Bank of Qingdao Co., Ltd.

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

Summary	
Issuer Rating	A+
Outlook	Stable
Location	China
Industry	Banking
Date	6 November 2026

Summary

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's 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.

Rating Rationale

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 operated 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 (RMB386.1 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

Analysts
Roy Luo, CFA, FRM, CESGA
(852) 3462 9582
roy.luo@lhratingsglobal.com

Chris Cao
(852) 3462 9579
chris.cao@lhratingsglobal.com

Applicable Criteria
Banking Rating Criteria
(20 March 2023)

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 RMB3.7 billion in 2023 to RMB5.4 billion in 2025, and reaching RMB3.7 billion in the first half of 2026 ("1H2026"). 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.

Bank Profile

Formerly known as Qingdao City Cooperative Bank established in November 1996, BQD was renamed Qingdao City Commercial Bank in 1998 and adopted its current name in April

2008. The bank was listed on the Hong Kong Stock Exchange (3866.HK) in December 2015 and the Shenzhen Stock Exchange (002948.SZ) in January 2019, making it one of the early dual-listed city commercial banks in China. At end-2025, excluding nominee holdings, its major shareholders included foreign strategic investor Intesa Sanpaolo S.p.A. (17.50%), municipal state-owned entity Qingdao Guoxin Industry & Finance Holding (Group) Co., Ltd. (15.42%), and Haier Group (via affiliated entities).

BQD's asset size ranks in the upper tier nationally, with total assets reaching RMB848.4 billion at end-June 2026. Anchored in Qingdao, the bank has steadily expanded its distribution network across Shandong Province. Its operations span three core business lines: corporate banking, retail banking, and financial markets. The bank's asset base is dominated by customer loans and financial investments. While lending expanded steadily under policy mandates to support the real economy, its investment portfolio and interbank exposures experienced periodic fluctuations. On the liability side, customer deposits anchor the funding profile as the primary liquidity source, supplemented by bond issuances and interbank borrowings.

Deposit Structure

(RMB million)	2023		2024		2025		2026.6	
	Amount	%	Amount	%	Amount	%	Amount	%
Corporate Deposits	197,228	51.09	212,153	49.11	250,518	49.81	256,115	48.64
Personal Deposits	188,444	48.81	219,798	50.88	252,231	50.16	270,310	51.33
Other Deposits	390	0.10	73	0.01	151	0.03	151	0.03
Total	**386,062**	100	**432,024**	100	**502,899**	100	**526,576**	100

Note: excluding interest accrued, numbers may not add up precisely to the totals due to rounding.
Source: BQD and Lianhe Global's calculations

Loan Structure

(RMB million)	2023		2024		2025		2026.6	
	Amount	%	Amount	%	Amount	%	Amount	%
Corporate Loans	221,006	73.65	262,354	77.01	323,008	81.36	355,667	83.15
Personal Loans	79,084	26.35	78,336	22.99	74,001	18.64	72,049	16.85
Total	**300,090**	100	**340,690**	100	**397,008**	100	**427,716**	100

Note: excluding interest accrued, numbers may not add up precisely to the totals due to rounding.
Source: BQD and Lianhe Global's calculations

Risk Profile

BQD has developed a comprehensive risk management framework to identify, monitor, and manage major risks, including credit, market, liquidity, operational, compliance, and information technology risks, within a prudent risk appetite. The bank operates a structured governance mechanism wherein the Board of Directors assumes ultimate responsibility for comprehensive risk management, the Board Audit Committee exercises supervisory oversight, and senior management provides direct executive leadership. Bank-wide risk administration is coordinated by the Comprehensive Risk Management Committee and spearheaded by the Risk Management Department, with specialized risk departments, business lines, branch networks, and subsidiaries executing frontline risk controls alongside independent audits from the internal audit department.

BQD's Loan Quality				
	2023	2024	2025	2026.6
Non-performing loans ratio (%)	1.18	1.14	0.97	0.95
Provision coverage ratio (%)	225.96	241.32	292.30	312.23

Source: BQD and Lianhe Global's calculations

BQD's Loan Concentration				
	2023	2024	2025	2026.6
Loans to the single largest borrower/net capital (%)	5.35	4.73	5.75	7.97
Loans to top 10 customers/net capital (%)	42.06	34.81	39.83	43.14

Source: BQD and Lianhe Global's calculations

Between 2023 and end-June 2026, BQD's credit asset quality remained solid, with its NPL ratio steadily declining from 1.18% at end-2023 to 0.95% at end-June 2026 (end-2025: 0.97%), remaining substantially below the city commercial bank peer average (1.82% at end-2025). The bank adheres to prudent asset classification practices by recognizing all loans overdue for more than 60 days as NPLs and actively disposing of large distressed exposures. Meanwhile, BQD maintained strong loan-loss provision buffers, with its provision coverage ratio rising consistently from 225.96% at end-2023 to 312.23% at end-June 2026.

However, wholesale credit deployment led borrower concentration to rebound from its 2024 trough, with loans to the single largest borrower and top ten customers rising from 4.73% and 34.81% of net capital at end-2024 to 7.97% and 43.14% at end-June 2026, respectively, increasing the bank's sensitivity to single-name corporate credit risks. As of end-June 2026, BQD's corporate loan portfolio was primarily concentrated in wholesale and retail trade (18.32% of total gross loans), leasing and commercial services (13.60%), manufacturing (12.72%), construction (9.22%), and water conservancy, environment, and public facilities management (7.30%). These top five sectors collectively accounted for 61.16% of gross loans.

BQD's financial investment asset quality improved, with credit risks actively de-risked and provision buffers well maintained. BQD's bond portfolio prioritizes safety and liquidity, with AAA-rated securities accounting for 85.74% at end-June 2026, primarily comprising central government, policy bank, and top-tier interbank financial bonds. Financial investments classified under Stage 2 and Stage 3 declined to RMB2.9 billion and RMB3.7 billion, respectively, with their proportions dropping to 1.09% and 1.42%, compared to 1.76% and 1.82% at end-2025. Impairment allowances totaled RMB5.0 billion at end-June 2026, fully covering all Stage 3 credit-impaired assets.

BQD's off-balance-sheet risks are manageable. While credit commitments totaled RMB111.4 billion at end-June 2026 (primarily consisting of bank acceptance bills, unused credit card limits, letters of credit, and letters of guarantee), over 99.9% were classified in Stage 1, backed by RMB932 million in loan-loss provisions.

Financial Profile

BQD's asset size expanded steadily to RMB848.4 billion at end-June 2026 from RMB608.0 billion at end-2023. The bank primarily funds its credit extension and investment activities by absorbing customer deposits, which reached RMB534.0 billion and accounted for 67.85% of its total funding at end-June 2026, while market funding served as a supplementary source. Meanwhile, BQD maintains adequate liquid assets, holding RMB33.6 billion in cash

and balances with the central bank alongside RMB29.1 billion in interbank placements. Driven by credit deployment slightly outpacing deposit accumulation, its gross loans-to-customer deposits ratio rose from 77.73% at end-2023 to 81.23% at end-June 2026. Its liquidity coverage ratio stood at 134.44% at end-June 2026, comfortably exceeding the regulatory requirement of 100%.

BQD has maintained manageable capital levels to buffer against risks, relying on steady internal capital generation and external debt replenishment channels. Rapid business and credit expansion accelerated risk-weighted asset consumption, causing the bank's CAR to decline from a peak of 13.80% in 2024 to 13.37% at end-2025 and 11.93% at end-June 2026. Although the safety buffer for core tier-1 capital remains relatively narrow against regulatory thresholds, capital replenishment pressures are largely manageable. In addition, as an A+H dual-listed commercial bank, BQD retains established external capital replenishment channels, including the issuance of Tier-2 capital bonds and perpetual bonds.

Supported by net interest income and financial market gains, BQD's operating revenue and net profit grew steadily between 2023 and 1H2026. Operating revenue expanded from RMB12.5 billion in 2023 to RMB14.57 billion in 2025, and reached RMB8.4 billion in 1H2026. Amid sector-wide loan repricing and lower asset yields under policy directives to lower corporate financing costs, BQD's net interest margin compressed from 1.83% in 2023 to 1.66% in 2025 and 1.63% in 1H2026, as liability cost savings lagged behind asset yield declines.

Nevertheless, robust expansion in interest-earning assets effectively offset margin dilution, propelling net interest income up by 12.11% in 2025 to RMB11.1 billion (1H2026: RMB6.2 billion). Non-interest income was bolstered by investment gains from the bond portfolio (RMB2.3 billion in 2025; RMB1.2 billion in 1H2026). Benefiting from controlled credit impairment charges (1H2026: RMB1.8 billion), BQD's net profit rose by 21.6% year-on-year to RMB5.4 billion in 2025 and reached RMB3.7 billion in 1H2026. ROA and ROE strengthened to 0.71% and 12.68% in 2025, respectively, maintaining sound profitability above regional city commercial bank peers.

BQD's Summary Financials and Key Ratios

(RMB million)	2023	2024	2025	2026.6
Total Assets	**607,985**	**689,963**	**814,960**	**848,388**
- Cash and balances with central bank	31,044	49,153	42,980	33,559
- Assets with banks and other financial Institutions	30,176	25,836	46,184	29,093
- Loans and advances to customers	292,993	332,554	387,693	416,738
- Investment Assets	226,011	255,655	309,500	342,181
Total Liabilities	**568,046**	**645,063**	**764,706**	**795,160**
- Customer deposits	395,467	443,426	512,121	533,961
- Market funding	167,718	195,688	245,239	252,960
Operating Revenue	**12,472**	**13,498**	**14,573**	**8,364**
- Net interest income	9,282	9,874	11,070	6,164
- Net fee and commission incomes	1,587	1,510	1,452	1,071
- Investment income	1,286	1,714	2,299	1,185
- Fair value changes	323	325	-174	-24
Operating expense	**-8,548**	**-8,515**	**-8,344**	**-3,726**
- SG&A	-4,360	-4,717	-4,608	-1,806

- Credit impairment charges	-4,014	-3,534	-3,533	-1,817
Pre-impairment operating profit	**7,938**	**8,517**	**9,762**	**6,454**
Net Profit	**3,671**	**4,405**	**5,357**	**3,708**
Profitability				
Net interest margin (%)	1.83	1.73	1.66	1.63
ROA (%)	0.65	0.68	0.71	-
ROE (%)	10.71	11.51	12.68	-
Capital Adequacy				
Capital adequacy ratio (%)	12.79	13.80	13.37	11.93
Core tier-1 capital adequacy ratio (%)	8.42	9.11	8.67	8.68
Leverage ratio (%)	5.83	5.79	5.49	5.62
Liquidity and Funding				
Liquidity coverage ratio (%)	158.11	203.02	213.25	134.44
Gross loans and advances to customer deposits (%)	77.73	78.86	78.94	81.23
Customer deposits to total funding (%)	70.22	69.38	67.62	67.85

Note: Numbers may not add up precisely to the totals due to rounding.
Source: BQD and Lianhe Global's calculations

Appendix I: BQD's Top 10 Shareholders at end-2025

	Shareholders	%
1	香港中央结算（代理人）有限公司 HKSCC Nominees Limited	17.70
2	意大利联合圣保罗银行 Intesa Sanpaolo S.p.A.	17.50
3	青岛国信产融控股（集团）有限公司 Qingdao Guoxin Industry & Finance Holding (Group) Co., Ltd.	15.42
4	青岛海尔产业发展有限公司 Qingdao Haier Industrial Development Co., Ltd.	9.15
5	青岛海尔空调电子有限公司 Qingdao Haier Air-conditioning Electronics Co., Ltd.	4.88
6	海尔智家股份有限公司 Haier Smart Home Co., Ltd.	3.25
7	青岛海仁投资有限责任公司 Qingdao Hairen Investment Co., Ltd.	2.99
8	青岛华通国有资本投资运营集团有限公司 Qingdao Huatong State-owned Capital Investment & Operation Group Co., Ltd.	2.12
9	青岛即发集团股份有限公司 Qingdao Jifa Group Co., Ltd.	2.03
10	国信证券股份有限公司 Guosen Securities Co., Ltd.	1.18

Source: BQD

Appendix II: BQD's Rating Factors

Rating Factors	Weight	Initial Rating
I. Operating Environment	**20%**	**bbb+**
II. Business Profile	**15%**	**bbb**
III. Governance and Management	**10%**	**bbb+**
IV. Risk Management and Exposures	**20%**	**bbb-**
V. Financial Profile	**35%**	**bbb+**
Stand-Alone Creditworthiness		**bbb+**
VI. External Support		
Government Support		Strong
Issuer Credit Rating		**A+**

Source: Lianhe Global

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