Lianhe Global has assigned 'A+' global scale Long-term Issuer Credit Rating with Stable Outlook to Bank of Qingdao Co., Ltd.

HONG KONG, 6 November 2026 – Lianhe Ratings Global Limited ("Lianhe Global"), an international credit rating company, has assigned 'A+' global scale Long-term Issuer Credit Rating with Stable Outlook to Bank of Qingdao Co., Ltd. ("BQD"). The Outlook is Stable.

The Issuer Rating reflects BQD's established market position in Shandong's Qingdao City ("Qingdao"), stable asset quality, good profitability as well as strong funding and liquidity profile. The rating is also underpinned by a high possibility of extraordinary government support if needed, given BQD strategic importance in maintaining regional financial stability and supporting the local real economy, especially in Qingdao and Shandong Province. We also consider BQD's capital adequacy and operating scale as a regional city commercial bank and its loan concentration risk.

The Stable Outlook reflects our expectation that BQD will maintain its established market position, stable operation, and linkage with the local government.

Key Rating Rationales

Established Market Position in Qingdao: BQD is a leading city commercial bank in Qingdao, one of five municipalities with independent planning status in China, with an established regional franchise and dual-listing status on both the HKEX and SZSE. By end-June 2026, the bank operates an extensive distribution network of 208 outlets across all 16 prefecture-level cities in Shandong. Benefiting from its deep-rooted brand presence in Qingdao, comprehensive provincial coverage, and close business relationships with local state-owned enterprises and established corporate conglomerates, BQD maintains a prominent market position and steady business expansion within the regional banking sector.

Strong Linkage with Local Government: At end-2025, the Qingdao government held an aggregate 17.54% stake in BQD through Qingdao Guoxin (15.42%) and Qingdao Huatong (2.12%), serving as the core state-owned shareholder anchor. In close alignment with local government development blueprints and strategic industrial policies, BQD plays an important role as a leading regional city commercial bank, particularly in financing the regional "Blue Marine Economy" and acting as the government-designated "Financial Chain Leader" across priority industrial chains in Qingdao and Shandong Province. Given BQD's systemic importance to regional financial stability and its entrenched function in serving the local real economy, we expect a high likelihood of extraordinary government support if needed.

Sustained Expansion Driven by Corporate Lending: Between 2023 and end-June 2026, BQD's total deposits and gross loans expanded steadily to RMB526.6 billion and RMB427.7 billion (RMB386.0 billion and RMB300.1 billion at end-2023), underpinned by branch expansion outside Qingdao. Deposits remained balanced between corporate (48.64%) and retail accounts (51.33%), while loan growth was heavily driven by corporate loans (rising from

73.65% to 83.15% of total loans). Retail loans contracted to 16.85% amid online consumer loan derisking and soft mortgage demand. Project development, public utilities and livelihood-related loans accounted for 29.8% of total loans at end-June 2026. Wholesale credit deployment led borrower concentration to rebound, as loans to top-ten customers reached 43.14% of net capital at end-June 2026, up from 34.81% at end-2024, increasing the bank's sensitivity to single-name corporate credit risks.

Solid Loan Asset Quality: Between 2023 and end-June 2026, BQD maintained solid credit asset quality, with its non-performing loan ("NPL") ratio steadily declining from 1.18% at end-2023 to 0.95% at end-June 2026, substantially below the city commercial bank peers. The bank adheres to prudent classification practices by recognizing all loans overdue for more than 60 days as NPLs and actively disposes of large distressed exposures. Loss-absorption buffers strengthened markedly, with the provision coverage ratio rising from 225.96% at end-2023 to 312.23% at end-June 2026. Nevertheless, macroeconomic headwinds and foreign trade challenges continue to weigh on SMEs, maintaining downward migration pressure on vulnerable corporate borrowers.

Good Profitability: BQD's net profit demonstrated a consistent upward trajectory between 2023 and end-June 2026, rising from RMB3.67 billion in 2023 to RMB5.36 billion in 2025, and reaching RMB3.71 billion in the first half of 2026. Its ROA and ROE improved steadily from 0.65% and 10.71% in 2023 to 0.71% and 12.68% in 2025, maintaining a sound level above sector peers. This performance was primarily propelled by robust expansion in interest-earning assets, strong investment gains, a resilient net interest margin, and stable credit impairment charges. However, BQD's profitability could face headwinds from persistent sector-wide NIM compression, subdued fee income, and ongoing policy measures to reduce financing costs in support of the real economy.

Adequate Funding and Liquidity: BQD has maintained a sound funding and liquidity profile, with its gross loans-to-customer deposits ratio standing at 81.23% and customer deposits accounting for 67.85% of total funding at end-June 2026. Meanwhile, BQD maintained an adequate liquidity coverage ratio of 134.44%, well above the regulatory minimum. The bank maintains a relatively liquid bond portfolio, with AAA-rated securities accounting for 85.74% at end-June 2026, primarily comprising central government, policy bank, and top-tier interbank financial bonds.

Moderate Capital Adequacy: BQD's capital adequacy metrics experienced downward pressure following strong credit and business expansion. After peaking at 13.80% and 9.11% in 2024, the bank's capital adequacy ratio ("CAR") and core tier-1 CAR declined to 11.93% and 8.68% at end-June 2026. Although the safety margin for BQD's core tier-1 CAR remains relatively narrow, capital replenishment pressures are largely manageable. The bank maintains sound internal capital generation capacity backed by solid profitability. In addition, BQD has established access to diversified external capital replenishment channels, including the issuance of Tier-2 capital bonds and perpetual bonds.

Rating Sensitivities

We would consider downgrading BQD's rating if there is 1) a significant decrease in its capital adequacy and asset quality, or 2) a notable deterioration in its profitability, or 3) a weakened

liquidity and funding structure, or 4) a perceived weakening linkage between the Qingdao government and BQD.

We would consider upgrading BQD's rating if it were to 1) improve operating scale without compromising its asset quality and profitability, and 2) improve its capital adequacy significantly, and 3) enhance its business mix and loan portfolio diversification.

About Lianhe Global

Lianhe Global is an international credit rating company that provides credit ratings to corporations, banks, non-bank financial institutions, local investment and development companies, and other asset classes around the globe. Lianhe Global also provides credit risk research and other services related to credit ratings.

Rating Methodology

Banking Rating Criteria (published on 20 March 2023)
The methodology can be found at the website www.lhratingsglobal.com.

Note: The above Issuer/Issuance Credit Ratings are solicited at the request of the rated entity or a related third party. None of the aforementioned entities nor its related parties participate in the credit rating process aside from providing information requested by Lianhe Global.

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