	-	-	-	-	(3,000,000)	-	(3,000,000)
Capital contribution from other equity instruments holders	37	-	2,899,736	-	-	-	-	-	2,899,736	-	2,899,736
Appropriation of profit:											
- Appropriation to surplus reserve	40	-	-	-	-	183,402	-	(183,402)	-	-	-
- Appropriation to general reserve	41	-	-	-	-	-	454,222	(454,222)	-	-	-
- Dividends paid to ordinary equity holders	42	-	-	-	-	-	-	(598,006)	(598,006)	(75,000)	(673,006)
- Dividends paid to other equity instruments holders	42	-	-	-	-	-	-	(214,800)	(214,800)	-	(214,800)
Balance at 31 December 2024		5,980,058	3,999,262	4,925,135	1,824,434	1,903,978	4,144,801	6,120,445	28,898,113	1,899,354	30,797,467

The notes on pages 153 to 270 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025 (Expressed in thousands of Renminbi, unless otherwise stated)

	2025	2024
<b>Cash flows from operating activities</b>		
Profit before income tax	2,785,132	2,506,391
<i>Adjustments for:</i>		
Credit impairment losses	4,751,639	4,571,600
Depreciation and amortisation	396,980	348,286
Unrealised foreign exchange gains, net	(67,182)	(34,161)
Net losses/(gains) on disposal of property and equipment, intangible assets and other assets	4,416	(93)
Dividend income	(5,168)	(4,624)
Net gains arising from investments	(1,402,794)	(1,328,337)
Net trading losses	340,931	7,275
Interest expense on debt securities issued	1,136,539	1,160,161
Interest income from financial investments	(4,456,974)	(4,495,226)
Others	19,789	18,087
	<b>3,503,308</b>	2,749,359
<i>Changes in operating assets</i>		
Net (increase)/decrease in deposits with the central bank	(1,535,733)	429,437
Net decrease/(increase) in deposits with banks and other financial institutions	8,240	(190)
Net increase in placements with banks and other financial institutions	(10,000,000)	–
Net increase in loans and advances to customers	(20,089,443)	(23,467,622)
Net increase in lease receivables	(9,075,301)	(3,129,418)
Net decrease/(increase) in other operating assets	2,115,875	(928,892)
	<b>(38,576,362)</b>	(27,096,685)
<i>Changes in operating liabilities</i>		
Net increase in borrowings from the central bank	8,597,607	573,499
Net decrease in deposits from banks and other financial institutions	(1,941,071)	(207,509)
Net increase in placements from banks and other financial institutions	7,190,070	4,879,770
Net (decrease)/increase in financial assets sold under repurchase agreements	(5,800,000)	751,944
Net increase in deposits from customers	48,843,100	26,893,354
Net increase in other operating liabilities	1,789,294	980,490
	<b>58,679,000</b>	33,871,548
Income tax paid	(939,131)	(762,705)
<b>Net cash flows generated from operating activities</b>	<b>22,666,815</b>	8,761,517

The notes on pages 153 to 270 form part of these financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2025 (Expressed in thousands of Renminbi, unless otherwise stated)

	2025	2024
<b>Cash flows from investing activities</b>		
Proceeds from disposal and redemption of investments	234,026,314	155,959,824
Proceeds from investment gains and interest	5,753,798	5,908,352
Payments for acquisition of investments	(257,105,408)	(177,714,669)
Proceeds from disposal of property and equipment, intangible assets and other assets	4,676	6,016
Payments for acquisition of property and equipment, intangible assets and other assets	(1,357,790)	(1,143,316)
<b>Net cash flows used in investing activities</b>	<b>(18,678,410)</b>	<b>(16,983,793)</b>
<b>Cash flows from financing activities</b>		
Proceeds from debt securities issued	65,685,832	61,997,723
Repayment of debt securities issued	(66,660,000)	(49,770,000)
Payments for interest on debt securities issued	1,164,959	(1,116,393)
Proceeds from absorbing investments	2,431,737	–
Proceeds from issuance of other equity instruments	2,000,000	2,900,000
Repayment of other equity instruments	–	(3,000,000)
Payments for dividends	(809,469)	(891,702)
Payment for lease liabilities	(116,977)	(108,885)
Payment for other financing activities	(170)	–
<b>Net cash flows generated from financing activities</b>	<b>1,365,994</b>	<b>10,010,743</b>
	<i>Note</i>	
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>4,168</b>	<b>(645)</b>
<b>Net increase in cash and cash equivalents</b>	<b>5,358,567</b>	<b>1,787,822</b>
<b>Cash and cash equivalents as at 1 January</b>	<b>14,782,432</b>	<b>12,994,610</b>
<b>Cash and cash equivalents as at 31 December</b>	<b>20,140,999</b>	<b>14,782,432</b>
<b>Net cash flows generated from operating activities include:</b>		
Interest received	13,597,341	13,086,084
Interest paid	(7,817,821)	(7,754,007)

The notes on pages 153 to 270 form part of these financial statements.

# CHAPTER 9 NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

## 1 BACKGROUND INFORMATION

Weihai Bank Co., Ltd. (the “**Bank**”) (formerly Weihai City Commercial Bank Co., Ltd. and Weihai City Cooperation Bank Co., Ltd.) commenced business as a city commercial bank on 21 July 1997, according to the approval by the People’s Bank of China (the “**PBOC**”). According to the approval by the PBOC Shandong Branch, Weihai City Cooperation Bank Co., Ltd. was renamed as Weihai City Commercial Bank Co., Ltd. on 17 April 1998. As at 26 February 2025, Weihai City Commercial Bank Co., Ltd. was renamed as Weihai Bank Co., Ltd. with the approval of the Shandong Office of National Financial Regulatory.

The Bank obtained its finance permit No. B0176H337100001 from the former China Banking Regulatory Commission (the former “**CBRC**”, in 2023, the regulator was renamed the National Financial Regulatory Administration (the “**NFRA**”) (Weihai Office). The Bank obtained its business license No. 913700002671339534 from Weihai Municipal Bureau of Weihai City Administrative Services By 31 December 2025, the paid-in capital of the Bank was RMB5,980,058,344, with its registered office located at No. 137A Qingdaobei Road, Weihai City, Shandong Province. The Bank is regulated by the NFRA which was authorised by the State Council.

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

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

## 2 MATERIAL ACCOUNTING POLICIES

### (1) Statement of compliance

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

### (2) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income.

# Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

### (2) Basis of preparation (Continued)

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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 2(26).

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

### (3) Changes in accounting Policies

#### (i) *Standards and amendments effective in 2025 relevant to and adopted by the Group*

In the current reporting period, the Group has adopted the following IFRS Accounting Standards and amendments issued by the IASB, that are mandatorily effective for the current reporting period.

Lack of Exchangeability – Amendments to IAS 21

The adoption of the above amendment does not have significant impacts on the consolidated financial statements of the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### (ii) *Standards and amendments that are not yet effective and have not been adopted before their effective dates in 2025*

<b>Effective date</b>	<b>New accounting standards or amendments</b>
1 January 2026	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 2027	IFRS 18 Presentation and Disclosure in Financial Statements
1 January 2027	IFRS 19 Subsidiaries without Public Accountability: Disclosures
Effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (4) Consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Bank and its subsidiaries, as well as 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.

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.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (5) 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.

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. 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.

#### (6) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted deposits, short-term and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (7) 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.

##### *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, 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.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (7) Financial instruments (Continued)

##### (ii) *Classification and subsequent measurement of financial assets*

###### (a) *Classification of financial assets*

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

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

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

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

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

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

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (7) Financial instruments (Continued)

##### *(ii) Classification and subsequent measurement of financial assets (Continued)*

##### *(a) Classification of financial assets (Continued)*

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.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (7) Financial instruments (Continued)

##### (ii) Classification and subsequent measurement of financial assets (Continued)

##### (b) Subsequent measurement of financial assets

- Financial assets measured at FVTPL  
These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.
- Financial assets measured at amortised cost  
These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, reclassified, through the amortisation process or in order to recognise impairment gains or losses.
- Debt investments measured at FVOCI  
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.
- Equity investments designated as at FVOCI  
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (7) Financial instruments (Continued)

##### *(iii) Classification and subsequent measurement of 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) 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 are recognised in profit or loss since initial recognition, except for the following circumstances:

- The financial liabilities are part of a hedging relationship;
- The financial liabilities are designated as financial liabilities measured at fair value through profit or loss, and any fair value changes resulting from the Group's credit risk are recognised in other comprehensive income.

###### *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(7) (iv)).

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (7) 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(19). 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(7) (v)) and the amount initially recognised less the cumulative amount of income.

###### *Credit commitments*

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

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

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

##### (v) *Impairment*

The Group's credit risk management is based on the ECL model. The Group recognises loss allowances for ECL on:

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

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (7) Financial instruments (Continued)

##### (v) *Impairment (Continued)*

###### *Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses refers to 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 are measured as the present value, discounted at effective interest rate, of all cash shortfalls.

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

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

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

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

The Group applies a 'three-stage model' for measuring ECL. For the measurement and segmentation of ECL of financial instruments of the Group, see Note 46(1) 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 35(2)).

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (7) Financial instruments (Continued)

##### (v) *Impairment*

###### *Write-off*

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

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

##### (vi) *Offsetting*

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

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

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

Financial asset is derecognised 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.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (7) Financial instruments (Continued)

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

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.

##### *(viii) Modification of financial assets contracts*

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

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

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

##### *(ix) Derivative financial instruments*

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

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.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (7) Financial instruments (Continued)

##### (ix) *Derivative financial instruments (Continued)*

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.

##### (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.

##### (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.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (8) Financial assets held under resale agreements and financial assets sold under repurchase agreements

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.

#### (9) Investment property

Investment property is property held to earn rental income or for capital appreciation, or both. Investment properties are measured using the cost model. The cost of an investment property, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life, unless the investment property is classified as held for sale.

	Estimated useful lives	Estimated net residual value	Annual depreciation rate
Premises	40 years	5%	2.38%

#### (10) Property and equipment

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.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (10) Property and equipment (Continued)

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

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

Item	Estimated useful lives	Estimated net residual value	Annual depreciation rate
Premises	40 years	5%	2.38%
Motor vehicles	7 years	5%	13.57%
Machinery	25 years	3%	3.88%
Property improvements and office equipment	5 years	5%	19.00%

estimated 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 derecognized 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.

#### (11) Intangible assets

The cost of an intangible asset, less its estimated residual value and accumulated impairment losses, is amortised using the straight-line method over its estimated useful life, unless the intangible asset is classified as held for sale.

The estimated useful lives, basis for determination and amortisation methods of intangible assets are as follows:

Item	Estimated useful life	Basis for determination	Amortisation method
Land use right	50 years	Useful life based on economic benefits	Straight-line method
software	3-10 years	Useful life based on economic benefits	Straight-line method

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (11) Intangible assets (Continued)

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

Intangible assets with unforeseeable future economic beneficial periods shall be regarded as intangible assets with uncertain useful lives and shall not be amortised.

#### (12) Long-term deferred expenses

Expenditures incurred with a beneficial period of over one year are recognised as long-term deferred expenses. Long-term deferred expenses are amortised using a straight-line method within the beneficial period.

#### (13) 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(7) (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.

#### (14) Impairment of non-financial assets

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
- Investment properties measured using the cost model
- investments in subsidiaries
- long-term deferred expenses, etc.

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated. In addition, the recoverable amount of intangible assets which are not yet available for use should be estimated at least at each financial yearend, even if there was no indication that the assets were impaired.

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.

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (14) Impairment of non-financial assets other than precious metals (Continued)

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.

The value in use of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. An allowance for an impairment loss of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill 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.

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.

#### (15) 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.

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).

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (16) Income tax

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.

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.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (17) 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 49 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.

#### (18) Fiduciary activities

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

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (the “**entrusted loan 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 loan funds, the entrusted loans and entrusted loan funds are recorded as off-balance sheet items at their principal amount. No allowance for impairment loss is made for entrusted loans.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (19) Income

##### (i) Interest income

For all financial assets measured at amortised cost and 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.

Interest income is calculated by applying the effective interest rate to the book value of financial assets and recognised as interest income by the Group, except for:

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

##### (ii) Fee and commission income

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

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

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

##### (iii) Dividend income

Dividend income from equity instrument is recognised in profit or loss when the Group's right to receive payment is established.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (20) Government grants

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 cost or expenses are recognised. Or recognised in profit or loss or offset against the related cost or expenses directly.

#### (21) Expenses

##### (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.

#### (22) Leases

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

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.

##### (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 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.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (22) Leases (Continued)

##### (i) *As a lessee (Continued)*

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.

##### (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.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (22) Leases (Continued)

##### (ii) *As a lessor*

Under a finance lease, at the commencement date, the Group recognises the lease receivables and derecognises the finance lease asset.

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 lease receivables are recognised in accordance with the accounting policy in Note 2(7). 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. Variable lease payments not included in lease receipts are recognised as income as they are earned.

#### (23) 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.

#### (24) Related parties

If a Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the State and that have no other related party relationships are not regarded as related parties.

#### (25) Segment reporting

The Group identifies operating segments based on the internal organizational structure, management requirements and internal reporting system. Two or more operating segments may be aggregated into a single operating segment if they have similar economic characteristics and at the same time share the same or similar characteristics in terms of the nature of the individual products or services, the nature of the process of providing the products or services, the type of customers for the products or services, the manner in which the products or services are provided, and the impact of laws and administrative regulations on the provision of the products or services. The Group determines segment reporting based on operating segments taking into account the principle of materiality.

In preparing segment reporting, the Group measures revenue from inter-segment transactions on the basis of actual transaction prices. The accounting policies used in the preparation of segment reporting are consistent with those used in the preparation of the Group's financial statements.

#### (26) 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.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (26) Significant accounting estimates and judgements (Continued)

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

(i) *Measurement of ECLs*

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

(ii) *Fair value of financial instruments*

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

(iii) *Income taxes*

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are recognised accordingly. Deferred tax assets are recognised for temporary deductible differences, to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised. It requires significant estimation on the tax treatment of certain transactions and significant assessment on the probability that sufficient taxable profits will be available for the deferred tax assets to be recovered.

(iv) *Determination of control over structured entities*

The Group acts as manager to a number of wealth management products, investment management products, investment funds 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.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

#### (26) Significant accounting estimates and judgements (Continued)

##### (iv) Determination of control over structured entities (Continued)

For further disclosure in respect of unconsolidated wealth management products, investment management products, investment funds and assets-backed securities in which the Group has an interest or for which it is a sponsor, see Note 50.

### 3 NET INTEREST INCOME

	2025	2024
<b>Interest income arising from</b>		
Deposits with the central bank	311,424	306,838
Deposits with banks and other financial institutions	17,666	5,536
Placements with banks and other financial institutions	249,599	209,456
Loans and advances to customers		
– Corporate loans and advances	8,131,742	7,651,884
– Personal loans and advances	1,625,666	1,956,548
– Discounted bills	298,177	245,253
Financial assets held under resale agreements	72,968	35,039
Financial investments	4,456,974	4,495,226
Lease receivables	1,952,701	1,593,242
Sub-total	17,116,917	16,499,022
<b>Interest expenses arising from</b>		
Borrowings from the central bank	(262,978)	(200,007)
Deposits from banks and other financial institutions	(106,600)	(155,424)
Placements from banks and other financial institutions	(793,570)	(929,892)
Deposits from customers	(6,892,645)	(6,834,769)
Financial assets sold under repurchase agreements	(207,750)	(218,848)
Debt securities issued	(1,136,539)	(1,160,161)
Sub-total	(9,400,082)	(9,499,101)
Net interest income	7,716,835	6,999,921

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 4 NET FEE AND COMMISSION INCOME

	2025	2024
<b>Fee and commission income</b>		
Agency services fees	758,051	433,757
Acceptance and guarantee services fees	140,735	121,559
Settlement and clearing fees	48,027	46,274
Bank card services fees	12,641	16,452
Others	47,127	23,677
Sub-total	1,006,581	641,719
<b>Fee and commission expense</b>		
Settlement and clearing fees	(225,820)	(44,331)
Bank card services fees	(9,095)	(9,899)
Others	(28,235)	(13,133)
Sub-total	(263,150)	(67,363)
Net fee and commission income	743,431	574,356

### 5 NET TRADING (LOSSES)/GAINS

	Note	2025	2024
Net (losses)/gains from debt securities	(i)	(63,723)	30,846
Net (losses)/gains from funds	(i)	(14,988)	29,930
Net losses from investment management products	(i)	(244,984)	(124,681)
Net (losses)/gains from derivatives	(ii)	(1,254)	23,513
Net (losses)/gains from repossessed equity	(i)	(15,982)	33,117
Exchange gains	(ii)	67,182	34,161
Total		(273,749)	26,886

Notes:

- (i) These net (losses)/gains include changes in the fair value of debt securities, funds, investment management products and repossessed equity which measured at fair value through profit or loss.
- (ii) Net (losses)/gains from derivatives and exchange gains 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.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 6 NET GAINS ARISING FROM INVESTMENTS

	2025	2024
Net gains from financial investments measured at fair value through profit or loss	<b>239,033</b>	238,585
Net gains from financial assets measured at fair value through other comprehensive income	<b>1,155,462</b>	590,148
Net gains from financial assets measured at amortised costs	<b>1,985</b>	500,903
Dividend income	<b>5,168</b>	4,624
Others	<b>6,314</b>	22,225
Total	<b>1,407,962</b>	1,356,485

### 7 OTHER OPERATING INCOME

	2025	2024
Rental income	<b>308,442</b>	293,819
Government grants	<b>13,098</b>	57,561
Penalty income	<b>662</b>	204
Others	<b>904</b>	6,373
Total	<b>323,106</b>	357,957

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 8 OPERATING EXPENSES

	2025	2024
<b>Staff costs</b>		
– Salaries, bonuses and allowances	<b>875,312</b>	815,414
– Social insurance	<b>150,939</b>	116,797
– Housing allowances	<b>66,651</b>	54,972
– Staff welfares	<b>29,650</b>	17,105
– Employee education expenses and labour union expenses	<b>31,044</b>	29,177
– Supplementary retirement benefits	<b>34,348</b>	28,015
Sub-total	<b>1,187,944</b>	1,061,480
<b>Rental and property management expenses</b>	<b>18,128</b>	19,475
Depreciation and amortisation	<b>396,980</b>	348,286
Interest expense on lease liabilities	<b>19,789</b>	18,087
Taxes and surcharges	<b>115,508</b>	106,665
Auditors' remuneration	<b>3,396</b>	3,019
Other general and administrative expenses	<b>639,069</b>	680,602
Total	<b>2,380,814</b>	2,237,614

Note:

- (i) Other general and administrative expenses include auditor's remunerations (after tax) of RMB3.396 million for the year ended 31 December 2025 (2024: RMB3.019 million).

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

	Note	2025						Total
		Fees	Salaries	Discretionary bonus	Sub-total	Contributions to social pension schemes	Other welfares	
<b>Executive directors</b>								
Meng Dongxiao (孟東曠)		-	702	1,221	1,923	67	47	2,037
Zhang Wenbin (張文斌)		-	702	1,221	1,923	67	47	2,037
Tao Zunjian (陶遵建)	(n)	-	234	356	590	27	14	631
Lu Jiliang (盧繼梁)		-	562	855	1,417	67	34	1,518
Jiang Yi (姜毅)	(h)	-	562	855	1,417	67	47	1,531
<b>Non-executive directors</b>								
Chen Xiaojun (陳曉軍)	(i)	-	-	-	-	-	-	-
Zhao Bing (趙冰)		-	-	-	-	-	-	-
Jiao Weifeng (焦衛鋒)	(j)	-	-	-	-	-	-	-
Kang Jian (康建)	(j)	-	-	-	-	-	-	-
Li Jie (李傑)		-	165	328	493	67	34	594
<b>Independent non-executive directors</b>								
Sun Zuying (孫祖英)		200	-	-	200	-	-	200
Fan Chi Chiu (范智超)		200	-	-	200	-	-	200
Wang Yong (王勇)		200	-	-	200	-	-	200
Yang Yunhong (楊雲紅)		200	-	-	200	-	-	200
Peng Feng (彭鋒)	(k)	200	-	-	200	-	-	200
<b>Employee representative supervisors</b>								
Zhang Renzhao (張仁釗)	(o)	-	585	1,017	1,602	56	28	1,686
Lu Guangming (盧光明)	(b)(o)	-	333	416	749	56	28	833
Wang Wenjing (王文靜)	(a)(o)	-	333	273	606	56	28	690
<b>External supervisors</b>								
Chu Dianhui (初佃輝)	(l)(o)	167	-	-	167	-	-	167
Liu Xiao (劉逍)	(l)(o)	167	-	-	167	-	-	167
Wang Hongmei (王紅梅)	(l)(o)	167	-	-	167	-	-	167
<b>Shareholder representative supervisors</b>								
Zhao Lijie (趙麗傑)	(o)	167	-	-	167	-	-	167
Zhou Hao (周浩)	(o)	167	-	-	167	-	-	167
Bi Jianchao (畢見超)	(m)(o)	167	-	-	167	-	-	167
Total		2,002	4,178	6,542	12,722	530	307	13,559

# Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

## 9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

	Note	Fees	Salaries	Discretionary bonus	2024			Total
					Sub-total	Contributions to social pension schemes	Other welfares	
<b>Executive directors</b>								
Tan Xianguo (譚先國)	(c)	-	468	814	1,282	42	30	1,354
Meng Dongxiao (孟東曉)		-	702	1,221	1,923	65	45	2,033
Zhang Wenbin (張文斌)		-	608	977	1,585	65	58	1,708
Tao Zunjian (陶遵建)	(n)	-	562	855	1,417	65	45	1,527
Lu Jiliang (盧繼梁)		-	562	855	1,417	65	45	1,527
Jiang Yi (姜毅)	(h)	-	187	285	472	23	20	515
<b>Non-executive directors</b>								
Yi Jijun (伊繼軍)	(d)	-	-	-	-	-	-	-
Song Bin (宋斌)	(d)	-	-	-	-	-	-	-
Yin Lin (尹林)	(d)	-	-	-	-	-	-	-
Zhao Bing (趙冰)		-	-	-	-	-	-	-
Li Jie (李傑)		-	166	322	488	65	45	598
Chen Xiaojun (陳曉軍)	(i)	-	-	-	-	-	-	-
Jiao Weifeng (焦衛鋒)	(i)	-	-	-	-	-	-	-
Kang Jian (康建)	(j)	-	-	-	-	-	-	-
<b>Independent non-executive directors</b>								
Sun Zuying (孫祖英)		200	-	-	200	-	-	200
Wang Shaohong (王紹宏)	(e)	150	-	-	150	-	-	150
Fan Chi Chiu (范智超)		200	-	-	200	-	-	200
Wang Yong (王勇)		200	-	-	200	-	-	200
Yang Yunhong (楊雲紅)		200	-	-	200	-	-	200
Peng Feng (彭鋒)	(k)	50	-	-	50	-	-	50
<b>Employee representative supervisors</b>								
Zhang Renzhao (張仁釗)	(o)	-	702	1,221	1,923	65	45	2,033
Wang Xifeng (王希峰)	(a)	-	281	427	708	35	25	768
Zhang Chuazheng (張傳政)	(b)	-	110	193	303	42	28	373
Lu Guangming (盧光明)	(b)(o)	-	75	115	190	23	15	228
Wang Wenjing (王文靜)	(a)(o)	-	200	238	438	34	23	495
<b>External supervisors</b>								
Zhu Yingwei (朱英偉)	(f)	150	-	-	150	-	-	150
Peng Feng (彭鋒)	(f)	150	-	-	150	-	-	150
Chu Dianhui (初佃輝)	(l)(o)	50	-	-	50	-	-	50
Liu Xiao (劉逍)	(l)(o)	50	-	-	50	-	-	50
Wang Hongmei (王紅梅)	(l)(o)	50	-	-	50	-	-	50
<b>Shareholder representative supervisors</b>								
Zhao Lijie (趙麗傑)	(o)	200	-	-	200	-	-	200
Zhou Hao (周浩)	(o)	200	-	-	200	-	-	200
Feng Yongdong (馮永東)	(g)	150	-	-	150	-	-	150
Bi Jianchao (畢見超)	(m)(o)	50	-	-	50	-	-	50
<b>Total</b>		<b>2,050</b>	<b>4,623</b>	<b>7,523</b>	<b>14,196</b>	<b>589</b>	<b>424</b>	<b>15,209</b>

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

**(1) Notes:**

- (a) On 20 June 2024, Wang Xifeng has resigned from his position as an employees' representative supervisor. On the same day, Wang Wenjing was elected as an employees' representative supervisor.
- (b) On 27 August 2024, Zhang Chuanzheng retired from his position as an employees' representative supervisor. On the same day, Lu Guangming was elected as an employees' representative supervisor.
- (c) On 12 September 2024, Tan Xianguo, an executive director of the Bank, retired from the positions of executive director and relevant special committees of Board of Directors of the Bank.
- (d) On 12 September 2024, Yi Jijun, Song Bin, and Yin Lin, the non-executive directors, retired from the positions of non-executive directors and relevant special committees of Board of Directors of the Bank.
- (e) On 12 September 2024, Wang Shaohong, an independent non-executive director, retired from the positions of independent non-executive director and relevant special committees of Board of Directors of the Bank.
- (f) On 12 September 2024, Peng Feng and Zhu Yingwei, the external supervisors, retired from the positions.
- (g) On 12 September 2024, Feng Yongdong, a Shareholders' Representative Supervisor, retired from the positions.
- (h) On 12 September 2024, Jiang Yi was elected to the position of Executive Director. This appointment effected on December 25, 2024.
- (i) On 12 September 2024, Chen Xiaojun and Jiao Weifeng were elected as non-executive Directors. This appointment effected on December 6, 2024.
- (j) On 12 September 2024, Kang Jian was elected as a non-executive Director. This appointment effected on December 25, 2024.
- (k) On 12 September 2024, Peng Feng was elected as an independent non-executive Director. This appointment took effect on December 6, 2024.
- (l) On 12 September 2024, Chu Dianhui, Liu Xiao and Wang Hongmei were elected as the external Supervisors.
- (m) On 12 September 2024, Bi Jianchao was elected as the Shareholders' representative Supervisor.
- (n) On 12 May 2025, Tao Zunjian, an executive director of the Bank, retired from the positions of executive director and relevant special committees of Board of Directors of the Bank.
- (o) On 31 October 2025, the Supervisory Board was dissolved. The employee supervisors Zhang Renzhao, Wang Wenjing, and Lu Guangming, as well as the external supervisors Chu Dianhui, Liu Xiao, and Wang Hongmei, and the shareholder supervisors Zhao Lijie, Zhou Hao, and Bi Jianchao retired from their positions on the Supervisory Board.

- (2)** There was no amount paid during the year to the directors or supervisors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join the Group. There was no other arrangement under which a director or supervisor waived or agreed to waive any remuneration during the year.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended 31 December 2025, the five individuals with highest emoluments include 2 directors and 1 supervisor (2024: 2 directors and 1 supervisor) of the Bank. Their emoluments are disclosed in Note 9. The emoluments for the five highest paid individuals for the years ended 31 December 2025 and 31 December 2024 are as follows:

	2025	2024
Salaries and other emoluments	3,091	3,114
Discretionary bonuses	5,786	5,722
Contributions to pension schemes	323	327
Others	202	251
<b>Total</b>	<b>9,402</b>	<b>9,414</b>

The number of these individuals whose emoluments are within the following bands is set out below:

	2025	2024
Nil-Hong Kong Dollars ("HKD") 500,000	–	–
HKD500,001-HKD1,000,000	–	–
HKD1,000,001-HKD1,500,000	–	–
HKD1,500,001-HKD2,000,000	2	2
HKD2,000,001-HKD2,500,000	3	3

None of these individuals received any inducement to join or upon joining the Group or compensation for loss of office, or waived any emoluments during the year ended 31 December 2025 (2024: Nil).

### 11 CREDIT IMPAIRMENT LOSSES

	2025	2024
Loans and advances to customers	3,314,611	3,325,022
Financial investments	913,961	834,182
Lease receivables	479,642	287,529
Placements with banks and other financial institutions	17,779	(39)
Financial assets held under resale agreements	2,848	525
Credit commitments	2,601	(10,481)
Deposits with banks and other financial institutions	69	3,243
Others	20,128	131,619
<b>Total</b>	<b>4,751,639</b>	<b>4,571,600</b>

## Chapter 9 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	2025	2024
Current tax		<b>934,347</b>	1,115,892
Deferred tax	26(2)	<b>(652,944)</b>	(807,624)
Total		<b>281,403</b>	308,268

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

	2025	2024
Profit before tax	<b>2,785,132</b>	2,506,391
Statutory tax rate	<b>25%</b>	25%
Income tax calculated at statutory tax rate	<b>696,283</b>	626,598
Tax effect of non-deductible expenses and others	<b>34,880</b>	44,486
Tax effect of non-taxable income (Note (i))	<b>(449,760)</b>	(362,816)
Income tax expense	<b>281,403</b>	308,268

Note :

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

### 13 BASIC AND DILUTED EARNINGS PER SHARE

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the reporting period.

	Note	2025	2024
Weighted average number of ordinary shares (in thousands)	13(1)	<b>5,980,058</b>	5,980,058
Net profit attributable to equity shareholders of the Bank		<b>2,252,432</b>	1,991,714
Less: distribution to perpetual bondholders		<b>(136,900)</b>	(214,800)
Net profit attributable to ordinary shareholders of the Bank		<b>2,115,532</b>	1,776,914
Basic and diluted earnings per share (in RMB)		<b>0.35</b>	0.30

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 13 BASIC AND DILUTED EARNINGS PER SHARE (CONTINUED)

(1) WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES (IN THOUSANDS)

	2025	2024
Weighted average number of ordinary shares at the beginning and end of the year	5,980,058	5,980,058

### 14 CASH AND DEPOSITS WITH THE CENTRAL BANK

	Note	31 December 2025	31 December 2024
Cash on hand		277,460	251,520
Deposits with the central bank			
– Statutory deposit reserves	14(1)	18,534,654	17,150,604
– Surplus deposit reserves	14(2)	10,643,502	9,810,816
– Exchange risk reserve	14(3)	249,791	88,345
– Fiscal deposits		32,319	42,082
Sub-total		29,460,266	27,091,847
Accrued interest		8,873	9,110
Total		29,746,599	27,352,477

(1) The Bank places statutory deposit reserves with the PBOC in accordance with relevant regulations. The statutory deposit reserves are not available for the Group's daily business. The statutory deposit reserve ratios applicable to the Bank as at the end of each reporting period were as follows:

	31 December 2025	31 December 2024
Reserve ratio for RMB deposits	5.5%	6.0%
Reserve ratio for foreign currency deposits	4.0%	4.0%

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

(3) The Bank places exchange risk reserves with the PBOC in accordance with relevant regulation. As at 31 December 2025, the exchange risk reserves ratio applicable to the Bank is 20.0% (31 December 2024: 20.0%).

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2025	31 December 2024
In Chinese Mainland		
– Banks	3,308,890	2,977,534
– Other financial institutions	71,323	56,384
Outside Chinese Mainland		
– Banks	262,376	174,791
Accrued interest	71	77
Sub-total	3,642,660	3,208,786
Less: Allowance for impairment losses	(4,201)	(4,132)
Total	3,638,459	3,204,654

### 16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2025	31 December 2024
In Chinese Mainland		
– Banks	597,448	71,884
– Other financial institutions	10,000,000	–
Accrued interest	126,333	17
Sub-total	10,723,781	71,901
Less: Allowance for impairment losses	(17,836)	(57)
Total	10,705,945	71,844

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 17 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

#### (1) Analysed by type and location of counterparty

	31 December 2025	31 December 2024
In Chinese Mainland		
– Other financial institutions	4,800,000	962,397
Accrued interest	495	404
Sub-total	4,800,495	962,801
Less: Allowance for impairment losses	(3,373)	(525)
Total	4,797,122	962,276

#### (2) Analysed by type of collateral

	31 December 2025	31 December 2024
Securities	4,800,000	962,397
Accrued interest	495	404
Sub-total	4,800,495	962,801
Less: Allowance for impairment losses	(3,373)	(525)
Total	4,797,122	962,276

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 LOANS AND ADVANCES TO CUSTOMERS

#### (1) Analysed by nature

	31 December 2025	31 December 2024
<b>Loans and advances measured at amortized cost :</b>		
Corporate loans and advances	<b>171,523,243</b>	150,517,943
Sub-total	<b>171,523,243</b>	150,517,943
Personal loans and advances		
– Residential mortgage loans	<b>14,131,069</b>	14,844,559
– Personal consumption loans	<b>11,565,066</b>	13,994,331
– Personal business loans	<b>11,141,190</b>	13,874,181
– Credit cards	<b>572,750</b>	590,757
Sub-total	<b>37,410,075</b>	43,303,828
Accrued interest	<b>1,781,569</b>	1,779,140
Less: Allowance for impairment losses of loans and advances to customers measured at amortised cost	<b>(5,084,865)</b>	(4,604,039)
Sub-total	<b>205,630,022</b>	190,996,872
Loans and advances measured at FVOCI :		
– Discounted bills	<b>18,065,277</b>	16,509,411
Carrying amount of loans and advances to customers	<b>223,695,299</b>	207,506,283

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

	31 December 2025	31 December 2024
Unsecured loans	<b>24,387,032</b>	31,602,227
Guaranteed loans	<b>88,449,951</b>	72,428,181
Collateralised loans	<b>69,207,202</b>	66,363,769
Pledged loans	<b>26,889,133</b>	23,427,594
Discounted bills	<b>18,065,277</b>	16,509,411
Gross loans and advances to customers	<b>226,998,595</b>	210,331,182

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	31 December 2025				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	342,498	201,929	191,661	28,788	764,876
Guaranteed loans	237,832	238,214	151,807	20,934	648,787
Collateralised loans	303,209	1,245,362	737,060	110,099	2,395,730
Pledged loans	17,128	7,000	2,900	–	27,028
<b>Total</b>	<b>900,667</b>	<b>1,692,505</b>	<b>1,083,428</b>	<b>159,821</b>	<b>3,836,421</b>
As a percentage of gross loans and advances to customers	<b>0.40%</b>	<b>0.74%</b>	<b>0.48%</b>	<b>0.07%</b>	<b>1.69%</b>

	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	136,020	412,564	132,623	15,877	697,084
Guaranteed loans	454,478	108,830	86,181	13,214	662,703
Collateralised loans	283,194	718,497	1,068,366	78,653	2,148,710
Pledged loans	149,370	2,280	2,900	–	154,550
<b>Total</b>	<b>1,023,062</b>	<b>1,242,171</b>	<b>1,290,070</b>	<b>107,744</b>	<b>3,663,047</b>
As a percentage of gross loans and advances to customers	<b>0.49%</b>	<b>0.59%</b>	<b>0.61%</b>	<b>0.05%</b>	<b>1.74%</b>

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

#### (4) Loans and advances and allowance for impairment losses analysis

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

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

	31 December 2025			Total
	12-month ECL	Lifetime ECL- not credit- impaired	Lifetime ECL- credit- impaired <i>(Note (i))</i>	
Gross loans and advances to customers measured at amortised cost (including accrued interest)	200,185,026	6,965,596	3,564,265	210,714,887
Less: Allowance for impairment losses	(1,784,070)	(1,487,108)	(1,813,687)	(5,084,865)
Net carrying amount of loans and advances to customers measured at amortised cost	198,400,956	5,478,488	1,750,578	205,630,022

	31 December 2024			Total
	12-month ECL	Lifetime ECL- not credit- impaired	Lifetime ECL- credit- impaired <i>(Note (i))</i>	
Gross loans and advances to customers measured at amortised cost (including accrued interest)	185,943,351	6,572,945	3,084,615	195,600,911
Less: Allowance for impairment losses	(1,984,218)	(1,275,953)	(1,343,868)	(4,604,039)
Net carrying amount of loans and advances to customers measured at amortised cost	183,959,133	5,296,992	1,740,747	190,996,872

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

#### (4) Loans and advances and allowance for impairment losses analysis (Continued)

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

	31 December 2025			Total
	12-month ECL	Lifetime ECL- not credit- impaired	Lifetime ECL- credit- impaired <i>(Note (i))</i>	
Gross/Carrying amount of loans and advances to customers at FVOCI	<b>18,065,277</b>	–	–	<b>18,065,277</b>
Allowance for impairment losses included in other comprehensive income	<b>(56,031)</b>	–	–	<b>(56,031)</b>

	31 December 2024			Total
	12-month ECL	Lifetime ECL- not credit- impaired	Lifetime ECL- credit- impaired <i>(Note (i))</i>	
Gross/Carrying amount of loans and advances to customers at FVOCI	<b>16,509,411</b>	–	–	<b>16,509,411</b>
Allowance for impairment losses included in other comprehensive income	<b>(15,911)</b>	–	–	<b>(15,911)</b>

Note:

(i) The definition of the credit-impaired financial assets is set out in Note 46(1) Credit risk.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

#### (5) Movements of allowance for impairment losses

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

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

	2025			Total
	12-month ECL	Lifetime ECL- not credit- impaired	Lifetime ECL-credit- impaired	
As at 1 January 2025	1,984,218	1,275,953	1,343,868	4,604,039
Transfer to:				
– 12-month ECL	36,430	(36,430)	–	–
– Lifetime ECL				
– not credit-impaired loans	(72,829)	89,633	(16,804)	–
– credit-impaired loans	–	(481,002)	481,002	–
(Reversal)/charge for the year	(163,749)	638,954	2,799,286	3,274,491
Recoveries of loans and advances previously written off	–	–	377,693	377,693
Write-offs and others	–	–	(3,171,358)	(3,171,358)
As at 31 December 2025	1,784,070	1,487,108	1,813,687	5,084,865

	2024			Total
	12-month ECL	Lifetime ECL- not credit- impaired	Lifetime ECL-credit- impaired	
As at 1 January 2024	1,986,388	940,194	1,245,995	4,172,577
Transfer to:				
– 12-month ECL	13,408	(13,408)	–	–
– Lifetime ECL				
– not credit-impaired loans	(162,580)	173,347	(10,767)	–
– credit-impaired loans	–	(140,463)	140,463	–
Charge for the year	147,002	316,283	2,871,753	3,335,038
Recoveries of loans and advances previously written off	–	–	616,587	616,587
Write-offs and others	–	–	(3,520,163)	(3,520,163)
As at 31 December 2024	1,984,218	1,275,953	1,343,868	4,604,039

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

#### (5) Movements of allowance for impairment losses (Continued)

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

	2025			Total
	12-month ECL	Lifetime ECL- not credit- impaired	Lifetime ECL- credit- impaired	
As at 1 January 2025	15,911	–	–	15,911
Charge for the year	40,120	–	–	40,120
As at 31 December 2025	56,031	–	–	56,031

	2024			Total
	12-month ECL	Lifetime ECL- not credit- impaired	Lifetime ECL- credit- impaired	
As at 1 January 2024	25,927	–	–	25,927
Reversal for the year	(10,016)	–	–	(10,016)
As at 31 December 2024	15,911	–	–	15,911

Allowance for impairment losses on loans and advances to customers 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 loans and advances to customers presented in the statement of financial position.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 19 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2025	31 December 2024
Debt securities, analysed by type of issuers:		
– Banks and other financial institutions	1,907,755	1,428,857
– Corporates	144,404	–
Sub-total	2,052,159	1,428,857
Asset-backed securities	612,366	–
Fund Investments	6,591,283	4,919,881
Investment management products	3,607,252	947,024
Repossessed equity	55,021	239,704
Total	12,918,081	7,535,466
Listed	55,021	239,704
Of which: listed outside Hong Kong	55,021	239,704
Unlisted	12,863,060	7,295,762
Total	12,918,081	7,535,466

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 20 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2025	31 December 2024
Debt securities, analysed by type of issuers:		
– Government	27,987,500	13,326,499
– Policy banks	16,420,947	18,005,635
– Banks and other financial institutions	30,456,202	32,308,007
– Corporates	7,358,442	10,868,050
Accrued interest	934,642	1,099,833
Sub-total	83,157,733	75,608,024
Interbank deposits	1,386,230	6,461,232
Asset-backed securities	310,403	458,422
Accrued interest	1,911	19,812
Sub-total	312,314	478,234
Equity instruments	315,036	315,036
Total	85,171,313	82,862,526
Unlisted	85,171,313	82,862,526

*Notes:*

- (i) The Group designates part of non-trading equity instruments as financial investments measured at fair value through other comprehensive income.
- (ii) For the year ended 31 December 2025, the Group's cash dividends received from equity instruments measured at fair value through other comprehensive income was RMB5.2 million (2024: RMB4.6 million).

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 20 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

(1) Movements of allowance for impairment losses of financial investments measured at fair value through other comprehensive income are as follows:

	2025			Total
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	
As at 1 January 2025	24,502	–	–	24,502
Charge for the year	10,727	–	–	10,727
As at 31 December 2025	35,229	–	–	35,229

	2024			Total
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	
As at 1 January 2024	19,169	–	–	19,169
Charge for the year	5,333	–	–	5,333
As at 31 December 2024	24,502	–	–	24,502

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

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 21 FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST

	<i>Note</i>	<b>31 December 2025</b>	31 December 2024
Debt securities, analysed by type of issuers:			
– Government		<b>47,638,920</b>	35,164,203
– Policy banks		<b>17,233,351</b>	12,646,843
– Banks and other financial institutions		<b>9,599,687</b>	9,356,995
– Corporates		<b>11,567,284</b>	15,560,537
Accrued interest		<b>1,653,854</b>	1,443,939
Sub-total		<b>87,693,096</b>	74,172,517
Investment management products		<b>3,697,865</b>	3,962,535
Accrued interest		<b>141,749</b>	135,406
Sub-total		<b>3,839,614</b>	4,097,941
Asset-backed securities		<b>487,399</b>	785,506
Accrued interest		<b>5,411</b>	32,730
Sub-total		<b>492,810</b>	818,236
Less: Allowance for impairment losses	<i>(1)</i>	<b>(2,402,516)</b>	(2,349,282)
Total		<b>89,623,004</b>	76,739,412
Unlisted		<b>89,623,004</b>	76,739,412

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 21 FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST (CONTINUED)

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

	2025			Total
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	
As at 1 January 2025	41,163	410,568	1,897,551	2,349,282
Charge for the year	3,021	530,679	369,534	903,234
Recoveries of previously written off	–	–	–	–
Write-offs	–	–	(850,000)	(850,000)
As at 31 December 2025	44,184	941,247	1,417,085	2,402,516

	2024			Total
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	
As at 1 January 2024	80,673	234,680	1,580,349	1,895,702
Transfer to:				
– 12-month ECL	73,404	(73,404)	–	–
(Reversal)/charge for the year	(112,914)	249,292	692,471	828,849
Recoveries of previously written off	–	–	5,932	5,932
Write-offs	–	–	(381,201)	(381,201)
As at 31 December 2024	41,163	410,568	1,897,551	2,349,282

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 22 INVESTMENT IN SUBSIDIARY

	31 December 2025	31 December 2024
Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)	1,047,500	1,047,500
Total	1,047,500	1,047,500

The subsidiary is as follows:

Name	Percentage of equity interest	Voting rights	Paid-in capital <i>(RMB thousands)</i>	Amount invested by the Bank <i>(RMB thousands)</i>	Place of registration and operations	Principal activities
Shandong Tongda Financial Leasing Co., Ltd. <i>(Note (i))</i>	54.55%	54.55%	1,650,000	1,047,500	Jinan, Shandong Province	Financial Leasing Business

Note :

- (i) Shandong Tongda Financial Leasing Co., Ltd. ("Tongda"), a limited liability company which was incorporated on 6 June 2016 in Shandong Province, the PRC with registered capital of RMB1,000.0 million. As at 31 December 2025, the registered capital of Tongda is RMB1,650.0 million. The principal business of Tongda is the provision of financial leasing services in the PRC. As at 31 December 2025, the Bank holds 54.55% of equity interests of Tongda (31 December 2024: 54.55%).

### 23 LEASE RECEIVABLES

	31 December 2025	31 December 2024
Minimum finance lease receivables	10,664,634	7,783,130
Less: Unearned finance lease income	(3,781,758)	(2,920,208)
Present value of finance lease receivables	6,882,876	4,862,922
Finance leaseback receivables	26,492,805	19,915,960
Sub-total	33,375,681	24,778,882
Accrued interest	353,266	320,741
Less: Allowance for impairment losses	(1,024,470)	(760,786)
Carrying amount	32,704,477	24,338,837

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 23 LEASE RECEIVABLES (CONTINUED)

Movements of the allowance for impairment losses on lease receivables are as follows:

	2025			Total
	12-month ECL	Lifetime ECL- not credit- impaired	Lifetime ECL-credit- impaired	
As at 1 January 2025	392,577	214,589	153,620	760,786
Transfer to:				
– 12-month ECL	32,688	(32,688)	–	–
– Lifetime ECL				
– not credit-impaired	(3,703)	3,703	–	–
– credit-impaired	–	(31,710)	31,710	–
Charge for the year	250,826	8,090	220,726	479,642
Write-offs and others	–	–	(215,958)	(215,958)
As at 31 December 2025	672,388	161,984	190,098	1,024,470

	2024			Total
	12-month ECL	Lifetime ECL- not credit- impaired	Lifetime ECL-credit- impaired	
As at 1 January 2024	384,815	142,745	254,996	782,556
Transfer to:				
– 12-month ECL	117,155	(117,155)	–	–
– Lifetime ECL				
– not credit-impaired	–	87,800	(87,800)	–
– credit-impaired	–	(4,429)	4,429	–
(Reversal)/charge for the year	(109,393)	105,628	291,294	287,529
Write-offs and others	–	–	(309,299)	(309,299)
As at 31 December 2024	392,577	214,589	153,620	760,786

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 23 LEASE RECEIVABLES (CONTINUED)

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

	31 December 2025		
	Minimum finance lease receivables	Unearned finance income	Present value of finance lease receivables
Less than 1 year (inclusive)	1,072,458	(439,011)	633,447
1 year to 2 years (inclusive)	965,959	(399,532)	566,427
2 years to 3 years (inclusive)	814,915	(366,663)	448,252
3 years to 4 years (inclusive)	740,981	(338,810)	402,171
4 years to 5 years (inclusive)	684,029	(313,262)	370,767
More than 5 years	6,386,292	(1,924,480)	4,461,812
<b>Total</b>	<b>10,664,634</b>	<b>(3,781,758)</b>	<b>6,882,876</b>

	31 December 2024		
	Minimum finance lease receivables	Unearned finance income	Present value of finance lease receivables
Less than 1 year (inclusive)	780,802	(317,364)	463,438
1 year to 2 years (inclusive)	655,444	(289,153)	366,291
2 years to 3 years (inclusive)	552,098	(266,167)	285,931
3 years to 4 years (inclusive)	488,292	(248,273)	240,019
4 years to 5 years (inclusive)	450,345	(232,039)	218,306
More than 5 years	4,856,149	(1,567,212)	3,288,937
<b>Total</b>	<b>7,783,130</b>	<b>(2,920,208)</b>	<b>4,862,922</b>

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 24 PROPERTY AND EQUIPMENT

	Premises <i>Note(i)</i>	Machinery	Property improvements	Office equipment	Motor vehicles	Total
<b>Cost</b>						
As at 1 January 2024	1,082,747	1,749,852	289,898	509,779	19,321	3,651,597
Additions	509,094	701,060	22,312	49,080	572	1,282,118
Transfer from investment properties	18,809	–	–	–	–	18,809
Transfer to investment properties	(460)	–	–	–	–	(460)
Disposals	–	(5,336)	–	(1,139)	(190)	(6,665)
<b>As at 31 December 2024</b>	<b>1,610,190</b>	<b>2,445,576</b>	<b>312,210</b>	<b>557,720</b>	<b>19,703</b>	<b>4,945,399</b>
Additions	123,251	1,089,459	23,830	43,648	3,722	1,283,910
Transfer from investment properties	605	–	–	–	–	605
Transfer to investment properties	(25,784)	–	–	–	–	(25,784)
Disposals	–	(4,513)	–	(98,211)	(4,081)	(106,805)
<b>As at 31 December 2025</b>	<b>1,708,262</b>	<b>3,530,522</b>	<b>336,040</b>	<b>503,157</b>	<b>19,344</b>	<b>6,097,325</b>
<b>Accumulated depreciation</b>						
As at 1 January 2024	(236,718)	(18,682)	(224,190)	(356,498)	(15,988)	(852,076)
Charge for the year	(32,446)	(89,030)	(19,520)	(53,022)	(752)	(194,770)
Transfer from investment properties	(7,534)	–	–	–	–	(7,534)
Disposals	–	165	–	1,087	181	1,433
<b>As at 31 December 2024</b>	<b>(276,698)</b>	<b>(107,547)</b>	<b>(243,710)</b>	<b>(408,433)</b>	<b>(16,559)</b>	<b>(1,052,947)</b>
Charge for the year	(40,550)	(119,806)	(16,718)	(52,212)	(758)	(230,044)
Transfer from investment properties	(334)	–	–	–	–	(334)
Transfer to investment properties	16,959	–	–	–	–	16,959
Disposals	–	208	–	93,362	3,877	97,447
<b>As at 31 December 2025</b>	<b>(300,623)</b>	<b>(227,145)</b>	<b>(260,428)</b>	<b>(367,283)</b>	<b>(13,440)</b>	<b>(1,168,919)</b>
<b>Allowance for impairment losses</b>						
As at 31 December 2025	(5,680)	–	–	–	–	(5,680)
As at 31 December 2024	(5,680)	–	–	–	–	(5,680)
<b>Net book value</b>						
As at 31 December 2025	1,401,959	3,303,377	75,612	135,874	5,904	4,922,726
As at 31 December 2024	1,327,812	2,338,029	68,500	149,287	3,144	3,886,772

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 24 PROPERTY AND EQUIPMENT (CONTINUED)

Note:

- (i) The net book value of premises as at the end of each reporting period are analysed by the remaining terms of the leases as follows:

	31 December 2025	31 December 2024
Held in mainland China		
– Medium-term leases (10-50 years)	1,388,663	1,300,123
– Long-term leases (over 50 years)	13,296	27,689
<b>Total</b>	<b>1,401,959</b>	1,327,812

As at 31 December 2025, the net book value of the Group's premises with incomplete title deeds of the Group was RMB602.5 million (31 December 2024: RMB489.8 million). The management believes that the incomplete title deeds would not affect the Group's rights to these assets nor have any significant impact on the Group's operations.

### 25 RIGHT-OF-USE ASSETS

	Properties
<b>Cost</b>	
As at 1 January 2024	688,740
Additions	201,000
Disposals	(165,145)
As at 31 December 2024	<b>724,595</b>
Additions	<b>113,033</b>
Disposals	<b>(61,885)</b>
As at 31 December 2025	<b>775,743</b>
<b>Accumulated depreciation</b>	
As at 1 January 2024	(318,049)
Charge for the year	(102,381)
Disposals	159,898
As at 31 December 2024	<b>260,532</b>
Charge for the year	<b>(101,234)</b>
Disposals	<b>61,886</b>
As at 31 December 2025	<b>299,880</b>
<b>Net book value</b>	
As at 31 December 2025	<b>475,863</b>
As at 31 December 2024	464,063

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 26 DEFERRED TAX

#### (1) Analysed by nature

	31 December 2025		31 December 2024	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
– Allowance for impairment losses	15,011,456	3,752,864	12,947,199	3,236,800
– Change in fair value	255,892	63,973	(2,190,986)	(547,747)
– Accrued staff costs and others	873,380	218,345	710,016	177,504
Net balances	16,140,728	4,035,182	11,466,229	2,866,557

#### (2) Analysed by movement

	Allowance for impairment losses	Change in fair value	Accrued staff costs and others	Total
As at 1 January 2024	2,450,676	(21,887)	156,651	2,585,440
Recognised in profit or loss	786,124	1,818	20,853	808,795
Recognised in other comprehensive income	–	(527,678)	–	(527,678)
As at 31 December 2024	3,236,800	(547,747)	177,504	2,866,557
Recognised in profit or loss	516,064	83,327	40,841	640,232
Recognised in other comprehensive income	–	528,393	–	528,393
As at 31 December 2025	3,752,864	63,973	218,345	4,035,182

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 27 OTHER ASSETS

	<i>Note</i>	<b>31 December 2025</b>	31 December 2024
Interest receivables	27(1)	<b>267,647</b>	410,700
Prepaid expenses ( <i>Note (i)</i> )		<b>142,737</b>	166,575
Intangible assets	27(2)	<b>179,915</b>	157,829
Long-term deferred expenses		<b>3,261</b>	1,320
Repossessed assets	27(3)	<b>253,936</b>	235,795
Land use rights	27(4)	<b>9,599</b>	9,870
Deductible input Value Added Tax ("VAT")		<b>961,827</b>	647,469
Others ( <i>Note (ii)</i> )		<b>414,237</b>	2,296,108
Subtotal		<b>2,233,159</b>	3,925,666
Less: Allowance for impairment losses		<b>(146,733)</b>	(253,059)
Total		<b>2,086,426</b>	3,672,607

Notes:

- (i) Prepaid expenses include prepayment to contractors for systems designs and maintenance, renovations and the other prepaid expenses.
- (ii) Others mainly include derivative financial assets, settlement and clearing accounts, other receivables, investment properties, etc.

#### (1) Interest receivables

	<b>31 December 2025</b>	31 December 2024
Interest receivable arising from:		
– Financial investments	<b>232,505</b>	331,700
– Loans and advances to customers	<b>34,566</b>	72,827
– Others	<b>576</b>	6,173
Sub-total	<b>267,647</b>	410,700
Less: Allowance for impairment losses	<b>(130,369)</b>	(239,669)
Total	<b>137,278</b>	171,031

As at the end of each reporting period, interest receivables only include interests that have been due for the relevant financial instruments but not yet received at the reporting date. Interests on financial instruments based on the effective interest method have been reflected in the balance of corresponding financial instruments.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 27 OTHER ASSETS (CONTINUED)

#### (2) Intangible assets

	Computer software and system development
<b>Cost</b>	
As at 1 January 2024	290,344
Additions	103,797
Disposals	(7,901)
As at 31 December 2024	<b>386,240</b>
Additions	<b>80,670</b>
As at 31 December 2025	<b>466,910</b>
<b>Accumulated amortisation</b>	
As at 1 January 2024	(188,129)
Charge for the year	(48,183)
Disposals	7,901
As at 31 December 2024	<b>(228,411)</b>
Charge for the year	<b>(58,584)</b>
As at 31 December 2025	<b>(286,995)</b>
<b>Net book value</b>	
As at 31 December 2025	<b>179,915</b>
As at 31 December 2024	157,829

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

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 27 OTHER ASSETS (CONTINUED)

#### (3) Repossessed assets

	31 December 2025	31 December 2024
Land use right and buildings	253,936	235,795
Less: Allowance for impairment losses	(11,448)	(11,448)
Net balances	242,488	224,347

#### (4) Land use rights

	31 December 2025	31 December 2024
Located in mainland China: 10-50 years	9,599	9,870

### 28 BORROWINGS FROM THE CENTRAL BANK

	31 December 2025	31 December 2024
Borrowings	16,823,671	9,895,183
Re-discounted bills	2,172,490	509,028
Accrued interest	8,813	5,361
Total	19,004,974	10,409,572

### 29 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2025	31 December 2024
In Chinese mainland		
– Banks	1,153,828	5,301,436
– Other financial institutions	2,206,537	–
Accrued interest	5,803	12,015
Total	3,366,168	5,313,451

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 30 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2025	31 December 2024
In Chinese mainland		
– Banks	32,524,320	25,903,050
– Other financial institutions	1,885,800	1,317,000
Accrued interest	289,254	250,429
<b>Total</b>	<b>34,699,374</b>	<b>27,470,479</b>

### 31 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2025	31 December 2024
Financial liabilities measured at FVTPL		
– Short selling of bonds	977,830	–
<b>Total</b>	<b>977,830</b>	<b>–</b>

### 32 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(1) Analysed by type and location of counterparty

	31 December 2025	31 December 2024
In Chinese mainland		
– Banks	6,982,197	12,100,000
Accrued interest	321	1,725
<b>Total</b>	<b>6,982,518</b>	<b>12,101,725</b>

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 32 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (CONTINUED)

#### (2) Analysed by types of collaterals

	31 December 2025	31 December 2024
Debt securities	6,683,053	12,100,000
Discounted bills	299,144	–
Accrued interest	321	1,725
<b>Total</b>	<b>6,982,518</b>	12,101,725

### 33 DEPOSITS FROM CUSTOMERS

	31 December 2025	31 December 2024
Demand deposits		
– Corporate customers	54,976,586	57,361,033
– Personal customers	11,529,785	10,572,171
<b>Sub-total</b>	<b>66,506,371</b>	67,933,204
Time deposits		
– Corporate customers	107,120,781	94,022,741
– Personal customers	168,700,050	131,524,186
<b>Sub-total</b>	<b>275,820,831</b>	225,546,927
Inward and outward remittances	5,427	9,398
Accrued interest	8,943,181	8,462,030
<b>Total</b>	<b>351,275,810</b>	301,951,559
Including:		
Guarantee deposits	25,006,664	17,235,613

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 34 DEBT SECURITIES ISSUED

	<i>Note</i>	<b>31 December 2025</b>	31 December 2024
Certificates of interbank deposit	<i>34(1)</i>	<b>27,853,262</b>	29,827,752
Tier-two capital debts	<i>34(2)</i>	<b>4,699,938</b>	5,699,734
Financial bonds	<i>34(3)</i>	<b>15,999,762</b>	13,999,645
Interests accrued		<b>162,129</b>	190,548
<b>Total</b>		<b>48,715,091</b>	49,717,679

*Notes :*

(1) Certificates of interbank deposits

- i. In 2024, the Bank issued a number of certificates of interbank deposits with total nominal amount RMB58,000.0 million and duration between 1 to 12 months. The coupon interest rates ranged from 1.70% to 2.55% per annum.
- ii. In 2025, the Bank issued a number of certificates of interbank deposits with total minimal amount RMB56,630.0 million and duration between 1 to 12 months. The coupon interest rates ranged from 1.57% to 2.13% per annum.
- iii. As at 31 December 2025, the fair value of certificates of interbank deposits issued was RMB27,855.7 million (31 December 2024: RMB29,851.3 million).

(2) Tier-two capital debts

- i. The Bank issued 10-year fixed interest rate tier-two capital debts with face value of RMB3,000.0 million on 10 September 2020. The coupon interest rate per annum is 4.20%. The Bank redeemed the debts on 14 September 2025.
- ii. The Bank issued 10-year fixed interest rate tier-two capital debts with face value of RMB2,700.0 million on 29 July 2022. The coupon interest rate per annum is 3.80%.
- iii. The Bank issued 10-year fixed interest rate tier-two capital debts with face value of RMB2,000.0 million on 23 October 2025. The coupon interest rate per annum is 2.60%.
- iv. As at 31 December 2025, the fair value of the tier-two capital debts issued was RMB4,816.0 million (31 December 2024: RMB5,848.9 million).

(3) Financial bonds

- i. On 16 December 2022, the Bank issued 3-year financial bonds specialised for small and micro enterprises with face value of RMB5,000.0 million. The coupon interest rate per annum is 3.00%. The bonds had matured and been redeemed on 20 December 2025.
- ii. On 14 July 2023, the Bank issued 3-year fixed interest rate green financial bonds with face value of RMB5,000.0 million. The coupon interest rate per annum is 2.70%.
- iii. On 24 June 2024, the Bank issued 3-year financial bonds specialised for small and micro enterprises with face value of RMB4,000.0 million. The coupon interest rate per annum is 2.10%.
- iv. On 28 November 2025, the Bank issued 5-year fixed interest rate sci-tech innovation bonds with face value of RMB1,000.0 million. The coupon interest rate per annum is 1.94%.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 34 DEBT SECURITIES ISSUED (CONTINUED)

Notes : (Continued)

(3) Financial bonds (Continued)

- v. On 17 December 2025, the Bank issued 3-year fixed interest rate green financial bonds with face value of RMB2,000.0 million. The coupon interest rate per annum is 1.85%.
- vi. On 19 December 2025, the Bank issued 3-year financial bonds specialised for small and micro enterprises with face value of RMB4,000.0 million. The coupon interest rate per annum is 1.85%.
- vii. As at 31 December 2025, the fair value of the financial bonds issued was RMB16,124.4 million (31 December 2024: RMB14,138.2 million).

### 35 OTHER LIABILITIES

	Note	31 December 2025	31 December 2024
Accrued staff costs	35(1)	936,948	923,750
Leasing deposits		574,398	417,187
Receipt in advances		378,983	117,497
Agency business liabilities		287,122	205,652
Other tax payables		219,916	210,179
Settlement and clearing accounts		104,776	235,776
Output VAT payable		97,141	111,773
Provision	35(2)	65,807	56,507
Interest payable		48,999	22,472
Dividend payable		2,241	1,804
Others		463,788	467,509
<b>Total</b>		<b>3,180,119</b>	<b>2,770,106</b>

#### (1) Accrued staff costs

	31 December 2025	31 December 2024
Salary, bonuses and allowances payable	852,256	840,869
Others	84,692	82,881
<b>Total</b>	<b>936,948</b>	<b>923,750</b>

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 35 OTHER LIABILITIES (CONTINUED)

#### (2) Provision (Continued)

	31 December 2025	31 December 2024
Expected credit loss on credit commitments	59,108	56,507
Estimated litigation loss	6,699	–
<b>Total</b>	<b>65,807</b>	56,507

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

	2025			Total
	12-month ECL	Lifetime ECL- not credit- impaired	Lifetime ECL- credit- impaired	
As at 1 January 2025	56,507	–	–	56,507
Charge for the year	2,601	–	–	2,601
<b>As at 31 December 2025</b>	<b>59,108</b>	<b>–</b>	<b>–</b>	<b>59,108</b>

	2024			Total
	12-month ECL	Lifetime ECL- not credit- impaired	Lifetime ECL- credit- impaired	
As at 1 January 2024	66,988	–	–	66,988
Reversal for the year	(10,481)	–	–	(10,481)
<b>As at 31 December 2024</b>	<b>56,507</b>	<b>–</b>	<b>–</b>	<b>56,507</b>

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 36 SHARE CAPITAL

Authorised and issued share capital

	31 December 2025	31 December 2024
Ordinary shares in Mainland China	4,971,197	4,971,197
Ordinary shares listed in Hong Kong (H-share)	1,008,861	1,008,861
Total (in thousands)	5,980,058	5,980,058

All the H shares have been listed on the Stock Exchange of Hong Kong Limited. The H Share rank pari passu in all respects with the existing ordinary shares in mainland China including the right to receive all dividends and distributions declared or made.

### 37 OTHER EQUITY INSTRUMENTS

	31 December 2025	31 December 2024
Perpetual bonds	5,999,092	3,999,262
Total	5,999,092	3,999,262

On 23 June 2025, the Bank issued RMB2 billion undated capital bonds in the domestic interbank bond market. The denomination of these Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first 5 years is 2.40%, resetting every 5 years.

On 20 November 2024, the Bank issued RMB2.9 billion undated capital bonds in the domestic interbank bond market. The denomination of these Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first 5 years is 2.90%, resetting every 5 years.

On 29 November 2021, the Bank issued RMB1.1 billion undated capital bonds in the domestic interbank bond market. The denomination of these Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first 5 years is 4.80%, resetting every 5 years.

The Bank issued RMB3 billion undated capital bonds in the domestic interbank bond market on 28 November 2019. The Bonds has been redeemed on 2 December 2024.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 37 OTHER EQUITY INSTRUMENTS (CONTINUED)

The duration of the Perpetual bonds is the same as the continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior recognition of the NFRA, the Bank may redeem the Bonds in whole or in part on each distribution payment date from the fifth anniversary since the issuance date of the Bonds. Upon the occurrence of a trigger event for write-downs, with the approval of the NFRA and without the need for the consent of the holders of the Bonds, the Bank has the right to write down all or part of the aggregate amount of the Bonds then issued and outstanding. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated indebtedness that ranks senior to the Bonds; and shall rank in priority to all classes of shares held by shareholders and 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 Bonds.

The distributions on the Perpetual bonds are non-cumulative. The Bank shall have the right to cancel distributions on the Bonds in whole or in part and any such cancellation shall not constitute an event of default. The Bank may at its discretion use the proceeds from the cancelled distribution to meet other obligations as they fall due. But the Bank shall not make any distribution to ordinary shareholders until its decision to resume the distribution payments in whole to the holders of the Bonds.

The net proceeds from the issuance of the Perpetual bonds were used to replenish the Bank's additional tier 1 capital.

The carrying amount of the undated capital bonds issued by the Bank, net of direct issuance expenses, was RMB5.999 billion as at 31 December 2025 (31 December 2024: RMB3.999 billion).

### 38 CAPITAL RESERVE

	31 December 2025	31 December 2024
Share premium	4,933,399	4,933,399
Other capital reserve	2,423,473	(8,264)
Total	7,356,872	4,925,135

On July 31, 2025, the Board of the Bank proposed to issue no more than 758,020,103 domestic shares and no more than 153,834,000 'H shares' to eligible subscribers through a resolution. The net amount of the raised funds from this issuance, after deducting relevant issuance fees, will be fully used to supplement the bank's core tier 1 capital.

As at 31 December 2025, the Bank has completed all necessary approval procedures for the above-mentioned domestic share capital increase and received RMB2,431.7 million from shareholders, which is temporarily included in capital reserve and will be included in share capital after completion of the issuance.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 39 OTHER COMPREHENSIVE INCOME

	2025						
	Balance at the beginning of the year	Before-tax amount	Less: Previously recognised amount transferred to profit or loss	Less: Previously recognised amount transferred to retained earnings	Less: Income tax expense	Net-of-tax amount	Balance at the end of the year
Items that will not be reclassified to profit or loss Including: Changes in fair value of financial assets designated at fair value through other comprehensive income	(98,746)	-	-	-	-	-	(98,746)
Items that may be reclassified to profit or loss Including: Changes in fair value from financial assets measured at FVOCI	1,892,869	(1,333,487)	(780,083)	-	528,393	(1,585,177)	307,692
Credit losses of financial assets measured at FVOCI	30,311	81,750	(30,903)	-	(12,712)	38,135	68,446
<b>Total</b>	<b>1,824,434</b>	<b>(1,251,737)</b>	<b>(810,986)</b>	<b>-</b>	<b>515,681</b>	<b>(1,547,042)</b>	<b>277,392</b>

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 39 OTHER COMPREHENSIVE INCOME (CONTINUED)

	Balance at the beginning of the year	Before-tax amount	2024		Less: Income tax expense	Net-of-tax amount	Balance at the end of the year
			Less: Previously recognised amount transferred to profit or loss	Less: Previously recognised amount transferred to retained earnings			
Items that will not be reclassified to profit or loss							
Including: Changes in fair value of financial assets designated at fair value through other comprehensive income	(98,278)	(624)	–	–	156	(468)	(98,746)
Items that may be reclassified to profit or loss							
Including: Changes in fair value from financial assets measured at FVOCI	309,368	2,185,770	(74,435)	–	(527,834)	1,583,501	1,892,869
Credit losses of financial assets measured at FVOCI	33,823	17,267	(21,950)	–	1,171	(3,512)	30,311
<b>Total</b>	<b>244,913</b>	<b>2,202,413</b>	<b>(96,385)</b>	<b>–</b>	<b>(526,507)</b>	<b>1,579,521</b>	<b>1,824,434</b>

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 40 SURPLUS RESERVE

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

Pursuant to the Company Law of the PRC and the Article of Association of the Bank, the Bank is required to appropriate 10% of its net profit as on an annual basis determined under the People's Republic of China Generally Accepted Accounting Principles (PRC GAAP) after making good prior year's accumulated loss, to statutory surplus reserve until the balance reaches 50% of its registered capital.

The Bank appropriated an amount of RMB203.3 million to the surplus reserve for year ended 31 December 2025 (2024: RMB183.4 million).

The Bank may also appropriate discretionary surplus reserve in accordance with the resolution of the shareholders.

### 41 GENERAL RESERVE

The balance of the general reserve of the Group amounted to RMB4,657.7 million as at 31 December 2025 (31 December 2024: RMB4,144.8 million).

### 42 RETAINED EARNINGS

#### (1) Profit appropriations

##### *i. Profit appropriations for the year of 2025*

In accordance with the resolution at the Bank's Board of Directors Meeting on 27 March 2026, the proposed profit distribution plan for the year ended 31 December 2025 is as follows:

- Appropriation of statutory surplus reserve based on 10% of the net profit;
- Appropriation of general reserve amounted to approximately RMB820.0 million; and
- Declaration of cash dividend in an aggregation amount not exceeding RMB687.0 million to shareholders

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

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42 RETAINED EARNINGS (CONTINUED)

#### (1) Profit appropriations (Continued)

##### ii. Profit appropriations for the year of 2024

In accordance with the resolution at the Bank's Annual General Meeting held on 18 June 2025, the shareholders approved the following profit appropriations for the year ended 31 December 2024:

- Appropriation of statutory surplus reserve based on 10% of the net profit;
- Appropriation of general reserve amounted to approximately RMB465.6 million; and
- Declaration of cash dividend in an aggregation amount of approximately RMB598.0 million to shareholders whose names appear on the register of member of the Bank on 30 June 2025.

##### iii. Profit appropriations for the year of 2023

In accordance with the resolution at the Bank's Annual General Meeting held on 30 April 2024, the shareholders approved the following profit appropriations for the year ended 31 December 2023:

- Appropriation of statutory surplus reserve based on 10% of the net profit;
- Appropriation of general reserve amounted to approximately RMB438.1 million; and
- Declaration of cash dividend in an aggregation amount of approximately RMB598.0 million to shareholders whose names appear on the register of member of the Bank on 13 May 2024.

#### (2) Distribution of interest on perpetual bonds

##### i. Distribution of interest on perpetual bonds for the year of 2025

A distribution payment related to the 2021 Domestic Perpetual Bond, at the distribution rate of 4.80% with the total amount of RMB1.1 billion, amounting to RMB52.8 million in total was distributed on 1 December 2025.

A distribution payment related to the 2024 Domestic Perpetual Bond Series 1, at the distribution rate of 2.90% with the total amount of RMB2.9 billion, amounting to RMB84.1 million in total was distributed on 22 November 2025.

##### ii. Interest distributions of Perpetual bonds for the year of 2024

A distribution payment related to the 2019 Domestic Perpetual Bond, at the distribution rate of 5.40% with the total amount of RMB3.0 billion, amounting to RMB162.0 million in total was distributed on 2 December 2024.

A distribution payment related to the 2021 Domestic Perpetual Bond, at the distribution rate of 4.80% with the total amount of RMB1.1 billion, amounting to RMB52.8 million in total was distributed on 1 December 2024.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 42 RETAINED EARNINGS (CONTINUED)

#### (2) Distribution of interest on perpetual bonds(Continued)

##### iii. Interest distributions of Perpetual bonds for the year of 2023

A distribution payment related to the 2019 Domestic Perpetual Bond, at the distribution rate of 5.40% with the total amount of RMB3.0 billion, amounting to RMB162.0 million in total was distributed on 2 December 2023.

A distribution payment related to the 2021 Domestic Perpetual Bond, at the distribution rate of 4.80% with the total amount of RMB1.1 billion, amounting to RMB52.8 million in total was distributed on 1 December 2023.

### 43 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

#### (1) Cash and cash equivalents:

	31 December 2025	31 December 2024
Cash	277,460	251,520
Surplus deposit reserves with the central bank	10,643,502	9,810,816
Original maturity within three months:		
– Deposits with banks and other financial institutions	3,642,589	3,200,469
– Placements with banks and other financial institutions	597,448	71,884
– Financial assets held under resale agreements	4,800,000	962,397
– Financial investments	180,000	485,346
Total	20,140,999	14,782,432

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 43 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

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

	Debt securities issued	Lease liabilities	Total
Balance at 1 January 2025	49,717,679	453,336	50,171,015
Changes from financing cash flows:			
Cash received from debt securities issued	65,685,832	–	65,685,832
Payments for interest on debt securities issued	(1,164,959)	–	(1,164,959)
Repayment of debt securities issued	(66,660,000)	–	(66,660,000)
Payment for lease liabilities	–	(116,977)	(116,977)
Total changes from financing cash flows	(2,139,127)	(116,977)	(2,256,104)
Other changes:			
Increase in lease liabilities	–	113,033	113,033
Interest expense	1,136,539	19,789	1,156,328
Balance at 31 December 2025	48,715,091	469,181	49,184,272

	Debt securities issued	Lease liabilities	Total
Balance at 1 January 2024	37,446,188	349,851	37,796,039
Changes from financing cash flows:			
Cash received from debt securities issued	62,000,000	–	62,000,000
Payments for interest on debt securities issued	(1,118,670)	–	(1,118,670)
Repayment of debt securities issued	(49,770,000)	–	(49,770,000)
Payment for lease liabilities	–	(108,885)	(108,885)
Total changes from financing cash flows	11,111,330	(108,885)	11,002,445
Other changes:			
Increase in lease liabilities	–	194,283	194,283
Interest expense	1,160,161	18,087	1,178,248
Balance at 31 December 2024	49,717,679	453,336	50,171,015

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 44 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

#### (1) Relationship of related parties

##### (i) Major shareholders

Major shareholders include shareholders of the Bank with direct or indirect 5% or above shareholding, or with the right to appoint a director

Shareholdings in the Bank:

	Number of ordinary shares of the Bank held by the Company (in thousands) (千股)	31 December 2025	31 December 2024	Principal activities
Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司)	2,126,238	<b>35.56%</b>	35.56%	Road Transportation
Weihai Municipal Finance Bureau (威海市財政局)	919,672	<b>15.38%</b>	15.38%	–
Shandong Hi-Speed Company Limited (山東高速股份有限公司)	693,958	<b>11.60%</b>	11.60%	Road Transportation

##### (ii) Subsidiary of the Bank

The detailed information of the Bank's subsidiary is set out in Note 22.

##### (iii) Other related parties

Other related parties can be individuals or enterprises, which include: members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 44(1) or their controlling shareholders.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 44 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### (2) Transactions with related parties other than key management personnel

##### (i) Main related transactions between the Bank and major shareholders:

	2025	2024
Transactions during the year		
Interest income	2,990	7,593
Interest expense	98,150	102,899
Fee and commission income	115	51

	31 December 2025	31 December 2024
Balances at end of the year		
Deposits from customers	18,060,990	8,838,166
Financial assets measured at amortised cost	-	204,590

##### (ii) Main related transactions between the Bank and its subsidiary:

	2025	2024
Transactions during the year		
Interest income	75,225	82,721
Interest expense	7,262	15,022
Rental income	1,981	2,080

	31 December 2025	31 December 2024
Balances at end of the year		
Loans and advances to customers and placements with banks and other financial institutions	2,839,826	2,570,744
Deposits from customers and deposits from banks and other financial institutions	-	707,060

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

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 44 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### (2) Transactions with related parties other than key management personnel (Continued)

(iii) Main related transactions between the Bank and other related parties:

	2025	2024
Transactions during the year		
Interest income	254,697	212,163
Interest expense	94,943	106,076
Fee and commission income	16,482	14,814
Rental expenses	1,234	1,295

	31 December 2025	31 December 2024
Balances at end of the year		
Loans and advances to customers	3,599,618	3,629,159
Deposits from customers and deposits from banks and other financial institutions	7,341,292	8,316,430
Financial investments	2,150,365	279,287
Bank acceptances	72,808	97,607
Letters of guarantees	154,402	122,605
Letters of credit	983,856	1,475,000

#### (3) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Bank, directly or indirectly, including members of the board of directors, the supervisory board and senior management.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 44 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### (3) Key management personnel(Continued)

(i) *Main related transactions between the Bank and key management personnel:*

	2025	2024
Transactions during the year		
Interest income	20	41
Interest expense	106	328

	31 December 2025	31 December 2024
Balances at end of the year		
Loans and advances to customers	594	1,029
Deposits from customers	1,192	12,147

(ii) *Key management personnel compensation:*

	2025	2024
Key management personnel compensation	22,448	21,769

#### (4) Loans and advances to key management personnel

	31 December 2025	31 December 2024
Aggregate amount of relevant loans outstanding at the end of the year	588	949
Maximum aggregate amount of relevant loans outstanding during the year	949	1,482

There was no amount due but unpaid at 31 December 2025 and 31 December 2024.

#### (5) 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.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 45 SEGMENT REPORTING

The Group manages its business by business lines. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

#### Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing, deposit taking activities, agency services, wealth management services, consulting and advisory services, remittance and settlement services, guarantee services and finance leasing services.

#### Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans, deposit taking activities, personal wealth management services and remittance services.

#### Financial market business

This segment covers the Group's Financial market business operations. The Financial market business enters into inter-bank money market transactions, repurchases transactions, investments, trades in debt securities and wealth management services. The Financial market business segment also covers management of the Group's overall liquidity position, including the issuance of debts.

#### Others

These represent assets, liabilities, income and expenses, which are not directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

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

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 45 SEGMENT REPORTING (CONTINUED)

	2025				
	Corporate banking	Retail banking	Financial market business	Others	Total
External net interest income/(expense)	6,390,454	(2,326,828)	3,653,209	–	7,716,835
Internal net interest (expense)/income	(498,777)	3,957,783	(3,459,006)	–	–
Net interest income	5,891,677	1,630,955	194,203	–	7,716,835
Net fee and commission income/(expense)	283,821	(61,145)	527,967	(7,212)	743,431
Net trading losses	(2,489)	–	(271,260)	–	(273,749)
Net gains arising from investments	–	–	1,407,962	–	1,407,962
Other operating income	315,726	4,624	2,095	661	323,106
Operating income	6,488,735	1,574,434	1,860,967	(6,551)	9,917,585
Operating expenses	(1,563,026)	(491,289)	(312,964)	(13,535)	(2,380,814)
Credit impairment losses	(3,015,881)	(752,499)	(983,259)	–	(4,751,639)
Profit/(losses) before taxation	1,909,828	330,646	564,744	(20,086)	2,785,132
Other segment information					
– Depreciation and amortisation	297,013	62,052	37,915	–	396,980
– Capital expenditure	1,263,408	62,800	38,372	–	1,364,580

	31 December 2025				
	Corporate banking	Retail banking	Financial market business	Others	Total
Segment assets	223,134,015	51,497,691	225,391,891	461,717	500,485,314
Deferred tax assets					4,035,182
Total assets					504,520,496
Segment liabilities/Total liabilities	219,318,635	185,767,174	63,377,855	681,017	469,144,681
Credit commitments	73,661,917	2,843,685	–	–	76,505,602



## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

The Group's risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control procedures for monitoring risks level. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors is responsible for establishing and maintaining a robust and effective risk management system and determining general risk preference and risk tolerance of the Group. Based on the general strategy of the Group, the Risk Management Committee under the Board reviews the Group's risk management system and basic principles, risk management strategies and internal control system framework; supervises and evaluates the establishment, organization, processes and effectiveness of risk management departments; supervises and evaluates risk control by the management in aspects such as credit risk, market risk and operational risk; and conducts identification, monitoring, control and regular assessment of the Group's risk management and risk tolerance. Senior management led by the president will be responsible for the control of credit risk, market risk, operational risk and approval of related policies and procedures; Chief Risk Officer will be led by the president of the Bank. In addition, the Group set up departments such as the Department of Risk Management, Department of Credit Approval, Financial Planning Department, Department of Law and Compliance and Audit Department based on the requirements of general risk management to perform respective functions in risk management, strengthen risk-covering portfolio management capabilities and conduct inspection on compliance with risk management policy of internal control system on regular or irregular basis.

#### (1) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios and guarantees granted.

##### (a) Credit business

To identify, assess, monitor and manage credit risks, the Group has designed effective system frameworks, credit policies and processes for credit risk management and implemented systematic control procedures. The responsible departments for credit risk management mainly include the Risk Management Department and Credit Approval Department. The Risk Management Department is responsible for implementing the Group's overall risk management system, risk monitoring and control and formulating risk management policies. The Credit Approval Department is independent from customer relationship and product management departments to ensure the independence of credit approval. Front office departments including Corporate Business Department, Retail Asset Department carry out credit businesses according to the Group's risk management policies and procedures.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 RISK MANAGEMENT (CONTINUED)

#### (1) Credit risk (continued)

##### (a) *Credit business (continued)*

The Group continuously improves the internal control mechanism and strengthens the management of all processes of the credit business. Based on effective checks and balances, the Group has established comprehensive assessment and accountability mechanisms, assigning responsibilities of credit management to the relevant departments and individuals.

For corporate and institutional businesses, the Group has established industry-, region-, product- and client-specific limits for credit approval. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks.

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and their recommendations to the loan-approval departments or personnel for approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process according to standardised loan recovery procedures.

##### (b) *Stages of risks in financial instrument*

Stage 1 : Financial assets have not experienced a significant increase in credit risk since origination and impairment is recognised on the basis of 12 months expected credit losses.

Stage 2 : Financial assets have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses.

Stage 3 : Financial assets that are in default and considered credit-impaired.

##### (c) *Significant increase in credit risk*

The Group assesses at each balance sheet date whether the credit risk of relevant financial instruments has significantly increased since initial recognition. When one or more quantitative or qualitative indicators are triggered, the Group considers that the credit risk of the financial instrument has significantly increased.

By setting quantitative and qualitative criteria, the Group determines whether the credit risk of financial instruments has increased significantly since initial recognition. The criteria mainly include days past due, material adverse changes in the borrower's operations or financial condition, changes in credit risk classification, and other circumstances indicating significant changes in credit risk.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 RISK MANAGEMENT (CONTINUED)

#### (1) Credit risk (continued)

##### (d) Definition of "default" and "credit-impaired assets"

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;
- the disappearance of an active market for the financial asset because of financial difficulties of the issuer; or
- principal or interest of instrument is more than 90 days past due.

The above criteria apply to all financial assets of the Group and they are consistent with the definition of "default" adopted by the internal management of credit risk.

##### (e) Measurement of expected credit losses ("ECLs")

The Group adopts ECL model to measure provision for loss of financial assets based on the stages categorised above. The ECL is the result of the discounted product of probability of default ("**PD**"), exposure at default ("**EAD**") and loss given default ("**LGD**"). The definitions of these terms are as follows:

- PD refers to the likelihood of a borrower defaulting on its financial obligation over the next 12 months or the remaining lifetime of the loan;
- EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan;

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 RISK MANAGEMENT (CONTINUED)

#### (1) Credit risk (continued)

##### (e) Measurement of expected credit losses ("ECLs") (continued)

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

The Group determines the ECL by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future years. The Group multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default in an earlier period). By adopting this approach, the Group can calculate the ECL for the future periods. The results of calculation for each period are then discounted to the reporting date and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime PD is deduced from using the maturity model or 12-month probability of default. The maturity model describes the pattern of default of the asset portfolio over its lifetime. The model is developed based on historical observational data and applicable to all assets in the same portfolio with the same credit rating. The above method is supported by empirical analysis.

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different according to different types of products.

- In respect of the financial assets with instalment repayments and bullet repayment, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on prediction of overlimit repayment and prepayments/refinancing made by the borrower.
- As to the off-balance sheet credit commitments, the parameter of EAD is calculated using the current exposure method, and obtained from multiplying the nominal amount of the off-balance sheet items on the reporting date by the credit conversion factor (CCF).
- The Group determines the 12-month and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.
- As to financial assets classified as security, the Group determines the LGD according to the types of collaterals and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.
- As to credit-based financial assets, the Group usually determines LGD in the product level due to the limited differences in recoverable amounts from different borrowers.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 RISK MANAGEMENT (CONTINUED)

#### (1) Credit risk (continued)

##### (e) *Measurement of expected credit losses ("ECLs") (continued)*

Forward-looking economic information should be considered when determining the 12-month and lifetime PD, EAD and LGD.

The Group quarterly monitors and reviews assumptions related to the calculation of ECLs, including the changes in PD and the value of collaterals under the different time limits.

As at 31 December 2025 and 31 December 2024, there has been no significant changes in the estimate techniques and key assumptions of the Group.

Forward-looking information included in the ECL model is as follows:

- Both the assessment of significant increase in credit risk and the measurement of ECLs involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and ECLs of all asset portfolios, including gross domestic product ("GDP"), consumer price index ("CPI"), money supply M2 ("M2"), fixed-asset investment etc. The Group identified the relations between these economic indicators and the PD historically by conducting regression analysis, and identified the expected PD by predicting the future economic indicators.
- When judging whether there is significant increase in credit risk, the Group multiplies the lifetime PD at the benchmark and under other scenarios by the weight of the scenarios, and considers the qualitative and maximum indicators. The Group measures relevant provision for loss by the weighted 12-month ECL (for stage 1) or the weighted lifetime ECL (for stage 2 and stage 3). The above weighted credit losses are calculated from multiplying the ECL under the different scenarios by the weight of the corresponding scenarios.
- Similar to other economic forecasts, there is high inherent uncertainty in the assessment of estimated economic indicators and the probability of occurrence, and therefore, the actual results may be materially different from the forecasts. The Group believes that these forecasts reflect the Group's best estimate of possible outcomes.
- Other forward-looking factors not incorporated in above scenarios, such as the impact of regulatory and legal changes, have also been taken into account. However, they were not considered to have significant impact, and the expected credit losses were not adjusted accordingly. The Group reviews and monitors the appropriateness of the above assumptions on a quarterly basis.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 RISK MANAGEMENT (CONTINUED)

#### (1) Credit risk (continued)

##### (e) Measurement of expected credit losses (“ECLs”) (continued)

The Group adopts three economic scenarios in the ECL measurement to meet the requirements of IFRS 9. The “Baseline” scenario represents a most likely outcome and the other two scenarios, referred to as “Optimistic” scenario and “Pessimistic” scenario, represent less likely outcomes which are more optimistic or more pessimistic compared to Baseline scenario.

Historical data, economic trend, external forecast, etc. are also used as benchmarks to ensure the forecasts are reasonable.

The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECLs for each asset portfolio such as the accumulated year-on-year growth rate of GDP, the accumulated year-on-year growth rate of fixed-asset investment, the accumulated year-on-year growth rate of CPI and M2. The Group evaluates and forecasts these economic indicators at least annually and applied them in the impairment model.

Key/Major macroeconomic scenario assumptions used by the Group to assess ECL:

	31 December 2025	31 December 2024
Macroeconomic Factor	Range of the factors	
Fixed-asset investment: accumulated year-on-year	0.5%-4.2%	3.1%-5.4%
CPI: accumulated year-on-year	0.1%-1.2%	0.0%-1.5%

The calculation of ECL is affected by macroeconomic factors and economic scenarios. The Group’s view on the economic environment is reflected in the probability-weighted allocation of each scenario, with the base scenario assigned a higher probability weight to reflect the most likely outcome, while optimistic and pessimistic scenarios are assigned lower probability weights to reflect less likely outcomes.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 RISK MANAGEMENT (CONTINUED)

#### (1) Credit risk (continued)

##### (e) Measurement of expected credit losses ("ECLs") (continued)

The Group has conducted a sensitivity analysis on key economic variables used in forward-looking measurements. As at 31 December 2025, when there is a 5% fluctuation in optimistic or pessimistic scenario weights, or a 5% change in major economic indicators under the baseline scenario, the change in the allowance of ECLs would not exceed 5%.

##### (f) Maximum credit risk exposure

The following table provides an analysis of the exposure to credit risk of financial instruments applicable to the measurement of ECLs. The carrying amount of the following financial assets is the maximum exposure to credit risk of the Group:

	31 December 2025	31 December 2024
Deposits with the central bank	29,469,139	27,100,957
Deposits with banks and other financial institutions	3,638,459	3,204,654
Placements with banks and other financial institutions	10,705,945	71,844
Financial assets held under resale agreements	4,797,122	962,276
Loans and advances to customers	223,695,299	207,506,283
Financial investments measured at amortised cost	89,623,004	76,739,412
Financial investments measured at FVOCI	84,856,277	82,547,490
Lease receivables	32,704,477	24,338,837
Others	325,926	467,738
Sub-total	479,815,648	422,939,491
Credit commitments	76,505,602	69,898,591
Total	556,321,250	492,838,082

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 RISK MANAGEMENT (CONTINUED)

#### (1) Credit risk (continued)

##### (g) 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 2025		31 December 2024	
	Amount	Percentage	Amount	Percentage
Leasing and business services	39,556,635	17.43%	31,620,498	15.03%
Wholesale and retail	29,088,668	12.81%	20,893,009	9.93%
Manufacturing	22,715,598	10.01%	21,114,876	10.04%
Construction	22,341,957	9.84%	18,728,891	8.90%
Water conservancy, environment and public facilities management	21,419,398	9.44%	22,231,313	10.57%
Electricity, heat, gas and water production and supply	11,896,039	5.24%	7,877,721	3.75%
Real estate	8,334,482	3.67%	7,274,221	3.46%
Agriculture, forestry, animal husbandry and fishery	4,498,809	1.98%	3,923,913	1.87%
Transportation, warehousing and postal services	2,933,114	1.29%	2,826,313	1.34%
Education	2,252,068	0.99%	2,223,298	1.06%
Health and social work	1,745,692	0.77%	932,455	0.44%
Accommodation and catering	1,440,427	0.63%	1,351,671	0.64%
Scientific Research and Technical Services Industry	875,329	0.39%	504,552	0.24%
Others	2,425,027	1.07%	9,015,212	4.29%
Subtotal for corporate loans and advances	171,523,243	75.56%	150,517,943	71.56%
Personal loans and advances	37,410,075	16.48%	43,303,828	20.59%
Discounted bills	18,065,277	7.96%	16,509,411	7.85%
Gross loans and advances to customers	226,998,595	100.00%	210,331,182	100.00%

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 RISK MANAGEMENT (CONTINUED)

#### (1) Credit risk (continued)

##### (g) Risk concentration

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments (exclusive interests accrued) analysed by the rating agency designations as at the end of the reporting periods are as follows:

	31 December 2025	31 December 2024
Unrated	80,631,842	71,177,917
AAA	75,403,539	55,282,966
AA- to AA+	15,012,435	19,449,319
Below AA-	1,268,744	1,589,432
<b>Total</b>	<b>172,316,560</b>	<b>147,499,634</b>

The unrated bonds held by the Group mainly include government bonds, local government bonds, policy bank financial bonds, etc.

##### (h) 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:

Financial assets measured at amortised cost	31 December 2025							
	Book balance (including accrued interest)				Allowance 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	29,746,599	-	-	29,746,599	-	-	-	-
Deposits with banks and other financial institutions	3,642,660	-	-	3,642,660	(4,201)	-	-	(4,201)
Placements with banks and other financial institutions	10,723,781	-	-	10,723,781	(17,836)	-	-	(17,836)
Financial assets held under resale agreements	4,800,495	-	-	4,800,495	(3,373)	-	-	(3,373)
Loans and advances to customers	200,185,026	6,965,596	3,564,265	210,714,887	(1,784,070)	(1,487,108)	(1,813,687)	(5,084,865)
Financial investments	87,287,225	2,574,623	2,163,672	92,025,520	(44,184)	(941,247)	(1,417,085)	(2,402,516)
Lease receivables	32,648,352	718,414	362,181	33,728,947	(672,388)	(161,984)	(190,098)	(1,024,470)
<b>Total</b>	<b>369,034,138</b>	<b>10,258,633</b>	<b>6,090,118</b>	<b>385,382,889</b>	<b>(2,526,052)</b>	<b>(2,590,339)</b>	<b>(3,420,870)</b>	<b>(8,537,261)</b>

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 RISK MANAGEMENT (CONTINUED)

#### (1) Credit risk (continued)

(h) Analysis on the credit quality of financial instruments (continued)

Financial assets measured at FVOCI	31 December 2025							
	Book balance (including accrued interest)				Allowance 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	18,065,277	–	–	18,065,277	(56,031)	–	–	(56,031)
Financial investments	84,856,277	–	–	84,856,277	(35,229)	–	–	(35,229)
<b>Total</b>	<b>102,921,554</b>	<b>–</b>	<b>–</b>	<b>102,921,554</b>	<b>(91,260)</b>	<b>–</b>	<b>–</b>	<b>(91,260)</b>
Credit commitments	76,505,602	–	–	76,505,602	(59,108)	–	–	(59,108)

Financial assets measured at amortised cost	31 December 2024							
	Book balance (including accrued interest)				Allowance 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	27,352,477	–	–	27,352,477	–	–	–	–
Deposits with banks and other financial institutions	3,208,786	–	–	3,208,786	(4,132)	–	–	(4,132)
Placements with banks and other financial institutions	71,901	–	–	71,901	(57)	–	–	(57)
Financial assets held under resale agreements	962,801	–	–	962,801	(525)	–	–	(525)
Loans and advances to customers	185,943,351	6,572,945	3,084,615	195,600,911	(1,984,218)	(1,275,953)	(1,343,868)	(4,604,039)
Financial investments	73,618,901	2,456,121	3,013,672	79,088,694	(41,163)	(410,568)	(1,897,551)	(2,349,282)
Lease receivables	23,591,357	1,136,666	371,600	25,099,623	(392,577)	(214,589)	(153,620)	(760,786)
<b>Total</b>	<b>314,749,574</b>	<b>10,165,732</b>	<b>6,469,887</b>	<b>331,385,193</b>	<b>(2,422,672)</b>	<b>(1,901,110)</b>	<b>(3,395,039)</b>	<b>(7,718,821)</b>

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 RISK MANAGEMENT (CONTINUED)

#### (1) Credit risk (continued)

(h) *Analysis on the credit quality of financial instruments (continued)*

Financial assets measured at FVOCI	31 December 2024				Allowance for expected credit losses			
	Book balance (including accrued interest)							
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers								
– Discounted bills	16,509,411	–	–	16,509,411	(15,911)	–	–	(15,911)
Financial investments	82,547,490	–	–	82,547,490	(24,502)	–	–	(24,502)
<b>Total</b>	<b>99,056,901</b>	<b>–</b>	<b>–</b>	<b>99,056,901</b>	<b>(40,413)</b>	<b>–</b>	<b>–</b>	<b>(40,413)</b>
Credit commitments	69,898,591	–	–	69,898,591	(56,507)	–	–	(56,507)

#### (2) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The Group has especially built up a market risk management structure and team. The Department of Risk Management takes the major responsibility for the exposure of market risk and preparation of relevant market risk management policies to submit to the Committee of Risk Management. According to established standards and current management capabilities, the Group measures market risk with the major adoption of sensitivity analysis. Before the new products or new business are launched, their market risks will be identified according to regulations.

The major source of market risk of the Group is the asset and liability businesses involved in market operation and the risks in interest rate and exchange rate of products.

##### (a) *Interest rate risk*

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of financial markets business position.

##### *Repricing risk*

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of bank assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 RISK MANAGEMENT (CONTINUED)

#### (2) Market risk (continued)

##### (a) Interest rate risk (continued)

##### Trading interest rate risk

Trading interest rate risk mainly arises from the treasury business' investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios' fair value given a 25 basis points movement in the interest rates.

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

	31 December 2025					Total
	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>						
Cash and deposits with the central bank	536,124	29,210,475	-	-	-	29,746,599
Deposits with banks and other financial institutions	71	3,638,388	-	-	-	3,638,459
Placements with banks and other financial institutions	126,333	4,389,367	6,190,245	-	-	10,705,945
Financial assets held under resale agreements	495	4,796,627	-	-	-	4,797,122
Loans and advances to customers (Note (i))	1,781,569	52,758,205	89,842,088	63,579,176	15,734,261	223,695,299
Financial investments (Note (ii))	3,055,881	18,049,805	21,714,068	56,955,441	87,937,203	187,712,398
Others	11,862,835	4,573,946	7,986,627	14,299,959	5,501,307	44,224,674
<b>Total assets</b>	<b>17,363,308</b>	<b>117,416,813</b>	<b>125,733,028</b>	<b>134,834,576</b>	<b>109,172,771</b>	<b>504,520,496</b>
<b>Liabilities</b>						
Borrowings from the central bank	8,813	4,492,505	14,503,656	-	-	19,004,974
Deposits from banks and other financial institutions	5,803	1,209,615	150,000	2,000,750	-	3,366,168
Placements from banks and other financial institutions	289,254	8,680,790	22,114,330	3,615,000	-	34,699,374
Financial liabilities measured at fair value through profit or loss	-	-	-	977,830	-	977,830
Financial assets sold under repurchase agreements	321	6,982,197	-	-	-	6,982,518
Deposits from customers	8,943,181	131,723,225	85,813,858	124,795,546	-	351,275,810
Debt securities issued	162,129	4,224,392	28,628,763	10,999,869	4,699,938	48,715,091
Others	2,929,851	695,493	6,725	146,017	344,830	4,122,916
<b>Total liabilities</b>	<b>12,339,352</b>	<b>158,008,217</b>	<b>151,217,332</b>	<b>142,535,012</b>	<b>5,044,768</b>	<b>469,144,681</b>
<b>Asset-liability gap</b>	<b>5,023,956</b>	<b>(40,591,404)</b>	<b>(25,484,304)</b>	<b>(7,700,436)</b>	<b>104,128,003</b>	<b>35,375,815</b>

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 RISK MANAGEMENT (CONTINUED)

#### (2) Market risk (continued)

##### (a) Interest rate risk (continued)

##### Trading interest rate risk (continued)

	31 December 2024					Total
	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>						
Cash and deposits with the central bank	348,975	27,003,502	-	-	-	27,352,477
Deposits with banks and other financial institutions	77	3,204,577	-	-	-	3,204,654
Placements with banks and other financial institutions	17	71,827	-	-	-	71,844
Financial assets held under resale agreements	404	961,872	-	-	-	962,276
Loans and advances to customers <i>(Note (i))</i>	1,779,140	44,532,206	86,562,684	59,764,975	14,867,278	207,506,283
Financial investments <i>(Note (iii))</i>	3,089,359	12,716,409	15,466,987	37,292,060	98,572,589	167,137,404
Others	11,210,740	2,627,041	6,045,409	10,808,795	4,536,851	35,228,836
<b>Total assets</b>	<b>16,428,712</b>	<b>91,117,434</b>	<b>108,075,080</b>	<b>107,865,830</b>	<b>117,976,718</b>	<b>441,463,774</b>
<b>Liabilities</b>						
Borrowings from the central bank	5,361	2,444,920	7,959,291	-	-	10,409,572
Deposits from banks and other financial institutions	12,015	5,296,903	4,533	-	-	5,313,451
Placements from banks and other financial institutions	250,429	7,246,840	19,317,210	656,000	-	27,470,479
Financial assets sold under repurchase agreements	1,725	12,100,000	-	-	-	12,101,725
Deposits from customers	7,764,638	110,873,640	73,236,099	110,077,182	-	301,951,559
Debt securities issued	190,548	10,957,867	23,869,853	8,999,677	5,699,734	49,717,679
Others	2,619,194	91,696	204,107	424,202	362,643	3,701,842
<b>Total liabilities</b>	<b>10,843,910</b>	<b>149,011,866</b>	<b>124,591,093</b>	<b>120,157,061</b>	<b>6,062,377</b>	<b>410,666,307</b>
<b>Asset-liability gap</b>	<b>5,584,802</b>	<b>(57,894,432)</b>	<b>(16,516,013)</b>	<b>(12,291,231)</b>	<b>111,914,341</b>	<b>30,797,467</b>

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 RISK MANAGEMENT (CONTINUED)

#### (2) Market risk (continued)

##### (a) Interest rate risk (continued)

##### Trading interest rate risk (continued)

Notes :

- (i) As at 31 December 2025 and 31 December 2024, the category “Less than three months” of the Group’s loans and advances to customers includes overdue loans and advances (net of allowance for impairment losses) of RMB1.134 billion and RMB0.885 billion respectively.
- (ii) Financial investments include financial investments measured at FVTPL, financial investments measured at FVOCI and financial investments measured at amortised cost.

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

Changes in annualised net interest income	31 December 2025 (Decrease)/ Increase	31 December 2024 (Decrease)/ Increase
Interest rates increase by 25 bps	(149,262)	(175,704)
Interest rates decrease by 25 bps	149,262	175,704

Changes in annualised equity	31 December 2025 (Decrease)/ Increase	31 December 2024 (Decrease)/ Increase
Interest rates increase by 25 bps	(769,454)	(892,688)
Interest rates decrease by 25 bps	782,019	911,819

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 RISK MANAGEMENT (CONTINUED)

#### (2) Market risk (continued)

##### (a) Interest rate risk (continued)

###### *Trading interest rate risk (continued)*

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

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

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

##### (b) Currency risk

The majority of the business of the Group is related to RMB, as well as a small amount of business related to US dollar and other foreign currencies.

The changes in exchange rates will affect the financial position and cash flow of the Group. Due to the small amount of foreign currency business of the Group, the effect of foreign currency risk on the Group would be immaterial. The major principle of the Group's control on foreign currency risk is to achieve matching of assets and liabilities in each currency and to conduct daily monitoring on currency exposure.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 RISK MANAGEMENT (CONTINUED)

#### (2) Market risk (continued)

##### (b) Currency risk

The Group adopts sensitivity analysis to measure the possible effects of changes in exchange rates on net gains and losses and equity of the Group. As the foreign currency assets and liabilities account for an immaterial part of the total assets and total liabilities of the Group, the effect of changes in exchange rates on net gains and losses and equity of the Group would be immaterial.

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

	31 December 2025			
	RMB	USD	Others	Total
	<i>(RMB equivalent) (RMB equivalent) (RMB equivalent)</i>			
<b>Assets</b>				
Cash and deposits with the central bank	29,330,738	415,861	–	29,746,599
Deposits with banks and other financial institutions	3,315,598	295,447	27,414	3,638,459
Placements with banks and other financial institutions	10,108,289	597,656	–	10,705,945
Financial assets held under resale agreements	4,797,122	–	–	4,797,122
Loans and advances to customers	223,413,446	281,853	–	223,695,299
Financial investments <i>(Note (i))</i>	185,618,941	2,093,457	–	187,712,398
Others	44,224,674	–	–	44,224,674
<b>Total assets</b>	<b>500,808,808</b>	<b>3,684,274</b>	<b>27,414</b>	<b>504,520,496</b>
<b>Liabilities</b>				
Borrowings from the central bank	19,004,974	–	–	19,004,974
Deposits from banks and other financial institutions	3,366,168	–	–	3,366,168
Placements from banks and other financial institutions	34,699,374	–	–	34,699,374
Financial liabilities measured at fair value through profit or loss	977,830	–	–	977,830
Financial assets sold under repurchase agreements	6,982,518	–	–	6,982,518
Deposits from customers	347,323,983	3,943,842	7,985	351,275,810
Debt securities issued	48,715,091	–	–	48,715,091
Others	3,972,009	150,870	37	4,122,916
<b>Total liabilities</b>	<b>465,041,947</b>	<b>4,094,712</b>	<b>8,022</b>	<b>469,144,681</b>
<b>Net position</b>	<b>35,766,861</b>	<b>(410,438)</b>	<b>19,392</b>	<b>35,375,815</b>
<b>Credit commitments</b>	<b>76,334,101</b>	<b>171,501</b>	<b>–</b>	<b>76,505,602</b>

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 RISK MANAGEMENT (CONTINUED)

#### (2) Market risk (continued)

##### (b) Currency risk

	31 December 2024			
	RMB	USD	Others	Total
	<i>(RMB equivalent) (RMB equivalent) (RMB equivalent)</i>			
<b>Assets</b>				
Cash and deposits with the central bank	27,179,826	172,651	–	27,352,477
Deposits with banks and other financial institutions	2,963,439	190,635	50,580	3,204,654
Placements with banks and other financial institutions	–	71,844	–	71,844
Financial assets held under resale agreements	962,276	–	–	962,276
Loans and advances to customers	207,445,687	60,596	–	207,506,283
Financial investments <i>(Note (i))</i>	164,790,373	2,347,031	–	167,137,404
Others	35,224,576	1	4,259	35,228,836
<b>Total assets</b>	<b>438,566,177</b>	<b>2,842,758</b>	<b>54,839</b>	<b>441,463,774</b>
<b>Liabilities</b>				
Borrowings from the central bank	10,409,572	–	–	10,409,572
Deposits from banks and other financial institutions	5,025,570	287,881	–	5,313,451
Placements from banks and other financial institutions	26,749,703	720,776	–	27,470,479
Financial assets sold under repurchase agreements	12,101,725	–	–	12,101,725
Deposits from customers	299,846,599	2,072,439	32,521	301,951,559
Debt securities issued	49,717,679	–	–	49,717,679
Others	3,535,943	165,636	263	3,701,842
<b>Total liabilities</b>	<b>407,386,791</b>	<b>3,246,732</b>	<b>32,784</b>	<b>410,666,307</b>
<b>Net position</b>	<b>31,179,386</b>	<b>(403,974)</b>	<b>22,055</b>	<b>30,797,467</b>
<b>Credit commitments</b>	<b>69,574,744</b>	<b>323,111</b>	<b>736</b>	<b>69,898,591</b>

*Note :*

- (i) Financial investments include financial investments measured at fair value through profit or loss (FVTPL), financial investments measured at fair value through other comprehensive income and financial investments measured at amortised cost.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 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 sustain its asset business or meet repayment obligations.

The Group plays an active part in managing liquidity risks and improves related management system in terms of organisation, institution, system, management and mechanism. The organisational structure of the Group's liquidity risk management consists of the Board of Directors, senior management and its Risk Management Committee and Asset and Liability Management Committee, Risk Management Department, Financial Planning Department, Corporate Banking Department, Retail Business Department, Department of Credit Approval, Department of Financial Market and Audit Department, responsible for formulating liquidity risk management strategy and establishing internal control mechanism to support the implementation and supervision of liquidity risk management strategy.

The measurement of liquidity risk of the Group adopts liquidity indicator and cash flow gap calculation. By stress testing, the Group sets up mild, moderate and severe scenarios to examine the capacity to withstand liquidity or liquidity crises and improve liquidity contingency measures. In terms of response to liquidity risks, the Group: strengthens management and monitoring of liquidity limits; establishes related liquidity emergency leading groups, early-warning indicators for internal and external liquidity risks and indicators that could trigger contingency plans and monitors these indicators; builds up quality liquidity assets reserve and financing capability management; erects liquidity risk reporting mechanism, in which the Financial Planning Department reports to the Asset and Liability Management Committee, senior management and the Board of Directors on issues related to the status, stress testing and contingency plans of liquidity risks on a regular basis.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 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.

	Indefinite (Note (i))	Repayable on demand	Within one month	31 December 2025				Total
				Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>								
Cash and deposits with the central bank	18,816,764	10,929,835	-	-	-	-	-	29,746,599
Deposits with banks and other financial institutions	-	3,338,835	299,624	-	-	-	-	3,638,459
Placements with banks and other financial institutions	-	-	1,721,112	2,748,368	6,236,465	-	-	10,705,945
Financial assets held under resale agreements	-	-	4,797,122	-	-	-	-	4,797,122
Loans and advances to customers	2,213,996	1,050,227	15,935,351	23,296,961	79,239,040	69,383,858	32,575,866	223,695,299
Financial investments	1,179,759	55,021	7,060,727	3,101,140	16,060,014	70,467,131	89,788,606	187,712,398
Others	9,575,075	297,682	1,944,952	2,666,805	8,585,551	15,081,731	6,072,878	44,224,674
<b>Total assets</b>	<b>31,785,594</b>	<b>15,671,600</b>	<b>31,758,888</b>	<b>31,813,274</b>	<b>110,121,070</b>	<b>154,932,720</b>	<b>128,437,350</b>	<b>504,520,496</b>
<b>Liabilities</b>								
Borrowings from the central bank	-	-	1,153,867	3,347,451	14,503,656	-	-	19,004,974
Deposits from banks and other financial institutions	-	89,793	1,012,209	110,580	152,828	2,000,758	-	3,366,168
Placements from banks and other financial institutions	-	-	3,327,429	5,483,222	22,247,431	3,641,292	-	34,699,374
Financial liabilities measured at fair value through profit or loss	-	-	-	-	-	977,830	-	977,830
Financial assets sold under repurchase agreements	-	-	6,683,374	299,144	-	-	-	6,982,518
Deposits from customers	-	66,516,456	23,688,496	44,001,987	88,738,717	128,330,154	-	351,275,810
Debt securities issued	-	-	2,397,944	1,826,448	28,690,530	11,048,102	4,752,067	48,715,091
Others	65,807	350,257	715,015	618,736	568,684	1,489,937	314,480	4,122,916
<b>Total liabilities</b>	<b>65,807</b>	<b>66,956,506</b>	<b>38,978,334</b>	<b>55,687,568</b>	<b>154,901,846</b>	<b>147,488,073</b>	<b>5,066,547</b>	<b>469,144,681</b>
<b>Net position</b>	<b>31,719,787</b>	<b>(51,284,906)</b>	<b>(7,219,446)</b>	<b>(23,874,294)</b>	<b>(44,780,776)</b>	<b>7,444,647</b>	<b>123,370,803</b>	<b>35,375,815</b>

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 RISK MANAGEMENT (CONTINUED)

#### (3) Liquidity risk (continued)

##### (a) Maturity analysis (continued)

	Indefinite (Note (i))	Repayable on demand	Within one month	31 December 2024				Total
				Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>								
Cash and deposits with the central bank	17,281,031	10,071,446	-	-	-	-	-	27,352,477
Deposits with banks and other financial institutions	8,240	3,196,337	-	77	-	-	-	3,204,654
Placements with banks and other financial institutions	-	-	71,844	-	-	-	-	71,844
Financial assets held under resale agreements	-	-	962,276	-	-	-	-	962,276
Loans and advances to customers	2,192,293	662,916	12,719,237	20,612,849	70,557,066	65,980,222	34,781,700	207,506,283
Financial investments	1,814,112	-	5,178,870	4,451,341	12,681,058	42,432,016	100,580,007	167,137,404
Others	10,998,407	446,692	1,078,850	1,297,242	6,061,999	10,808,795	4,536,851	35,228,836
<b>Total assets</b>	<b>32,294,083</b>	<b>14,377,391</b>	<b>20,011,077</b>	<b>26,361,509</b>	<b>89,300,123</b>	<b>119,221,033</b>	<b>139,898,558</b>	<b>441,463,774</b>
<b>Liabilities</b>								
Borrowings from the central bank	-	-	1,181,231	1,264,938	7,963,403	-	-	10,409,572
Deposits from banks and other financial institutions	-	3,900	1,101,346	2,715,593	1,492,612	-	-	5,313,451
Placements from banks and other financial institutions	-	-	10,365,001	4,312,131	12,627,680	165,667	-	27,470,479
Financial assets sold under repurchase agreements	-	-	12,101,725	-	-	-	-	12,101,725
Deposits from customers	-	67,915,157	14,873,969	28,691,385	75,958,177	114,512,871	-	301,951,559
Debt securities issued	-	-	2,867,198	8,090,669	24,060,401	8,999,677	5,699,734	49,717,679
Others	-	2,614,304	43,270	53,316	204,107	424,202	362,643	3,701,842
<b>Total liabilities</b>	<b>-</b>	<b>70,533,361</b>	<b>42,533,740</b>	<b>45,128,032</b>	<b>122,306,380</b>	<b>124,102,417</b>	<b>6,062,377</b>	<b>410,666,307</b>
<b>Net position</b>	<b>32,294,083</b>	<b>(56,155,970)</b>	<b>(22,522,663)</b>	<b>(18,766,523)</b>	<b>(33,006,257)</b>	<b>(4,881,384)</b>	<b>133,836,181</b>	<b>30,797,467</b>

Note :

- (i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of financial investments represents impaired financial investments or those overdue more than one month. Equity instruments are listed in the category of indefinite.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 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 non-derivative financial liabilities at the end of the reporting period:

	Indefinite	Repayable on demand	Within one month	31 December 2025				Contractual undiscounted cash flow	Carrying Amount
				Between one month and three months	Between three months and one year	Between one year and five years	More than five years		
Borrowings from the central bank	-	-	1,154,780	3,401,148	14,573,984	-	-	19,129,912	19,004,974
Deposits from banks and other financial institutions	-	89,793	1,012,791	110,871	203,516	2,010,420	-	3,427,391	3,366,168
Placements from banks and other financial institutions	-	-	3,333,406	5,581,719	22,558,568	3,657,114	-	35,130,807	34,699,374
Financial liabilities measured at fair value through profit or loss	-	-	-	-	-	977,830	-	977,830	977,830
Financial assets sold under repurchase agreements	-	-	6,684,347	299,144	-	-	-	6,983,491	6,982,518
Deposits from customers	-	66,516,456	23,709,222	44,166,512	89,793,811	134,237,675	-	358,423,676	351,275,810
Debt securities issued	-	-	2,418,043	1,860,349	29,543,921	12,002,000	5,165,200	50,989,513	48,715,091
Other financial liabilities	-	350,257	2,977	19,527	467,018	199,672	364,076	1,403,527	1,343,945
<b>Total</b>	<b>-</b>	<b>66,956,506</b>	<b>38,315,566</b>	<b>55,439,270</b>	<b>157,140,818</b>	<b>153,084,711</b>	<b>5,529,276</b>	<b>476,466,147</b>	<b>466,365,710</b>

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 RISK MANAGEMENT (CONTINUED)

#### (3) Liquidity risk (continued)

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

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

	Indefinite	Repayable on demand	Within one month	31 December 2024				Contractual undiscounted cash flow	Carrying Amount
				Between one month and three months	Between three months and one year	Between one year and five years	More than five years		
Borrowings from the central bank	-	28,401	1,200,100	1,283,961	8,067,017	-	-	10,579,479	10,409,572
Deposits from banks and other financial institutions	-	3,900	2,883,962	2,050,380	388,187	-	-	5,326,429	5,313,451
Placements from banks and other financial institutions	-	-	3,003,352	4,619,333	19,517,993	738,926	-	27,879,604	27,470,479
Financial assets sold under repurchase agreements	-	-	12,102,753	-	-	-	-	12,102,753	12,101,725
Deposits from customers	-	67,915,157	14,883,737	28,824,756	76,637,476	118,749,176	-	307,010,302	301,951,559
Debt securities issued	-	-	2,870,157	8,120,630	24,682,724	10,446,137	5,905,841	52,025,489	49,717,679
Other financial liabilities	-	979,505	41,331	50,942	215,181	449,666	391,056	2,127,681	2,062,153
<b>Total</b>	-	<b>68,926,963</b>	<b>36,985,392</b>	<b>44,950,002</b>	<b>129,508,578</b>	<b>130,383,905</b>	<b>6,296,897</b>	<b>417,051,737</b>	<b>409,026,618</b>

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

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 46 RISK MANAGEMENT (CONTINUED)

#### (4) Operational risk

Operational risk refers to the risk of losses caused by deficiencies in internal processes, employees, information technology systems, and external events.

The Group has implemented comprehensive measures to prevent operational risks, improved its operational risk management system, and ensured safe and stable operations. Major initiatives include:

- Clear definition of management objectives: Continuously improve the operational risk management system, strengthen operational risk management, enhance the identification, assessment, monitoring, control, mitigation, and reporting of operational risks, and ensure no major operational risk incidents or cases occur.
- Scientific construction of organizational structure: The operational risk management framework consists of the Board of Directors, senior management, operational risk management departments, internal audit departments, and other relevant departments. A three-line defense mechanism for operational risk management has been established, with robust mechanisms for sharing risk data and information between the lines of defense and within each line.
- Enhanced risk identification and assessment: Conduct quarterly monitoring and analysis of operational and compliance risks, inspect key management indicators, critical operational processes, and significant risk points, and clarify control responsibilities. Carry out process mapping and operational risk and control self-assessment (RCSA) to identify weaknesses in business processes and potential risk points, and implement targeted measures to address risks.
- Detailed risk prevention and control: Establish a sound mechanism for transmitting operational risk preferences, define risk preference targets, optimize risk limit indicators, and conduct stress tests to keep operational risks within an acceptable range. Focus on risk prevention and control in key areas, strengthen authorization management for various businesses, and intensify efforts to prevent and address illegal financial activities, implementing refined control measures.
- Deepened capability building in management: Optimize the functions of the internal control and operational risk management system, strengthen pre-emptive risk identification and assessment for new products and businesses, shift risk control to the front end, and improve the efficiency and accuracy of risk identification. Strengthen employee behavior management, clarify requirements for employee conduct and professional ethics, and foster a positive operational risk management culture.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management and capital financing management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the NFRA. The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

The NFRA requires commercial banks to meet the requirements of capital adequacy ratios in accordance with Regulation Governing Capital of Commercial Banks (“商業銀行資本管理辦法”). For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

Since 1 January 2024, the Group calculates its capital adequacy ratios in accordance with Regulation Governing Capital of Commercial Banks and other relevant regulations promulgate issued by NFRA on 1 November 2023.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP. For more information on capital, please refer to the Pillar 3 Information Disclosure Report disclosed on the Bank's website.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 47 CAPITAL MANAGEMENT (CONTINUED)

	31 December 2025	31 December 2024
Core tier-one capital		
– Share capital	5,980,058	5,980,058
– Qualifying portion of capital reserve	7,356,872	4,925,135
– Other comprehensive income	277,392	1,824,434
– Surplus reserve	2,107,277	1,903,978
– General reserve	4,657,710	4,144,801
– Retained earnings	6,921,763	6,120,445
– Qualifying portion of non-controlling interests	1,375,171	1,032,817
Total core tier-one capital	28,676,243	25,931,668
Core tier-one capital deductions	(1,365,464)	(447,002)
Net core tier-one capital	27,310,779	25,484,666
Other tier-one capital	6,182,448	4,136,971
Net tier-one capital	33,493,227	29,621,637
Tier-two capital		
– Instruments issued and share premium	4,699,938	5,699,734
– Surplus allowance for loan impairment	3,092,311	2,049,050
– Eligible portion of non-controlling interests	366,712	275,418
Net tier-two capital	8,158,961	8,024,202
Total net capital	41,652,188	37,645,839
Total risk weighted assets	308,869,197	273,670,266
Core tier-one capital adequacy ratio	8.84%	9.31%
Tier-one capital adequacy ratio	10.84%	10.82%
Capital adequacy ratio	13.49%	13.76%

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 48 FAIR VALUE

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

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

*(i) Debt securities and equity instruments*

The fair values of debt securities and equity instruments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period. If quoted market prices are not available, then fair values are estimated on the basis of valuation models or discounted cash flows.

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

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

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

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

#### (2) 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 lease 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 lease 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.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 48 FAIR VALUE (CONTINUED)

#### (2) Fair value of financial assets and liabilities not measured at fair value (continued)

##### (iv) Deposits from customers

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

##### (v) Debt securities issued

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

The following table summarises the carrying amount, the fair value and the analysis by level of fair value hierarchy of the debt investments measured at amortised cost and debt securities issued:

	31 December 2025				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost					
– Debt securities	87,223,413	89,221,139	–	89,221,139	–
Total	87,223,413	89,221,139	–	89,221,139	–
Financial liabilities					
Securities issued					
– Certificates of interbank deposit	27,853,262	27,855,707	–	27,855,707	–
– Debt securities	20,861,829	20,940,376	–	20,940,376	–
Total	48,715,091	48,796,083	–	48,796,083	–

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 48 FAIR VALUE (CONTINUED)

#### (2) Fair value of financial assets and liabilities not measured at fair value (continued)

(v) Debt securities issued (continued)

	Carrying amount	31 December 2024			
		Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial investments measured at amortised cost					
– Debt securities	73,844,290	77,281,453	–	77,281,453	–
<b>Total</b>	<b>73,844,290</b>	<b>77,281,453</b>	<b>–</b>	<b>77,281,453</b>	<b>–</b>
Financial liabilities					
Securities issued					
– Certificates of interbank deposit	29,827,752	29,851,339	–	29,851,339	–
– Debt securities	19,889,927	20,175,970	–	20,175,970	–
<b>Total</b>	<b>49,717,679</b>	<b>50,027,309</b>	<b>–</b>	<b>50,027,309</b>	<b>–</b>

#### (3) Fair value hierarchy

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Level 1: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;

Level 2: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available;

Level 3: Fair value measured using significant unobservable inputs.

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads, exchange rate and discount rate. The Group makes accounting estimates of the fair value of its financial assets based on certain assumptions, but the actual value at which these financial assets trade in a fair market may differ from the Group's accounting estimates.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 48 FAIR VALUE (CONTINUED)

#### (3) Fair value hierarchy (continued)

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

	31 December 2025			Total
	Level 1	Level 2	Level 3	
Financial investments measured at FVTPL				
– Debt securities	–	2,052,159	–	2,052,159
– Repossessed equity	55,021	–	–	55,021
– Asset-backed securities	–	612,366	–	612,366
– Fund investments	–	6,591,283	–	6,591,283
– Investment management products	–	2,910,953	696,299	3,607,252
Financial investments measured at FVOCI				
– Debt securities	–	83,157,733	–	83,157,733
– Equity instruments	–	–	315,036	315,036
– Asset-backed securities	–	312,314	–	312,314
– Certificates of interbank deposit	–	1,386,230	–	1,386,230
Loans and advances to customers measured at FVOCI	–	18,065,277	–	18,065,277
Derivative financial assets	–	48,045	–	48,045
<b>Total financial assets</b>	<b>55,021</b>	<b>115,136,360</b>	<b>1,011,335</b>	<b>116,202,716</b>
Financial liabilities measured at FVTPL	–	977,830	–	977,830
Derivative financial liabilities	–	30,351	–	30,351
<b>Total financial liabilities</b>	<b>–</b>	<b>1,008,181</b>	<b>–</b>	<b>1,008,181</b>

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 48 FAIR VALUE (CONTINUED)

#### (3) Fair value hierarchy (continued)

	31 December 2024			Total
	Level 1	Level 2	Level 3	
Financial investments measured at FVTPL				
– Debt securities	–	1,428,857	–	1,428,857
– Repossessed equity	239,704	–	–	239,704
– Fund investments	–	4,919,881	–	4,919,881
– Investment management products	–	–	947,024	947,024
Financial investments measured at FVOCI				
– Debt securities	–	75,608,024	–	75,608,024
– Equity instruments	–	–	315,036	315,036
– Asset-backed securities	–	478,234	–	478,234
– Certificates of interbank deposit	–	6,461,232	–	6,461,232
Loans and advances to customers measured at FVOCI	–	16,509,411	–	16,509,411
Derivative financial assets	–	52,910	–	52,910
<b>Total financial assets</b>	<b>239,704</b>	<b>105,458,549</b>	<b>1,262,060</b>	<b>106,960,313</b>
Derivative financial liabilities	–	4,890	–	4,890
<b>Total financial liabilities</b>	<b>–</b>	<b>4,890</b>	<b>–</b>	<b>4,890</b>

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 48 FAIR VALUE (CONTINUED)

#### (3) Fair value hierarchy (continued)

The following table shows the movement of level 3 financial instruments measured at fair value for the year ended 31 December 2025:

	As at 1 January 2025	Transfer into level 3	Transfer out of level 3	Total gains or losses for the period		Purchases, issues, disposals and settlements			As at 31 December 2025
				In profit or loss	In other comprehensive income	Purchases	Issues	Disposals and settlements	
Financial investments measured at FVTPL - Investment management products	947,024	-	-	(244,985)	-	-	-	(5,740)	696,299
Financial investments measured at FVOCI - Equity instruments	315,036	-	-	-	-	-	-	-	315,036
Total financial assets	1,262,060	-	-	(244,985)	-	-	-	(5,740)	1,011,335

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 48 FAIR VALUE (CONTINUED)

#### (3) Fair value hierarchy (continued)

The following table shows the movement of level 3 financial instruments measured at fair value for the year ended 31 December 2024:

	As at	Transfer into level 3	Transfer out of level 3	Total gains or losses for the period		Purchases, issues, disposals and settlements			As at
	1 January 2024			In profit or loss	In other comprehensive income	Purchases	Issues	Disposals and settlements	31 December 2024
Financial investments measured at FVTPL									
- Investment management products	724,718	-	-	(123,897)	-	370,096	-	(23,893)	947,024
Financial investments measured at FVOCI									
- Equity instruments	315,660	-	-	-	(624)	-	-	-	315,036
<b>Total financial assets</b>	<b>1,040,378</b>	<b>-</b>	<b>-</b>	<b>(123,897)</b>	<b>(624)</b>	<b>370,096</b>	<b>-</b>	<b>(23,893)</b>	<b>1,262,060</b>

For the year ended 31 December 2025 and 31 December 2024, there were no significant transfers among instruments in Level 1, Level 2 and Level 3 of the Group.

For Investment management products, unlisted equity instruments, the Group determines the fair value using valuation techniques. Valuation techniques include discounted cash flow analysis, market comparison approaches, etc. The fair value of these instruments incorporates unobservable parameters, such as discount rates and liquidity discounts. The fair value of the financial instruments classified under level 3 is not significantly influenced by the reasonable changes in these unobservable inputs.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 49 COMMITMENTS AND CONTINGENCIES

#### (1) Credit commitments

The Group's credit commitments take the form of bank acceptances bills, letters of credit, guarantee and credit cards commitments.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	31 December 2025	31 December 2024
Bank acceptances	54,347,207	51,663,171
Letter of credit	16,024,325	13,022,682
Credit cards commitment	3,290,385	2,640,959
Letters of guarantees	2,843,685	2,571,779
Total	76,505,602	69,898,591

The Group may be exposed to credit risk in all the above credit businesses. Group Management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

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

#### (2) Credit risk-weighted amount

	31 December 2025	31 December 2024
Credit risk-weighted amount of contingent liabilities and commitments	9,612,441	7,466,170

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

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 49 COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### (3) Capital commitments

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

	31 December 2025	31 December 2024
Property and equipment		
– Contracted but not paid for	114,764	49,186
Intangible assets		
– Contracted but not paid for	43,632	55,456
Total	158,396	104,642

#### (4) Outstanding litigations and disputes

A number of outstanding litigations against the Group had arisen in the normal course of its operation as at 31 December 2025 and 31 December 2024. According to the court judgment and 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) Pledged assets

	31 December 2025	31 December 2024
Debt securities	26,514,232	25,719,096
Total	26,514,232	25,719,096

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

The Group received debt securities and bills as collateral for financial assets held under resale agreements as set out in Note 17. Under the terms of these agreements, the Group could not resell or re-pledge certain parts of these collateral unless in the event of default by the counterparties. As at 31 December 2025 and 31 December 2024, the Group did not sell or repledge any pledged assets which it has an obligation to repurchase when they are due.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50 INTERESTS IN STRUCTURED ENTITIES

#### (1) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities mainly include asset management plans, trust fund plans, asset-backed securities and fund investments. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the consolidated statement of financial position in which relevant assets are recognised as at 31 December 2025 and 31 December 2024:

	31 December 2025				
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost	Carrying amount	Maximum exposure
Fund investments	1,207,925	–	–	1,207,925	1,207,925
Asset-backed securities	612,366	312,314	492,142	1,416,822	1,416,822
Investment management products	3,607,252	–	2,399,591	6,006,843	6,006,843
<b>Total</b>	<b>5,427,543</b>	<b>312,314</b>	<b>2,891,733</b>	<b>8,631,590</b>	<b>8,631,590</b>

	31 December 2024				
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Financial investments measured at amortised cost	Carrying amount	Maximum exposure
Fund investments	4,919,881	–	–	4,919,881	4,919,881
Asset-backed securities	–	478,234	817,745	1,295,979	1,295,979
Investment management products	947,024	–	2,895,122	3,842,146	3,842,146
<b>Total</b>	<b>5,866,905</b>	<b>478,234</b>	<b>3,712,867</b>	<b>10,058,006</b>	<b>10,058,006</b>

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.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 50 INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

#### (2) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in

The types of unconsolidated structured entities sponsored by the Group mainly include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. The Group does not control these structured entities and therefore, these structured entities are not consolidated. These structured entities are financed through the issue of units to investors. The Group earns commission fee by providing management services to the investors of these structured entities.

For the year ended 31 December 2025, the amount of fee and commission income received from the above mentioned structured entities by the Group are RMB698.1 million (2024: RMB378.7 million).

As at 31 December 2025, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products sponsored by the Group is RMB30,767.3 million (31 December 2024: RMB34,695.6 million).

#### (3) Consolidated structure entities

The consolidated structured entities of the Group are certain fund investments invested by the Group. The Group controls these entities as 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.

### 51 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.

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.

For the year ended 31 December 2025, the Group transferred non-performing loans to third parties with principal amount of RMB905 million (2024: RMB831 million), along with related interests of RMB107 million (2024: RMB63 million).

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 52 TRANSACTIONS ON BEHALF OF CUSTOMERS

#### (1) Entrusted lending business

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group only acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided.

	31 December 2025	31 December 2024
Entrusted loans	4,687,167	5,330,068
Entrusted funds	4,687,167	5,330,068

#### (2) Wealth management services

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with agreements. The Group receives fee incomes, such as custodian fees, sale fees and investment management fees, in return for its services provided under the agreements and does not have any interest in the economic risks and rewards related to assets under custody.

At balance sheet date, please refer to Note 50(2) for information about the Group's wealth management services.

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 53 COMPANY-LEVEL STATEMENTS OF FINANCIAL POSITION AND CHANGES IN EQUITY

#### Statement of financial position

	31 December 2025	31 December 2024
<b>Assets</b>		
Cash and deposits with the central bank	<b>29,746,599</b>	27,352,477
Deposits with banks and other financial institutions	<b>739,092</b>	572,145
Placements with banks and other financial institutions	<b>13,537,907</b>	71,844
Financial assets held under resale agreements	<b>4,797,122</b>	962,276
Loans and advances to customers	<b>223,695,299</b>	210,077,028
Financial investments:		
– Financial investments measured at fair value through profit or loss	<b>12,235,028</b>	7,535,466
– Financial investments measured at fair value through other comprehensive income	<b>85,171,313</b>	82,862,526
– Financial investments measured at amortised cost	<b>89,592,450</b>	76,708,865
Investment in subsidiary	<b>1,047,500</b>	1,047,500
Property and equipment	<b>1,571,790</b>	1,517,030
Right-of-use assets	<b>454,350</b>	439,571
Deferred tax assets	<b>3,804,862</b>	2,656,279
Other assets	<b>1,063,252</b>	2,900,865
<b>Total assets</b>	<b>467,456,564</b>	414,703,872

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 53 COMPANY-LEVEL STATEMENTS OF FINANCIAL POSITION AND CHANGES IN EQUITY (CONTINUED)

#### Statement of financial position (Continued)

	31 December 2025	31 December 2024
<b>Liabilities</b>		
Borrowings from the central bank	19,004,974	10,409,572
Deposits from banks and other financial institutions	3,366,168	5,313,451
Placements from banks and other financial institutions	3,001,555	3,922,952
Financial liabilities measured at fair value through profit or loss	977,830	–
Financial assets sold under repurchase agreements	6,299,465	12,101,725
Deposits from customers	351,275,810	302,658,619
Income tax payable	412,390	367,003
Debt securities issued	48,715,091	49,717,679
Lease liabilities	447,304	428,466
Other liabilities	2,106,979	2,118,017
<b>Total liabilities</b>	<b>435,607,566</b>	<b>387,037,484</b>
	31 December 2025	31 December 2024
<b>Equity</b>		
Share capital	5,980,058	5,980,058
Other equity instruments		
Including: perpetual bonds	5,999,092	3,999,262
Capital reserve	7,386,607	4,954,870
Other comprehensive income	277,392	1,824,434
Surplus reserve	2,107,277	1,903,978
General reserve	4,399,897	3,934,259
Retained earnings	5,698,675	5,069,527
<b>Total equity</b>	<b>31,848,998</b>	<b>27,666,388</b>
<b>Total liabilities and equity</b>	<b>467,456,564</b>	<b>414,703,872</b>

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 53 COMPANY-LEVEL STATEMENTS OF FINANCIAL POSITION AND CHANGES IN EQUITY (CONTINUED)

#### Statement of changes in equity

	Share capital	Other equity instrument	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
Balance at 1 January 2025	5,980,058	3,999,262	4,954,870	1,824,434	1,903,978	3,934,259	5,069,527	27,666,388
Total comprehensive income	-	-	-	(1,547,042)	-	-	2,032,991	485,949
Capital contribution from equity holders	-	-	2,431,737	-	-	-	-	2,431,737
Capital contribution from other equity instruments holders	-	1,999,830	-	-	-	-	-	1,999,830
Appropriation of profit:								
– Appropriation to surplus reserve	-	-	-	-	203,299	-	(203,299)	-
– Appropriation to general reserve	-	-	-	-	-	465,638	(465,638)	-
– Dividends paid to ordinary equity holders	-	-	-	-	-	-	(598,006)	(598,006)
– Dividends paid to other equity instruments holders	-	-	-	-	-	-	(136,900)	(136,900)
Balance at 31 December 2025	5,980,058	5,999,092	7,386,607	277,392	2,107,277	4,399,897	5,698,675	31,848,998

	Share capital	Other equity instrument	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Total equity
Balance at 1 January 2024	5,980,058	4,099,201	4,955,195	244,913	1,720,576	3,496,162	4,669,809	25,165,914
Total comprehensive income	-	-	-	1,579,521	-	-	1,834,023	3,413,544
Reduction in capital of other equity instruments holders	-	(2,999,675)	(325)	-	-	-	-	(3,000,000)
Capital contribution from other equity instruments holders	-	2,899,736	-	-	-	-	-	2,899,736
Appropriation of profit:								
– Appropriation to surplus reserve	-	-	-	-	183,402	-	(183,402)	-
– Appropriation to general reserve	-	-	-	-	-	438,097	(438,097)	-
– Dividends paid to ordinary equity holders	-	-	-	-	-	-	(598,006)	(598,006)
– Dividends paid to other equity instruments holders	-	-	-	-	-	-	(214,800)	(214,800)
Balance at 31 December 2024	5,980,058	3,999,262	4,954,870	1,824,434	1,903,978	3,934,259	5,069,527	27,666,388

## Chapter 9 Notes to the Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

### 54 SUBSEQUENT EVENTS

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 42.

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

### 55 COMPARATIVE FIGURES

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

# CHAPTER 10 UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

The Bank discloses the unaudited supplementary financial information in accordance with the Listing Rules and the Banking (Disclosure) Rules as follows:

## 1. LIQUIDITY COVERAGE RATIO, LEVERAGE RATIO AND NET STABLE FUNDING RATIO

### 1.1 Liquidity coverage ratio

Unit: RMB'000

	31 December 2025	31 December 2024
Qualified and quality liquidity assets	<b>133,710,911</b>	117,600,579
Amount of net cash outflows in the next 30 days	<b>44,669,522</b>	44,485,717
Liquidity coverage ratio	<b>299.33%</b>	264.36%

According to the Administrative Measures on the Liquidity Risk Management of Commercial Banks《(商業銀行流動性風險管理辦法)》, the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018.

### 1.2 Leverage ratio

	31 December 2025	31 December 2024
Leverage ratio	<b>5.89%</b>	5.93%

Pursuant to the Administrative Measures on the Leverage Ratio Management of Commercial Banks《(商業銀行槓桿率管理辦法)》 issued by the former China Banking Regulatory Commission and effective since April 1, 2015, a minimum leverage ratio of 4% is required for commercial banks.

## Chapter 10 Unaudited Supplementary Financial Information

### 1. LIQUIDITY COVERAGE RATIO, LEVERAGE RATIO AND NET STABLE FUNDING RATIO (CONT'D)

#### 1.3 Net stable funding ratio

Unit: RMB'000

Net stable funding ratio	31 December 2025	31 December 2024
Available stable funding	<b>333,160,253</b>	292,161,942
Required stable funding	<b>233,559,226</b>	206,836,778
Net stable funding ratio	<b>142.64%</b>	141.25%

Pursuant to the Administrative Measures on the Liquidity Risk Management of Commercial Banks《(商業銀行流動性風險管理辦法)》, a minimum net stable funding ratio of 100% is required for commercial banks.

The above liquidity coverage ratio, leverage ratio and net stable funding ratio are calculated in accordance with the formulae announced by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.

### 2. CURRENCY CONCENTRATIONS

Unit: RMB'000

	31 December 2025			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	<b>4,776,466</b>	<b>41</b>	<b>37,544</b>	<b>4,814,051</b>
Spot liabilities	<b>(5,188,842)</b>	<b>–</b>	<b>(18,193)</b>	<b>(5,207,035)</b>
Net position	<b>(412,376)</b>	<b>41</b>	<b>19,351</b>	<b>(392,984)</b>

	31 December 2024			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	3,078,033	4,597	50,283	3,132,913
Spot liabilities	(3,476,981)	(295)	(32,489)	(3,509,765)
Net position	(398,948)	4,302	17,794	(376,852)

### 3. INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all third parties claims outside Mainland China as international claims. International claims include loans and advances to customers, deposits with central bank and amounts due from banks and other financial institutions.

A country or geographical area shall be immediately reported if it constitutes 10% or more of the aggregate amount of an international claim, after taking into account all of its risk transfers. A risk transfer shall only be made if the guarantor of a claim is located in a country different from that of a counterparty, or if a claim is made against an overseas branch of a bank whose head-office is located in another country.

Unit: RMB'000

	31 December 2025		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	6,146	–	6,146
Europe	238,971	–	238,971
Others	17,259	–	17,259
	<b>262,376</b>	–	<b>262,376</b>

	31 December 2024		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	17,450	–	17,450
Europe	136,540	–	136,540
Others	20,801	–	20,801
	<b>174,791</b>	–	<b>174,791</b>

## 4. GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

Unit: RMB'000

	31 December 2025	31 December 2024
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	<b>1,096,486</b>	529,444
– between 6 months and 1 year (inclusive)	<b>596,019</b>	712,726
– between 1 year and 3 years (inclusive)	<b>1,083,428</b>	1,290,070
– over 3 years	<b>159,821</b>	107,744
<b>Total</b>	<b>2,935,754</b>	2,639,984
As a percentage of gross loans and advances		
– between 3 and 6 months (inclusive)	<b>0.48%</b>	0.25%
– between 6 months and 1 year (inclusive)	<b>0.26%</b>	0.34%
– between 1 year and 3 years (inclusive)	<b>0.48%</b>	0.61%
– over 3 years	<b>0.07%</b>	0.05%
<b>Total</b>	<b>1.29%</b>	1.25%

# LIST OF INSTITUTIONS

District	Name of Organisation	Business Address	Remarks
Weihai, Shandong	Headquarters	No. 137A, Qingdao North Road, Weihai City, Shandong Province	51 licensed branches and sub-branches in Weihai District
Jinan, Shandong	Jinan Branch	The whole building of Building 1 (A3), Room 101-107, 1/F, Room 201-206, 2/F, Building 2 (A1), Xinyuanxin Center, 3 Huaxin Road, Licheng District, Jinan City	12 licensed branches and sub-branches in Jinan District
	Laiwu Branch	60 Luzhong East Main Street, Laiwu District, Jinan City, Shandong Province	2 licensed branches and sub-branches in Laiwu District
Qingdao, Shandong	Qingdao Branch	487 Changjiang Middle Road, Huangdao District, Qingdao City, Shandong Province	9 licensed branches and sub-branches in Qingdao District
Yantai, Shandong	Yantai Branch	No. 105, No. 204, No. 303, 1st – 3rd floors, East Podium of Jinqiao Building, No. 10, Ningbo Road, Guxian Sub-district, Yantai Area, China (Shandong) Pilot Free Trade Zone	6 licensed branches and sub-branches in Yantai District
Dezhou, Shandong	Dezhou Branch	1337 Tianqu Middle Road, Decheng District, Dezhou City, Shandong Province	5 licensed branches and sub-branches in Dezhou District
Jining, Shandong	Jining Branch	West podium of the 1st-2nd floors and the entire 5th floor of Wisdom Building, No. 71 Wutaizha Road, High-tech Zone, Jining City, Shandong Province	7 licensed branches and sub-branches in Jining District
Linyi, Shandong	Linyi Branch	0004 Yimeng Road, Lanshan District, Linyi City, Shandong Province	6 licensed branches and sub-branches in Linyi District
Weifang, Shandong	Weifang Branch	1st 5369 Beigong East Street, Kuiwen District, Weifang City, Shandong Province	3 licensed branches and sub-branches in Weifang District

## List of Institutions

District	Name of Organisation	Business Address	Remarks
Dongying, Shandong	Dongying Branch	57-1 Fuqian Main Street, Dongying District, Dongying City, Shandong Province	3 licensed branches and sub-branches in Dongying District
Zibo, Shandong	Zibo Branch	227 Xincun West Road, Zhangdian District, Zibo City, Shandong Province	2 licensed branches and sub-branches in Zibo District
Liaocheng, Shandong	Liaocheng Branch	117 Dongchang West Road, Dongchangfu District, Liaocheng City, Shandong Province	2 licensed branches and sub-branches in Liaocheng District
Zaozhuang, Shandong	Zaozhuang Branch	117 Guangming West Road and 55 Deren North Road, Hightech Zone, Zaozhuang City, Shandong Province	2 licensed branches and sub-branches in Zaozhuang District
Heze, Shandong	Heze Branch	289 Yongchang Road, Economic and Technological Development Zone, Heze City Shandong Province	2 licensed branches and sub-branches in Heze District
Tai'an, Shandong	Tai'an Branch	472 Dongyue Main Street, Taishan District, Tai'an City, Shandong Province	2 licensed branch and sub-branches in Tai'an District
Rizhao, Shandong	Rizhao Branch	The annex building on the west side of Linghai Hotel, No. 59, Qinhuangdao Road, Economic and Technological Development Zone, Rizhao City, Shandong Province	2 licensed branch and sub-branch in Rizhao District
Binzhou, Shandong	Binzhou Branch	338 Huanghe 6th Road, Economic and Technological Development Zone, Binzhou City, Shandong Province	2 licensed branches and sub-branches in Binzhou District
Tianjin City	Tianjin Branch	150 Fuan Main Street, Nanshi Street, Heping District, Tianjin City	10 licensed branches and sub-branches in Tianjin District



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