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(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 09677)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2025

The board of directors (the “**Board**”) of Weihai Bank Co., Ltd.* (the “**Bank**”) hereby announces the unaudited interim results of the Bank and its subsidiary for the six months ended June 30, 2025. This announcement, containing the full text of the 2025 interim report of the Bank, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcement of interim results. The Board and its audit committee have reviewed and confirmed the interim results. This results announcement will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Bank’s website (www.whccb.com). The Bank’s 2025 interim report will be despatched to the holders of H shares of the Bank and published on the websites of The Stock Exchange of Hong Kong Limited and the Bank in due course.

Weihai Bank Co., Ltd.*
Board of Directors

Weihai, China
August 28, 2025

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

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

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IMPORTANT NOTICE

1. The Board of Directors, the Board of Supervisors, Directors, Supervisors and senior management of the Bank warrant that there are no false representations, misleading statements or material omissions contained in the 2025 interim report (the "Report"), and they jointly and severally accept responsibility for the truthfulness, accuracy and completeness of the information contained in the Report.
2. The Report and the interim results announcement of the Bank were approved unanimously at the 6th meeting of the ninth session of the Board of the Bank held on August 28, 2025, which was considered and approved by way of valid voting. 14 directors were eligible to attend the meeting, and 13 directors attended such meeting in person. Supervisors of the Bank attended the meeting.
3. The 2025 interim financial report prepared in accordance with the IFRS Accounting Standards has been reviewed by KPMG pursuant to Hong Kong Standard on Review Engagements. The Board and the Audit Committee under the Board have reviewed and approved the 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. Certain amounts and percentage figures set out in the Report are subject to rounding adjustments. Any discrepancy between the totals and sum of the amounts in any tables is due to such rounding.
8. The Report has been prepared in both Chinese and English. In the event of any discrepancy, the Chinese version shall prevail.

DEFINITIONS

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

“Articles of Association”	the Bank’s existing Articles of Association of Weihai Bank Co., Ltd.
“Bank”, “our Bank” or “Weihai Bank”	Weihai Bank Co., Ltd. (formerly Weihai City Commercial Bank Co., Ltd.), a joint stock limited company established in the PRC in July 1997 in accordance with the relevant PRC laws and regulations, and, if the context requires, includes its predecessors, branches and sub-branches, excluding its subsidiary
“Central Bank” or “PBOC”	the People’s Bank of China
“Company Law”	The Company Law of the People’s Republic of China (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
“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
“IFRS Accounting Standards”	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 six months ended June 30, 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
“Shandong Hi-Speed”	Shandong Hi-Speed Company Limited (山東高速股份有限公司)
“Shandong Hi-Speed Group Company”	Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司)
“Shandong SASAC”	State-owned Assets Supervision and Administration Commission of Shandong Provincial People’s Government (山東省人民政府國有資產監督管理委員會)
“Subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Tongda Financial Leasing”	Shandong Tongda Financial Leasing Co., Ltd. (山東通達金融租賃有限公司)

CORPORATE INFORMATION

BASIC INFORMATION

Legal Chinese Name

威海銀行股份有限公司
(Abbreviation “威海銀行”)

Legal English Name

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

Legal Representative

MENG Dongxiao (孟東曉)

Secretary to the Board

ZHANG Jia'en (張家恩)
Contact Number: (86) 631-5236187
Facsimile: (86) 631-5210210
E-mail: whccb@whccb.com

Joint Company Secretaries

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

Registered Capital

RMB5,980,058,344

Registered Address and Office Address

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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

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

International Auditor

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

The Bank is not an authorised 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 authorised to carry on banking and/or deposit-taking business in Hong Kong.

COMPANY PROFILE

Since its establishment in 1997, the Bank has always kept in mind its original intention and mission of serving the real economy, adhered to the market positioning of “serving urban and rural residents, serving small and medium enterprises, and serving the local economy”, adhered to the service concept of “rooted in Shandong with sincere service”, innovated in reform, and surpassed in development, thus moving out a unique development path. The Bank currently has 128 branches and sub-branches in Jinan, Tianjin, Qingdao, etc., and is the first local legal person bank in Shandong Province to achieve “full coverage of the province”. In 2016, the Bank was the first financial institution in Shandong Province to initiate the establishment of a financial leasing company, marking a substantial step in its integrated operation. On October 12, 2020, the Bank was successfully listed on the Main Board of the Hong Kong Stock Exchange. On February 26, 2025, the Bank officially changed its name from Weihai City Commercial Bank to Weihai Bank.

Our quality services and good performance have been highly recognized and well received by all sectors of the society. The Bank has been awarded the “Most Competitive Small and Medium Banks” (Chinese Financial Institution Gold Medal List – Golden Dragon Prize), “National Demonstration Unit for ‘Party-building and Corporate Culture Management’” (“全國‘黨建+企業文化管理’示範單位”), Star Prize for “Excellent Cases of Brand Enterprises in China” (“全國品牌強企優秀案例”), “Demonstration Unit for Corporate Culture Construction in China’s Financial Industry” (“中國金融行業企業文化建設示範單位”), ESG “Level A” Company in Shandong Banking industry (山東省銀行業ESG“A類單位”) and “First Batch of A-Grade Taxpaying Financial Institutions in Shandong Province” (“山東省首批A級納稅金融單位”). The brand reputation and social influence were significantly improved.

SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

Unit: RMB million (except percentages)

	January to June 2025	January to June 2024	Current period compared to the same period last year
Operating results			Change (%)
Net interest income	3,647.9	3,463.3	5.33
Net fee and commission income	448.0	259.0	72.97
Net trading (losses)/gains, net gains arising from investments and other operating income	960.5	833.7	15.21
Operating income	5,056.4	4,556.0	10.98
Operating expenses	(1,087.1)	(970.5)	12.01
Impairment losses on assets	(2,524.6)	(2,169.6)	16.36
Profit before tax	1,444.7	1,415.9	2.03
Net profit	1,257.0	1,188.2	5.79
Including: Net profit attributable to equity shareholders of the Bank	1,127.6	1,074.5	4.94
Per share (RMB/share)			
Earnings per share attributable to equity shareholders of the Bank	0.19	0.18	5.56

	June 30, 2025	December 31, 2024	As at the end of current period compared to the end of previous year
Key indicators of assets and liabilities			Change (%)
Total assets	483,843.0	441,463.8	9.60
Including: Total loans	229,282.5	210,331.2	9.01
Add: Accrued interest	1,913.3	1,779.1	7.54
Less: Allowance for impairment losses of loans and advances to customers measured at amortised cost	5,035.9	4,604.0	9.38
Loans and advances to customers	226,159.9	207,506.3	8.99
Total liabilities	451,341.8	410,666.3	9.90
Including: Total deposits	330,859.2	293,489.5	12.73
Add: Accrued interest	8,532.9	8,462.1	0.84
Deposits from customers	339,392.1	301,951.6	12.40
Total equity	32,501.2	30,797.5	5.53
Share capital	5,980.1	5,980.1	0.00
Total equity attributable to equity shareholders of the Bank ⁽¹⁾	30,547.4	28,898.1	5.71
Per share (RMB/share)			
Net assets per share attributable to ordinary equity shareholders of the Bank ⁽²⁾	4.10	4.16	(1.44)

Notes:

(1) Includes perpetual capital bonds issued by the Bank.

(2) Excludes perpetual capital bonds issued by the Bank.

Summary of Accounting Data and Financial Indicators

	January to June 2025	January to June 2024	Current period compared to the same period last year
Profitability indicators (%)			Change
Return on average total assets ⁽¹⁾	0.55	0.59	(0.04)
Weighted average return on net assets	9.20	9.49	(0.29)
Net interest spread ⁽²⁾	1.53	1.66	(0.13)
Net interest margin ⁽³⁾	1.65	1.80	(0.15)
Net fee and commission income to operating income ratio	8.86	5.69	3.17
Cost-to-income ratio ⁽⁴⁾	20.35	20.21	0.14

	June 30, 2025	December 31, 2024	As at the end of current period compared to the end of previous year
Asset quality indicators (%)			Change
Non-performing loan ratio ⁽⁵⁾	1.39	1.41	(0.02)
Provision coverage ratio ⁽⁶⁾	159.04	156.07	2.97
Allowance-to-borrowing ratio ⁽⁷⁾	2.21	2.20	0.01
Capital adequacy indicators (%)			
Core tier-one capital adequacy ratio	8.33	9.31	(0.98)
Tier-one capital adequacy ratio	10.38	10.82	(0.44)
Capital adequacy ratio	13.21	13.76	(0.55)
Total equity to total assets ratio	6.72	6.98	(0.26)
Other indicators (%)			
Liquidity ratio	116.88	115.27	1.61
Loan-to-deposit ratio ⁽⁸⁾	69.30	71.67	(2.37)

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, and adjusted on an annualised basis.
- (2) Net interest spread = the average yield on total interest-earning assets – the average cost of total interest-bearing liabilities, and adjusted on an annualised basis.
- (3) Net interest margin = net interest income/average balance of total interest-earning assets, and adjusted on an annualised basis.
- (4) Cost-to-income ratio = (operating expenses less taxes and surcharges)/operating income.
- (5) Calculated by dividing total non-performing loans by total loans.
- (6) Calculated by dividing total impairment allowances for loans by total non-performing loans.
- (7) Calculated by dividing total impairment allowances for loans by total loans.
- (8) 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.

CHAPTER 1 MANAGEMENT DISCUSSION AND ANALYSIS

I. REVIEW OF ECONOMIC, FINANCIAL AND POLICY ENVIRONMENT

In the first half of 2025, the international landscape grew increasingly complex and challenging. The momentum of global economic growth weakened, trade barriers proliferated, and the performance of major economies diverged. There were uncertainties in inflation trends and monetary policy adjustments. Since China effectively implemented more proactive and effective macroeconomic policies, its national economy has withstood headwinds and forged ahead, maintaining overall stability with a steady upward trend. China's production and demand grew steadily, employment remained generally stable, and household incomes continued to rise. Its new growth drivers gained strength, notable progress was made in high-quality development, and overall social stability was effectively preserved. In the first half of the year, China's GDP reached RMB66.0536 trillion, marking a year-on-year increase of 5.3%. Shandong Province actively responded to the complex situation of intensified external shocks and overlapping internal challenges. Anchoring itself in the principle of "taking the lead and shouldering responsibility", Shandong Province insisted on systematic planning and strengthened the effectiveness of policy support. As a result, its economic operation maintained a stable and positive trend with quality improvement.

In the first half of 2025, China adopted a more expansionary fiscal policy. In order to stimulate domestic demand and boost consumption, China moderately raised the deficit ratio, issued ultra-long-term special government bonds and expanded the quota of local government special-purpose bonds, which provided solid support for the sustained economic recovery. China maintained a moderately accommodative monetary policy. Reforms in the loan prime rate (LPR) continued to yield results, the market-based adjustment mechanism for deposit rates was effectively leveraged, and the transmission of monetary policy became more efficient, thus keeping social financing costs at historically lower levels. According to the aggregate financing data in the first half of the year, China's social financing scale and money supply grew steadily, while credit structures were continuously optimized. Amid significant shifts in the external environment and global financial markets, China's core financial markets remained stable. Its coordinated implementation of fiscal and monetary policies enhanced market confidence and stability, injecting vitality into the banking industry's efforts to serve the real economy with high-quality services. The banking industry proactively supported the expansion of effective investment, embraced trends toward high-end and intelligent development, optimized the supply of financial products and services, and contributed to the rise of new economic drivers and the transformation and upgrading of traditional drivers, thereby firmly advancing high-quality economic development.

II. SUMMARY OF OVERALL OPERATIONS

During the Reporting Period, in the face of a complex macroeconomic and financial landscape, we remained steadfast in the principle of "seeking progress while maintaining stability, and reinforcing stability through progress". We proactively responded to market changes and accelerated the transformation of our development model, achieving steady and healthy growth across all business lines.

Stable expansion of business scale. The total assets amounted to RMB483,843 million, representing an increase of RMB42,379 million or 9.60% compared to the end of 2024; total deposits increased by RMB37,370 million or 12.73% as compared to the end of 2024; and total loans grew by RMB18,951 million or 9.01% as compared to the end of 2024.

II. SUMMARY OF OVERALL OPERATIONS (CONT'D)

Steady quality improvement. Non-performing loan ratio was 1.39%, representing a decrease of 0.02 percentage point as compared to the end of 2024. The capital adequacy ratio was 13.21% and the provision coverage ratio was 159.04%, representing an increase of 2.97 percentage point as compared with the end of last year, with continuous compliance with all regulatory indicators.

Constantly increasing efficiency. Net profit for the first half of the year amounted to RMB1,257 million, representing an increase of RMB69 million or 5.79% as compared to the same period last year.

Steadily strengthened specialties. Aligned with national policy directives and regional development strategies, we continued to innovate our “Green+” financial service model, and established a “1+3+5+N” green product system. In particular, “Green Agricultural Loan” was selected into Shandong Province’s “Excellent Finance” green finance category, further enhancing our “Golden the Green” brand. The balance of green loans amounted to RMB52,860 million, representing an increase of 41.80% as compared to the beginning of the year. Our comprehensive green finance evaluation ranked among the best in Shandong Province.

Enabling steady transformation. Adhering to the four transformation directions of “marketization, specialization, refinement and digitization”, we reformed the mechanism and system, improved organizational structures, optimized the assessment policy, and promoted model transformation in line with the “striver-oriented philosophy”. As a result, our professional capabilities and development potential have been continuously enhanced.

Steadily strengthened culture. We actively embraced a financial culture with Chinese characteristics under the values of “altruism, integrity, agility and openness”, thus to foster a principled and motivating work environment. At the same time, we launched a two-year initiative to enhance internal controls and risk management to create a compliance culture and atmosphere, and formed a mechanism of “managing people by rules and handling affairs by procedures”, thus laying a solid foundation for high-quality and sustainable development.

Constant and efficient services. We prioritized the “five major articles” on the real economy as our focus, in order to improve the quality and efficiency of finance services. In terms of green finance, we set up a headquarter-level Green Finance Department, concentrating on in-depth industry research and committing to promoting a specialized green finance development. In terms of inclusive finance, we explored a service pattern characterized by “mass-scale, scenario-based, and network-based” approaches, and established full-coverage cooperation with Zhejiang Tailong Commercial Bank to further enhance the coverage and precision of finance services. In terms of technology finance, we set up a headquarter-level Technology Finance Department, and innovated a “investment-loan linkage” business scenario, thus to facilitate the exploration of new models of technology finance development. In terms of digital finance, we launched the second phase of our digital transformation project to enhance digital marketing capabilities and intelligent risk control. In terms of pension finance, we focused on improving the service capacity for the elderly customer group, making our services more precise and effective.

Steadily enhanced corporate image. We became the first urban commercial bank in Shandong Province to sign the United Nations Principles for Responsible Banking, reflecting our commitment to sustainable development and steadily enhancing our social influence and reputation.

III. ANALYSIS OF INCOME STATEMENT

3.1 Financial Highlights

During the Reporting Period, our operating income amounted to RMB5,056 million, representing an increase of RMB500 million or 10.98% as compared to the same period last year; profit before tax amounted to RMB1,445 million, representing an increase of RMB29 million or 2.03% as compared to the same period last year; net profit amounted to RMB1,257 million, representing an increase of RMB69 million or 5.79% as compared to the same period last year, mainly due to our proactive response to narrowing interest margins, continued expansion in corporate and retail banking businesses and ongoing optimization of our business structure, resulting in increases in net interest income and net non-interest income as compared to the same period last year, steady growth in operating income, and continued enhancement in profitability.

Unit: RMB million (except percentages)

	January to June 2025	January to June 2024	Change	Rate of change (%)
Net interest income	3,647.9	3,463.3	184.6	5.33
Interest income	8,391.8	8,153.6	238.2	2.92
Interest expense	(4,743.9)	(4,690.3)	(53.6)	1.14
Net fee and commission income	448.0	259.0	189.0	72.97
Fee and commission income	569.8	299.7	270.1	90.12
Fee and commission expense	(121.8)	(40.7)	(81.1)	199.26
Net trading (losses)/gains, net gains arising from investments and other operating income	960.5	833.7	126.8	15.21
Operating income	5,056.4	4,556.0	500.4	10.98
Operating expenses	(1,087.1)	(970.5)	(116.6)	12.01
Impairment losses on assets	(2,524.6)	(2,169.6)	(355.0)	16.36
Profit before tax	1,444.7	1,415.9	28.8	2.03
Income tax expense	(187.7)	(227.7)	40.0	(17.57)
Net profit	1,257.0	1,188.2	68.8	5.79
Including: Net profit attributable to equity shareholders of the Bank	1,127.6	1,074.5	53.1	4.94
Net profit attributable to non-controlling interests	129.4	113.7	15.7	13.81

III. ANALYSIS OF INCOME STATEMENT (CONT'D)

3.2 Net Interest Income

Net interest income was the largest component of our operating income, representing 76.02% and 72.14% of our operating income in the first half of 2024 and in the first half of 2025, respectively. Our net interest income amounted to RMB3,648 million during the Reporting Period, representing an increase of RMB185 million or 5.33% as compared to the same period last year, mainly attributable to the steady growth of our business scale, and the steady growth of net interest income was achieved after offsetting the impact of narrowing interest spreads through volume compensating for price. The following table sets forth the average balances and related interest income or expense of our interest-earning assets and interest-bearing liabilities, and the average yields on related assets or the average costs of related liabilities for the periods indicated.

Unit: RMB million (except percentages)

	January to June 2025			January to June 2024		
	Average balance	Interest income/expense	Average yield/cost (%) ⁽¹⁾	Average balance	Interest income/expense	Average yield/cost (%) ⁽¹⁾
Interest-earning assets						
Loans and advances to customers	212,973.0	4,958.1	4.69	195,213.0	4,868.2	5.01
Financial investments	163,639.3	2,177.4	2.68	136,387.5	2,244.9	3.31
Deposits with the central bank ⁽²⁾	23,473.6	153.2	1.32	24,017.0	153.2	1.28
Deposits with banks and other financial institutions	1,919.7	8.5	0.89	716.9	2.4	0.67
Placements with banks and other financial institutions	8,960.8	123.3	2.77	5,430.0	104.0	3.85
Lease receivables	30,412.1	943.1	6.25	23,894.6	761.6	6.41
Financial assets held under resale agreements	3,352.2	28.2	1.70	1,969.0	19.3	1.97
Total interest-earning assets	444,730.7	8,391.8	3.81	387,628.0	8,153.6	4.23
Interest-bearing liabilities						
Deposits from customers	307,836.8	3,478.9	2.28	268,197.6	3,352.2	2.51
Deposits from banks and other financial institutions	2,971.4	32.3	2.19	7,450.1	94.9	2.56
Placements from banks and other financial institutions	30,114.9	389.0	2.60	25,537.9	442.2	3.48
Borrowings from the central bank	12,652.3	110.9	1.77	10,711.0	104.8	1.97
Financial assets sold under repurchase agreements	14,180.8	125.0	1.78	12,206.3	109.1	1.80
Debt securities issued ⁽³⁾	52,010.0	607.8	2.36	42,866.3	587.1	2.75
Total interest-bearing liabilities	419,766.2	4,743.9	2.28	366,969.2	4,690.3	2.57
Net interest income		3,647.9			3,463.3	
Net interest spread			1.53			1.66
Net interest margin			1.65			1.80

Notes:

(1) Calculated as interest income (expense)/average balance, and adjusted on an annualized basis.

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

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

III. ANALYSIS OF INCOME STATEMENT (CONT'D)

3.2 Net Interest Income (Cont'd)

The following table sets forth the allocation of changes in our interest income and interest expense 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)

	January to June 2025 vs January to June 2024 Increase/(decrease) due to		
	Volume ⁽¹⁾	Rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
Assets			
Loans and advances to customers	413.5	(323.6)	89.9
Financial investments	362.6	(430.1)	(67.5)
Deposits with the central bank	(3.5)	3.5	0.0
Deposits with banks and other financial institutions	5.3	0.8	6.1
Placements with banks and other financial institutions	48.6	(29.3)	19.3
Lease receivables	202.1	(20.6)	181.5
Financial assets held under resale agreements	11.6	(2.7)	8.9
Changes in interest income	1,040.2	(802.0)	238.2
Liabilities			
Deposits from customers	448.0	(321.3)	126.7
Deposits from banks and other financial institutions	(48.7)	(13.9)	(62.6)
Placements from banks and other financial institutions	59.1	(112.3)	(53.2)
Borrowings from the central bank	17.0	(10.9)	6.1
Financial assets sold under repurchase agreements	17.4	(1.5)	15.9
Debt securities issued	106.9	(86.2)	20.7
Changes in interest expense	599.7	(546.1)	53.6
Changes in net interest income	440.5	(255.9)	184.6

Notes:

- (1) Represented the average balance for this Reporting Period minus the average balance for the same period last year, multiplied by the average yield/cost for this Reporting Period.
- (2) Represented the average yield/cost for this Reporting Period minus the average yield/cost for the same period last year, multiplied by the average balance for the same period last year.
- (3) Represented interest income/expense for this Reporting Period minus interest income/expense for the same period last year.

III. ANALYSIS OF INCOME STATEMENT (CONT'D)

3.3 Interest Income

During the Reporting Period, our interest income amounted to RMB8,392 million, representing an increase of RMB238 million or 2.92% as compared to the same period last year, mainly attributable to the rapid growth in our interest-earning assets such as loans, financial investments and lease receivables. The average balance of our interest-earning assets increased from RMB387,628 million in the first half of 2024 to RMB444,731 million in the first half of 2025, representing an increase of 14.73%, which offset the impact of declining asset yields and supported the stable growth of interest income. The following table sets forth a breakdown of our interest income for the periods indicated.

Unit: RMB million (except percentages)

	January to June 2025		January to June 2024	
	Amount	% of total	Amount	% of total
Interest income				
Loans and advances to customers	4,958.1	59.08	4,868.2	59.71
Financial investments	2,177.4	25.95	2,244.9	27.53
Deposits with banks and other financial institutions	8.5	0.10	2.4	0.03
Placements with banks and other financial institutions	123.3	1.47	104.0	1.28
Financial assets held under resale agreements	28.2	0.34	19.3	0.24
Lease receivables	943.1	11.24	761.6	9.33
Deposits with the central bank	153.2	1.82	153.2	1.88
Total interest income	8,391.8	100.00	8,153.6	100.00

Interest income from loans and advances to customers

Our interest income from loans and advances to customers represented 59.71% and 59.08% of our interest income in the first half of 2024 and in the first half of 2025, respectively. During the Reporting Period, our interest income from loans and advances to customers amounted to RMB4,958 million, representing an increase of RMB90 million or 1.85% as compared with the same period last year, primarily due to our increased placements of loans to support the development of real economy, and the average balance of loans and advances to customers increased from RMB195,213 million in the first half of 2024 to RMB212,973 million in the first half of 2025; meanwhile, the average yield on loans and advances to customers declined from 5.01% in the first half of 2024 to 4.69% in the first half of 2025 under the impact of decline in market rate.

Interest income from financial investments

During the Reporting Period, our interest income from financial investments amounted to RMB2,177 million, representing a decrease of RMB68 million or 3.01% as compared with the same period last year, primarily due to the impact of the decrease of market interest rates as compared with the same period of last year and the adjustments to our asset allocation strategy, which led to a decrease in our investment yield from 3.31% in the first half of 2024 to 2.68% in the first half of 2025.

Interest income from lease receivables

During the Reporting Period, our interest income from lease receivables was RMB943 million, representing an increase of RMB182 million or 23.83% as compared with the same period last year, primarily due to the continuing development of our financial leasing business, which resulted in the rapid expansion in the scale of business.

III. ANALYSIS OF INCOME STATEMENT (CONT'D)

3.4 Interest Expense

During the Reporting Period, our interest expense amounted to RMB4,744 million, representing an increase of RMB54 million or 1.14% as compared with the same period last year, primarily due to the growth in the scale of our liability business. In the first half of 2025, we strengthened the structural adjustment of our deposit business and increased the use of low-cost central bank funding, resulting in a decrease of liability costs by 0.29 percentage point as compared with the same period last year, which partially offset the impact of scale growth on interest expense.

Unit: RMB million (except percentages)

	January to June 2025		January to June 2024	
	Amount	% of total	Amount	% of total
Interest expense				
Deposits from customers	3,478.9	73.33	3,352.2	71.47
Deposits from banks and other financial institutions	32.3	0.68	94.9	2.02
Placements from banks and other financial institutions	389.0	8.20	442.2	9.43
Borrowings from the central bank	110.9	2.34	104.8	2.23
Financial assets sold under repurchase agreements	125.0	2.63	109.1	2.32
Debt securities issued	607.8	12.82	587.1	12.53
Total interest expense	4,743.9	100.00	4,690.3	100.00

Interest expense on deposits from customers

Deposits from customers were our primary source of funding. Interest expense on deposits from customers represented 71.47% and 73.33% of our interest expense in the first half of 2024 and in the first half of 2025, respectively. Our interest expense on deposits from customers increased by RMB127 million or 3.78% to RMB3,479 million in the first half of 2025 as compared with the same period last year, primarily due to the rapid growth of the deposit business. Meanwhile, we continued to optimize the term structure of our deposit business and dynamically adjusted deposit pricing. The average interest rate of deposits from customers decreased by 0.23 percentage point compared with the same period last year.

Interest expense on debt securities issued

Interest expense on debt securities issued accounted for 12.53% and 12.82% of our interest expense in the first half of 2024 and in the first half of 2025, respectively. Our interest expense on debt securities issued increased by RMB21 million or 3.53% to RMB608 million in the first half of 2025 as compared with the same period last year, primarily due to a year-on-year increase in the average daily scale of debt securities issued.

Interest expense on placements from banks and other financial institutions

Interest expense on placements from banks and other financial institutions accounted for 9.43% and 8.20% of our interest expense in the first half of 2024 and in the first half of 2025, respectively. Interest expense on placements from banks and other financial institutions amounted to RMB389 million in the first half of 2025, representing a decrease of RMB53 million or 12.03% as compared with the same period last year, primarily due to enhanced control over our liability costs, which led to a decrease in the placements from banks and other financial institutions from 3.48% in the first half of 2024 to 2.60% in the first half of 2025.

III. ANALYSIS OF INCOME STATEMENT (CONT'D)

3.4 Interest Expense (Cont'd)

Interest expense on borrowings from the central bank

Interest expense on borrowings from the central bank represented 2.23% and 2.34% of our interest expense in the first half of 2024 and in the first half of 2025, respectively. Interest expense on borrowings from the central bank amounted to RMB111 million in the first half of 2025, representing an increase of RMB6 million or 5.82% as compared with the same period last year, primarily due to our increased utilization of low-cost central bank funds, which led to a corresponding increase in interest expense.

3.5 Net Fee and Commission Income

During the Reporting Period, our net fee and commission income amounted to RMB448 million, representing an increase of RMB189 million as compared with the same period last year, primarily due to our increased efforts to expand our intermediary business, and the fee income of our agency business has increased year-on-year. The following table sets forth the principal components of our net fee and commission income for the periods indicated.

Unit: RMB million

	January to June 2025	January to June 2024
Fee and commission income		
Agency services fees	423.6	188.6
Settlement, clearing and other fees	50.0	33.3
Consulting and advisory services fees	1.0	0.5
Bank card services fees	6.6	8.4
Acceptance and guarantee services fees	72.1	61.7
Others ⁽¹⁾	16.5	7.2
Sub-total	569.8	299.7
Fee and commission expense		
Settlement, clearing and other fees	(109.2)	(31.9)
Bank card services fees	(4.7)	(4.1)
Others ⁽²⁾	(7.9)	(4.7)
Sub-total	(121.8)	(40.7)
Net fee and commission income	448.0	259.0

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 (Losses)/Gains, Net Gains Arising from Investments and Other Operating Income

During the Reporting Period, our net trading (losses)/gains, net gains arising from investments and other operating income amounted to RMB961 million, representing an increase of RMB127 million or 15.21% as compared with the same period last year, primarily due to the following reason: we seized the opportunity of market interest rate fluctuations in the first half of the year, resulting in a year-on-year increase in net gains arising from investments. The following table sets forth the details of our net trading (losses)/gains, net gains arising from investments and other operating income for the periods indicated:

Unit: RMB million

	January to June 2025	January to June 2024
Net trading (losses)/gains	(118.4)	37.9
Net gains arising from investments	926.8	680.3
Other operating income	152.1	115.5
Total	960.5	833.7

3.7 Operating Expenses

During the Reporting Period, our operating expenses amounted to RMB1,087 million, representing an increase of RMB117 million or 12.01%, as compared with the same period last year, primarily due to the increase in staff costs resulting from business expansion and staff growth, as well as the year-on-year increase in the provision of operating lease asset depreciation resulting from the steady growth in the scale of our operating lease business. The following table sets forth the principal components of our total operating expenses for the periods indicated.

Unit: RMB million

	January to June 2025	January to June 2024
Staff costs	563.6	510.3
Depreciation and amortisation	188.6	155.6
Taxes and surcharges	58.3	49.8
Rental and property management expenses	8.1	6.6
Interest expense on lease liabilities	9.9	8.4
Others	258.6	239.8
Total operating expenses	1,087.1	970.5
Cost-to-income ratio	20.35%	20.21%

III. ANALYSIS OF INCOME STATEMENT (CONT'D)

3.8 Impairment Losses on Assets

During the Reporting Period, our impairment losses on assets amounted to RMB2,525 million, representing an increase of RMB355 million as compared with the same period last year, primarily due to the year-on-year increase in corresponding loan impairment provisions as the scale of our loan business steadily expanded. The table below sets forth the principal components of our impairment losses on assets for the periods indicated.

Unit: RMB million

	January to June 2025	January to June 2024
Financial assets held under resale agreements	(0.5)	3.5
Loans and advances to customers	1,879.6	1,547.2
Financial investments	462.2	487.0
Lease receivables	219.9	52.4
Credit commitments	(7.5)	(1.7)
Others	(29.1)	81.2
Total	2,524.6	2,169.6

3.9 Income Tax Expense

During the Reporting Period, our income tax expense was RMB188 million, representing a decrease of RMB40 million as compared with the same period last year, primarily due to an increase in non-taxable business income. The following table sets forth the reconciliation between the income tax calculated at the statutory income tax rate applicable to our profit before tax and our actual income tax for the periods indicated.

Unit: RMB million

	January to June 2025	January to June 2024
Profit before tax	1,444.7	1,415.9
Income tax calculated at statutory tax rate	361.2	354.0
Tax effect of non-deductible expenses	18.4	18.8
Tax effect of non-taxable income ⁽¹⁾	(191.9)	(145.1)
Income tax expense	187.7	227.7

Note:

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

IV. ANALYSIS OF STATEMENT OF FINANCIAL POSITION

4.1 Assets

As of the end of the Reporting Period, our total assets amounted to RMB483,843 million, representing an increase of RMB42,379 million or 9.60% as compared to the end of 2024, primarily due to an increase of RMB18,654 million or 8.99% in loans and advances to customers as compared to the end of 2024, and an increase of RMB14,767 million or 8.84% in financial investments as compared to the end of 2024. The following table sets forth the composition of our total assets as of the dates indicated.

Unit: RMB million (except percentages)

	June 30, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Loans and advances to customers	226,159.9	46.74	207,506.3	47.00
Financial investments	181,904.0	37.60	167,137.4	37.86
Cash and deposits with the central bank	25,898.6	5.35	27,352.5	6.20
Financial assets held under resale agreements	—	—	962.3	0.22
Deposits with banks and other financial institutions	1,361.1	0.28	3,204.7	0.73
Placements with banks and other financial institutions	178.9	0.04	71.8	0.02
Property and equipment	4,946.7	1.02	3,886.8	0.88
Right-of-use assets	475.2	0.10	464.1	0.11
Deferred income tax assets	3,265.2	0.67	2,866.6	0.65
Lease receivables	32,407.4	6.70	24,338.8	5.51
Other assets ⁽¹⁾	7,246.0	1.50	3,672.5	0.82
Total assets	483,843.0	100.00	441,463.8	100.00

Note:

(1) Other assets consist primarily of interest receivable, prepaid expenses, settlement and clearing account 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, our total loans and advances to customers amounted to RMB229,283 million, representing an increase of RMB18,951 million or 9.01% as compared to the end of 2024. In particular, the balance of corporate loans amounted to RMB170,990 million, representing an increase of RMB20,472 million or 13.60% as compared to the end of 2024; the balance of personal loans amounted to RMB40,509 million, representing a decrease of RMB2,795 million or 6.45% as compared to the end of 2024; discounted bills amounted to RMB17,784 million, representing an increase of RMB1,274 million or 7.72% as compared to the end of 2024.

Loans by business type

Unit: RMB million (except percentages)

	June 30, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Corporate loans	170,990.0	74.58	150,518.0	71.56
Personal loans	40,509.0	17.67	43,303.8	20.59
Discounted bills	17,783.5	7.75	16,509.4	7.85
Total loans and advances to customers	229,282.5	100.00	210,331.2	100.00
Add: Accrued interest	1,913.3	—	1,779.1	—
Less: Allowance for loans and advances to customers measured at amortised cost	5,035.9	—	4,604.0	—
Net loans and advances to customers	226,159.9	—	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)

	June 30, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Industry:				
Leasing and business services	35,450.7	20.73	31,620.5	21.01
Wholesale and retail	24,405.3	14.27	20,893.0	13.88
Manufacturing	23,624.2	13.82	21,114.9	14.03
Construction	22,892.0	13.39	18,728.9	12.44
Water conservancy, environment and public facilities management	21,008.5	12.29	22,231.3	14.77
Electricity, heat, gas and water production and supply	11,679.8	6.83	7,877.7	5.23
Financial industry	9,600.0	5.61	7,300.0	4.85
Real estate	7,685.4	4.49	7,274.2	4.83
Agriculture, forestry, animal husbandry and fishery	4,313.0	2.52	3,923.9	2.61
Transportation, warehousing and postal services	2,805.8	1.64	2,826.3	1.88
Education	1,531.4	0.90	2,223.3	1.48
Health and social work	1,506.6	0.88	932.5	0.62
Accommodation and catering	1,454.5	0.85	1,351.7	0.90
Others ⁽¹⁾	3,032.8	1.77	2,219.8	1.47
Total corporate loans	170,990.0	100.00	150,518.0	100.00

Note:

- (1) Others consist primarily of culture, sports and entertainment, scientific research and technical services, information transmission, software and information technology services, mining, 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 RMB35,451 million, RMB24,405 million, RMB23,624 million, RMB22,892 million and RMB21,009 million, respectively, accounting for 20.73%, 14.27%, 13.82%, 13.39% and 12.29% 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)

	June 30, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Working capital loans	115,605.0	67.61	99,406.8	66.04
Fixed asset loans	42,579.4	24.90	41,113.7	27.32
Other loans ⁽¹⁾	12,805.6	7.49	9,997.5	6.64
Total corporate loans	170,990.0	100.00	150,518.0	100.00

Note:

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

Personal loans by product type

Unit: RMB million (except percentages)

	June 30, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Residential mortgage loans	14,689.2	36.26	14,844.6	34.28
Personal consumption loans	13,725.8	33.88	14,585.0	33.68
Personal business loans	12,094.0	29.86	13,874.2	32.04
Total personal loans	40,509.0	100.00	43,303.8	100.00

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

4.1 Assets (Cont'd)

4.1.1 Loans and advances to customers (Cont'd)

Discounted bills

Unit: RMB million (except percentages)

	June 30, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Bank acceptance bills	12,778.7	71.86	14,852.1	89.96
Commercial acceptance bills	5,004.8	28.14	1,657.3	10.04
Total discounted bills	17,783.5	100.00	16,509.4	100.00

Distribution of loans and advances to customers by collateral

Unit: RMB million (except percentages)

	June 30, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Pledged loans	25,682.0	11.20	23,427.6	11.14
Collateralised loans	67,757.0	29.55	66,363.8	31.55
Guaranteed loans	83,875.4	36.58	72,428.2	34.44
Unsecured loans	34,184.6	14.91	31,602.2	15.02
Discounted bills	17,783.5	7.76	16,509.4	7.85
Gross loans and advances to customers	229,282.5	100.00	210,331.2	100.00

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

4.1 Assets (Cont'd)

4.1.1 Loans and advances to customers (Cont'd)

Distribution of loans and advances to customers by geographical region

Unit: RMB million (except percentages)

	June 30, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Weihai City	83,133.0	36.26	76,415.3	36.33
Outside Weihai City	146,149.5	63.74	133,915.9	63.67
Gross loans and advances to customers	229,282.5	100.00	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 was RMB181,904 million, representing an increase of RMB14,767 million or 8.84% as compared with the end of 2024. 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)

	June 30, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Financial investments measured at fair value through profit or loss	8,530.1	4.69	7,535.5	4.51
Financial investments measured at fair value through other comprehensive income	80,096.3	44.03	82,862.5	49.58
Financial investments measured at amortised cost	93,277.6	51.28	76,739.4	45.91
Total financial investments	181,904.0	100.00	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 fair value through profit or loss

As of the end of the Reporting Period, the carrying value of our financial investments measured at fair value through profit or loss amounted to RMB8,530 million, representing an increase of RMB995 million or 13.20% as compared with that of the end of 2024, mainly due to the fact that we moderately increased the bonds from banks and other financial institutions and public fund investments. 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

	June 30, 2025	December 31, 2024
Debt securities, classified by type of issuers		
Banks and other financial institutions	1,725.2	1,428.9
Sub-total	1,725.2	1,428.9
Asset-backed securities	555.2	—
Funds Investments	5,138.6	4,919.9
Investment management products	826.5	947.0
Equity investments	284.6	239.7
Total	8,530.1	7,535.5

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 other comprehensive income

As of the end of the Reporting Period, the carrying value of our financial investments measured at fair value through other comprehensive income amounted to RMB80,096 million, representing a decrease of RMB2,766 million or 3.34% as compared with that of the end of 2024, mainly due to the fact that we decreased policy bank bonds and corporate bonds for both liquidity and efficiency and reducing the impact of market risks. 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

	June 30, 2025	December 31, 2024
Debt securities, classified by type of issuers		
Government	19,739.3	13,326.5
Policy banks	14,285.6	18,005.6
Banks and other financial institutions	31,615.5	32,308.0
Corporates	8,527.3	10,868.1
Accrued interest	778.7	1,099.8
Sub-total	74,946.4	75,608.0
Interbank deposits	4,603.5	6,461.2
Asset-backed securities	300.7	478.2
Equity investments	245.7	315.1
Total	80,096.3	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 amortised cost

As of the end of the Reporting Period, the carrying value of our financial investments measured at amortised cost amounted to RMB93,278 million, representing an increase of RMB16,538 million or 21.55% as compared to the end of 2024, mainly due to the fact that we improved the structure of bond assets, the enhancement of the management of their duration, and the supplement of pledgable low-risk bond assets. The following table sets forth the components of our financial investments measured at amortised cost as of the dates indicated.

Unit: RMB million

	June 30, 2025	December 31, 2024
Debt securities, classified by type of issuers		
Government	47,704.5	35,164.3
Policy banks	17,365.8	12,646.8
Banks and other financial institutions	9,813.6	9,357.0
Corporates	15,055.7	15,560.5
Accrued interest	1,464.1	1,443.9
Sub-total	91,403.7	74,172.5
Investment management products	3,842.3	4,098.0
Asset-backed securities	491.4	818.2
Less: Allowance for impairment losses	(2,459.8)	(2,349.3)
Total	93,277.6	76,739.4

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 RMB451,342 million, representing an increase of RMB40,676 million or 9.90% as compared to the end of 2024, mainly due to a steady growth of deposits from customers and the scale of borrowings from the central bank as we continued to intensify deposit marketing efforts and expand use of central bank funding. The following table sets forth the composition of our total liabilities as of the dates indicated.

Unit: RMB million (except percentages)

	June 30, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Deposits from customers	339,392.1	75.20	301,951.6	73.53
Financial assets sold under repurchase agreements	6,500.3	1.44	12,101.7	2.95
Deposits from banks and other financial institutions	158.7	0.03	5,313.5	1.29
Placements from banks and other financial institutions	32,974.5	7.30	27,470.5	6.69
Debt securities issued	50,171.2	11.12	49,717.7	12.11
Borrowings from the central bank	16,624.6	3.68	10,409.6	2.53
Income tax payable	81.6	0.02	478.4	0.12
Lease liabilities	477.0	0.11	453.3	0.11
Other liabilities ⁽¹⁾	4,961.8	1.10	2,770.0	0.67
Total liabilities	451,341.8	100.00	410,666.3	100.00

Note:

(1) Other liabilities consisted primarily of accrued staff costs, dividend payable and other receivables.

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, accounting for 73.53% and 75.20% of our total liabilities as of the end of 2024 and the end of the Reporting Period, respectively. As of the end of the Reporting Period, our deposits from customers amounted to RMB339,392 million, representing an increase of RMB37,441 million or 12.40% as compared to the end of 2024, mainly due to the rapid increases in our corporate deposits and personal deposits as we continue to amplified our marketing campaign for deposits. The following table sets forth the composition of our deposits from customers as of the dates indicated.

Unit: RMB million (except percentages)

	June 30, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand deposits	58,250.2	17.60	57,361.0	19.54
Time deposits	105,202.7	31.80	94,022.7	32.04
Sub-total	163,452.9	49.40	151,383.7	51.58
Personal deposits				
Demand deposits	10,771.7	3.26	10,572.2	3.60
Time deposits	156,623.8	47.34	131,524.2	44.82
Sub-total	167,395.5	50.60	142,096.4	48.42
Inward and outward remittances	10.8	0.00	9.4	0.00
Total	330,859.2	100.00	293,489.5	100.00
Accrued interest	8,532.9		8,462.1	
Deposits from customers	339,392.1		301,951.6	

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

4.2 Liabilities (Cont'd)

4.2.2 Placements from banks and other financial institutions

As of the end of the Reporting Period, the balance of our placements from banks and other financial institutions amounted to RMB32,975 million, representing an increase of RMB5,504 million or 20.04% as compared to the end of 2024, mainly due to the continued increase in the scale of our finance lease business and the corresponding increase in the amount of placements from banks and other financial institutions.

4.2.3 Borrowings from the central bank

As of the end of the Reporting Period, our balance of borrowings from the central bank amounted to RMB16,625 million, representing an increase of RMB6,215 million or 59.70% as compared to the end of 2024, mainly due to the optimization of our liability structure as well as the appropriate increase in the use of low-cost central bank re-loans and re-discount funds.

4.3. Shareholders' Equity

As of the end of the Reporting Period, our total shareholders' equity amounted to RMB32,501 million, representing an increase of RMB1,704 million or 5.53% as compared to 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)

	June 30, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Share capital	5,980.1	18.40	5,980.1	19.42
Other equity instruments	5,999.1	18.46	3,999.3	12.99
Capital reserve	4,925.1	15.15	4,925.1	15.99
Surplus reserve	1,904.0	5.86	1,904.0	6.18
General reserve	4,657.7	14.33	4,144.8	13.46
Fair value reserve	905.1	2.79	1,794.1	5.83
Impairment reserve	39.2	0.12	30.3	0.10
Retained earnings	6,137.1	18.88	6,120.4	19.87
Total equity attributable to equity shareholders of the Bank	30,547.4	93.99	28,898.1	93.84
Non-controlling interests	1,953.8	6.01	1,899.4	6.16
Total equity	32,501.2	100.00	30,797.5	100.00

V. OFF-BALANCE SHEET ITEMS

Our off-balance sheet items particularly include credit commitment and capital commitment, etc. Credit commitment is the most important component, and as of the end of the Reporting Period, the balance of credit commitment amounted to RMB78,158 million. For details, please refer to Note 44(1) to the financial statements in the Report.

For details of pledges as collateral for liabilities, please refer to Note 44(5) to the financial statements in the Report.

VI. ANALYSIS OF LOAN QUALITY

During the Reporting Period, we strengthened the management and control of the quality of credit assets. While the credit assets grew steadily, the quality of credit assets remained stable. As of the end of the Reporting Period, our total loans (excluding interests accrued) amounted to RMB229,283 million, representing an increase of RMB18,951 million or 9.01% as compared with the end of 2024; and total non-performing loans amounted to RMB3,183 million, representing an increase of RMB223 million or 7.53% as compared with the end of 2024.

6.1 Distribution of Loans by Five-category Classification

Unit: RMB million (except percentages)

	June 30, 2025		December 31, 2024	
	Amount	% of total	Amount	% of total
Normal loans	221,046.1	96.41	201,596.2	95.85
Special-mentioned loans	5,053.5	2.20	5,774.9	2.74
Sub-total of normal loans	226,099.6	98.61	207,371.1	98.59
Substandard loans	1,309.6	0.57	1,221.7	0.58
Doubtful loans	1,407.1	0.62	1,476.1	0.70
Loss loans	466.2	0.20	262.3	0.13
Sub-total of non-performing loans	3,182.9	1.39	2,960.1	1.41

Under the five-category loan regulatory system, our non-performing loans include substandard, doubtful and loss loans. As of the end of the Reporting Period, our non-performing loan ratio decreased by 0.02 percentage point to 1.39% as compared to the end of 2024. In particular, the proportion of substandard loans decreased by 0.01 percentage point to 0.57% as compared to the end of 2024, the proportion of doubtful loans decreased by 0.08 percentage point to 0.62% as compared to the end of 2024, and the proportion of loss loans increased by 0.07 percentage point to 0.20% as compared to the end of 2024.

VI. ANALYSIS OF LOAN QUALITY (CONT'D)

6.2 Distribution of Non-performing Corporate Loans by Industry

Unit: RMB million (except percentages)

	June 30, 2025			December 31, 2024		
	Amount of non-performing loans	% of total ⁽¹⁾	Non-performing loan ratio (%)	Amount of non-performing loans	% of total	Non-performing loan ratio (%)
Manufacturing	285.2	41.48%	1.21%	95.9	13.35%	0.45%
Real estate	166.6	24.23%	2.17%	395.4	55.03%	5.44%
Wholesale and retail	151.8	22.08%	0.62%	151.5	21.08%	0.72%
Construction	31.2	4.54%	0.14%	20.8	2.90%	0.11%
Agriculture, forestry, animal husbandry and fishery	13.6	1.98%	0.31%	24.1	3.35%	0.61%
Accommodation and catering	10.1	1.46%	0.69%	10.0	1.40%	0.74%
Water conservancy, environment and public facilities management	1.6	0.24%	0.01%	1.6	0.22%	0.01%
Electricity, heat, gas and water production and supply	1.5	0.21%	0.01%	1.5	0.20%	0.02%
Others ⁽¹⁾	26.0	3.78%	0.06%	17.7	2.47%	0.05%
Total	687.6	100.00%	0.43%	718.5	100.00%	0.49%

Note:

- (1) Others consist primarily of transportation, warehousing, and postal services; leasing and business services; education, resident services, maintenance, and other services; scientific research and technical services; information transmission, software, and information technology services; and culture, sports and entertainment.

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)

	June 30, 2025			December 31, 2024		
	Amount	% of total	Non-performing loan ratio (%)	Amount	% of total	Non-performing loan ratio (%)
Weihai City	777.0	24.41	0.93	631.8	21.34	0.83
Outside Weihai City	2,405.9	75.59	1.65	2,328.3	78.66	1.74
Total non-performing loans	3,182.9	100.00	1.39	2,960.1	100.00	1.41

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 4.77% 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	Water conservancy, environment and public facilities management	1,893.30	0.83	4.77	Normal
Borrower B	Leasing and business services	1,600.00	0.70	4.03	Normal
Borrower C	Real estate, leasing and business services	1,530.00	0.67	3.85	Normal
Borrower D	Leasing and business services	1,500.00	0.65	3.78	Normal
Borrower E	Leasing and business services	1,453.80	0.63	3.66	Normal
Borrower F	Water conservancy, environment and public facilities management	1,444.20	0.63	3.64	Normal
Borrower G	Water conservancy, environment and public facilities management; real estate; construction	1,358.50	0.59	3.42	Normal
Borrower H	Leasing and business services	1,312.10	0.57	3.31	Normal
Borrower I	Leasing and business services; water conservancy, environment and public facilities management	1,225.00	0.53	3.09	Normal
Borrower J	Wholesale and retail	1,190.57	0.52	3.00	Normal
Total		14,507.47	6.33	36.55	

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)

	January to June 2025		January to June 2024	
	Operating income of the segment	% of total	Operating income of the segment	% of total
Corporate banking	3,138.6	62.07	2,744.0	60.23
Retail banking	889.2	17.59	986.7	21.66
Financial market business	1,029.6	20.36	825.7	18.12
Others	(1.0)	(0.02)	(0.4)	(0.01)
Total	5,056.4	100.00	4,556.0	100.00

VIII. BUSINESS DEVELOPMENT

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

8.1 Corporate Banking

The Bank's corporate banking business fully relied on the advantages of its shareholders, business scale and network, improved comprehensive service capability, focused on local characteristic industries, fully integrated with the local regional development plan, always adhered to the market positioning of "serving the urban and rural residents, small and medium enterprises and local economy", and always adhered to the path of differentiation, retailing and integrated innovative characteristic development to form a characteristic operation. Focusing on profit centers, we have strengthened our team and customer base, achieving improvement in scale efficiency, business transformation, and system empowerment. The Bank implemented the visitor system, strengthened the coordinated marketing mechanism, and strengthened the interaction between lines and lines and the overall synergy, so as to improve the accuracy and efficiency of docking to the real economy, and to provide strong financial support for the development of the regional economy.

(1) *Corporate customers*

The Bank has established a vast and stable corporate banking customer base in Shandong Province and Tianjin Municipality. The corporate banking customers of the Bank primarily comprise the governmental agencies, state-owned enterprises, business units, and industrial and commercial enterprises in Shandong Province and Tianjin Municipality. As of the end of the Reporting Period, there were 78,759 corporate customers, representing an increase of 8,013 customers as compared with that as of the end of last year. The marketing focus of the Bank's corporate customers was firstly, to expand the scale and speed advantages of the Bank, and form a group of high quality customers in the livelihood, green finance, technology and trade finance categories with platform building and selected customers as the starting point; secondly, the Bank carried out chain marketing, relied on core customers, integrated core customer resources, made full use of supply chain products, explored upstream and downstream industrial chains, marketed high-quality supply chain financial customers, gained in-depth linkage and explored the potential of customer resources.

(2) *Corporate deposits*

During the Reporting Period, the Bank firstly focused on enhancing customer base by relying on list-based visitors, especially channel visitors, to expand customer base, promote growth and consolidate the customer base foundation with visitors; secondly, the Bank focused on scenario building, strengthened the linkage mechanism, continuously innovated and deepened business linkage scenarios to enhance the level of linkage and refined marketing; thirdly, the Bank strengthened technological empowerment and continuously optimized the construction of system platforms to help business opportunity acquisition and marketing promotion, enhanced the accuracy and effectiveness of marketing, enabling a stable increase in the scale of corporate deposits.

As of the end of the Reporting Period, the balance of corporate deposits amounted to RMB163,453 million, representing an increase of RMB12,069 million or 7.97% as compared with the end of 2024, accounting for 49.40% of total deposits. In particular, corporate demand deposits amounted to RMB58,250 million, accounting for 35.64% of corporate deposits; and corporate time deposits amounted to RMB105,203 million, accounting for 64.36% of corporate deposits.

VIII. BUSINESS DEVELOPMENT (CONT'D)

8.1 Corporate Banking (Cont'd)

(3) *Corporate loans*

As of the end of the Reporting Period, the balance of corporate loans was RMB170,990 million, representing an increase of RMB20,472 million or 13.60% as compared with the end of 2024, of which the balance of working capital loans was RMB115,605 million, accounting for 67.61% of total corporate loans; the balance of fixed asset loans was RMB42,579 million, accounting for 24.90% of total corporate loans; and the balance of other loans was RMB12,806 million, accounting for 7.49% of total corporate loans.

Loans to large and medium enterprises

During the Reporting Period, the Bank actively implemented the national policy orientation and regulatory requirements, actively supported the development of the real economy, attached great importance to shifting credit resources to green finance, blue finance, inclusive finance, "specialized and sophisticated enterprises that produce new and unique products", strategic emerging industries and advanced manufacturing, private enterprises, rural revitalization, and people's livelihood industries, as well as intensified efforts to expand business in regionally advantageous industries and distinctive industrial clusters, innovated business models, promoted cluster-based and chain-linked marketing, advanced investment-loan synergy and integration of industry and finance, continuously optimized the credit business environment, and enhanced the quality of credit services. As of the end of the Reporting Period, the balance of loans to large enterprises was RMB21,188 million, and the balance of loans to medium enterprises was RMB43,866 million.

Loans to small and micro enterprises

The Bank has set up a specialised institution for small and micro enterprises – the small enterprise financial service centre, which directly operates a micro enterprise loan management center, a small and micro enterprise financial service centre, a product management center and a risk center. Our grassroots branches focus on retail and inclusive businesses, and have established inclusive finance market departments to achieve full coverage of inclusive professional teams of branches, supervising divisions/ directly administered sub-branches.

During the Reporting Period, the Bank continued to strengthen its support for inclusive credit in terms of policy resources, product innovation and digital empowerment through measures such as separate credit plans, preferential performance assessments, and favorable internal funds transfer pricing, thereby meeting the diverse financial needs of inclusive small and micro customer groups. As of the end of the Reporting Period, the balance of the Bank's inclusive small and micro loans (including loans to small and micro enterprises with credit lines for single account less than RMB10 million (inclusive), loans to individual industrial and commercial households, and loans to owners of small and micro enterprises, (exclusive of discount) amounted to RMB34,810 million, representing an increase of RMB3,039 million or 9.57% as compared with the beginning of the year. The average loan interest rate for inclusive small and micro enterprises was 4.38%, and the number of customers of inclusive small and micro-enterprise loans was 73,600. The Bank effectively supported the capital demands from inclusive small and micro enterprises.

During the Reporting Period, the Bank established an agile public-private linkage team to strengthen customer resource sharing and promote inclusive financial services across upstream and downstream links of the entire supply chain. The Bank proactively applied for re-loans for supporting small and medium enterprises of the People's Bank of China and broadened funding sources to support the development of small and micro enterprises. The Bank introduced an honor-based incentive system for inclusive finance, with individual and team awards to stimulate the marketing momentum of customer managers.

VIII. BUSINESS DEVELOPMENT (CONT'D)

8.1 Corporate Banking (Cont'd)

(4) *Supply chain financing business*

During the Reporting Period, the Bank actively implemented its work plan of supply chain transformation, pooled its efforts to broaden horizon and reached consensus at the top-level design, and managed its customers with supply chain thinking, thus forming a strong driving force to promote the sound development of supply chain business. Within the Bank, we created scenarios relying on its products. The Bank focused on key customers to carry out chain marketing, continuously reached high-quality core enterprises, conducted targeted marketing activities and provided customized supply chain service design and solutions for large central and state-owned enterprises, listed companies, top 100 companies, industry leaders, regional leaders and other high-quality core enterprises, with a view to meeting the all-round, multi-level comprehensive financial service needs of a single enterprise or different enterprises. Outside the Bank, we worked with platforms to attract customer traffic and acquire customers. Meantime, the Bank strengthened the construction of channels, launched a number of scenarios, continuously worked with high-quality external platforms, explored more scenario-based cooperation opportunities, and promoted industries and models in line with credit policies of the Bank, therefore further expanding scenarios for customer acquisition and promoting the digital transformation of supply chain business. As of the end of the Reporting Period, the Bank's balance of supply chain financing business was RMB12,573 million.

(5) *Trade finance business*

The Bank provides a wide range of financial products and services to corporate banking customers involving cross-border transactions and domestic trade. Our international settlement services primarily include remittance, collection, letters of credit, letters of guarantee and cross-border RMB settlement. As of the end of the Reporting Period, the Bank had 24 branches and sub-branches providing international settlement services and had established agency relationship with over 200 banks, covering the countries (regions) including mainland China, Hong Kong, China, Germany and the United States. The Bank has continued to strengthen its marketing efforts based on its trading and financial customer list to enhance its business scale. During the Reporting Period, the trading and financial services transaction volume amounted to US\$4,925 million.

(6) *Technology finance*

During the Reporting Period, the Bank proactively fulfilled its responsibilities in supporting technology-driven small and medium-sized enterprises based on various work requirements of technology finance. The Bank harnessed the value of enterprise data and strengthened the coordination of "policy + technology + data" to deliver precise support to technology-driven enterprises. The Bank introduced innovative products and models to provide financial services for the real economy, and pioneered the data intellectual property pledge financing business to enable diversified application scenarios for data intellectual property. The Bank fully leveraged all available policy tools supporting technology finance, effectively enhanced customer stickiness, and continuously strengthened its competitiveness in technology finance. As of the end of the Reporting Period, the Bank's balance of loans to technology-driven enterprises was RMB14,265 million.

VIII. BUSINESS DEVELOPMENT (CONT'D)

8.1 Corporate Banking (Cont'd)

(7) *Green finance*

The Bank fully implemented the principles of the 20th CPC National Congress and the Central Financial Work Conference, actively responded to the major decisions and arrangements of “carbon peaking” and “carbon neutrality”, and strived to develop the green finance business. In addition, the Bank designated 2025 as the “Year of Significant Green Finance Advancement” based on the “Year of Green Finance Branding” in 2024. In line with the Three-Year Action Plan for Green Finance, the Bank formulated the Programme of Activities for the “Year of Significant Green Finance Advancement” to provide overarching guidance for the Bank’s green finance development. The Bank fully took advantage of the legal person bank, and assisted in the application for construction of the Pioneer Zone of Green, Low-Carbon and High-Quality Development in Shandong Province and the Pilot Zone of National Green Financial Reform and Innovation in Weihai City, so as to bring vitality to the green development of the real economy. Firstly, in order to improve the organizational leadership mechanism for green finance, the Green Finance Management Committee was established, led by the Chairman as the director, so as to enhance strategic planning and decision-making. Secondly, the Bank continued to reinforce top-level design. As the first urban commercial bank in Shandong Province to establish a Green Finance Department at the head office level, the Bank coordinated the orderly advancement of green finance work. Green Finance Departments were also set up in our Tianjin and Linyi branches and will be gradually extended to other branches. Thirdly, the Bank continued to improve the “1+3+5+N” green product system and facilitate the innovation of special green credit products, focusing on the brand of “Golden the Green” in the five directions of “marine economy, blue sky and white clouds, exquisite cities, travel in Shandong and low-carbon manufacturing”. Led by innovation, the Bank sought opportunities in the green sector, precisely aligned the needs of the green economy with regional economic and industrial characteristics, and continuously increased the supply of green credits. Fourthly, the Bank intensified product innovation efforts and launched innovative special financial products such as “Green Factory Loan”, “Carbon Footprint-Linked Loan” and “Transformation Financial Business” as well as exclusive products such as “Park Renovation Loan” and “Weihai Green e-Finance” for the Weihai region, thus continuously enriching green financial service tools and expanding corporate financing channels. Fifthly, the Bank actively integrated into the global green finance governance framework. The Bank became the first urban commercial bank in Shandong Province to sign the United Nations Principles for Responsible Banking, and joined international organizations such as the “China-UK Green Finance Taskforce” to explore biodiversity finance. Sixthly, the Bank continued to improve institutional development. A number of management measures were introduced covering green financial products, green asset recognition and transition finance, which further optimized business processes, reinforced coordination and collaboration, enhanced risk control efficiency, and promoted green and high-quality development. Seventhly, the Bank specified its focuses, closely followed the requirements of green transformation and high-quality development, analyzed the green industry landscape, optimized industry credit guidelines, and increased businesses in key green areas, such as blue economy, ecological protection, green transport, low-carbon manufacturing, and green consumption. As of the end of the Reporting Period, the Bank’s balance of green loans amounted to RMB52,860 million, representing an increase of RMB15,583 million or 41.80% as compared with the beginning of the year.

VIII. BUSINESS DEVELOPMENT (CONT'D)

8.2 Retail Business

During the Reporting Period, under the general environment of “digital” transformation, the Bank clarified the strategic positioning of “focusing on retail”, and achieved high-quality and rapid development of its retail business by strengthening technology investment and improving online product functions and service.

(1) Retail customers

Steadfastly following the featured development path of digitalization-driven “Bi-Focus retail banking”, the Bank deepened the management of retail customers by classification, layers and groups to invigorate core retail customer groups such as payroll, mid-to-high-end, and consumer finance; clarified business objectives and business strategies, optimized and improved product systems and marketing models, strengthened the digital management of customer groups, and formed a standard approach to customer group operation. At the same time, the Bank strengthened the construction of the platform, attached importance to scene management, enriched the application scenarios in the fields of public transportation and people’s livelihood services, and strengthened the linkage around the scenes such as payroll payment and residents’ payment to constantly optimize the business process, card ecology and equity system of credit cards and debit cards, continuously improved the core competitiveness and digital marketing management capabilities of our bank cards.

The Bank has a wide range of retail banking customers in Shandong Province and Tianjin. As of the end of the Reporting Period, the assets retained by retail customers in the Bank amounted to RMB210,675 million, representing an increase of 16.00% as compared with the end of 2024. As the wealth management of the Bank gradually improves, the number of mid- to high-end customers continues to grow. As of the end of the Reporting Period, the financial assets retained in the Bank by customers with personal financial assets of over RMB200,000 amounted to RMB180,200 million, accounting for 85.53% of the Bank’s personal financial assets.

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

VIII. BUSINESS DEVELOPMENT (CONT'D)

8.2 Retail Business (Cont'd)

(2) *Personal deposit business*

During the Reporting Period, the Bank's total personal deposits increased significantly. As of the end of the Reporting Period, the balance of the Bank's personal deposits reached RMB167,396 million, representing an increase of RMB25,299 million or 17.80% as compared with the end of 2024.

(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 vigorously promoted a series of personal consumption loans under the brand name of "Happy Consumption Loan" and featured revolving online personal loan product "Quick e-Loan" to meet personal and family consumption needs. During the Reporting Period, under the premise of effective risk management and control, the Bank actively explored the online process of its personal consumption loan business to stably increase the scale of consumption loans. As of the end of the Reporting Period, the balance of personal consumption loans of the Bank amounted to RMB13,726 million.

Residential mortgage loans

During the Reporting Period, the Bank adhered to the positioning of "houses are for living in, not for speculation" and implemented differentiated housing credit policies to support residents' reasonable housing needs and steadily developed individual residential mortgage loans. The Bank also introduced a retail rating model to assist in approval and decision-making, 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 steady growth of residential mortgage business. As of the end of the Reporting Period, the balance of our residential mortgage loans amounted to RMB14,689 million.

Personal business loans

During the Reporting Period, the Bank adhered to community-based and grid-based marketing approach and launched the "Weiyin Easy Loan" (威銀易貸) business; promoted the automation of approval processes for electronic warehouse receipt pledge loans to improve the effectiveness of business approval; published a list of high-potential individual businesses and renowned, high-quality, special and innovative businesses, and launched a "Support Loan" (助力貸) product to facilitate the growth of individual businesses; and deepened its presence in the regional agricultural input market and rolled out the agricultural inputs loan business to precisely address farmers' financing needs. As of the end of the Reporting Period, the balance of the Bank's personal business loans amounted to RMB12,094 million.

VIII. BUSINESS DEVELOPMENT (CONT'D)

8.2 Retail 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 RMB32,617 million, all of which were net-worth wealth management.

(5) *Bank card business*

Debit card business: During the Reporting Period, the Bank further enriched the rights and interests of cardholders and improved the user experience. The number of debit cards issued achieved steady growth. As of the end of the Reporting Period, the Bank issued a total of approximately 5,147,500 debit cards, representing an increase of approximately 108,900 cards, or 2.16%, as compared with the end of 2024; During the Reporting Period, the total transaction volume of consumption through the Bank’s debit cards was RMB1,874 million.

Credit card business: The Bank provides different services to various target customer groups and provides three types of credit cards, namely, general cards, gold cards and platinum cards, based on the credit rating of the applicants. The holders of each type of credit card are entitled to receive and enjoy specific services and benefits tailored for the corresponding type of credit card. The Bank’s credit cards provide cardholders with a variety of installment products and convenient installment repayment services, including the purchase of automobiles and consumer products in addition to the ordinary functions of other credit cards. Under the premise of strict risk management, the Bank actively expanded the market, and the credit card business formed a good trend of stable development, deep exploration of potential and strong management, and realized the simultaneous improvement of business scale and quality. As of the end of the Reporting Period, the Bank issued a total of 211,900 credit cards.

8.3 Financial Market Business

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

(1) *Proprietary investment*

The Bank continued to optimize investment structure, reduced the proportion of investment and SPV investment, improved asset liquidity and supported the development of the real economy. As of the end of the Reporting Period, the Bank had financial investments with a carrying amount of RMB181,904 million, representing an increase of RMB14,767 million or 8.84% as compared to the end of 2024. The increase was mainly due to the optimization of the bond asset structure, strengthened management of bond asset duration, and supplementation of pledgeable low-risk bond assets.

VIII. BUSINESS DEVELOPMENT (CONT'D)

8.3 Financial Market Business (Cont'd)

(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 RMB3.12 trillion.

(3) *Investment banking business*

In recent years, the Bank has continuously expanded various underwriting business licenses, and promoted the development and product innovation of investment banking business. 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.

(4) *Wealth management*

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

During the Reporting Period, proceeds of RMB23,170 million were raised from the wealth management business (all of which were open-end products), and no products expired. The balance of the wealth management products as of the end of the Reporting Period was RMB33,804 million.

8.4 Internet Finance Business

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

(1) *Self-service banking*

The Bank's self-service banking facilities include ATMs, self-service deposit and withdrawal machines, smart teller machines, smart terminals (智能终端), smart self-service receipt machines (智能回單機) and automatic inquiry machines. These facilities provide customers with convenient banking services while allowing the Bank to reduce operating costs. Services provided through these facilities include balance inquiry, cash deposit and withdrawal, fund transfer, self-service card activation and self-service receipt printing. As of the end of the Reporting Period, the Bank had 487 self-service banking facilities.

In addition, the Bank actively upgrades and uses innovative applied technology on its self-service banking facilities in order to provide better services and experiences to customers. For instance, the Bank had launched large-print version function on smart devices to facilitate elderly customers to handle their business through our smart devices. Smart devices offer similar functions as traditional bank counters and use a one-stop business processing model with a more concise operation process, significantly reducing the business processing time for customers. As of the end of the Reporting Period, the Bank had 244 smart devices.

VIII. BUSINESS DEVELOPMENT (CONT'D)

8.4 Internet Finance Business (Cont'd)

(2) *Electronic banking channels*

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

Online banking

The Bank's online banking platform, accessible via its website www.whccb.com, offers a broad range of financial products and services to both corporate banking and retail banking customers. For corporate banking customers, it provides various services, primarily including account inquiry and management, payment and settlement, payroll services, money transfer and remittance. For retail banking customers, it offers account inquiry and management, money transfer and remittances, wealth management products, bill payment and personal loans.

As of the end of the Reporting Period, the Bank had a total of approximately 733,300 online banking customers, comprising approximately 71,600 corporate banking customers and approximately 661,700 retail banking customers. During the Reporting Period, an aggregate transaction volume of RMB628,471 million was processed through the Bank's online banking platform.

Mobile banking

The Bank began offering mobile banking services through its client terminal in 2014. A variety of services are offered through its mobile banking application, including account inquiry and management, money transfer, wealth management products and bill payment. In April 2022, we launched a new version of smart banking application to promote business scenarios and intelligence through financial technology, continuing to create multiple values for users and providing personalised, specialised, intelligent and open mobile financial services. To better secure the transactions of our customers, we provide the customers with short message services (SMS) notification service, whereby we send them SMS notifications relating to bank account transactions, account safety verification, and risk alerts. As of the end of the Reporting Period, the Bank had approximately 3,950,200 mobile banking users. During the Reporting Period, an aggregate transaction volume of RMB107,677 million was processed through the Bank's mobile banking platform.

In addition, the Bank opened its official WeChat account (service account) in 2014, which serves as an important hub for our communications with the customers. By following this account, the Bank's customers can enjoy a variety of services, including checking bank account information, conversion of time and demand deposits, wealth management products, payment of public utility bills, application for personal loans, application for credit cards, management of credit cards, outlet inquiry and appointment for opening accounts. As of the end of the Reporting Period, the Bank's official WeChat account (service account) had approximately 496,900 subscribers.

VIII. BUSINESS DEVELOPMENT (CONT'D)

8.4 Internet Finance Business (Cont'd)

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

Video banking

During the Reporting Period, the Bank developed an “invisible-touch” intelligent video banking service system, which significantly enhanced the quality and efficiency of remote financial services and provided customers with a more efficient and human-centered interactive experience. In terms of technological application, the video banking platform integrated OCR recognition, facial verification and high-speed audio-video coordination technologies to construct a secure, stable and efficient remote financial service system. In the first half of the year, the total number of incoming calls within the video banking centralized operation scenarios reached 52,021, representing a year-on-year growth of 58.1%, achieving improvements in both processing efficiency and customer experience. In terms of corporate services, video banking fully covered key business scenarios such as remote verification of legal person’s intentions and online confirmation for supply chain financing. Since its launch, video banking has provided over 1,400 remote verification services to more than 800 corporate customers, and facilitated financing transactions exceeding RMB2.5 billion, embodying the service concept of “keeping data running faster and making customers less troubled”.

The Bank also continued to optimize its intelligent service ecosystem. Our AI-powered text assistant “Xiao Wei”, trained on 17,000 data points and a library of 1,200 standard questions and answers, achieved rapid response times of 1.5 seconds and an inquiry response accuracy rate of 95%. The intelligent outbound call system has been widely applied across 49 high-frequency scenarios, including business change notifications, agency follow-ups, and loan repayment reminders. Its highest daily outbound call volume exceeded 15,000, and the coverage rate of intelligent services increased by 40% year-on-year.

Online loans

In order to improve the convenience of services, the Bank launched the online “Quick e-Loan (快e贷)” product by using technology means. The product focuses on the establishment of full life-cycle and full-scenario online financial system, comprehensive digital risk control system and comprehensive business operation management system with complete autonomy and control, covering three major fields, namely government affairs and peoples’ livelihood, consumer retail and supply chain. It realised scenario-based layout through accurate marketing, online and offline connectivity, and innovative breakthroughs in scenario-based ecological finance. The achievement of “one second for scanning code, one minute for customer input and one minute for system approval” has significantly promoted business process standardisation and enhanced customers’ financial service experience. As of the end of the Reporting Period, the balance of “Quick e-Loan” was RMB13,562 million.

8.5 Digital Development

During the Reporting Period, the Bank remained steadfast in implementing its digital transformation strategy of “standardizing data, digitizing standards, and intellectualizing digital processes,” closely monitored financial policy orientation and stayed at the forefront of fintech development. Under a “data + technology” dual-wheel drive model, the Bank achieved remarkable results in strengthening foundational data capabilities and advancing the development of an intelligent and digital bank.

Data drive was constantly enhanced. The Bank continued to consolidate its data foundation, conducted data governance activities based on data application, deeply explored data application and analysis scenarios, and built a digital and intelligent data management system. By empowering scenarios such as business analysis, marketing and customer acquisition, risk prevention and control with high-quality data, the Bank effectively improved operational efficiency and customer experience. At the same time, the Bank reinforced data security governance to ensure the safe and stable operation of data systems and establish a robust defense for data applications.

VIII. BUSINESS DEVELOPMENT (CONT'D)

8.5 Digital Development (Cont'd)

Technological empowerment continued to strengthen. Firstly, the Bank's new intra-city data center was successfully migrated and officially put into operation, which further strengthened the infrastructure foundation, significantly improved business continuity capabilities and provided robust technological support for the Bank's steady growth across all business lines. Secondly, the Bank advanced the in-house development of the online lending platform, and systematically planned and steadily promoted the implementation plan from the three aspects of building an internal development team, formulating standardized development protocols, and offering targeted training programs, thus continually improving the depth of technological support and the response speed.

The integration of industry and technology was deepened. Firstly, in collaboration with business departments and guided by business needs and development plans, the Bank built a retail customer segmentation and group management model. Through the development of WeCom-based online channels, the Bank enhanced service effectiveness and customer reach. A retail product and marketing system of "customer + product + channel + marketing" was established to enable precise customer service and upgrade business product value. Secondly, the Bank steadily advanced the construction of planned projects in 2025. A project team, comprising business backbones, technology experts and data analysts, was formed to foster a normalized collaborative mechanism, allowing technological personnel to participate deeply in business planning and process design and ensuring technical solutions are closely aligned with business needs. Meantime, the Bank established a full-process progress tracking mechanism to guarantee the timely execution and orderly implementation of all projects and effectively transform tech-business integration into momentum for business growth.

8.6 Customer Service Management

The Bank adhered to the principle of "customer orientation", fully implemented the concept of "sincere service", comprehensively promoted the improvement of service quality and efficiency and the optimization of customer experience, and continuously refined the service management system. The Bank conducted multi-dimensional service evaluations to inspire employees' enthusiasm for service and motivation for innovation. The Bank focused on upgrading services for the elderly, and effectively addressed challenges faced by senior customers in handling business. In order to give full play to the back-end supervision function, the Bank established a full-process service monitoring system, intensified the sampling and review of service-related surveillance footage, and continuously consolidated the service foundation, laying a solid foundation for the continuous improvement of subsequent service quality. The Bank attached great importance to consumer rights protection, deeply understood the political and people-oriented nature of financial work, and implemented the main responsibilities of consumer protection. The Bank strengthened the full-process complaint management, streamlined complaint channels, and launched six customer service hotlines across six key business areas. Meanwhile, the Bank publicized complaint flow charts and "President Reception Day" schedules through several channels such as the official website and outlets to deliver multi-channel, timely responses to customer concerns. The Bank actively carried out traceability governance through full-process oversight covering pre-event consumer protection review, in-process complaint management, and post-event traceability governance. The Bank leveraged external platforms, such as the Banking Association's professional mediation services, fast-track financial arbitrations and judicial litigation, to achieve diversified resolution of financial disputes. The Bank continued to carry out the "3 · 15 Publicity Campaign on Financial Consumer Rights Protection" and the "Campaign to Publicize Financial Knowledge" to focus on key demographics and hot issues, popularize financial knowledge to the public, and promote the improvement of financial consumer literacy.

VIII. BUSINESS DEVELOPMENT (CONT'D)

8.7 Analysis of Subsidiary

We established Shandong Tongda Financial Leasing Co., Ltd. in June 2016, and became 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 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, new energy, equipment manufacturing, urban public utilities, transportation and logistics, green environmental protection, medical and health care, and business services.

As of the end of the Reporting Period, the registered capital of Tongda Financial Leasing was RMB1,650 million and it was registered in Jinan, Shandong. We held 54.55% equity interest in Tongda Financial Leasing, which is principally engaged in the provision of financial leasing solutions to customers, including direct lease and sale-and-leaseback. During the Reporting Period, the operating income of Tongda Financial Leasing was RMB722 million, representing a year-on-year increase of 51.63%; net profit amounted to RMB285 million, representing a year-on-year increase of RMB34 million.

IX. CAPITAL MANAGEMENT

9.1 Capital Adequacy Ratio

We calculate our capital adequacy ratios in accordance with the Administrative Measures on the Capital of Commercial Banks (《商業銀行資本管理辦法》) issued by the NFRA 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 assessment 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 Administrative Measures on the Capital of Commercial Banks (《商業銀行資本管理辦法》) and PRC GAAP.

Unit: RMB million (except percentages)

Basis of the Group	June 30, 2025	December 31, 2024
Core tier-one capital		
Share capital	5,980.1	5,980.1
Qualifying portion of capital reserve	4,925.1	4,925.1
Surplus reserve	1,904.0	1,904.0
General reserve	4,657.7	4,144.8
Other comprehensive income	944.3	1,824.4
Retained earnings	6,137.1	6,120.4
Qualifying portions of non-controlling interests	1,334.3	1,032.9
Total core tier-one capital	25,882.6	25,931.7
Core tier-one capital deductions	(855.7)	(447.0)
Net core tier-one capital	25,026.9	25,484.7
Other tier-one capital	6,177.0	4,136.9
Net tier-one capital	31,203.9	29,621.6
Tier-two capital	8,486.7	8,024.2
Total net capital	39,690.6	37,645.8
Total risk-weighted assets	300,481.4	273,670.3
Including: Total credit risk-weighted assets	282,968.2	257,157.2
Total market risk-weighted assets	2,861.2	1,861.1
Total operational risk-weighted assets	14,652.0	14,652.0
Core tier-one capital adequacy ratio	8.33%	9.31%
Tier-one capital adequacy ratio	10.38%	10.82%
Capital adequacy ratio	13.21%	13.76%

IX. CAPITAL MANAGEMENT (CONT'D)

9.1 Capital Adequacy Ratio (Cont'd)

Unit: RMB million (except percentages)

Basis of the Bank	June 30, 2025	December 31, 2024
Core tier-one capital		
Share capital	5,980.1	5,980.1
Qualifying portion of capital reserve	4,954.9	4,954.9
Surplus reserve	1,904.0	1,904.0
General reserve	4,399.9	3,934.2
Other comprehensive income	944.3	1,824.4
Retained earnings	5,068.1	5,069.5
Qualifying portions of non-controlling interests	N/A	N/A
Total core tier-one capital	23,251.3	23,667.1
Core tier-one capital deductions	(2,020.5)	(1,604.8)
Net core tier-one capital	21,230.8	22,062.3
Other tier-one capital	5,999.1	3,999.3
Net tier-one capital	27,229.9	26,061.6
Tier-two capital	7,624.9	7,359.6
Total net capital	34,854.8	33,421.2
Total risk-weighted assets	263,805.2	245,666.6
Including: Total credit risk-weighted assets	248,028.0	230,889.5
Total market risk-weighted assets	2,861.2	1,861.1
Total operational risk-weighted assets	12,916.0	12,916.0
Core tier-one capital adequacy ratio	8.05%	8.98%
Tier-one capital adequacy ratio	10.32%	10.61%
Capital adequacy ratio	13.21%	13.60%

IX. CAPITAL MANAGEMENT (CONT'D)

9.2 Leverage Ratio Analysis

Pursuant to the requirements of the Administrative Measures on the Capital of Commercial Banks (《商業銀行資本管理辦法》) effective on January 1, 2024, a minimum leverage ratio of 4% is required for commercial banks. As of the end of the Reporting Period, our leverage ratio was 5.70%, 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)

	June 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024
Leverage ratio	5.70%	5.50%	5.93%	5.88%
Net tier-one capital	31,203.9	28,972.4	29,621.6	28,519.8
Balance of on- and off-balance sheet assets after adjustment	547,898.3	526,795.2	499,554.0	485,383.9

Please refer to the Pillar 3 Information Disclosure Report for the first half of 2025 issued by the Bank for further information on capital measurement and leverage ratio.

X. RISK MANAGEMENT

10.1 Organizational Structure and Management Functions of Risk Management System

The Bank's risk management follows the principles of comprehensive risk management, vertical management, linkage and checks and balances, professionalized management, and correlation between authority, responsibilities and rights. It establishes a centralized and vertical risk management system in respect of all risk types including credit risk, market risk, operational risk, liquidity risk, bank account interest rate risk, information technology risk, strategic risk, reputational risk, concentration risk, legal risk, compliance risk and money laundering and terrorist financing risk through the implementation of comprehensive risk management, in order to regulate the interactions among the front, middle and back offices and promote the sustainable and healthy development of the Bank's business.

The Board of Directors of the Bank undertakes the ultimate responsibility for comprehensive risk management, the senior management undertakes the responsibility for the implementation of comprehensive risk management, and the Board of Supervisors undertakes the responsibility for the supervision of comprehensive risk management. The Board of Directors, the Board of Supervisors, the senior management and their respective special committees, the main risk management departments of the headquarters and the risk management departments of the branches, constitute the basic organizational structure of the Bank's risk management.

During the Reporting Period, there was no change in the organizational structure and management functions of the Bank's risk management system, objectives and processes of various risk management, which was consistent with the disclosure in the 2024 annual report of the Bank.

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.

During the Reporting Period, the Bank established a scientific and applicable credit risk management system with clear categorization and comprehensive coverage, to consolidate the foundation for sound development. The Bank also established a series of policies on credit authorization, industries, regions, customers, and products, etc., which were in line with the credit risk policy and management system in terms of the Bank's development strategies and risk preferences. In addition, the Bank developed credit risk management systems and measures on areas including credit approval, limit management, internal rating, credit authorization, credit management, collateral management, post-loan management, and disposal and written-off, so as to ensure that all risk management activities are traceable. The Bank continued to streamline and improve the specific management measures and operation specifications of each business, product, customer operation from each department and business line, so as to ensure the credit risk management policies and systems are thoroughly implemented. Specific risk management and control measures included: firstly, the Bank continued to improve its differentiated credit access policy, established a long-term management mechanism for orderly entry and exit, and strengthened the rigid constraints of the system; secondly, the Bank strengthened its efforts in early risk warning and monitoring, improved the standardized closed-loop management mechanism for early warning, optimized the management of the whole process from early warning report, response, handling to tracking, and effectively implemented the management requirements of "early detection, early warning, and early treatment"; thirdly, leveraging digital transformation, the Bank improved technology empowerment, enhanced the systems to manage the whole process of credit risk management and control and established dual defense lines controlled by human and machine, so as to continuously improve the quality and efficiency of the risk management and control.

10.3 Market Risk

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

During the Reporting Period, the Bank mainly adopted the following measures to strengthen market risk management: firstly, it continuously improved the market risk management policy, system and workflow, and continuously enhanced the construction of market risk management system. Secondly, it continuously identified, measured, monitored and controlled market risks, fully considered factors such as regulatory dynamics, macro-environment and business development status, set up limit on risks, and continuously monitored the implementation of the limits as well as market risk public opinion. As of the end of the Reporting Period, the Bank's relevant indicators did not exceed the market risk limits for 2025 as determined by the Board, so that the market risk assumed by the Bank was controlled within a tolerable and reasonable range.

X. RISK MANAGEMENT (CONT'D)

10.4 Operational Risk

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

During the Reporting Period, the Bank fully implemented the regulatory requirements on operational risk prevention and improved the operational risk management system to ensure safe and stable operations. Firstly, the Bank strengthened the monitoring, analysis and assessment of operational risk. The Bank paid attention to the dynamic changes in key risk indicators, and conducted monitoring and analysis of quarterly operational and compliance risks. The Bank identified and analyzed the vulnerabilities in the management of operational risk, and made timely rectification and optimization. Secondly, the Bank intensified the prevention and control of operational risk in key areas. The Bank performed pre-operational risk identification and assessment for new products and new businesses to move ahead thresholds of risk control. The Bank actively carried out a series of special inspections including quarterly case risk prevention and control inspection, which fully inspected key management indicators, key operation steps and key risk points, and intensified risk prevention and control efforts. Thirdly, the Bank continuously improved its capabilities in the management and control of operational risk. The Bank clarified annual operational risk preference targets and risk limit indicators, conducted stress testing for operational risks, and refined the transmission mechanism of risk preference. The Bank organized monthly tests on case prevention knowledge to promote learning through examination and enhancing professional capabilities through learning, reinforced responsibility for case prevention and enhanced staff awareness and capabilities in case risk prevention and control. During the Reporting Period, the Bank had no material operational risk loss event.

X. RISK MANAGEMENT (CONT'D)

10.5 Liquidity Risk

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.

During the Reporting Period, in accordance with the requirements that “liquidity risk follows market movements closely”, the Bank paid close attention to market liquidity changes, made early deployment and timely adjustments to liquidity management measures based on changes in its assets and liabilities business and liquidity gap, and reasonably adjusted the maturity structure of assets and liabilities to ensure that liquidity risk is safe and controllable. The Bank strengthened liquidity risk management in the following aspects: Firstly, the Bank strengthened the analysis of market conditions. The Bank paid close attention to the impacts of macro monetary policies and external market changes on liquidity risk, adjusted the scale of assets and liabilities and maturity structure in a dynamic and timely manner with the changes in the Bank’s business taken into account, and responded to changes in liquidity risk situation actively and effectively. Secondly, strengthening daily monitoring of liquidity. In accordance with the requirements of “monthly planning, ten-day monitoring, weekly scheduling and daily reporting”, the Bank dynamically monitored the position limits and cash flow conditions, monitored daytime large transactions in real time, increased reserves of high-quality liquid assets, and adjusted reserve funds in a timely manner according to business changes through the liquidity risk management system, so as to ensure the safety of daytime fund payment. Thirdly, enhancing asset-liability matching management. The Bank reinforced proactive liability management based on asset-side business placements, increased the utilization of central bank re-lending and re-discount funds, continuously optimized the liability structure, actively promoted the issuance of long-term financial bonds and exercised reasonable control over the scale and proportion of interbank liabilities, ensuring a dynamic balance between liquidity safety and business development. The Bank has dynamically monitored and analyzed the liquidity limit indicators and business changes, optimized and adjusted business structure, so as to ensure the various liquidity indicators at a reasonable level. Fifthly, strengthening emergency management of liquidity risks. The Bank has sorted out the liquidity risk emergency management system and process regularly, carried out the liquidity risk stress tests quarterly, and added special stress tests in response to changes in the external market environment, so as to fully assess the impact of various risks on its on- and off-balance sheet businesses and improve the applicability and effectiveness of stress tests.

During the Reporting Period, various liquidity indicators of the Bank met regulatory requirements and the requirements of the Board of Directors for liquidity risk management control.

X. RISK MANAGEMENT (CONT'D)

10.6 Bank Account Interest Rate Risk

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.

During the Reporting Period, the Bank mainly adopted the following measures to enhance bank account interest rate risk management: Firstly, the Bank strengthened limit management continuously. On the basis of integrated analysis of business structure and interest rate risk, the Bank set the limit indicators for bank account interest rate risk in 2025 and monitored the implementation of limits regularly. Secondly, the Bank regularly measured and analysed the bank account interest rate risk by means of interest rate sensitivity analysis, stress test and others, put forward management recommendations and business adjustment strategies according to analysis and test results, which are used as guidelines for its 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.

The following table sets forth the sensitivity analysis of the Group's net interest income and equity to possible interest rate changes with other variables remaining constant:

Unit: RMB million

	June 30, 2025		December 31, 2024	
	Net interest income (decrease)/ increase	Equity (decrease)/ increase	Net interest income (decrease)/ increase	Equity (decrease)/ increase
Increased by 25 basis points	(212.2)	(645.2)	(179.5)	(760.9)
Decreased by 25 basis points	212.2	660.1	179.5	780.0

10.7 Information Technology Risk

Information technology risks include 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.

During the Reporting Period, the Bank continued to strengthen information technology risk management, improved its information technology risk prevention and control capabilities, and ensured the stable operation of all the businesses of the Bank. Firstly, strengthening the safety guarantee for the system. The Bank intensified the maintenance, updating, and monitoring of information systems, continuously optimized the performance of information systems, improved systems' service capabilities, and strengthened support for operation and maintenance to ensure the safe and stable operation of all systems of the Bank. Secondly, deepening the management and control of the information technology risks. The Bank improved the information technology risk management strategy to strengthen the information technology risk management system, organized and conducted special risk assessments for the new intra-city disaster recovery center to effectively identify vulnerabilities and implement corrective measures, and the Bank implemented information technology risk monitoring, continuously optimized monitoring indicators to enhance the quality and effectiveness of information technology risk monitoring. Thirdly, continuously improving business continuity management. The Bank organized and carried out emergency drills in scientific ways, so as to improve its emergency response plans, scenarios and measures consistently. The Bank enhanced its emergency response system and investment in resources, so as to enhance the Bank's capabilities to respond effectively to emergencies. Fourthly, enhancing the management of outsourcing risks. The Bank conducted the accreditation of critical outsourcing providers, and comprehensively sorted out the list of critical outsourcing services in line with the definition of critical outsourcing.

X. RISK MANAGEMENT (CONT'D)

10.8 Strategic Risk

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

During the Reporting Period, the Bank comprehensively summarized and evaluated the implementation of the 2024 strategic plan, and drew up the 2024 Development Strategy Assessment Report, which was reviewed and approved by the Board. At the same time, the Bank constantly followed the changes in the external operating environment, dynamically monitored the execution of development strategies, systematically identified and evaluated potential strategic risks, regularly reported the management of strategic risks, and timely adjusted and optimized strategies and measures to ensure the effective implementation of the Bank's development strategies.

10.9 Reputational Risk

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

During the Reporting Period, the Bank attached great importance to its reputation and kept enhancing its management process on reputational risk. The Bank also established an organisational framework for reputational risk management that covers headquarters, branch and sub-branch levels, and established a team comprising leaders from the headquarters and related branches and persons in-charge of various departments to deal with reputational risk incidents. A 7*24 hours reputational risk monitoring mechanism was established to monitor, identify, report, control and assess its reputational risk, so that the headquarters can promptly take appropriate actions upon the occurrence of material reputational risk incidents, minimising any loss and negative impact which the Bank may suffer due to such incidents. In addition, the Bank proactively utilised press communications and publication channels to promote its positive image and corporate values. Meanwhile, the Bank also proactively collected, organised and analysed 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 within controllable range.

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 Bank has established a concentration risk management system and process based on the scale and complexity of its business to effectively identify, measure, monitor and report concentration risks. During the Reporting Period, the Bank conducted stress tests on concentration risks to effectively identify and address potential risks; continuously managed and controlled limits for concentration risks and ensured that concentration limits were followed effectively by formulating annual risk appetite, adjusting entry and exit criteria and implementing list-based management. During the Reporting Period, the indicators related to concentration risk management and large risk exposure management of the Bank all complied with regulatory requirements.

X. RISK MANAGEMENT (CONT'D)

10.11 Compliance Risk

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

During the Reporting Period, the Bank attached great importance to building a compliance culture, and continued to improve the mechanism for compliance risk management to enhance its compliance risk management. Firstly, the Bank strengthened its ability to perform compliance duties. The Bank launched a series of activities themed “Knowing and Applying”, organized system evaluation, training, examinations and competitions, improved the long-term mechanism of “managing people by the system, handling our business according to proven processes”, and strengthened the positive guidance of compliance. Secondly, the Bank strengthened compliance risk prevention and control. The Bank continued to conduct thorough policy compliance reviews and made dynamic adjustments to the “formulation, revision and abolition” of policies to ensure their comprehensiveness, systematization and standardization. Through initiatives such as “Compliance Suggestions and Proposals”, employees were encouraged to contribute ideas for compliance improvement, thus fostering a virtuous cycle of continuous enhancement and dynamic optimization. Thirdly, the Bank improved its compliance management framework. We learned and implemented new regulatory requirements, and revised and improved the Compliance Management Measures and the Compliance Risk Management Procedures according to the Bank’s actual conditions, so as to internally adopt external regulations and enhance the effectiveness of compliance management. The Bank also remained committed to cultivating a compliance culture, strengthened the concepts of compliance starting from the leadership, active compliance by all employees and value creation through compliance, and fostered a compliance culture where violations are discouraged, prevented and disincentivized.

10.12 Money Laundering and Terrorist Financing Risk

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

During the Reporting Period, the Bank earnestly implemented anti-money laundering regulatory policies and work requirements, continuously improved its anti-money laundering internal control measures, optimized the anti-money laundering monitoring system and conducted risk self-assessment on money laundering and terrorist financing. The Bank actively fulfilled the obligations of customer’s 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 training, publicity and inspection 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 possibly being legally revoked or confirmed invalid due to violation of laws or administrative regulations; legal liability for compensation arising from being sued or applied for arbitration due to breach of contract, infringement or other reasons; administrative liabilities or criminal liabilities arising from business activities in violation of laws or administrative regulations.

During the Reporting Period, the Bank strictly managed the legal work in accordance with rules and regulations, and continued to improve the quality of legal work. Firstly, the Bank strengthened the identification, analysis and evaluation of and response to legal risks, and the prevention and control of legal risks. Secondly, the Bank achieved online review of legal documents, improved the legal risk management framework system and enhanced the quality and efficiency of legal services. Thirdly, the Bank strengthened the supervision and assessment of services provided by law firms and standardized the management of legal affairs. Fourthly, the Bank provided employees with special training on new laws and regulations to broaden their legal knowledge. The Bank has always followed the principle of legal efficiency, unified standardization, division of work and cooperation, and hierarchical responsibility, integrated the management and prevention of legal risks with other risk management activities, improved the legal risk prevention and control mechanism, and promoted legal operation.

XI. FUTURE PROSPECTS

11.1 Analysis of the Operating Situation in the Second Half of the Year

Looking ahead to the second half of the year, there will be considerable uncertainty in the international environment, and tariff-related policy adjustments and frictions will pose more challenges to the global economy. China's economy continues to demonstrate strong resilience, supported by ample macroeconomic policy space and a growing ability to respond to internal and external risks and challenges. China's fiscal policy is expected to maintain an appropriate spending intensity, while monetary policy will continue to exert strength both in aggregate and structural terms. The package of financial policies introduced by the central bank in May has gradually taken effect, with total social financing steadily expanding, financing costs for the real economy continuing to decline, and increasing support for key areas such as technological innovation and green transformation. The continued advancement of "large-scale equipment upgrades and trade-in of consumer goods" and "major strategies and key areas" is expected to effectively bolster the key role of investment in stabilizing growth. Combined with a rebound in consumption and industrial upgrading, the potential of domestic demand is expected to be further unleashed. As the effectiveness of policies continues to emerge and market confidence steadily recovers, the financial markets are expected to maintain a stable improvement and volatile upward trend, and the financial sector's support for the real economy will continue to strengthen.

In the second half of the year, Shandong Province will further create a sound atmosphere of shouldering responsibility and promoting entrepreneurship, strive to foster a world-class business environment that is market-oriented, law-based and internationalized, and continue to play its pivotal role as "a major economic province in shouldering the main responsibilities". As the construction of a strong province in advanced manufacturing deepens, the equipment manufacturing and high-tech industries are expected to jointly drive sustained industrial growth. With the in-depth implementation of the "large-scale equipment upgrades and trade-in of consumer goods" policies, equipment upgrades and technological transformation will continue to advance, injecting fresh impetus into industrial transformation. Driven by a series of consumption-boosting policies, both bulk commodity consumption and emerging consumption patterns will help unlock domestic demand potential. Optimized foreign trade structure and steadily expanding exports will further consolidate the foreign trade fundamentals of Shandong Province. Overall, Shandong Province's economic structure will continue to optimize and the quality of development will steadily improve. In the second half of the year, its economy is expected to maintain stable and sound development, creating a sound environment for the sustained and healthy development of the financial industry.

XI. FUTURE PROSPECTS (CONT'D)

11.2 Major Work Measures for the Second Half of the Year

In the second half of the year and some time to come, we will keep abreast of situations and changes, implement policies, uphold the “customer-centric, market-oriented and striver-based” principle, and focus on the following six areas.

- (1) **To enhance the guiding of Party building, rectify conduct and enforce discipline, and shoulder responsibility.** The Bank will fulfill the general requirements for Party building in this new era, utilize the guidance of Party building, and enhance cohesion, unity and execution through Party building, thus providing a solid ideological foundation for the high-quality development of the Bank.
- (2) **To follow a goal-oriented and assessment-guided strategy and promote a comparing, learning, catching up and surpassing mindset.** Adhering to the “four transformations” direction and the mission to build “a first-class city commercial bank”, the Bank will carry out in-depth “comparing, learning, catching up, helping and surpassing” activities, and “leverage performance assessment” as a guiding force to continually ignite the passion for hardwork and entrepreneurship across the Bank.
- (3) **To adopt a problem-driven approach, be vigilant in peacetime and make up for shortcomings.** By benchmarking against outstanding peers, the Bank will comprehensively enhance its capabilities. On one hand, the Bank will expand its customer base, accelerate credit placement, improve profitability, and strengthen the capabilities of the head office. On the other hand, the Bank will implement comprehensive risk management to effectively prevent and control various risks.
- (4) **To deepen transformation, enhance capabilities and create highlights.** Adhering to the transformation direction of “Marketization, Specialization, Refinement and Digitization” and prioritizing the “five major articles” as the focus, the Bank will deepen reform and innovation across organizational structure, institutional mechanisms, corporate business, retail business, risk management and internal control, thereby continuously strengthening its core competitiveness.
- (5) **To cultivate a heart of awe, strictly abide by the bottom line, and promote compliant development.** The Bank will firmly foster bottom-line thinking and red line awareness, and guide all employees to respect the organization, authority and laws and regulations to ensure thoughtfulness in heart, restraint in speech and prudence in action, enabling the steady and long-term development of the Bank.
- (6) **To work happily, ride the momentum toward excellence, and achieve first-class results together.** The Bank will actively cultivate a home culture to enable employees to work and live with joy. By consolidating its achievements and seizing the momentum of development, the Bank will pool its strength to build “a first-class city commercial bank”.

CHAPTER 2 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

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

	June 30, 2025		Changes during the Reporting Period	December 31, 2024	
	Number of shares (Shares)	Percentage of total shares (%)	Number of shares (Shares)	Number of shares (Shares)	Percentage of total shares (%)
Domestic state shares	919,671,509	15.38	–	919,671,509	15.38
Domestic state-owned legal person shares	3,182,125,352	53.21	–	3,182,125,352	53.21
Domestic social legal person shares	787,277,492	13.17	–	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
Total number of Shares	5,980,058,344	100.00	–	5,980,058,344	100.00

II. INFORMATION ON SHAREHOLDERS

2.1 Total Number of Holders of Domestic Shares

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

Chapter 2 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

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	Number
1	Shandong Hi-Speed Group Company	State-owned legal person shares	2,126,237,528	35.56	Normal	—
2	Weihai Municipal Finance Bureau	State-owned shares	919,671,509	15.38	Normal	—
3	Shandong Hi-Speed	State-owned legal person shares	693,957,987	11.60	Normal	—
4	China National Heavy Duty Truck Group Co., Ltd.	State-owned legal person shares	243,084,607	4.06	Normal	—
5	Weihai Tian'an Real Estate Development Co., Ltd.	Social legal person shares	164,163,991	2.75	Normal	—
6	Shandong Gold Non-ferrous Metal Mine Group Co., Ltd.	State-owned legal person shares	90,185,970	1.51	Normal	—
7	Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd.	Social legal person shares	83,157,762	1.39	Normal	—
8	Shandong Homey Aquatic Development Co., Ltd.	Social legal person shares	71,463,546	1.20	Normal	—
9	Shandong Tianxicheng Enterprise Management Co., Ltd.	Social legal person shares	69,253,090	1.16	Normal	—
10	Weihai Xing'an Construction Engineering Co., Ltd.	Social legal person shares	60,054,251	1.00	Normal	—

Chapter 2 Changes in Share Capital and Information on Shareholders

II. INFORMATION ON SHAREHOLDERS (CONT'D)

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

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

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

Chapter 2 Changes in Share Capital and Information on Shareholders

II. INFORMATION ON SHAREHOLDERS (CONT'D)

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

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

II. INFORMATION ON SHAREHOLDERS (CONT'D)

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

Notes:

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

Shandong Hi-Speed is owned by Shandong Hi-Speed Group Company as to approximately 70.57%. 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.
- (5) Zhaojin Mining Industry Company Limited indirectly holds 68,712,000 H shares through Sparky International Company Limited, its wholly-owned subsidiary. Shandong Zhaojin Group Company Limited owns 34.74% of the interests in Zhaojin Mining Industry Company Limited. Accordingly, Zhaojin Mining Industry Company Limited and Shandong Zhaojin Group Company Limited are deemed to be interested in the 68,712,000 H shares held by Sparky International Company Limited for the purpose of the SFO.
- (6) Tianjin Guangcheng Investment Group Co., Ltd. wholly owns Tianjin Jizhou Xincheng Agricultural Development Co., Ltd. through its wholly-owned subsidiary, Tianjin Jizhou Xincheng Construction Investment Co., Ltd.. Accordingly, Tianjin Guangcheng Investment Group Co., Ltd. and Tianjin Jizhou Xincheng Construction Investment Co., Ltd. are deemed to be interested in the 67,040,000 H shares held by Tianjin Jizhou Xincheng Agricultural Development Co., Ltd. for the purpose of the SFO.

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

Chapter 2 Changes in Share Capital and Information on Shareholders

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 NFRA or its local offices.

3.1 Shareholders Holding 5% or More of the Shares

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

3.2 Other Major Shareholders

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

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

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

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

IV. NOMINATION OF DIRECTORS AND SUPERVISORS BY SHAREHOLDERS

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

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

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

CHAPTER 3 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. CURRENT DIRECTORS, SUPERVISORS 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 ⁽¹⁾
Mr. MENG Dongxiao	53	Executive Director and Chairman	April 2016
Mr. ZHANG Wenbin	42	Executive Director and President	August 2021
Mr. LU Jiliang	35	Executive Director and Vice President	August 2021
Mr. JIANG Yi	44	Executive Director and Vice President	December 2024
Mr. CHEN Xiaojun	55	Non-executive Director	December 2024
Mr. ZHAO Bing	58	Non-executive Director	August 2021
Mr. JIAO Weifeng	48	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	51	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 3 Directors, Supervisors, Senior Management and Employees

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

1.2 Supervisors

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

Name	Age	Position	Date of appointment ⁽¹⁾
Mr. ZHANG Renzhao	54	Chairman of the Board of Supervisors and Employees' Representative Supervisor	June 2021
Ms. ZHAO Lijie	51	Shareholders' Representative Supervisor	May 2011
Mr. ZHOU Hao	45	Shareholders' Representative Supervisor	May 2011
Mr. BI Jianchao	46	Shareholders' Representative Supervisor	September 2024
Ms. WANG Wenjing	39	Employees' Representative Supervisor	June 2024
Mr. LU Guangming	47	Employees' Representative Supervisor	September 2024
Mr. CHU Dianhui	56	External Supervisor	September 2024
Ms. WANG Hongmei	47	External Supervisor	September 2024
Mr. LIU Xiao	39	External Supervisor	September 2024

Note:

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

1.3 Senior Management

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

Note:

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

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

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

2.1 Changes in Directors

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

2.2 Changes in Supervisors

There were no changes in Supervisors during the Reporting Period.

2.3 Changes in Senior Management

On May 21, 2025, the Board of Directors of the Bank removed Ms. TAO Zunjian from her positions as a vice president and the chief accountant.

2.4 Changes in Information on Directors, Supervisors and Senior Management during the Reporting Period

Mr. KANG Jian ceased to serve as the deputy general manager of Shandong Hi-Speed in February 2025, and has served as a director and the general manager of Shandong Hi-Speed Sichuan Industrial Development Co., Ltd. since February 2025.

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

III. CHANGES IN JOINT COMPANY SECRETARIES

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

IV. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE BANK OR ITS ASSOCIATED CORPORATIONS

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

Name of Director/ Supervisor/chief executive	Class of shares	Capacity	Number of Domestic Shares directly or indirectly held	Percentage of total issued shares ⁽²⁾ (%)	Percentage of total class shares ⁽²⁾ (%)	Long position/ short position
Mr. ZHANG Wenbin	Domestic Shares	Beneficial owner	70,266	0.0012	0.0014	Long position
Ms. SUN Zuying	Domestic Shares	Beneficial owner	21,756	0.0004	0.0004	Long position
Mr. ZHANG Renzhao ⁽¹⁾	Domestic Shares	Beneficial owner	495,656	0.0083	0.0100	Long position
		Interest of spouse	113,752	0.0019	0.0023	Long position
Mr. LU Guangming	Domestic Shares	Beneficial owner	132,230	0.0022	0.0027	Long position

Notes:

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

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

V. SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

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

VI. STAFF AND HUMAN RESOURCE MANAGEMENT

6.1 Composition of employees

As of the end of the Reporting Period, the total number of our regular employees reached 3,747, of which 55.9% were female, 25.4% were employees aged 30 or below, and 96.9% 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.

6.2 Remuneration policy

In accordance with the PRC laws and regulations, the Bank contributes 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. The Bank has a labor union established in accordance with the PRC laws and regulations, which represents the interests of our employees and works closely with our management on labor-related issues.

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

6.2 Remuneration policy (Cont'd)

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

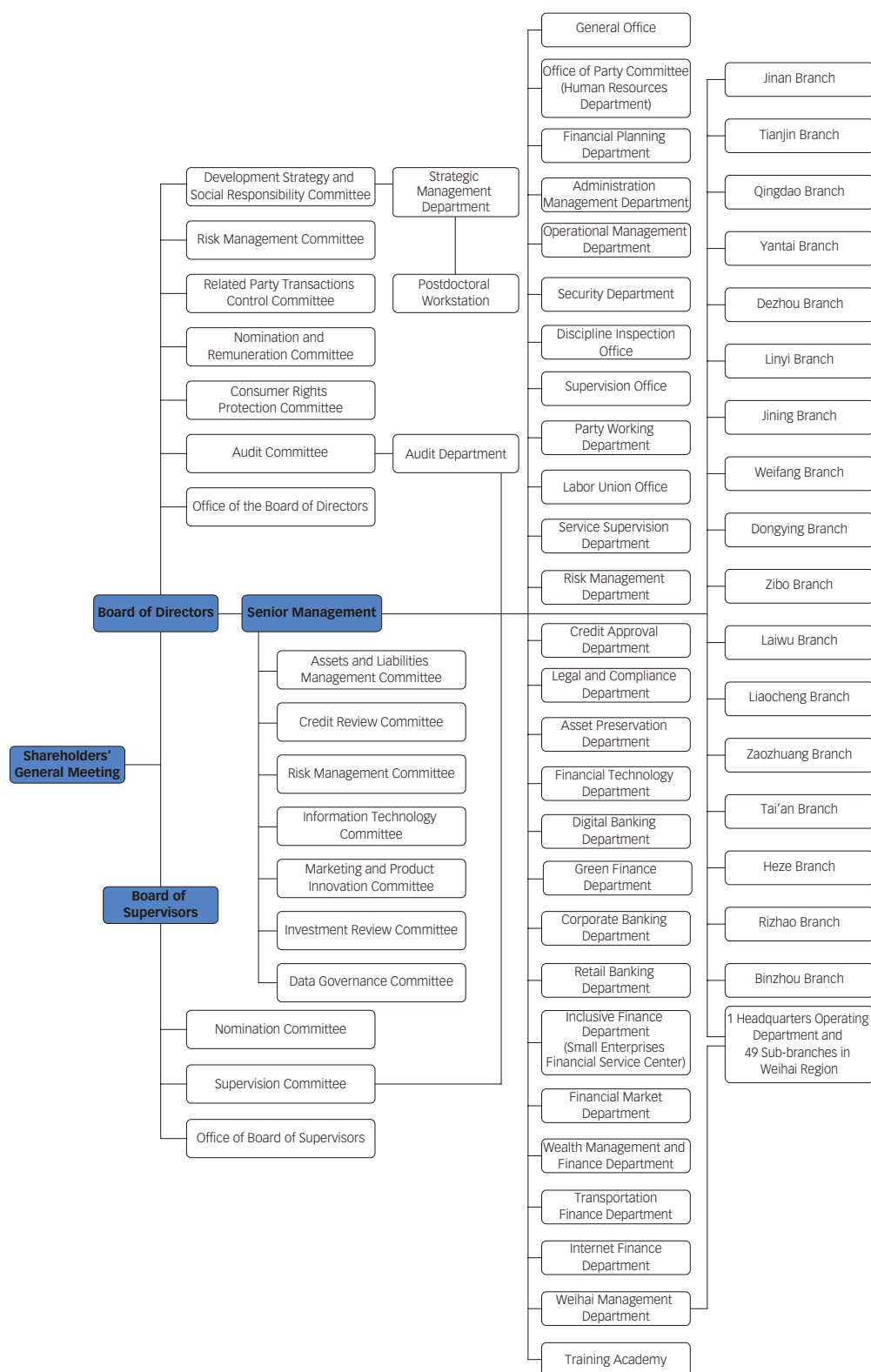
6.3 Training scheme

The Bank attaches great importance to talent cultivation, and takes talent selection and employment as the foundation of the Bank's development, and has established a professional team with good execution ability. During the Reporting Period, the Bank organized and carried out a series of training sessions, such as induction training for newly joined university graduates, onboarding training for new head office employees, "menu-style" grassroots training, and the "Original Aspiration and Growth" for the cultivating of outstanding young employees, effectively enhancing the professional quality of the team. Meanwhile, the Bank also organized and carried out professional training for business lines, including enterprises, retail, risk and operation business lines. The Bank aims to enhance the core competitiveness of its leadership team, and provide talent guarantee for the development of the Bank by conducting training in different specialties, categories and levels.

6.4 Share scheme

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

VII. ORGANIZATIONAL STRUCTURE CHART



CHAPTER 4 CORPORATE GOVERNANCE

I. GENERAL INFORMATION ON CORPORATE GOVERNANCE

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

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

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

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

II. SHAREHOLDERS' GENERAL MEETING

The main duties of the general meeting include electing and replacing non-employee representative Directors and Supervisors, deciding on their remuneration, considering and approving annual profit distribution plans and loss recovery proposals, making resolutions on the merger, demerger, dissolution and liquidation of the Bank or change of corporate form, and amending the Articles of Association, etc. During the Reporting Period, the Bank held one annual general meeting, details of which are set out below:

On June 18, 2025, the Bank held the 2024 annual general meeting in Weihai City, and a total of 25 Shareholders and valid proxies, representing 4,650,059,959 voting Shares in aggregate, representing approximately 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 Auditors for 2025.

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

III. MEETINGS OF THE BOARD AND ITS SPECIAL COMMITTEES

The Board is a decision-making body of the Bank and is accountable to the Shareholders' general meeting. Its main duties include convening the Shareholders' general meetings, reporting to the Shareholders' general meetings and executing the resolutions of the Shareholders' general meetings, deciding on the Bank's development strategies, business plans and investment plans, reviewing and approving annual financial budget reports and final accounts reports, formulating profit distribution plans and loss recovery plans, making proposals for the merger, demerger, dissolution and change of form of the Bank, formulating amendments to the Articles of Association, formulating the fundamental management systems of the Bank, and deciding on the Bank's ESG strategic plans, annual targets, major policies and basic systems. During the Reporting Period, the Board held 2 meetings, at which 61 resolutions were considered and approved. The special committees under the Board held 12 meetings in total, including 5 meetings convened by the Audit Committee, 1 meeting convened by the Strategic Development and Social Responsibility Committee, 1 meeting convened by the Nomination and Remuneration Committee, 2 meetings convened by the Risk Management Committee, 1 meeting convened by the Consumer Rights Protection Committee, and 2 meetings convened by the Related Party Transactions Control Committee.

IV. MEETINGS OF THE BOARD OF SUPERVISORS AND ITS SPECIAL COMMITTEES

The Board of Supervisors is the supervisory body of the Bank and is accountable to the Shareholders' general meeting. Its primary responsibilities include overseeing the financial operations of the Bank as well as the performance of duties of the Board and senior management. The Board of Supervisors conducts special investigations and attends important meetings in specific areas to understand the Bank's operations and management and to provide supervisory advice. During the Reporting Period, the Board of Supervisors held 2 meetings, at which 23 resolutions were considered and approved and 37 resolutions were heard. The special committees under the Board of Supervisors held 3 meetings, including 1 meeting convened by the Nomination Committee under the Board of Supervisors, and 2 meetings convened by the Supervision Committee under the Board of Supervisors.

V. PERFORMANCE OF DUTIES OF INDEPENDENT DIRECTORS

During the Reporting Period, the independent non-executive Directors discharged their statutory duties by attending meetings of the Board and the special committees in good faith and offering objective and independent advice to protect the interests of the Bank and its shareholders as a whole.

VI. PERFORMANCE OF DUTIES OF EXTERNAL SUPERVISORS

During the Reporting Period, the external Supervisors performed their supervisory duties independently, actively attended the meetings of the Board of Supervisors and relevant committees, presented in the Board meetings and shareholders' general meetings, and expressed objective and impartial independent opinions on matters discussed at the shareholders' general meeting, the meetings of the Board and the Board of Supervisors of the Bank.

VII. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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.

VIII. IMPLEMENTATION OF DIVIDEND DISTRIBUTIONS

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 Bank does not declare the 2025 interim dividend.

IX. EXTERNAL AUDITORS

Pursuant to the 2024 annual general meeting of the Bank convened on June 18, 2025, KPMG Huazhen LLP and KPMG were approved as domestic and international auditors of the Bank for 2025, respectively, with the term of office until the next annual general meeting of the Bank. The Bank did not re-appoint Zhongxinghua Certified Public Accountants LLP and BDO Limited as domestic and international auditors of the Bank, respectively.

X. RISK MANAGEMENT AND INTERNAL CONTROL

10.1 Risk Management

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

The Bank has established comprehensive risk management policies, procedures and risk limit management systems. We have established a sound risk management policy covering credit risk, market risk, operational risk, liquidity risk, strategic risk, information technology risk and reputational risk, etc., and have established a capital constraint mechanism focusing on capital adequacy ratio management, a complete internal capital adequacy assessment mechanism and a risk management mechanism that covers the entire work stream, including risk identification, measurement, assessment, monitoring, mitigation and control. During the Reporting Period, the Bank continued to improve the mechanism and 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.

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

10.1 Risk Management (Cont'd)

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

10.2 Internal Control

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

The Bank adheres to the prudent business principle of “priorities on internal control, system first” and continuously improves its system management framework to establish an internal control structure with the participation of all employees. During the Reporting Period, the Bank timely tracked the changes in regulatory policies, and revised and improved relevant management systems as and when appropriate according to the needs of the Bank’s operations and management, so as to ensure that all business operations were carried out steadily in accordance with the law and regulations. The Bank launched a series of activities themed “Knowing and Applying” to guide employees to revere, respect, learn and implement the systems, thus better transforming the advantages of the systems into governance effectiveness. Furthermore, a two-year initiative to enhance internal controls and risk management was carried out to reinforce systemic control of key business and management activities, improve the development of internal control and compliance mechanisms, and enhance the professionalism and refinement of internal control and risk management. Therefore, the Bank will continue to create an internal control compliance atmosphere of “behavior led by culture and priorities on strict internal control, acting by the system and strict institutional constraints, penetration of the system into the process and all-the-way compliance in a strict manner”.

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

10.2 Internal Control (Cont'd)

The Bank's Audit Department supervised the adequacy and effectiveness of internal controls and organized and implemented the internal control evaluation throughout the Bank to improve the risk management level of each organization.

The Bank's internal auditors formulated annual audit plans based on the decisions and deployments of the Party Committee as well as the development and reform goals and the regulatory requirements of the Bank, which were approved by the Board of Directors. During the Reporting Period, the Bank strictly implemented the audit plan, and conducted special audits on comprehensive risk, strategic risk and interest rate risk in the banking book through on-site inspections and off-site monitoring. In combination with regular audits and economic accountability audits, the Bank also conducted in-depth supervision of key institutions to promote the continuous improvement of its internal control and risk management standards. Emphasizing the role of technology in auditing, the Bank promoted the construction of audit informatization, consolidated the system data resource foundation and tapped the data potential to enhance the quality and efficiency of IT audits. An audit quality control mechanism was established to strengthen the full-process quality control of audit projects, improve refined management and prevent audit risks. The Bank improved the rectification and supervision mechanism to promote the improvement of system construction, optimize process management and achieve root rectification, thereby promoting the high-quality and stable development of the Bank.

The Bank attaches great importance to information disclosure and inside information management. In order to strengthen the confidentiality of inside information, 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 (《内幕消息管理办法》) 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 system, and is responsible for reviewing the effectiveness of the relevant system. 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 5 IMPORTANT EVENTS

ISSUE OF BONDS

During the Reporting Period, the Bank issued certificates of interbank deposit with an aggregate principal amount of RMB30,870 million. On June 23, 2025, the Bank issued perpetual capital bonds with the nominal value of RMB2 billion, carrying a coupon rate of 2.40% and a term of 5+N years, which were utilized to supplement other tier-one capital of the Bank. Please refer to Note 32 and Note 35 to the financial statements of this report for details of bonds that were not issued during the Reporting Period.

MATERIAL LITIGATION OR ARBITRATION

As of the end of the Reporting Period, the Bank was the plaintiff in 7 outstanding litigations with a principal balance of over RMB30 million, involving an amount of RMB1,178 million. The Bank was not the defendant in any outstanding litigations or arbitrations with an amount subject to the disputes of over RMB10 million. The above outstanding litigations 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 litigations and arbitrations (individually or jointly) would have a material adverse effect on the Bank's business, financial position and results of operations. Save as disclosed above, as of the date of the Report, the Bank had no other material litigation, arbitration and major case.

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.

FULFILLMENT OF UNDERTAKINGS

The specific details of the undertakings fulfilled by the Bank, its Shareholders, related parties and other undertaking-related parties are set out in "Chapter 8 Important Events – Fulfillment of Undertakings" in the 2024 annual report of the Bank, and there were no other undertakings that were fulfilled during the Reporting Period and not yet fulfilled as of the end of the Reporting Period.

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 balance of letters of guarantee and letters of credit of the Bank amounted to RMB2,793 million and RMB15.155 billion, respectively. The guarantee business is carried out 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 NFRA 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.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, there was no material acquisitions and disposals of subsidiaries, associates and joint ventures within the Bank.

Chapter 5 Important Events

RELATED PARTY TRANSACTIONS

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

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

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 and the Rules of Procedure for the Related Party Transactions Control Committee under the Board of Directors 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.

As of the end of the Reporting Period, the Bank's balance of the credit exposure to related party transactions under the requirements of the NFRA was RMB7.644 billion, accounting for 21.93% of net capital.

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.

EVENTS AFTER THE REPORTING PERIOD

On July 31, 2025, the Board of the Bank passed a resolution proposing the issuance of no more than 758,020,103 Domestic Shares and no more than 153,834,000 H Shares to the eligible subscribers. The net proceeds from the issuance, after deducting relevant issuance expenses, will be entirely used to supplement the Bank's core tier-one capital. The Bank will convene 2025 first extraordinary general meeting, 2025 first domestic shareholders class meeting, and 2025 first H shareholders class meeting to seek approval from the Bank's Shareholders for such issuance.

SIGNIFICANT EVENTS OF SUBSIDIARY

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

CHAPTER 6 REVIEW REPORT ON INTERIM FINANCIAL INFORMATION



TO THE BOARD OF DIRECTORS OF WEIHAI BANK CO., LTD.

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 79 to 170, which comprises the condensed consolidated statement of financial position of Weihai Bank Co., Ltd. (the “**Bank**”) and its subsidiary (collectively the “**Group**”) as of 30 June 2025, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and the IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standard Board. The directors are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 *Interim Financial Reporting*.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2025 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

28 August 2025

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2025 (unaudited)	2024 (unaudited)
Interest income		8,391,824	8,153,654
Interest expense		(4,743,929)	(4,690,317)
Net interest income	3	3,647,895	3,463,337
Fee and commission income		569,873	299,738
Fee and commission expense		(121,831)	(40,705)
Net fee and commission income	4	448,042	259,033
Net trading (losses)/gains	5	(118,383)	37,862
Net gains arising from investments	6	926,822	680,330
Other operating income	7	151,998	115,450
Operating income		5,056,374	4,556,012
Operating expenses	8	(1,087,081)	(970,546)
Impairment losses on assets	9	(2,524,558)	(2,169,585)
Profit before tax		1,444,735	1,415,881
Income tax expense	10	(187,747)	(227,646)
Net profit for the period		1,256,988	1,188,235
Net profit for the period attributable to:			
Equity shareholders of the Bank		1,127,572	1,074,481
Non-controlling interests		129,416	113,754
Basic and diluted earnings per share (In RMB)	11	0.19	0.18

The notes on pages 87 to 170 form part of the interim financial information.

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	Six months ended 30 June	
		2025 (unaudited)	2024 (unaudited)
Net profit for the period		1,256,988	1,188,235
Other comprehensive income for the period:			
<i>Item that will not be reclassified to profit or loss</i>			
Financial assets measured at fair value through other comprehensive income:			
– net movement in the fair value reserve, net of tax	36(4)	(69,345)	3,007
<i>Items that may be reclassified subsequently to profit or loss</i>			
Financial assets measured at fair value through other comprehensive income:			
– net movement in the fair value reserve, net of tax	36(4)	(819,721)	793,041
– net movement in the impairment reserve, net of tax	36(5)	8,929	3,328
Other comprehensive income for the period, net of tax		(880,137)	799,376
Total comprehensive income for the period		376,851	1,987,611
Total comprehensive income for the period attributable to:			
Equity shareholders of the Bank		247,435	1,873,857
Non-controlling interests		129,416	113,754

The notes on pages 87 to 170 form part of the interim financial information.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	30 June 2025 (unaudited)	31 December 2024 (audited)
Assets			
Cash and deposits with the central bank	12	25,898,552	27,352,477
Deposits with banks and other financial institutions	13	1,361,084	3,204,654
Placements with banks and other financial institutions	14	178,913	71,844
Financial assets held under resale agreements	15	–	962,276
Loans and advances to customers	16	226,159,859	207,506,283
Financial investments:			
– Financial investments measured at fair value through profit or loss	17	8,530,114	7,535,466
– Financial investments measured at fair value through other comprehensive income	18	80,096,332	82,862,526
– Financial investments measured at amortised cost	19	93,277,560	76,739,412
Lease receivables	21	32,407,408	24,338,837
Property and equipment	22	4,946,668	3,886,772
Right-of-use assets	23	475,228	464,063
Deferred tax	24	3,265,240	2,866,557
Other assets	25	7,246,005	3,672,607
Total assets		483,842,963	441,463,774
Liabilities			
Borrowings from the central bank	26	16,624,642	10,409,572
Deposits from banks and other financial institutions	27	158,708	5,313,451
Placements from banks and other financial institutions	28	32,974,539	27,470,479
Financial liabilities measured at fair value through profit or loss	29	1,440,685	–
Financial assets sold under repurchase agreements	30	6,500,265	12,101,725
Deposits from customers	31	339,392,108	301,951,559
Income tax payable		81,636	478,400
Debt securities issued	32	50,171,221	49,717,679
Lease liabilities		476,989	453,336
Other liabilities	33	3,521,028	2,770,106
Total liabilities		451,341,821	410,666,307

The notes on pages 87 to 170 form part of the interim financial information.

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

	Notes	30 June 2025 (unaudited)	31 December 2024 (audited)
Equity			
Share capital	34	5,980,058	5,980,058
Other equity instruments			
Including: perpetual bonds	35	5,999,092	3,999,262
Capital reserve	36(1)	4,925,135	4,925,135
Surplus reserve	36(2)	1,903,978	1,903,978
General reserve	36(3)	4,657,711	4,144,801
Fair value reserve	36(4)	905,058	1,794,124
Impairment reserve	36(5)	39,239	30,310
Retained earnings	37	6,137,101	6,120,445
Total equity attributable to equity shareholders of the Bank		30,547,372	28,898,113
Non-controlling interests		1,953,770	1,899,354
Total equity		32,501,142	30,797,467
Total liabilities and equity		483,842,963	441,463,774

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

Meng Dongxiao
Legal Representative
(Chairman)

Zhang Wenbin
President

(Company Stamp)

The notes on pages 87 to 170 form part of the interim financial information.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

For the six months ended 30 June 2025

Notes	Attributable to equity shareholders of the Bank									Non-controlling interests	Total equity
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Retained earnings	Sub-total		
Balance at 1 January 2025	5,980,058	3,999,262	4,925,135	1,903,978	4,144,801	1,794,124	30,310	6,120,445	28,898,113	1,899,354	30,797,467
Total comprehensive income	-	-	-	-	-	(889,066)	8,929	1,127,572	247,435	129,416	376,851
Issuance of other equity instruments 35	-	1,999,830	-	-	-	-	-	-	1,999,830	-	1,999,830
Appropriation of profit:											
– Appropriation to general reserve	-	-	-	-	512,910	-	-	(512,910)	-	-	-
– Appropriation to shareholders 37	-	-	-	-	-	-	-	(598,006)	(598,006)	(75,000)	(673,006)
Balance at 30 June 2025 (unaudited)	5,980,058	5,999,092	4,925,135	1,903,978	4,657,711	905,058	39,239	6,137,101	30,547,372	1,953,770	32,501,142

For the six months ended 30 June 2024

Note	Attributable to equity shareholders of the Bank									Non-controlling interests	Total equity
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Retained earnings	Sub-total		
Balance at 1 January 2024	5,980,058	4,099,201	4,925,460	1,720,576	3,690,579	211,091	33,822	5,579,161	26,239,948	1,767,945	28,007,893
Total comprehensive income	-	-	-	-	-	796,048	3,328	1,074,481	1,873,857	113,754	1,987,611
Appropriation of profit:											
– Appropriation to general reserve	-	-	-	-	454,221	-	-	(454,221)	-	-	-
– Appropriation to shareholders 37	-	-	-	-	-	-	-	(598,006)	(598,006)	(75,000)	(673,006)
Balance at 30 June 2024 (unaudited)	5,980,058	4,099,201	4,925,460	1,720,576	4,144,800	1,007,139	37,150	5,601,415	27,515,799	1,806,699	29,322,498

The notes on pages 87 to 170 form part of the interim financial information.

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

For the year ended 31 December 2024

Notes	Attributable to equity shareholders of the Bank									Non-controlling interests	Total equity
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Retained earnings	Sub-total		
Balance at 1 January 2024	5,980,058	4,099,201	4,925,460	1,720,576	3,690,579	211,091	33,822	5,579,161	26,239,948	1,767,945	28,007,893
Total comprehensive income	-	-	-	-	-	1,583,033	(3,512)	1,991,714	3,571,235	206,409	3,777,644
Redemption of other equity instruments	-	(2,999,675)	(325)	-	-	-	-	-	(3,000,000)	-	(3,000,000)
Issuance of other equity instruments	-	2,899,736	-	-	-	-	-	-	2,899,736	-	2,899,736
Appropriation of profit:											
– Appropriation to surplus reserve	36(2)	-	-	183,402	-	-	-	(183,402)	-	-	-
– Appropriation to general reserve	36(3)	-	-	-	454,222	-	-	(454,222)	-	-	-
– Appropriation to shareholders	37	-	-	-	-	-	-	(598,006)	(598,006)	(75,000)	(673,006)
– Distribution paid to perpetual bondholders	35	-	-	-	-	-	-	(214,800)	(214,800)	-	(214,800)
Balance at 31 December 2024 (audited)	5,980,058	3,999,262	4,925,135	1,903,978	4,144,801	1,794,124	30,310	6,120,445	28,898,113	1,899,354	30,797,467

The notes on pages 87 to 170 form part of the interim financial information.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

	Six months ended 30 June	
	2025	2024
	(unaudited)	(unaudited)
Cash flows from operating activities		
Profit before income tax	1,444,735	1,415,881
<i>Adjustments for:</i>		
Impairment losses on assets	2,524,558	2,169,585
Depreciation and amortisation	188,592	155,624
Unrealised foreign exchange gains, net	(25,896)	(11,352)
Net gains on disposal of property and equipment, intangible assets and other assets	(57)	(1)
Net gains arising from investments	(926,822)	(680,330)
Net trading losses/(gains)	144,279	(26,510)
Interest expense on debt securities issued	607,804	587,129
Interest income from financial investments	(2,177,439)	(2,244,925)
Others	(24,305)	8,447
	1,755,449	1,373,548
<i>Changes in operating assets</i>		
Net increase in deposits with the central bank	(637,264)	(18,293)
Net increase in deposits with banks and other financial institutions	(3,661)	(190)
Net increase in loans and advances to customers	(20,801,210)	(16,752,618)
Net increase in lease receivables	(8,399,631)	(3,263,182)
Net increase in other operating assets	(3,193,364)	(2,534,853)
	(33,035,130)	(22,569,136)
<i>Changes in operating liabilities</i>		
Net increase in borrowings from the central bank	6,218,009	913,524
Net decrease in deposits from banks and other financial institutions	(5,147,515)	(365,329)
Net increase in placements from banks and other financial institutions	5,521,052	4,248,200
Net decrease in financial assets sold under repurchase agreements	(5,600,000)	(1,549,953)
Net increase in deposits from customers	37,369,669	15,139,478
Net increase in other operating liabilities	1,568,700	198,136
	39,929,915	18,584,056
Income tax paid	(689,815)	(537,370)
Net cash flows generated from/(used in) operating activities	7,960,419	(3,148,902)

The notes on pages 87 to 170 form part of the interim financial information.

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2025

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Six months ended 30 June 2025 (unaudited)	2024 (unaudited)
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		126,401,549	78,868,020
Proceeds from investment gains and interest		3,319,593	3,291,612
Payments for acquisition of investments		(142,243,071)	(85,617,628)
Proceeds from disposal of property and equipment, intangible assets and other assets		4,539	37
Payments for acquisition of property and equipment, intangible assets and other assets		(1,219,838)	(743,150)
Net cash flows used in investing activities		(13,737,228)	(4,201,109)
Cash flows from financing activities			
Proceeds from debt securities issued		30,870,000	35,728,247
Repayment of debt securities issued		(30,690,000)	(25,170,000)
Payments for interest on debt securities issued		(334,262)	(330,647)
Proceeds from issuance of other equity instruments		2,000,000	–
Payments for dividends		(85,097)	(674,962)
Payment for lease liabilities		(47,657)	(39,728)
Payment for other financing activities		(170)	–
Net cash flows generated from financing activities		1,712,814	9,512,910
Effect of foreign exchange rate changes on cash and cash equivalents		(9,623)	(38)
Net (decrease)/increase in cash and cash equivalents		(4,073,618)	2,162,861
Cash and cash equivalents as at 1 January		14,782,432	12,994,610
Cash and cash equivalents as at 30 June	38	10,708,814	15,157,471
Net cash flows generated from operating activities include:			
Interest received		6,511,831	6,107,418
Interest paid		(4,092,841)	(3,567,640)

The notes on pages 87 to 170 form part of the interim financial information.

CHAPTER 7 NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED 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 Administration.

The Bank obtained its finance permit No. B0176H337100001 from the former China Banking Regulatory Commission (the former **"CBRC"**, in 2023, the regulator was renamed the National Financial Regulatory Administration (the **"NFRA"**) (Shandong Office). The Bank obtained its business license No. 913700002671339534 from the Market Supervision Administration of Weihai City. By 30 June 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 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(1) Basis of preparation

These interim financial information have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with IAS 34, Interim Financial Reporting as issued by the International Accounting Standards Board (**"IASB"**). These interim condensed consolidated financial statements were authorized for issue on 28 August 2025.

These interim financial information are presented in Renminbi (**"RMB"**), unless otherwise stated. These interim financial information and notes thereon do not include all the information required for a full set of financial statements prepared in accordance with IFRS Accounting Standards and should be read in conjunction with the 2024 annual consolidated financial statements.

Chapter 7 Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(1) Basis of preparation (continued)

The preparation of these interim financial information in compliance with IAS 34 requires use of certain judgements, estimates and assumptions made by management that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense on a year to date basis. Actual results may differ from these estimates. There have been no material revisions to the nature and amount of changes in estimates of amounts reported in prior periods.

These interim financial information are unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of Financial Information Performed by the Independent Auditor of the Entity, as issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on page 78.

(2) Change in Accounting Policies

(a) 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.

(b) Standards and amendments relevant to the Group that are not yet effective and have not been adopted before their effective dates in 2025

Effective date	New accounting standards or amendments
1 January 2026	<i>Classification and Measurement of Financial Instruments</i> – Amendments to IFRS 9 and IFRS 7
1 January 2026	<i>Contracts Referencing Nature-dependent Electricity</i> – Amendments to IFRS 9 and IFRS 7
1 January 2026	<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>
1 January 2027	<i>IFRS 18 Presentation and Disclosure in Financial Statements</i>
1 January 2027	<i>IFRS 19 Subsidiaries without Public Accountability: Disclosures</i>
Available for optional adoption/ effective date deferred indefinitely	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> – Amendments to IFRS 10 and IAS 28

Chapter 7 Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

3 NET INTEREST INCOME

	Six months ended 30 June	
	2025	2024
Interest income arising from:		
Deposits with the central bank	153,176	153,178
Deposits with banks and other financial institutions	8,489	2,401
Placements with banks and other financial institutions	123,339	103,999
Loans and advances to customers		
– Corporate loans and advances	3,945,125	3,766,002
– Personal loans and advances	878,126	985,935
– Discounted bills	134,839	116,260
Financial assets held under resale agreements	28,216	19,311
Financial investments	2,177,439	2,244,925
Lease receivables	943,075	761,643
Sub-total	8,391,824	8,153,654
Interest expense arising from:		
Borrowings from the central bank	(110,948)	(104,811)
Deposits from banks and other financial institutions	(32,331)	(94,901)
Placements from banks	(388,956)	(442,194)
Deposits from customers	(3,478,881)	(3,352,176)
Financial assets sold under repurchase agreements	(125,009)	(109,106)
Debt securities issued	(607,804)	(587,129)
Sub-total	(4,743,929)	(4,690,317)
Net interest income	3,647,895	3,463,337

Chapter 7 Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

4 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2025	2024
Fee and commission income		
Agency services fees	423,614	188,644
Acceptance and guarantee services fees	72,101	61,697
Settlement and clearing fees	49,990	33,281
Bank card services fees	6,639	8,402
Consulting and advisory services fees	993	481
Others	16,536	7,233
Sub-total	569,873	299,738
Fee and commission expense		
Settlement and clearing fees	(109,227)	(31,894)
Bank card services fees	(4,730)	(4,145)
Others	(7,874)	(4,666)
Sub-total	(121,831)	(40,705)
Net fee and commission income	448,042	259,033

5 NET TRADING (LOSSES)/GAINS

	Six months ended 30 June	
	2025	2024
Net (losses)/gains from debt securities	(45,898)	44,104
Net (losses)/gains from funds	(32,936)	33,064
Net losses from investment management products	(120,525)	(51,560)
Net gains/(losses) from derivatives	10,135	(3,829)
Net gains from equity investments	44,945	4,731
Exchange gains	25,896	11,352
Total	(118,383)	37,862

Chapter 7 Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

6 NET GAINS ARISING FROM INVESTMENTS

	Six months ended 30 June	
	2025	2024
Net gains from financial investments measured at fair value through profit or loss	100,818	114,335
Net gains from financial assets measured at fair value through other comprehensive income	795,812	142,726
Net gains from financial assets measured at amortised costs	981	408,782
Net gains from investments on derivatives	29,211	14,487
Total	926,822	680,330

7 OTHER OPERATING INCOME

	Six months ended 30 June	
	2025	2024
Operating leases income	139,306	114,082
Government grants	11,113	393
Penalty income	402	86
Others	1,177	889
Total	151,998	115,450

Chapter 7 Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

8 OPERATING EXPENSES

	Six months ended 30 June	
	2025	2024
Staff costs		
– Salaries, bonuses and allowances	412,566	397,544
– Social insurance	86,574	55,988
– Housing allowances	28,805	26,335
– Staff welfares	5,206	2,393
– Employee education expenses and labour union expenses	14,708	14,057
– Supplementary retirement benefits	15,760	13,988
Sub-total	563,619	510,305
Rental and property management expenses	8,116	6,575
Depreciation and amortisation	138,354	105,539
Depreciation charge for the right-of-use assets	50,238	50,085
Interest expense on lease liabilities	9,907	8,447
Taxes and surcharges	58,348	49,828
Office expenses	141,009	149,490
Other general and administrative expenses	117,490	90,277
Total	1,087,081	970,546

9 IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2025	2024
Loans and advances to customers	1,879,606	1,547,201
Financial investments	462,155	487,013
Lease receivables	219,930	52,394
Placements with banks and other financial institutions	68	(96)
Financial assets held under resale agreements	(525)	3,516
Deposits with banks and other financial institutions	(2,136)	(230)
Credit commitments	(7,485)	(1,731)
Others	(27,055)	81,518
Total	2,524,558	2,169,585

Chapter 7 Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

10 INCOME TAX EXPENSE

(1) Income tax for the reporting period

	Note	Six months ended 30 June	
		2025	2024
Current tax		293,051	615,729
Deferred tax	24(2)	(105,304)	(388,083)
Total		187,747	227,646

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

	Six months ended 30 June	
	2025	2024
Profit before tax	1,444,735	1,415,881
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	361,184	353,970
Tax effect of non-deductible expenses	18,459	18,817
Tax effect of non-taxable income (Note (i))	(191,896)	(145,141)
Income tax expense	187,747	227,646

Note:

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

Chapter 7 Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

11 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 period.

	Note	Six months ended 30 June	
		2025	2024
Weighted average number of ordinary shares (in thousands)	11(1)	5,980,058	5,980,058
Net profit attributable to ordinary shareholders of the Bank		1,127,572	1,074,481
Basic and diluted earnings per share (in RMB)		0.19	0.18

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

Six months ended 30 June		
	2025	2024
Weighted average number of ordinary shares at the beginning and end of the period	5,980,058	5,980,058

12 CASH AND DEPOSITS WITH THE CENTRAL BANK

	Notes	30 June 2025	31 December 2024
Cash on hand		243,325	251,520
Deposits with the central bank			
– Statutory deposit reserves	12(1)	17,679,895	17,150,604
– Surplus deposit reserves	12(2)	7,728,506	9,810,816
– Exchange risk reserve	12(3)	223,551	88,345
– Fiscal deposits		14,849	42,082
Sub-total		25,646,801	27,091,847
Accrued interest		8,426	9,110
Total		25,898,552	27,352,477

(1) The Bank places statutory deposit reserves with the PBOC in accordance with relevant regulations. The statutory deposit reserve ratios applicable to the Bank as at the end of each reporting period were as follows:

	30 June 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 30 June 2025, the exchange risk reserves ratio applicable to the Bank is 20.0% (31 December 2024: 20.0%).

Chapter 7 Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

13 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2025	31 December 2024
In Chinese Mainland		
– Banks	1,146,883	2,977,534
– Other financial institutions	79,466	56,384
Outside Chinese Mainland		
– Banks	136,575	174,791
Accrued interest	156	77
Sub-total	1,363,080	3,208,786
Less: Allowance for impairment losses	(1,996)	(4,132)
Total	1,361,084	3,204,654

14 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2025	31 December 2024
In Chinese Mainland		
– Banks	178,965	71,884
Accrued interest	73	17
Sub-total	179,038	71,901
Less: Allowance for impairment losses	(125)	(57)
Total	178,913	71,844

Chapter 7 Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

15 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(1) Analysed by type and location of counterparty

	30 June 2025	31 December 2024
In Chinese Mainland		
– Other financial institutions	–	962,397
Accrued interest	–	404
Sub-total	–	962,801
Less: Allowance for impairment losses	–	(525)
Total	–	962,276

(2) Analysed by type of collateral

	30 June 2025	31 December 2024
Securities	–	962,397
Accrued interest	–	404
Sub-total	–	962,801
Less: Allowance for impairment losses	–	(525)
Total	–	962,276

Chapter 7 Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS

(1) Analysed by nature

	30 June 2025	31 December 2024
Loans and advances measured at amortized cost:		
Corporate loans and advances	170,989,959	150,517,943
Sub-total	170,989,959	150,517,943
Personal loans and advances		
– Residential mortgage loans	14,689,238	14,844,559
– Personal consumption loans	13,179,575	13,994,331
– Personal business loans	12,093,934	13,874,181
– Credit cards	546,212	590,757
Sub-total	40,508,959	43,303,828
Accrued interest	1,913,295	1,779,140
Less: Allowance for impairment losses of loans and advances to customers measured at amortised cost	(5,035,915)	(4,604,039)
Sub-total	208,376,298	190,996,872
Loans and advances measured at FVOCI:		
– Discounted bills	17,783,561	16,509,411
Carrying amount of loans and advances to customers	226,159,859	207,506,283

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

	30 June 2025	31 December 2024
Unsecured loans	34,184,647	31,602,227
Guaranteed loans	83,875,321	72,428,181
Collateralised loans	67,756,975	66,363,769
Pledged loans	25,681,975	23,427,594
Discounted bills	17,783,561	16,509,411
Gross loans and advances to customers	229,282,479	210,331,182

Chapter 7 Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

	30 June 2025				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	138,122	348,325	288,859	24,619	799,925
Guaranteed loans	360,938	231,784	131,276	11,653	735,651
Collateralised loans	615,635	709,102	932,413	103,372	2,360,522
Pledged loans	19,500	–	2,900	–	22,400
Total	1,134,195	1,289,211	1,355,448	139,644	3,918,498
As a percentage of gross loans and advances to customers	0.49%	0.57%	0.59%	0.06%	1.71%

	31 December 2024				Total
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	
Unsecured loans	136,020	412,564	132,623	15,877	697,084
Guaranteed loans	454,478	108,830	86,181	13,214	662,703
Collateralised loans	283,194	718,497	1,068,366	78,653	2,148,710
Pledged loans	149,370	2,280	2,900	–	154,550
Total	1,023,062	1,242,171	1,290,070	107,744	3,663,047
As a percentage of gross loans and advances to customers	0.49%	0.59%	0.61%	0.05%	1.74%

Chapter 7 Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

16 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:

	30 June 2025			Total
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired (Note (i))	
Gross loans and advances to customers measured at amortised cost (including accrued interest)	202,113,564	7,619,562	3,679,087	213,412,213
Less: Allowance for impairment losses	(1,831,893)	(1,419,445)	(1,784,577)	(5,035,915)
Net carrying amount of loans and advances to customers measured at amortised cost	200,281,671	6,200,117	1,894,510	208,376,298

	31 December 2024			Total
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired (Note (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 7 Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

16 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):

	30 June 2025			Total
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired (Note (i))	
Gross/Carrying amount of loans and advances to customers at FVOCI	17,783,561	–	–	17,783,561
Allowance for impairment losses included in other comprehensive income	(26,228)	–	–	(26,228)

	31 December 2024			Total
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired (Note (i))	
Gross/Carrying amount of loans and advances to customers at FVOCI	16,509,411	–	–	16,509,411
Allowance for impairment losses included in other comprehensive income	(15,911)	–	–	(15,911)

Note:

(i) The definition of the credit-impaired financial assets is set out in Note 41(1) Credit risk.

Chapter 7 Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

16 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:*

	Six months ended 30 June 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	35,951	(35,951)	–	–
– Lifetime ECL				
– not credit-impaired loans	(57,300)	71,253	(13,953)	–
– credit-impaired loans	–	(226,208)	226,208	–
(Reversal)/Charge for the period	(130,976)	334,398	1,665,867	1,869,289
Recoveries of loans and advances previously written off	–	–	234,322	234,322
Write-offs and others	–	–	(1,671,735)	(1,671,735)
As at 30 June 2025	1,831,893	1,419,445	1,784,577	5,035,915

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(Expressed in thousands of Renminbi, unless otherwise stated)

16 LOANS AND ADVANCES TO CUSTOMERS (continued)

(5) Movements of allowance for impairment losses (continued)

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

		2024		
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
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

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16 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:*

	Six months ended 30 June 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 period	10,317	–	–	10,317
As at 30 June 2025	26,228	–	–	26,228

	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.

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(Expressed in thousands of Renminbi, unless otherwise stated)

17 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2025	31 December 2024
Debt securities, analysed by type of issuers:		
– Banks and other financial institutions	1,725,195	1,428,857
Asset-backed securities	555,181	–
Fund Investments	5,138,590	4,919,881
Investment management products	826,499	947,024
Equity investments	284,649	239,704
Total	8,530,114	7,535,466
Listed	284,649	239,704
Unlisted	8,245,465	7,295,762
Total	8,530,114	7,535,466

Note:

- (i) Only debt securities traded on stock exchanges are included in listed debt securities.

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(Expressed in thousands of Renminbi, unless otherwise stated)

18 FINANCIAL INVESTMENTS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2025	31 December 2024
Debt securities, analysed by type of issuers:		
– Government	19,739,277	13,326,499
– Policy banks	14,285,561	18,005,635
– Banks and other financial institutions	31,615,537	32,308,007
– Corporates	8,527,291	10,868,050
Accrued interest	778,706	1,099,833
Sub-total	74,946,372	75,608,024
Interbank deposits	4,603,470	6,461,232
Asset-backed securities	297,221	458,422
Accrued interest	3,507	19,812
Sub-total	300,728	478,234
Equity investments	245,762	315,036
Total	80,096,332	82,862,526
Unlisted	80,096,332	82,862,526
Total	80,096,332	82,862,526

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(Expressed in thousands of Renminbi, unless otherwise stated)

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

Notes:

- (i) The Group designates part of non-trading equity investments as financial investments measured at fair value through other comprehensive income.
- (ii) For the six months ended 30 June 2025, the Group's cash dividends received from equity investments measured at fair value through other comprehensive income was RMB0.64 million (2024: RMB4.6 million).

(1) Movements of allowance for impairment losses of financial investments measured at fair value through other comprehensive income are as follows:

	Six months ended 30 June 2025			
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
As at 1 January 2025	24,502	–	–	24,502
Charge for the period	1,589	–	–	1,589
As at 30 June 2025	26,091	–	–	26,091

	2024			
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
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 7 Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

19 FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST

	Note	30 June 2025	31 December 2024
Debt securities, analysed by type of issuers:			
– Government		47,704,514	35,164,203
– Policy banks		17,365,828	12,646,843
– Banks and other financial institutions		9,813,555	9,356,995
– Corporates		15,055,731	15,560,537
Accrued interest		1,464,119	1,443,939
Sub-total		91,403,747	74,172,517
Investment management products		3,711,107	3,962,535
Accrued interest		131,180	135,406
Sub-total		3,842,287	4,097,941
Asset-backed securities		488,926	785,506
Accrued interest		2,448	32,730
Sub-total		491,374	818,236
Less: Allowance for impairment losses	19(1)	(2,459,848)	(2,349,282)
Total		93,277,560	76,739,412
Unlisted		93,277,560	76,739,412
Total		93,277,560	76,739,412

Chapter 7 Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

19 FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST (continued)

Note:

- (i) As at the end of each reporting period, certain debt securities were pledged for repurchase agreements, borrowings from the central bank, deposits from customers and securities borrowing (Note 44(5)).

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

	Six months ended 30 June 2025			
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit- impaired	Total
As at 1 January 2025	41,163	410,568	1,897,551	2,349,282
Charge for the period	10,834	218,181	231,551	460,566
Write-offs	–	–	(350,000)	(350,000)
As at 30 June 2025	51,997	628,749	1,779,102	2,459,848

	2024			
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit- impaired	Total
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

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20 INVESTMENT IN SUBSIDIARY

	30 June 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 (in thousands)	Amount invested by the Bank (in thousands)	Place of registration and operations	Principal activities
Shandong Tongda Financial Leasing Co., Ltd. (Note (i))	54.55%	54.55%	1,650,000	1,047,500	Jinan, Shandong	Financial leasing

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 30 June 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 30 June 2025, the Bank holds 54.55% of equity interests of Tongda (31 December 2024: 54.55%).

21 LEASE RECEIVABLES

	30 June 2025	31 December 2024
Minimum lease receivables	9,818,782	7,783,130
Less: Unearned finance lease income	(3,579,514)	(2,920,208)
Present value of lease receivables	6,239,268	4,862,922
Finance leaseback receivables	26,745,390	19,915,960
Sub-total	32,984,658	24,778,882
Accrued interest	379,231	320,741
Less: Allowance for impairment losses	(956,481)	(760,786)
Carrying amount	32,407,408	24,338,837

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(Expressed in thousands of Renminbi, unless otherwise stated)

21 LEASE RECEIVABLES (continued)

Lease receivables and the allowance for impairment losses are as follows:

	30 June 2025			
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit- impaired	Total
Lease receivables	31,945,475	744,794	673,620	33,363,889
Less: Allowance for impairment losses	(515,501)	(159,133)	(281,847)	(956,481)
Carrying amount	31,429,974	585,661	391,773	32,407,408

	31 December 2024			
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit- impaired	Total
Lease receivables	23,591,357	1,136,666	371,600	25,099,623
Less: Allowance for impairment losses	(392,577)	(214,589)	(153,620)	(760,786)
Carrying amount	23,198,780	922,077	217,980	24,338,837

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21 LEASE RECEIVABLES (continued)

Movements of the allowance for impairment losses on lease receivables are as follows:

	Six months ended 30 June 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	34,224	(34,224)	–	–
– Lifetime ECL				
– not credit-impaired	(9,050)	9,050	–	–
– credit-impaired	(5,446)	(35,792)	41,238	–
Charge for the period	103,196	5,510	111,224	219,930
Written off and others	–	–	(24,235)	(24,235)
As at 30 June 2025	515,501	159,133	281,847	956,481

	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
Written off and others	–	–	(309,299)	(309,299)
As at 31 December 2024	392,577	214,589	153,620	760,786

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21 LEASE RECEIVABLES (continued)

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

	30 June 2025		
	Minimum finance lease receivables	Unearned finance income	Present value of finance lease receivables
Less than 1 year (inclusive)	994,608	(405,853)	588,755
1 year to 2 years (inclusive)	892,376	(368,985)	523,391
2 years to 3 years (inclusive)	761,352	(338,073)	423,279
3 years to 4 years (inclusive)	630,445	(313,098)	317,347
4 years to 5 years (inclusive)	601,863	(291,944)	309,919
More than 5 years	5,938,138	(1,861,561)	4,076,577
Total	9,818,782	(3,579,514)	6,239,268

	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
Total	7,783,130	(2,920,208)	4,862,922

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22 PROPERTY AND EQUIPMENT

	Premises <i>Note(i)</i>	Machinery	Property improvements	Office equipment	Motor vehicles	Total
Cost						
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)
As at 31 December 2024	1,610,190	2,445,576	312,210	557,720	19,703	4,945,399
Additions	105,901	1,042,983	10,440	15,250	3,722	1,178,296
Transfer from investment properties	605	–	–	–	–	605
Transfer to investment properties	(25,784)	–	–	–	–	(25,784)
Disposals	–	(4,513)	–	–	(3,486)	(7,999)
As at 30 June 2025	1,690,912	3,484,046	322,650	572,970	19,939	6,090,517
Accumulated depreciation						
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
As at 31 December 2024	(276,698)	(107,547)	(243,710)	(408,433)	(16,559)	(1,052,947)
Charge for the period	(20,240)	(51,487)	(8,256)	(25,175)	(209)	(105,367)
Transfer from investment properties	(334)	–	–	–	–	(334)
Transfer to investment properties	16,959	–	–	–	–	16,959
Disposals	–	208	–	–	3,312	3,520
As at 30 June 2025	(280,313)	(158,826)	(251,966)	(433,608)	(13,456)	(1,138,169)
Allowance for impairment losses						
As at 31 December 2024 and 30 June 2025	(5,680)	–	–	–	–	(5,680)
Net book value						
As at 30 June 2025	1,404,919	3,325,220	70,684	139,362	6,483	4,946,668
As at 31 December 2024	1,327,812	2,338,029	68,500	149,287	3,144	3,886,772

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22 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:

	30 June 2025	31 December 2024
Held in mainland China		
– Medium-term leases (10-50 years)	1,391,412	1,300,123
– Long-term leases (over 50 years)	13,507	27,689
Total	1,404,919	1,327,812

As at 30 June 2025, the net book value of the Group's premises with incomplete title deeds of the Group was RMB593.8 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.

23 RIGHT-OF-USE ASSETS

	Properties
Net book value	
As at 1 January 2024	370,691
Additions	201,000
Depreciation charge for the year	(102,381)
Disposals	(5,247)
As at 31 December 2024	464,063
Additions	61,403
Depreciation charge for the period	(50,238)
As at 30 June 2025	475,228

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24 DEFERRED TAX

(1) Analysed by nature

	30 June 2025		31 December 2024	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Deferred income tax assets				
– Allowance for impairment losses	13,083,988	3,270,997	12,947,199	3,236,800
– Accrued staff costs and others	838,260	209,565	710,016	177,504
Subtotal	13,922,248	3,480,562	13,657,215	3,414,304
Deferred income tax liabilities				
– Change in fair value	(861,288)	(215,322)	(2,190,986)	(547,747)
Subtotal	(861,288)	(215,322)	(2,190,986)	(547,747)
Net balances	13,060,960	3,265,240	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	34,197	36,070	32,061	102,328
Recognised in other comprehensive income	–	296,355	–	296,355
As at 30 June 2025	3,270,997	(215,322)	209,565	3,265,240

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25 OTHER ASSETS

	Notes	30 June 2025	31 December 2024
Interest receivables	25(1)	336,733	410,700
Prepaid expenses	25(2)	165,771	166,575
Intangible assets	25(3)	162,472	157,829
Long-term deferred expenses		3,563	1,320
Reposessed assets	25(4)	248,540	235,795
Land use rights	25(5)	9,734	9,870
Investment properties	25(6)	10,188	2,004
Settlement and clearing account		1,364,014	19,992
Deductible input Value Added Tax ("VAT")		886,214	647,469
Others (Note (i))		4,245,743	2,274,112
Subtotal		7,432,972	3,925,666
Less: Allowance for impairment losses		(186,967)	(253,059)
Total		7,246,005	3,672,607

Note:

- (i) Others mainly include derivative financial assets, current accounts and other receivables, etc.

(1) Interest receivables

	30 June 2025	31 December 2024
Interest receivable arising from:		
– Financial investments	305,450	331,700
– Loans and advances to customers	27,024	72,827
– Others	4,259	6,173
Sub-total	336,733	410,700
Less: Allowance for impairment losses	(173,043)	(239,669)
Total	163,690	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.

(2) Prepaid expenses

As at the end of each reporting period, prepaid expenses include prepayment to contractors for systems designs and maintenance, renovations and the other prepaid expenses.

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25 OTHER ASSETS (continued)

(3) Intangible assets

	Computer software and system development
Cost	
As at 1 January 2024	290,344
Additions	103,797
Disposals	(7,901)
As at 31 December 2024	386,240
Additions	33,081
As at 30 June 2025	419,321
Accumulated amortisation	
As at 1 January 2024	(188,129)
Charge for the year	(48,183)
Disposals	7,901
As at 31 December 2024	(228,411)
Charge for the period	(28,438)
As at 30 June 2025	(256,849)
Net book value	
As at 30 June 2025	162,472
As at 31 December 2024	157,829

(4) Repossessed assets

	30 June 2025	31 December 2024
Land use right and buildings	248,540	235,795
Less: Allowance for impairment losses	(11,448)	(11,448)
Net balances	237,092	224,347

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25 OTHER ASSETS (continued)

(5) Land use rights

	30 June 2025	31 December 2024
Located in mainland China: 10-50 years	9,734	9,870

(6) Investment properties

	Investment properties
Cost	
As at 1 January 2024	23,443
Transfer from property and equipment	460
Transfer to property and equipment	(18,809)
As at 31 December 2024	5,094
Transfer from property and equipment	25,784
Transfer to property and equipment	(605)
As at 30 June 2025	30,273
Accumulated depreciation	
As at 1 January 2024	(10,239)
Charge for the year	(385)
Transfer to property and equipment	7,534
As at 31 December 2024	(3,090)
Charge for the period	(370)
Transfer from property and equipment	(16,959)
Transfer to property and equipment	334
As at 30 June 2025	(20,085)
Net book value	
As at 30 June 2025	10,188
As at 31 December 2024	2,004

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26 BORROWINGS FROM THE CENTRAL BANK

	30 June 2025	31 December 2024
Borrowings	14,512,727	9,895,183
Re-discounted bills	2,105,747	509,028
Accrued interest	6,168	5,361
Total	16,624,642	10,409,572

27 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2025	31 December 2024
In Chinese mainland – Banks	153,921	5,301,436
Accrued interest	4,787	12,015
Total	158,708	5,313,451

28 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2025	31 December 2024
In Chinese mainland – Banks	31,318,102	25,903,050
– Other financial institutions	1,423,000	1,317,000
Accrued interest	233,437	250,429
Total	32,974,539	27,470,479

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29 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2025	31 December 2024
Financial liabilities measured at FVTPL – Short selling of bonds	1,440,685	–
Total	1,440,685	–

30 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(1) Analysed by type and location of counterparty

	30 June 2025	31 December 2024
In Chinese mainland – Banks	6,500,000	12,100,000
Accrued interest	265	1,725
Total	6,500,265	12,101,725

(2) Analysed by types of collaterals

	30 June 2025	31 December 2024
Securities	6,500,000	12,100,000
Accrued interest	265	1,725
Total	6,500,265	12,101,725

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31 DEPOSITS FROM CUSTOMERS

	30 June 2025	31 December 2024
Demand deposits		
– Corporate customers	58,250,159	57,361,033
– Personal customers	10,771,711	10,572,171
Sub-total	69,021,870	67,933,204
Time deposits		
– Corporate customers	105,202,730	94,022,741
– Personal customers	156,623,800	131,524,186
Sub-total	261,826,530	225,546,927
Inward and outward remittances	10,798	9,398
Accrued interest	8,532,910	8,462,030
Total	339,392,108	301,951,559

32 DEBT SECURITIES ISSUED

	Notes	30 June 2025	31 December 2024
Certificates of interbank deposit	(1)	30,068,802	29,827,752
Tier-two capital debts	(2)	5,699,756	5,699,734
Financial bonds	(3)	13,999,770	13,999,645
Interests accrued		402,893	190,548
Total		50,171,221	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. During the six months ended 30 June 2025, the Bank issued a number of certificates of interbank deposits with total minimal amount RMB30,870.0 million and duration between 1 to 12 months. The coupon interest rates ranged from 1.60% to 2.13% per annum.
- iii. As at 30 June 2025, the fair value of certificates of interbank deposits issued was RMB30,084.5 million (31 December 2024: RMB29,851.3 million).

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32 DEBT SECURITIES ISSUED (continued)

Notes: (continued)

(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%.
- 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. As at 30 June 2025, the fair value of the tier-two capital debts issued was RMB5,811.0 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%.
- 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. As at 30 June 2025, the fair value of the financial bonds issued was RMB14,094.0 million (31 December 2024: RMB14,138.2 million).

33 OTHER LIABILITIES

	Notes	30 June 2025	31 December 2024
Interest payable		35,355	22,472
Agency business liabilities		237,156	205,652
Accrued staff costs	33(1)	801,267	923,750
Dividend payable		589,713	1,804
Settlement and clearing accounts		160,294	235,776
Output VAT payable		106,667	111,773
Provision	33(2)	49,022	56,507
Leasing deposits		563,850	417,187
Other tax payables		231,409	210,179
Receipt in advances		176,947	117,497
Others		569,348	467,509
Total		3,521,028	2,770,106

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33 OTHER LIABILITIES (continued)

(1) Accrued staff costs

	30 June 2025	31 December 2024
Salary, bonuses and allowances payable	715,951	840,869
Social insurance payable	388	–
Others	84,928	82,881
Total	801,267	923,750

(2) Provision

	30 June 2025	31 December 2024
Expected credit loss on credit commitments	49,022	56,507
Total	49,022	56,507

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

	Six months ended 30 June 2025			
	Expected credit losses over the next 12 months	Lifetime expected credit losses not credit- impaired	Lifetime expected credit losses credit-impaired	Total
As at 1 January 2025	56,507	–	–	56,507
(Reversal)/Charge for the period	(9,554)	2,069	–	(7,485)
As at 30 June 2025	46,953	2,069	–	49,022

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33 OTHER LIABILITIES (continued)

(2) Provision (continued)

	Expected credit losses over the next 12 months	2024		Total
		Lifetime expected credit losses not credit-impaired	Lifetime expected credit losses credit-impaired	
As at 1 January 2024	66,988	–	–	66,988
Reversal for the year	(10,481)	–	–	(10,481)
As at 31 December 2024	56,507	–	–	56,507

34 SHARE CAPITAL

Authorised and issued share capital

	30 June 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.

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35 OTHER EQUITY INSTRUMENTS

On 28 November 2019, the Group issued a perpetual bond of RMB3,000.0 million with no fixed maturity date, resulting in credits to perpetual bonds of RMB2,999.7 million, after deducting the direct issuance cost of RMB0.3 million. In addition, the payment of interest can be indefinitely deferred at the Group's option and is not cumulative. The Group has fully redeemed the perpetual bond on 2 December 2024.

On 29 November 2021, the Group issued a perpetual bond of RMB1,100.0 million with no fixed maturity date, resulting in credits to perpetual bonds of RMB1,099.5 million, after deducting the direct issuance cost of RMB0.5 million. In addition, the payment of interest can be indefinitely deferred at the Group's option and is not cumulative.

On 20 November 2024, the Group issued a perpetual bond of RMB2,900.0 million with no fixed maturity date, resulting in credits to perpetual bonds of RMB2,899.7 million, after deducting the direct issuance cost of RMB0.3 million. In addition, the payment of interest can be indefinitely deferred at the Group's option and is not cumulative.

On 23 June 2025, the Group issued a perpetual bond of RMB2,000.0 million with no fixed maturity date, resulting in credits to perpetual bonds of RMB1,999.8 million, after deducting the direct issuance cost of RMB0.2 million. In addition, the payment of interest can be indefinitely deferred at the Group's option and is not cumulative.

During the year ended 31 December 2024, the Group did not cancel the payment of distribution and the corresponding interest of RMB214.8 million was paid to perpetual bondholders accordingly.

During the six months ended 30 June 2025, the Group did not distribute interest on perpetual bonds.

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36 RESERVES

(1) Capital reserve

	30 June 2025	31 December 2024
Share premium	4,933,399	4,933,399
Other capital reserve	(8,264)	(8,264)
Total	4,925,135	4,925,135

(2) 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 may also appropriate discretionary surplus reserve in accordance with the resolution of the shareholders.

(3) General reserve

Pursuant to the "Measures on Impairment Allowance for Financial Enterprises (Cai Jin [2012] No. 20)" issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.50% of the ending balance of its gross risk-bearing assets on an annual basis.

(4) Fair value reserve

	Six months ended 30 June 2025	2024
As at 1 January	1,794,124	211,091
Changes in fair value recognised in other comprehensive income	(1,185,421)	2,110,711
Less: deferred tax	296,355	(527,678)
As at 30 June/31 December	905,058	1,794,124

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36 RESERVES (continued)

(5) Impairment reserve

	Six months ended 30 June 2025	2024
As at 1 January	30,310	33,822
Impairment losses recognised in other comprehensive income	11,905	(4,683)
Less: deferred tax	(2,976)	1,171
As at 30 June/31 December	39,239	30,310

37 PROFIT APPROPRIATION

- (1) 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;
 - Pursuant to the Measures on Impairment Allowance for Financial Enterprises (Cai Jin [2012] No. 20), appropriation of general reserve amounted to approximately RMB465.6 million; and
 - Declaration of cash dividend in an aggregation amount of approximately RMB598.0 million to shareholders whose names appear on the register of member of the Bank on 30 June 2025.
- (2) 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;
 - Pursuant to the Measures on Impairment Allowance for Financial Enterprises (Cai Jin [2012] No. 20), appropriation of general reserve amounted to approximately RMB438.1 million; and
 - Declaration of cash dividend in an aggregation amount of approximately RMB598.0 million to shareholders whose names appear on the register of member of the Bank on 13 May 2024.

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38 NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

Cash and cash equivalents:

	30 June 2025	30 June 2024
Cash	243,325	219,589
Surplus deposit reserves with the central bank	7,728,506	8,001,557
Original maturity within three months:		
– Deposits with banks and other financial institutions	1,351,024	584,098
– Placements with banks and other financial institutions	178,965	–
– Financial investments	1,206,994	6,352,227
Total	10,708,814	15,157,471

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39 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, member of the Board of Supervisors in the Bank.

Shareholdings in the Bank:

	30 June 2025	31 December 2024
Shandong Hi-Speed Group Co., Ltd (山東高速集團有限公司)	35.56%	35.56%
Weihai Municipal Finance Bureau (威海市財政局)	15.38%	15.38%
Shandong Hi-Speed Company Limited (山東高速股份有限公司)	11.60%	11.60%
Weihai Tian'an Real Estate Development Co., Ltd. (威海天安房地產開發有限公司)	2.75%	2.75%
Shandong Weihai Huanqiu Fishing Tackle Industrial Co., Ltd (山東環球漁具股份有限公司)	1.39%	1.39%
Shandong Homey Aquatic Development Co., Ltd (山東好當家海洋發展股份有限公司)	1.20%	1.20%

The official names of these related parties are in Chinese. The English translation is for reference only.

(ii) Subsidiary of the Bank

The detailed information of the Bank's subsidiary is set out in Note 20.

(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 39(1) or their controlling shareholders.

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39 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(2) Transactions with related parties other than key management personnel

(i) Transactions between the Bank and major shareholders:

	Six months ended 30 June	
	2025	2024
Transactions during the period		
Interest income	–	3,771
Interest expense	23,362	47,119
Fee and commission income	18	27
	30 June	31 December
	2025	2024
Balances at end of the period/year		
Deposits from customers	8,077,208	8,838,166
Financial investments	–	204,590

(ii) Transactions between the Bank and its subsidiary:

	Six months ended 30 June	
	2025	2024
Transactions during the period		
Interest income	38,190	42,937
Interest expense	2,738	7,647
Rental income	1,377	1,040
	30 June	31 December
	2025	2024
Balances at end of the period/year		
Loans and advances to customers and placements with banks and other financial institutions	2,838,782	2,570,744
Deposits from customers and deposits from banks and other financial institutions	832,051	707,060

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39 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(2) Transactions with related parties other than key management personnel (continued)

(iii) Transactions between the Bank and other related parties:

Six months ended 30 June		
	2025	2024
Transactions during the period		
Interest income	128,473	108,950
Interest expense	40,859	90,463
Fee and commission income	7,993	8,831
Rental expenses	617	648

	30 June 2025	31 December 2024
Balances at end of the period/year		
Loans and advances to customers	4,250,511	3,629,159
Deposits from customers	8,709,956	8,316,430
Financial investments	1,775,591	279,287
Bank acceptances	199,289	97,607
Letters of guarantees	118,452	122,605
Letters of credit	1,075,000	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.

(i) Transactions between the Bank and key management personnel:

Six months ended 30 June		
	2025	2024
Transactions during the period		
Interest income	10	22
Interest expense	147	153

	30 June 2025	31 December 2024
Balances at end of the period/year		
Loans and advances to customers	630	1,029
Deposits from customers	10,438	12,147

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39 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (continued)

(3) Key management personnel (continued)

(ii) Key management personnel compensation:

	Six months ended 30 June	
	2025	2024
Key management personnel compensation	8,679	7,619

(4) Loans and advances to directors, supervisors and officers

	30 June 2025	31 December 2024
Aggregate amount of relevant loans outstanding at the end of the period/year	607	949
Maximum aggregate amount of relevant loans outstanding during the period/year	949	1,482

There were no amount due but unpaid at 30 June 2025 and 31 December 2024.

40 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.

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40 SEGMENT REPORTING (continued)

Financial market business

This segment covers the Group's Financial market business operations. The Financial market business enters into inter-bank money market transactions, repurchases transactions, and investments, 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.

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40 SEGMENT REPORTING (continued)

	Six months ended 30 June 2025				
	Corporate banking	Retail banking	Financial market business	Others	Total
External net interest income/(expense)	3,041,916	(1,073,851)	1,679,830	–	3,647,895
Internal net interest (expense)/income	(164,586)	2,000,442	(1,835,856)	–	–
Net interest income/(expense)	2,877,330	926,591	(156,026)	–	3,647,895
Net fee and commission income/(expense)	109,132	(41,783)	380,693	–	448,042
Net trading gains/(losses)	6,422	–	(124,805)	–	(118,383)
Net gains arising from investments	–	–	926,822	–	926,822
Other net operating income	145,720	4,385	2,867	(974)	151,998
Operating income	3,138,604	889,193	1,029,551	(974)	5,056,374
Operating expenses	(681,935)	(238,131)	(162,796)	(4,219)	(1,087,081)
Impairment losses on assets	(1,560,489)	(455,844)	(508,225)	–	(2,524,558)
Profit/(losses) before taxation	896,180	195,218	358,530	(5,193)	1,444,735
Other segment information					
– Depreciation and amortisation	134,106	32,912	21,574	–	188,592
– Capital expenditure	1,142,214	41,778	27,385	–	1,211,377

	30 June 2025				
	Corporate banking	Retail banking	Financial market business	Others	Total
Segment assets	211,134,764	51,549,973	217,433,206	459,780	480,577,723
Deferred tax					3,265,240
Total assets					483,842,963
Segment liabilities/Total liabilities	214,497,512	172,748,307	63,436,580	659,422	451,341,821
Credit commitments	75,035,685	3,121,919	–	–	78,157,604

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40 SEGMENT REPORTING (continued)

	Six months ended 30 June 2024				
	Corporate banking	Retail banking	Financial market business	Others	Total
External net interest income/(expense)	2,504,444	(869,329)	1,828,222	–	3,463,337
Internal net interest income/(expense)	56,779	1,800,530	(1,857,309)	–	–
Net interest income/(expense)	2,561,223	931,201	(29,087)	–	3,463,337
Net fee and commission income/(expense)	70,347	55,477	135,113	(1,904)	259,033
Net trading (losses)/gains	(1,523)	–	39,385	–	37,862
Net gains arising from investments	–	–	680,330	–	680,330
Other net operating income	113,974	–	–	1,476	115,450
Operating income	2,744,021	986,678	825,741	(428)	4,556,012
Operating expenses	(591,882)	(245,631)	(122,590)	(10,443)	(970,546)
Impairment losses on assets	(1,373,274)	(391,250)	(400,332)	(4,729)	(2,169,585)
Profit/(losses) before taxation	778,865	349,797	302,819	(15,600)	1,415,881
Other segment information					
– Depreciation and amortisation	92,647	43,071	19,627	279	155,624
– Capital expenditure	663,358	308,393	140,528	–	1,112,279

	31 December 2024				
	Corporate banking	Retail banking	Financial market business	Others	Total
Segment assets	194,077,616	55,532,545	187,949,773	1,037,283	438,597,217
Deferred tax					2,866,557
Total assets					441,463,774
Segment liabilities/Total liabilities	201,250,457	148,848,845	57,580,603	2,986,402	410,666,307
Credit commitments	67,257,632	2,640,959	–	–	69,898,591

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41 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.

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41 RISK MANAGEMENT (continued)

(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 and Personal Finance Department carry out credit businesses according to the Group's risk management policies and procedures.

The Group continuously improves the internal control mechanism and strengthens the management of all processes of the credit business. Based on effective checks and balances, the Group has established comprehensive assessment and accountability mechanisms, assigning responsibilities of credit management to the relevant departments and individuals.

For corporate and institutional businesses, the Group has established industry-, region-, product- and client-specific limits for credit approval. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks.

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the application and their recommendations to the loan-approval departments or personnel for approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process according to standardised loan recovery procedures.

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41 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(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*

When one or more quantitative, qualitative standards or upper limits are triggered, the Group assumes that credit risk on financial assets has increased significantly.

If the borrower is listed in the watch list and one or more of the following criteria are met:

- the credit spread increases significantly;
- significant changes with an adverse effect that have taken place in the borrower's business, financial and economic status;
- application of a grace period or debt-restructuring;
- significant changes with an adverse effect in the borrower's business conditions;
- less value of the collaterals (for the collateral loans and pledged loans only);
- early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of loans; or
- principal or interest of the instrument is more than 30 days past due.

The Group uses watch lists to monitor credit risk of financial assets related to loans and treasury operations, and conducts regular assessments at the counterparty level. The standards used in determining whether credit risk increases significantly are regularly monitored and reviewed by the management for the appropriateness.

The Group has not used the low credit risk exemption for any financial assets at the end of each reporting period.

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41 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 measures provision for loss of financial assets based on the stages categorised above.

The ECL is the result of the discounted product of probability of default ("**PD**"), exposure at default ("**EAD**") and loss given default ("**LGD**"). The definitions of these terms are as follows:

- PD refers to the likelihood 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;
- LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

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41 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(e) *Measurement of ECLs (continued)*

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.

Forward-looking economic information should be considered when determining the 12-month and lifetime PD, EAD and LGD.

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41 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(e) *Measurement of ECLs (continued)*

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 30 June 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.

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41 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(e) Measurement of 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 from governmental and non-governmental organisation, etc. are also used as benchmarks to ensure the forecasts are reasonable and supportable. For the Optimistic and Pessimistic scenarios, the Group makes reference to the historical macroeconomics data.

The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECLs for each asset portfolio such as the accumulated year-on-year growth rate of GDP, the accumulated year-on-year growth rate of fixed-asset investment, the accumulated year-on-year growth rate of CPI and M2. The Group evaluates and forecasts these economic indicators at least annually and applied them in the impairment model.

The probability weight assigned for each scenario reflects the Group’s view for the economic environment, which implements the Group’s prudent and consistent credit strategy of ensuring the adequacy of impairment allowance.

A higher probability weight is assigned to the Baseline scenario to reflect the most likely outcome and a lower probability weight is assigned to the Optimistic and Pessimistic scenarios to reflect the less likely outcomes. As at 30 June 2025, the weights assigned to various economic scenarios were: “Baseline” 60%, “Optimistic” 20%, and “Pessimistic” 20% (31 December 2024: the same).

Key/Major macroeconomic scenario assumptions used by the Group to assess ECL:

Macroeconomic Factor	30 June 2025	31 December 2024
	Range of the factors	
Fixed-asset investment: accumulated year-on-year	3.0%-4.5%	3.1%-5.4%
CPI: accumulated year-on-year	0.0%-1.0%	0.0%-1.5%

The calculation of ECL is affected by macroeconomic factors and economic scenarios. If more pessimistic macroeconomic factors are applied in ECL assessment or a higher probability weight is assigned to the Pessimistic scenario, it would result in an increase in ECL.

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41 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

As at 30 June 2025, if 5% of the probability weight is shifted from Baseline scenario to Pessimistic scenario, the impairment allowance of loans and advances will increase by 0.58% (31 December 2024: increase by 0.68%), and the impairment allowance of debt investments at amortised cost and fair value through other comprehensive income will increase by 0.08% (31 December 2024: increase by 0.09%). If 5% of the probability weight is shifted from Baseline scenario to Optimistic scenario, the impairment allowance of loans and advances will decrease by 0.99% (31 December 2024: decrease by 0.63%), and the impairment allowance of debt investments at amortised cost and fair value through other comprehensive income will decrease 0.05% (31 December 2024: decrease by 0.12%).

(f) Maximum credit risk exposure

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

	30 June 2025	31 December 2024
Deposits with the central bank	25,655,227	27,100,957
Deposits with banks and other financial institutions	1,361,084	3,204,654
Placements with banks and other financial institutions	178,913	71,844
Financial assets held under resale agreements	–	962,276
Loans and advances to customers	226,159,859	207,506,283
Financial investments:		
– Financial investments measured at FVTPL	3,391,524	2,615,585
– Financial investments measured at FVOCI	79,850,570	82,547,490
– Financial investments measured at amortised cost	93,277,560	76,739,412
Lease receivables	32,407,408	24,338,837
Others	546,948	467,738
Sub-total	462,829,093	425,555,076
Credit commitments	78,157,604	69,898,591
Total	540,986,697	495,453,667

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41 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:

	30 June 2025		31 December 2024	
	Amount	Percentage	Amount	Percentage
Leasing and business services	35,450,736	15.46%	31,620,498	15.03%
Wholesale and retail	24,405,308	10.64%	20,893,009	9.93%
Manufacturing	23,624,154	10.30%	21,114,876	10.04%
Construction	22,892,033	9.98%	18,728,891	8.90%
Water conservancy, environment and public facilities management	21,008,447	9.16%	22,231,313	10.57%
Electricity, heat, gas and water production and supply	11,679,789	5.09%	7,877,721	3.75%
Financial industry	9,600,000	4.19%	7,300,000	3.47%
Real estate	7,685,386	3.35%	7,274,221	3.46%
Agriculture, forestry, animal husbandry and fishery	4,313,005	1.88%	3,923,913	1.87%
Transportation, warehousing, and postal services	2,805,848	1.22%	2,826,313	1.34%
Education	1,531,392	0.67%	2,223,298	1.06%
Health and social work	1,506,566	0.66%	932,455	0.44%
Accommodation and catering	1,454,482	0.63%	1,351,671	0.64%
Others	3,032,813	1.35%	2,219,764	1.06%
Subtotal for corporate loans and advances	170,989,959	74.58%	150,517,943	71.56%
Personal loans and advances	40,508,959	17.66%	43,303,828	20.59%
Discounted bills	17,783,561	7.76%	16,509,411	7.85%
Gross loans and advances to customers	229,282,479	100.00%	210,331,182	100.00%

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(Expressed in thousands of Renminbi, unless otherwise stated)

41 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(g) Risk concentration (continued)

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:

	30 June 2025	31 December 2024
Unrated	80,299,801	71,177,917
AAA	71,131,082	55,282,966
AA- to AA+	17,771,295	19,449,319
Below AA-	1,371,251	1,589,432
Total	170,573,429	147,499,634

(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:

	30 June 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
Financial assets measured at amortised cost								
Cash and balances with the central bank	25,898,552	-	-	25,898,552	-	-	-	-
Deposits with banks and other financial institutions	1,363,080	-	-	1,363,080	(1,996)	-	-	(1,996)
Placements with banks and other financial institutions	179,038	-	-	179,038	(125)	-	-	(125)
Loans and advances to customers	202,113,564	7,619,562	3,679,087	213,412,213	(1,831,893)	(1,419,445)	(1,784,577)	(5,035,915)
Financial investments	90,558,739	2,514,997	2,663,672	95,737,408	(51,997)	(628,749)	(1,779,102)	(2,459,848)
Lease receivables	31,945,475	744,794	673,620	33,363,889	(515,501)	(159,133)	(281,847)	(956,481)
Total	352,058,448	10,879,353	7,016,379	369,954,180	(2,401,512)	(2,207,327)	(3,845,526)	(8,454,365)

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41 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(h) Analysis on the credit quality of financial instruments (continued)

	30 June 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
Financial assets measured at FVOCI								
Loans and advances to customers								
– Discounted bills	17,783,561	-	-	17,783,561	(26,228)	-	-	(26,228)
Financial investments	79,850,570	-	-	79,850,570	(26,091)	-	-	(26,091)
Total	97,634,131	-	-	97,634,131	(52,319)	-	-	(52,319)
Credit commitments	78,123,604	34,000	-	78,157,604	(46,953)	(2,069)	-	(49,022)

	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
Financial assets measured at amortised cost								
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)
Total	314,749,574	10,165,732	6,469,887	331,385,193	(2,422,672)	(1,901,110)	(3,395,039)	(7,718,821)

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41 RISK MANAGEMENT (continued)

(1) Credit risk (continued)

(h) Analysis on the credit quality of financial instruments (continued)

	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	Stage 1	Stage 2	Stage 3	Total
Financial assets measured at FVOCI								
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)
Total	99,056,901	–	–	99,056,901	(40,413)	–	–	(40,413)
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.

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41 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:

	30 June 2025					Total
	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	
Assets						
Cash and deposits with the central bank	490,151	25,408,401	-	-	-	25,898,552
Deposits with banks and other financial institutions	156	1,360,928	-	-	-	1,361,084
Placements with banks and other financial institutions	73	178,840	-	-	-	178,913
Loans and advances to customers (Note (i))	1,913,295	37,339,768	109,306,671	61,797,857	15,802,268	226,159,859
Financial investments (Note (ii))	3,962,129	12,159,628	16,113,549	54,884,686	94,784,014	181,904,006
Others	15,319,515	3,812,214	8,781,717	14,847,429	5,579,674	48,340,549
Total assets	21,685,319	80,259,779	134,201,937	131,529,972	116,165,956	483,842,963
Liabilities						
Borrowings from the central bank	6,168	4,265,321	12,353,153	-	-	16,624,642
Deposits from banks and other financial institutions	4,787	153,921	-	-	-	158,708
Placements from banks and other financial institutions	233,437	7,607,312	22,175,790	2,958,000	-	32,974,539
Financial liabilities measured at fair value through profit or loss	-	-	-	1,440,685	-	1,440,685
Financial assets sold under repurchase agreements	265	6,500,000	-	-	-	6,500,265
Deposits from customers	8,532,910	112,173,335	105,340,046	113,345,817	-	339,392,108
Debt securities issued	402,893	15,580,738	19,488,049	8,999,785	5,699,756	50,171,221
Others	3,602,664	2,739	5,611	153,434	315,205	4,079,653
Total liabilities	12,783,124	146,283,366	159,362,649	126,897,721	6,014,961	451,341,821
Asset-liability gap	8,902,195	(66,023,587)	(25,160,712)	4,632,251	110,150,995	32,501,142

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41 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(a) Interest rate risk (continued)

		31 December 2024				
	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets						
Cash and deposits with the central bank	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 (Note (i))	1,779,141	44,532,205	86,562,684	59,764,975	14,867,278	207,506,283
Financial investments (Note (ii))	4,588,435	11,217,333	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
Total assets	17,927,789	89,618,357	108,075,080	107,865,830	117,976,718	441,463,774
Liabilities						
Borrowings from the central bank	5,362	2,444,919	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
Total liabilities	10,843,911	149,011,865	124,591,093	120,157,061	6,062,377	410,666,307
Asset-liability gap	7,083,878	(59,393,508)	(16,516,013)	(12,291,231)	111,914,341	30,797,467

Notes:

- (i) As at 30 June 2025 and 31 December 2024, the category "Less than three months" of the Group's loans and advances to customers includes overdue loans and advances (net of allowance for impairment losses) of RMB1.347 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.

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41 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(a) Interest rate risk (continued)

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

	30 June 2025 (Decrease)/ Increase	31 December 2024 (Decrease)/ Increase
Changes in annualised net interest income		
Interest rates increase by 25 bps	(212,235)	(179,451)
Interest rates decrease by 25 bps	212,235	179,451

	30 June 2025 (Decrease)/ Increase	31 December 2024 (Decrease)/ Increase
Changes in annualised equity		
Interest rates increase by 25 bps	(645,214)	(760,911)
Interest rates decrease by 25 bps	660,054	780,041

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41 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(a) 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.

The Group adopts sensitivity analysis to measure the possible effects of changes in exchange rates on net gains and losses and interests of the Group. As the foreign currency assets and liabilities account for an immaterial part of the total assets and total liabilities of the Group, the effect of changes in exchange rates on net gains and losses and interests of the Group would be immaterial.

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41 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(b) Currency risk (continued)

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

	30 June 2025			
	RMB	USD (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Assets				
Cash and deposits with the central bank	25,563,176	335,376	–	25,898,552
Deposits with banks and other financial institutions	932,339	399,790	28,955	1,361,084
Placements with banks and other financial institutions	–	178,913	–	178,913
Loans and advances to customers	226,006,087	153,772	–	226,159,859
Financial investments (Note (i))	179,596,547	2,307,459	–	181,904,006
Others	48,338,452	–	2,097	48,340,549
Total assets	480,436,601	3,375,310	31,052	483,842,963
Liabilities				
Borrowings from the central bank	16,624,642	–	–	16,624,642
Deposits from banks and other financial institutions	158,708	–	–	158,708
Placements from banks and other financial institutions	32,521,587	452,952	–	32,974,539
Financial liabilities measured at fair value through profit or loss	1,440,685	–	–	1,440,685
Financial assets sold under repurchase agreements	6,500,265	–	–	6,500,265
Deposits from customers	335,935,670	3,451,015	5,423	339,392,108
Debt securities issued	50,171,221	–	–	50,171,221
Others	3,888,855	187,015	3,783	4,079,653
Total liabilities	447,241,633	4,090,982	9,206	451,341,821
Net position	33,194,968	(715,672)	21,846	32,501,142
Credit commitments	77,894,120	263,484	–	78,157,604

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41 RISK MANAGEMENT (continued)

(2) Market risk (continued)

(b) Currency risk (continued)

	RMB	31 December 2024		Total
		USD (RMB equivalent)	Others (RMB equivalent)	(RMB equivalent)
Assets				
Cash and deposits with the central bank	27,179,826	172,651	–	27,352,477
Deposits with banks and other financial institutions	2,963,439	190,635	50,580	3,204,654
Placements with banks 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 (Note (i))	164,790,373	2,347,031	–	167,137,404
Others	35,224,576	1	4,259	35,228,836
Total assets	438,566,177	2,842,758	54,839	441,463,774
Liabilities				
Borrowings from the central bank	10,409,572	–	–	10,409,572
Deposits from banks 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
Total liabilities	407,386,791	3,246,732	32,784	410,666,307
Net position	31,179,386	(403,974)	22,055	30,797,467
Credit commitments	69,574,744	323,111	736	69,898,591

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.

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41 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 Banking Department, Department of Credit Approval, Department of Financial Market, Information Technology and Audit Department, responsible for formulating liquidity risk management strategy and establishing internal control mechanism to support the implementation and supervision of liquidity risk management strategy.

The measurement of liquidity risk of the Group adopts liquidity indicator and cash flow gap calculation. By stress testing, the Group sets up mild, moderate and severe scenarios to examine the capacity to withstand liquidity or liquidity crises and improve liquidity contingency measures. In terms of response to liquidity risks, the Group: strengthens management and monitoring of liquidity limits; establishes related liquidity emergency leading groups, early-warning indicators for internal and external liquidity risks and indicators that could trigger contingency plans and monitors these indicators; builds up quality liquidity assets reserve and financing capability management; erects liquidity risk reporting mechanism, in which the Financial Planning Department reports to the Asset and Liability Management Committee, senior management and the Board of Directors on issues related to the status, stress testing and contingency plans of liquidity risks on a regular basis.

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(Expressed in thousands of Renminbi, unless otherwise stated)

41 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.

	30 June 2025							
	Indefinite (Note (i))	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	17,918,295	7,980,257	-	-	-	-	-	25,898,552
Deposits with banks and other financial institutions	-	1,361,084	-	-	-	-	-	1,361,084
Placements with banks and other financial institutions	-	-	178,913	-	-	-	-	178,913
Loans and advances to customers	2,446,291	1,082,609	9,602,239	19,951,787	92,160,768	67,464,361	33,451,804	226,159,859
Financial investments	1,538,066	-	8,217,980	3,222,960	12,832,863	59,121,412	96,970,725	181,904,006
Others	9,020,261	1,698,139	2,111,768	6,140,428	7,862,324	15,472,060	6,035,569	48,340,549
Total assets	30,922,913	12,122,089	20,110,900	29,315,175	112,855,955	142,057,833	136,458,098	483,842,963
Liabilities								
Borrowings from the central bank	-	-	1,098,684	3,168,820	12,357,138	-	-	16,624,642
Deposits from banks and other financial institutions	-	5,744	152,964	-	-	-	-	158,708
Placements from banks and other financial institutions	-	-	2,786,187	4,906,630	22,310,761	2,970,961	-	32,974,539
Financial liabilities measured at fair value through profit or loss	-	-	-	-	-	1,440,685	-	1,440,685
Financial assets sold under repurchase agreements	-	-	6,500,265	-	-	-	-	6,500,265
Deposits from customers	-	69,095,905	12,897,129	31,458,057	109,267,957	116,673,060	-	339,392,108
Debt securities issued	-	-	4,248,364	11,332,376	19,567,364	9,129,648	5,893,469	50,171,221
Others	49,022	333,286	1,111,017	141,839	676,363	1,452,921	315,205	4,079,653
Total liabilities	49,022	69,434,935	28,794,610	51,007,722	164,179,583	131,667,275	6,208,674	451,341,821
Net position	30,873,891	(57,312,846)	(8,683,710)	(21,692,547)	(51,323,628)	10,390,558	130,249,424	32,501,142

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41 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	
Assets								
Cash and deposits with the central bank	17,192,686	10,062,336	201	9,261	87,993	–	–	27,352,477
Deposits with banks and other financial institutions	8,240	3,196,337	–	77	–	–	–	3,204,654
Placements with banks 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
Total assets	32,205,738	14,368,281	20,011,278	26,370,770	89,388,116	119,221,033	139,898,558	441,463,774
Liabilities								
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
Total liabilities	–	70,533,361	42,533,740	45,128,032	122,306,380	124,102,417	6,062,377	410,666,307
Net position	32,205,738	(56,165,080)	(22,522,462)	(18,757,262)	(32,918,264)	(4,881,384)	133,836,181	30,797,467

Note:

- (i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of financial investments represents impaired financial investments or those overdue more than one month. Equity investments are listed in the category of indefinite.

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41 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:

	30 June 2025							Contractual undiscounted cash flow	Carrying Amount
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years		
Borrowings from the central bank	-	-	1,104,521	3,221,195	12,455,185	-	-	16,780,901	16,624,642
Deposits from banks and other financial institutions	-	5,744	153,118	-	-	-	-	158,862	158,708
Placements from banks and other financial institutions	-	-	2,798,219	4,996,383	22,682,681	3,000,731	-	33,478,014	32,974,539
Financial liabilities measured at fair value through profit or loss	-	-	-	-	1,440,685	-	-	1,440,685	1,440,685
Financial assets sold under repurchase agreements	-	-	6,500,265	-	-	-	-	6,500,265	6,500,265
Deposits from customers	-	69,098,174	12,923,551	31,569,830	110,908,974	123,013,150	-	347,513,679	339,392,108
Debt securities issued	-	-	4,406,611	11,772,018	20,083,199	10,133,400	6,133,800	52,529,028	50,171,221
Other financial liabilities	49,022	333,286	590,800	18,523	578,143	216,434	368,897	2,155,105	2,155,105
Total	49,022	69,437,204	28,477,085	51,577,949	168,148,867	136,363,715	6,502,697	460,556,539	449,417,273

	31 December 2024							Contractual undiscounted cash flow	Carrying Amount
	Indefinite	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years		
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
Total	-	68,926,963	36,985,392	44,950,002	129,508,578	130,383,905	6,296,897	417,051,737	409,026,618

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

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41 RISK MANAGEMENT (continued)

(4) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group has specified issues of operational risks, including its manifestation, management mode, reporting procedure, reporting cycle and statistics of loss and improved comprehensive risk management system, with major initiatives as follows:

- Establishment of operational risk management system in a crisscrossing manner. On the one hand, the Group establishes an operational risk management framework that is compatible with its nature, scale, complexity and risk characteristics, including the operational risk management mechanism that involves its board of directors, board of supervisors, senior management, head office and branches. On the other hand, a three-tier risk prevention system for the front office, middle office and back office has been established for every major risk faced by the Group.
- Formation of business philosophy of compliance and robustness. The Group fosters favourable control environment, including constant advances and promotion in operational risk culture by the board of directors and senior management.
- Preference to low operational risk under the framework of ‘robust’ risk preference. By conducting controls on operational risk including identification, measurement, resolution, monitoring and reporting, the Group establishes mechanisms for risk avoidance, loss prediction, prevention, control, reduction, financing to control operational risk within the carrying capacity of the Group and maximise its profits.
- Prevention of operational risks based on the means of inspection and supervision. All departments and branches of the head office actively perform their duties of supervision and management, conduct routine and special inspections on operational risks in major businesses, establish ledger of all problems identified or rectification and check-off. Based on the inspection by departments, the internal audit department fully uses the off-site audit system, business risk early-warning system and remote monitoring system to detect violations and pay constant attention to risk-prone problems to prevent operational risks. In the meantime, inspections and investigations are exercised on key businesses, key institutions and key personnel to prevent operational risks.
- Combination of punishment and incentives to encourage compliance and standard operations. Integral management will be implemented on personnel violating operational standards for strict ascertainment of responsibility; employees are encouraged to spontaneously disclose and actively report operational risks; internal management, compliance operation, inspection and supervision and swindle prevention and control of the head office and branches shall be quantitatively assessed for penalty points; innovative implementation of compliance and internal control management of institutions shall be assessed for bonus points.
- Substantive achievements in carrying out system training and improving staff operation skills have been effective in preventing operational risks for the Group.

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42 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.

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42 CAPITAL MANAGEMENT (continued)

	30 June 2025	31 December 2024
Core tier-one capital		
– Share capital	5,980,058	5,980,058
– Qualifying portion of capital reserve	4,925,135	4,925,135
– Surplus reserve	1,903,978	1,903,978
– General reserve	4,657,711	4,144,801
– Other comprehensive income	944,297	1,824,434
– Retained earnings	6,137,101	6,120,445
– Qualifying portion of non-controlling interests	1,334,329	1,032,817
Total core tier-one capital	25,882,609	25,931,668
Core tier-one capital deductions	(855,698)	(447,002)
Net core tier-one capital	25,026,911	25,484,666
Other tier-one capital	6,177,003	4,136,971
Net tier-one capital	31,203,914	29,621,637
Tier-two capital		
– Instruments issued and share premium	5,699,756	5,699,734
– Surplus allowance for loan impairment	2,431,152	2,049,050
– Eligible portion of non-controlling interests	355,821	275,418
Net tier-two capital	8,486,729	8,024,202
Total net capital	39,690,643	37,645,839
Total risk weighted assets	300,481,425	273,670,266
Core tier-one capital adequacy ratio	8.33%	9.31%
Tier-one capital adequacy ratio	10.38%	10.82%
Capital adequacy ratio	13.21%	13.76%

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43 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 investments*

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period. If quoted market prices are not available, then fair values are estimated on the basis of 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.

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(Expressed in thousands of Renminbi, unless otherwise stated)

43 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.

(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.

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43 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:

	30 June 2025			Total
	Level 1	Level 2	Level 3	
Financial investments measured at FVTPL				
– Debt securities	–	1,725,195	–	1,725,195
– Equity Investments	284,649	–	–	284,649
– Asset-backed securities	–	555,181	–	555,181
– Fund investments	–	5,138,590	–	5,138,590
– Investment management products	–	–	826,499	826,499
Financial investments measured at FVOCI				
– Debt securities	–	74,946,372	–	74,946,372
– Equity Investments	–	–	245,762	245,762
– Asset-backed securities	–	300,728	–	300,728
– Certificates of interbank deposit	–	4,603,470	–	4,603,470
Loans and advances to customers measured at FVOCI	–	17,783,561	–	17,783,561
Total financial assets	284,649	105,053,097	1,072,261	106,410,007
Financial liabilities measured at FVTPL	–	1,440,685	–	1,440,685
Total financial liabilities	–	1,440,685	–	1,440,685

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43 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
– Equity Investments	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 Investments	–	–	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
Total financial assets	239,704	105,405,639	1,262,060	106,907,403

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43 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 six months ended 30 June 2025:

	As at 1 January 2025	Transfer into level 3	Transfer out of level 3	Total gains or losses for the period		Purchases, issues, disposals and settlements			As at 30 June 2025	Unrealised gains or losses for the period included in profit or loss for assets held at the end of the period
				In profit or loss	In other comprehensive income	Purchases	Issues	Disposals and settlements		
Financial investments measured at FVTPL – Investment management products	947,024	-	-	(120,525)	-	-	-	-	826,499	(120,525)
Financial investments measured at FVOCI – Equity Investments	315,036	-	-	-	(69,274)	-	-	-	245,762	-
Total financial assets	1,262,060	-	-	(120,525)	(69,274)	-	-	-	1,072,261	(120,525)

During each reporting period, there were no significant transfers among instruments in Level 1, Level 2 and Level 3 of the Group.

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

	As at 1 January 2024	Transfer into level 3	Transfer out of level 3	Total gains or losses for the year		Purchases, issues, disposals and settlements			As at 31 December 2024	Unrealised gains or losses for the year included in profit or loss for assets held at the end of the year
				In profit or loss	In other comprehensive income	Purchases	Issues	Disposals and settlements		
Financial investments measured at FVTPL – Investment management products	724,718	-	-	(123,897)	-	370,096	-	(23,893)	947,024	(123,897)
Financial investments measured at FVOCI – Equity Investments	315,660	-	-	-	(624)	-	-	-	315,036	-
Total financial assets	1,040,378	-	-	(123,897)	(624)	370,096	-	(23,893)	1,262,060	(123,897)

During each reporting period, there were no significant transfers among instruments in Level 1, Level 2 and Level 3 of the Group.

Chapter 7 Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

44 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.

	30 June 2025	31 December 2024
Bank acceptances	57,088,421	51,663,171
Letter of credit	15,154,754	13,022,682
Credit cards commitment	3,121,919	2,640,959
Letters of guarantees	2,792,510	2,571,779
Total	78,157,604	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 33(2).

(2) Credit risk-weighted amount

	30 June 2025	31 December 2024
Credit risk-weighted amount of contingent liabilities and commitments	7,396,655	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 7 Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

44 COMMITMENTS AND CONTINGENCIES (continued)

(3) Capital commitments

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

	30 June 2025	31 December 2024
Property and equipment		
– Contracted but not paid for	105,626	49,186
Intangible assets		
– Contracted but not paid for	60,606	55,456
Total	166,232	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 30 June 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

	30 June 2025	31 December 2024
Debt securities	27,329,533	25,719,096
Total	27,329,533	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's pledged assets in relation to the purchase of bills under resale agreements can be sold or repledged. As at 30 June 2025 and 31 December 2024, the Group did not have these discounted bills under resale agreements. As at 30 June 2025 and 31 December 2024, the Group did not sell or repledge any pledged assets which it has an obligation to resale when they are due.

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. See Note 15 for the Group's balance of the financial assets held under resale agreements. There is no such collateral accepted by the Group as at 30 June 2025 (31 December 2024: RMB962.3 million). These transactions were conducted under standard terms in the normal course of business.

Chapter 7 Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 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 30 June 2025 and 31 December 2024:

	30 June 2025	31 December 2024
Financial investments measured at FVTPL	6,520,270	5,866,905
Financial investments measured at FVOCI	300,728	–
Financial investments measured at amortised cost	3,033,290	2,895,122
Carrying amount	9,854,288	8,762,027
Total	9,854,288	8,762,027

As at 30 June 2025 and 31 December 2024, the carrying amounts of the unconsolidated structured entities are equal to the maximum exposures.

Chapter 7 Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

45 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 six months ended 30 June 2025, the amount of fee and commission income received from the above mentioned structured entities by the Group are RMB387.1 million (six months ended 30 June 2024: RMB155.2 million).

As at 30 June 2025, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products sponsored by the Group is RMB33,803.6 million (31 December 2024: RMB34,695.6 million).

(3) Unconsolidated structure entities sponsored by the Group during the period which the Group does not have an interest in as at 30 June 2025

For the six months ended 30 June 2025, there were no non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January 2025 but matured before 30 June 2025 (six months ended 30 June 2024: Nil).

46 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.

Chapter 7 Notes to the Unaudited Interim Condensed Consolidated Financial Statements

(Expressed in thousands of Renminbi, unless otherwise stated)

47 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.

	30 June 2025	31 December 2024
Entrusted loans	5,038,860	5,330,068
Entrusted funds	5,038,860	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. Therefore, assets under custody are not recognized in the Group's balance sheet.

At balance sheet date, please refer to Note 45. (2) for information about the Group's wealth management services.

48 SUBSEQUENT EVENTS

On 31 July 2025, the Board of the Bank passed a resolution proposing the issuance of no more than 758,020,103 domestic shares and no more than 153,834,000 H shares to the eligible subscribers. The net proceeds from the issuance, after deducting relevant issuance expenses, will be entirely used to supplement the Bank's core tier-one capital.

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

49 COMPARATIVE FIGURES

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

CHAPTER 8 UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the unaudited financial statements, and is included herein for information purposes only.

In accordance with the Listing Rules and Banking (Disclosure) Rules, the Group discloses the unaudited supplementary Financial Information as follows:

1 LIQUIDITY COVERAGE RATIO, LEVERAGE RATIO AND NET STABLE FUNDING RATIO

(1) Liquidity coverage ratio

	30 June 2025	31 December 2024
Qualified and high-quality current assets	125,934,992	117,600,579
Net cash outflows in the next 30 days	43,795,660	44,485,717
Liquidity coverage ratio (RMB and foreign currency)	287.55%	264.36%

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

(2) Leverage ratio

	30 June 2025	31 December 2024
Leverage ratio	5.70%	5.93%

The Group calculates the leverage ratio in accordance with the Regulation Governing Capital of Commercial Banks and other relevant requirements. According to the above provisions, a minimum leverage ratio 4% is required.

Chapter 8 Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

1 LIQUIDITY COVERAGE RATIO, LEVERAGE RATIO AND NET STABLE FUNDING RATIO (CONT'D)

(3) Net stable funding ratio

	30 June 2025	31 March 2025
Available stable funding	328,966,740	310,067,217
Required stable funding	231,262,016	223,699,497
Net stable funding ratio	142.25%	138.61%

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

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

	30 June 2025			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	3,375,310	2,360	28,693	3,406,363
Spot liabilities	(4,090,982)	(222)	(8,983)	(4,100,187)
Forward purchases	1,893,363	–	22,282	1,915,645
Forward sales	(673,357)	–	(26,049)	(699,406)
Net long position	504,334	2,138	15,943	522,415

	31 December 2024			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	3,078,033	4,597	50,283	3,132,913
Spot liabilities	(3,476,981)	(295)	(32,489)	(3,509,765)
Forward purchases	503,157	–	–	503,157
Forward sales	(230,232)	–	–	(230,232)
Net long position	(126,023)	4,302	17,794	(103,927)

Chapter 8 Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

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.

	30 June 2025			Total
	Public sector entities	Banks and other financial institutions	Non-bank private sector institutions	
– Asia Pacific	335,232	483,333	2,463,414	3,281,979
– North and South America	–	112,935	–	112,935
– Europe	–	14,348	–	14,348
	335,232	610,616	2,463,414	3,409,262

	31 December 2024			Total
	Public sector entities	Banks and other financial institutions	Non-bank private sector institutions	
– Asia Pacific	172,651	155,957	2,412,472	2,741,080
– North and South America	–	136,540	–	136,540
– Europe	–	20,801	–	20,801
	172,651	313,298	2,412,472	2,898,421

Chapter 8 Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

	30 June 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)	572,592	529,444
– between 6 months and 1 year (inclusive)	716,619	712,726
– between 1 year and 3 years (inclusive)	1,355,448	1,290,070
– over 3 years	139,644	107,744
Total	2,784,303	2,639,984
As a percentage of gross loans and advances (excluding accrued interest)		
– between 3 and 6 months (inclusive)	0.26%	0.25%
– between 6 months and 1 year (inclusive)	0.31%	0.34%
– between 1 year and 3 years (inclusive)	0.59%	0.61%
– over 3 years	0.06%	0.05%
Total	1.22%	1.25%

LIST OF INSTITUTIONS

District	Name of institution	Business address	Remarks
Weihai, Shandong	Headquarters	No. 137A, Qingdao North Road, Huancui District, Weihai City	51 licensed branches and subbranches 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 subbranches in Jinan District
	Laiwu Branch	60 Luzhong East Main Street, Laiwu District, Jinan City, Shandong Province	2 licensed branches and subbranches in Laiwu District
Qingdao, Shandong	Qingdao Branch	487 Changjiang Middle Road, Huangdao District, Qingdao City, Shandong Province	9 licensed branches and subbranches in Qingdao District
Yantai, Shandong	Yantai Branch	No. 105, 204 & 303, 1st-3rd Floors, East Podium, Jinqiao Building, No. 10 Ningbo Road, Guxian Subdistrict, Yantai Area, China (Shandong) Pilot Free Trade Zone	6 licensed branches and subbranches in Yantai District
Dezhou, Shandong	Dezhou Branch	1337 Tianqu Middle Road, Decheng District, Dezhou City, Shandong Province	5 licensed branches and subbranches in Dezhou District
Jining, Shandong	Jining Branch	71 Wutaizha Road, Jining High-tech Zone, Shandong Province	7 licensed branches and subbranches in Jining District
Linyi, Shandong	Linyi Branch	0004 Yimeng Road, Lanshan District, Linyi City, Shandong Province	6 licensed branches and subbranches in Linyi District
Weifang, Shandong	Weifang Branch	No. 5369 Beigong East Street, Kuiwen District, Weifang City, Shandong Province	3 licensed branches and subbranches in Weifang District

List of Institutions

District	Name of institution	Business address	Remarks
Dongying, Shandong	Dongying Branch	Building 2, No. 57-1, Fuqian Street, Dongying District, Dongying City, Shandong Province	3 licensed branches and subbranches in Dongying District
Zibo, Shandong	Zibo Branch	227 Xincun West Road, Zhangdian District, Zibo City, Shandong Province	2 licensed branches and subbranches in Zibo District
Liaocheng, Shandong	Liaocheng Branch	117 Dongchang West Road, Dongchangfu District, Liaocheng City, Shandong Province	2 licensed branches and subbranches in Liaocheng District
Zaozhuang, Shandong	Zaozhuang Branch	117 Guangming West Road and 55 Deren North Road, Zaozhuang High-tech Zone, Shandong Province	2 licensed branches and subbranches in Zaozhuang District
Heze, Shandong	Heze Branch	289 Yongchang Road, Heze Economic Development Zone, Shandong Province	2 licensed branches and subbranches 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	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, Binzhou Economic and Technological Development Zone, Shandong Province	2 licensed branches and subbranches in Binzhou District
Tianjin City	Tianjin Branch	150 Fuan Main Street, Heping District, Tianjin City	10 licensed branches and subbranches in Tianjin District