

CZBANK 浙商银行

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

A Share Stock Code : 601916

H Share Stock Code : 2016



Annual Report
2025

Important Notice

The Board of Directors, the Supervisory Committee, Directors, Supervisors and Senior Management of the Company warrant that the contents in this report are true, accurate and complete and contain no false records, misleading statements, or material omissions, and they jointly and severally accept full legal responsibility for the report.

The eighth meeting of the seventh session of the Board of the Company held on March 30, 2026, approved the Annual Report of China Zheshang Bank Co., Ltd. for 2025 and its Summary. The Company has 11 directors, among whom 11 directors attended the meeting in person, which was in compliance with the requirements of the Company Law of the People's Republic of China and the Articles of Association of the Company, and 9 Supervisors of the Company attended the meeting as non-voting delegates.

KPMG Huazhen LLP and KPMG (both being auditors of the Company) have audited the 2025 annual financial report of the Company prepared in accordance with the China Accounting Standards and the International Financial Reporting Accounting Standards, and have issued standard unqualified auditing reports, respectively.

Unless otherwise illustrated in this report, the currency for any amount herein is RMB. Certain amounts and percentage numbers in this report have been rounded. Any discrepancies in any table between totals and sums of the amounts listed are due to rounding.

The Board of the Company has proposed to declare a cash dividend of RMB1.31 per 10 shares (tax inclusive) for 2025, payable in RMB to holders of A Shares and in HK dollars to holders of H Shares. The above proposal on dividend distribution is subject to consideration and approval at the 2025 annual general meeting of the Company.

Chen Haiqiang (陳海強), Chairman of the Board of the Company, Lyu Linhua (呂臨華), President, Jing Feng (景峰), Principal in charge of Finance, and Zhang Jian (張簡), Director of the Financial Department warrant that the financial report in the annual report is true, accurate and complete.

Significant Risk Warning

Please refer to the section headed "Management Discussion and Analysis – Risk Management" of this report for information about major risks faced and measures to be taken by the Company.

The forward-looking statements about matters like future plans of the Company in this report do not constitute substantive commitments of the Company to the investors, and the investors and related persons shall maintain sufficient risk awareness in this regard, and shall understand the difference among plans, forecasts and commitments.

Contents

3	Definitions	158	Independent Auditor's Report
4	Chairman's Statement	168	Consolidated Statement of Profit or Loss and Other Comprehensive Income
7	President's Statement	170	Consolidated Statement of Financial Position
10	Company Profile	172	Consolidated Statement of Changes in Equity
12	Corporate Overview	173	Consolidated Cash Flow Statement
13	Development Strategies and Core Competitiveness	175	Notes to the Consolidated Financial Statement
20	Honors and Awards	318	Unaudited Supplementary Financial Information
22	Financial Summary		
26	Management Discussion and Analysis		
82	Corporate Governance		
110	Changes in Shares and Information on Shareholders		
120	Information on Directors, Supervisors, Senior Management, Employees and Institutions		
140	Directors' Report		
155	Report of the Supervisory Committee		
156	Significant Events		



Definitions

“Company”, “Bank”, “our Bank”, “China Zheshang Bank” or “CZBank”:	China Zheshang Bank Co., Ltd.
“Former CBIRC”:	the Former China Banking and Insurance Regulatory Commission
“CSRC”:	China Securities Regulatory Commission
“Hong Kong Stock Exchange”:	The Stock Exchange of Hong Kong Limited
“SFO”:	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Hong Kong Listing Rules”:	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”:	The Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix C3 to Hong Kong Listing Rules
“Zheyin Financial Leasing”:	Zhejiang Zheyin Financial Leasing Co., Ltd., a holding subsidiary of the Company, in which the Company holds 51% of equity interest
“CZB Wealth Management”:	CZB Wealth Management Co. Ltd., a wholly-owned subsidiary of the Company
“Group”:	the Company and its subsidiaries



Chairman's Statement

2025 is the concluding year of China's "14th Five-Year Plan", and also the concluding year of CZBank's "4th Five-Year Plan". Amidst the complex internal and external development environment, we thoroughly studied and implemented the decisions and deployments of the CPC Central Committee and the State Council. Under the strong leadership of the Zhejiang Provincial Party Committee and Provincial Government, anchoring the vision of being "a first-class commercial bank", the whole bank united as one, firmed up its direction, and forged ahead with courage and determination, maintaining a positive development trend. The Group's total assets reached RMB3.48 trillion, representing an increase of RMB1.43 trillion or 70% over five years; various deposits exceeded RMB2 trillion, representing an increase of RMB700 billion or 52% over five years; various loans amounted to RMB1.9 trillion, also representing an increase of RMB700 billion or 60% over five years; operating income successively surpassed the two thresholds of RMB50 billion and RMB60 billion, and the foundation for our high-quality development has become even more solid and stable.

Looking back on the past year, the macroeconomic environment was highly volatile, the industry cycle moved forward under pressure, and operational challenges were unprecedented. By identifying dynamic accurately, responding to changes scientifically and seeking transformation proactively, we secured one crucial victory after another, delivering hard-won important achievements.

This year, we consolidated our foundation towards "stability", and the Bank as a whole embraced a new look in its development. We earnestly carried out the study and education to fully implement the spirit of the eight-point decision of the Central Government and the theme activity of "Instructions for 20 Years: Further Advancing Integrity and Strict Governance". We deepened the development of the five-word ecosystem featuring "integrity, simplicity, professionalism, cooperation and honesty", embedded the values of integrity, strictness and practicality deeply into our corporate culture, fostering an increasingly sound and upright working environment. We maintained strategic resolve, firmly established sound operational philosophies on operation, performance, and risk management, and followed the action guidelines of "stability, progress, innovation, reform, and excellence". Meanwhile, we actively cultivated a new corporate image of prudence and steadiness, restraint and control, professionalism and focus, and quiet dedication.

This year, we sought progress towards "practicality", and our operating results generally met expectations. We adhered to serving the real economy, deeply and solidly carried out the "Five Finances", with half of the new loans invested in science and technology innovation, green, and inclusive finance. Significant results were achieved in customer base breakthroughs, and business lines such as financial market, bills, financial institutions, investment banking, and international business maintained strong competitiveness among peers in the industry. Zheyin Financial Leasing maintained a good operating trend, and CZB Wealth Management commenced operations and delivered a good inaugural performance. Against the backdrop of a challenging internal and external environment, in 2025, we realized operating income of RMB62.558 billion and net profit attributable to shareholders of the parent company of RMB12.931 billion; the non-performing loan ratio was 1.36%. All operating indicators were generally in line with expectations, demonstrating strong development resilience.

This year, we took root towards "depth", and served the overall situation powerfully and effectively. We comprehensively launched a new round of action of "Deepening the Development in Zhejiang", thoroughly fulfilled the major task of "serving Zhejiang, serving Zhejiang merchants, and serving Zhejiang people", and steadily promoted the "Three Doublings". Centering on the decisions and deployments of the Provincial Party Committee and Provincial Government, the total volume of financing services provided to the whole province was nearly RMB1.2 trillion, and 2/3 of the new credit throughout the year was invested in the province. Deposits in the province exceeded RMB630 billion, ranking the first among the 12 joint-stock banks. The cumulative underwriting of non-financial bonds and local government bonds continued to rank among the top of peers. The coverage,



Mr. Chen Haiqiang
Chairman

Chairman's Statement

depth, and influence of cooperation with governments at all levels were significantly improved, and we were awarded the first prize in the comprehensive evaluation of supporting Zhejiang's economic and social development for 10 consecutive years.

This year, we accumulated momentum towards “distance”, and continued to deepen reform and innovation.

We initiated the formulation of the 5th Five-Year Plan, systematically laid out the development strategy for the next stage, stayed committed to the blueprint, and worked steadily to deliver on it. We stayed committed to self-reform, conducted a thorough review of existing problems, took building a strong head office as our “core engine”, built a “standardized, refined, empowered, systematic, and scientific” management system, and created a powerful head office that integrates strategic leadership, empowerment, and oversight. We further improved corporate governance and the internal control system, embedded compliance review and management audit into the business decision-making process, built off-site management platforms for three major areas, and improved management and control efficiency. We strengthened the construction of AI application capabilities, accelerated the implementation of the “replacing core system to consolidate our foundation” project, advanced the three-year action for data governance, and actively embraced the new opportunities of technological revolution.

This year, we gathered towards the “heart”, and jointly built a community with a shared future for CZBank.

We advocated the value philosophy of “striver-oriented”, and inspired the entire bank to forge ahead through the stories of “CZBank Pioneers”. We created a good atmosphere of “taking the bank as home and taking the bank as pride”, and the whole bank thought with one mind, worked with one heart, and twisted into one rope. We deeply built “a bank favored by young people” and “the advocate and practitioner of happy life”, held the “818 CZBank Culture Week”, and permeated every corner with “Literary CZBank”. We established a cadre and talent system mainly based on internal cultivation, strengthened the leadership construction of executives, and improved the training mechanism for young talents and professional talents, which enhanced cohesion and combat effectiveness across the Bank.

Looking ahead to the “15th Five-Year Plan”, the impact of changes in the external environment will continue to deepen, major power relations will affect the international situation, and the evolution of the international situation will profoundly influence domestic development. Our country's development is in a period where strategic opportunities and risk challenges coexist, and uncertain and unpredictable factors are increasing. The new leadership team of CZBank will unite and lead all managements and employees of the bank, resolutely implement the various decisions and deployments of the Provincial Party Committee and Provincial Government, and follow the operating laws of commercial banks. We will maintain strategic resolve, recognize, adapt to, and seek changes, and enhance our confidence in victory. We will consolidate and expand our advantages, break through bottleneck constraints, and strengthen our weak links. Through arduous, united, and unremitting efforts, we will win the strategic initiative in market competition, respond to various external uncertainties with the certainty of our own high-quality development, and spare no effort to break new ground for high-quality development with a new look and new actions. We will always anchor the vision of building “a first-class commercial bank”. We adhere to the strengthening of the Party's leadership as the fundamental guarantee, take “Deepening the Development in Zhejiang” and serving the real economy as our foothold, take reform and innovation and improving governance as the fundamental path, and regard risk prevention and safe development as bottom-line requirements. We adhere to the principles of developing the bank through refined management, upgrading the bank through quality service, invigorating the bank through technological innovation, and strengthening the bank through talent cultivation. As a committed long-termist, we will better play a strategic supporting role in serving the modern industrial system and the construction of a strong financial nation, and make important contributions to advancing Chinese modernization.

President's Statement

Time engraves the course of our struggle, and development witnesses the power of our original aspiration. 2025 is the concluding year of the “Fourth Five-Year” Plan of CZBank. Based on the critical juncture of cycle transition and new strategic layout, we deeply practiced the five-word action guidelines of “stability, progress, innovation, reform, and excellence”, navigated through cycles with a steady and progressive posture, and scientifically responded with long-term strategies, demonstrating strong resilience in our operating results. The Group’s total assets approached RMB3.5 trillion, and the business scale made steady progress; the annual net interest margin was 1.60%, with the decline significantly narrowing; the non-performing loan ratio was 1.36%, and asset quality continued to maintain a stabilizing and improving trend.

Uphold the fundamental nature of finance, deepen the development in Zhejiang, and demonstrate our responsibility by serving the real economy. We have always taken serving the real economy as our fundamental purpose, deeply embodied the political nature and people-centered orientation of financial work, fully aligned with the overall development strategy, and strived to provide high-quality and efficient financial services to society. In 2025, we effectively implemented the “Five Finance” initiative, continuously increased support for major national strategies, key areas, and weak links in the national economy, and built a competitive business matrix covering sci-tech innovation finance and supply chain finance. Adhering to a Zhejiang-based and steady development approach, we fully launched a new round of the three-year action plan for “Deepening Development in Zhejiang,” and fully served Zhejiang Province, enterprises rooted in Zhejiang, and the people of Zhejiang. The total volume of financing services in Zhejiang Province reached nearly RMB1.2 trillion, and we have won the First Prize for Supporting Zhejiang’s Economic and Social Development for 10 consecutive years. We have strived to be a loyal force for the Party committee and government and a pacesetter in policy implementation. Focusing on key areas such as technological innovation, stabilizing foreign trade, and boosting consumption, we have introduced targeted measures to ensure that policies directly benefit the real economy and people’s well-being. In the new year, we will consolidate the foundation of our strategic positioning, focus on priorities to serve the overall situation, concentrate on key areas and major customer groups, strengthen characteristic and comprehensive operations, and build distinctive competitive advantages through customized products and differentiated services.

Build a solid risk defense line, strictly uphold the compliance bottom line, and safeguard steady and long-term development through prudent operation. We have always taken risk prevention and control as an enduring theme and compliance in operation as a fundamental requirement, and firmly implemented a “prudent and steady” risk appetite as well as the risk philosophy of “low risk and balanced returns”. In 2025, we adhered to the principle of “risk priority”, strengthened forward-looking analysis and judgment on key regions, industries, sectors and customers, strictly controlled the credit approval threshold, and enhanced credit review and monitoring to prevent the emergence of large-amount new risks. We remained committed to defusing risks in the course of development, accelerated the resolution of existing stock risks, intensified the disposal of non-performing assets, and maintained a downward trend in the non-performing loan ratio. We further improved our risk management systems and mechanisms, put in place an independent, balanced, vertical and professional risk review system, refined the accountability system, enhanced the risk management mechanism for small enterprises, and continuously strengthened institutional safeguards. We deepened the philosophy that “compliance is the foundation”, prioritized system development and advance compliance, stepped up systematic rectification of issues identified in internal and external inspections, and strived to foster a strong risk and compliance culture. In the new year, we will consolidate the foundation of risk control and compliance, focus on controlling increments, mitigating existing stock, optimizing mechanisms, and shaping concepts, operate prudently under the premise of controllable risks, and conduct businesses in compliance within the regulatory purview.



Mr. Lyu Linhua
President

President's Statement

Strengthen the guidance of Party building, deepen management reform, and consolidate the foundation to gather momentum for development. We have always taken the leadership of the Party as the “compass” to set direction and oversee overall work, and regarded management reform as the “booster” to drive implementation and promote development, gathering a powerful synergy of shared goals from top to bottom and coordinated efforts internally and externally. In 2025, we conducted in-depth study and education programs to fully implement the spirit of the Eight Rules of the Central Government and continued to improve the political ecosystem. We accelerated the compilation of the new round of five-year development plan, systematically outlining the development ideas for the next stage. We fully launched the “Strong Head Office” initiative to build a powerful head office that equally emphasizes leadership, empowerment, and management control. We accelerated the implementation of the “core reconstruction and foundation enhancement” project, and continuously strengthened AI empowerment. We advocated the ethos of “treating the Bank as home and taking pride in the Bank”, intensified the construction of the talent pipeline and independent training, and formed an employment orientation where “the capable are promoted, the mediocre are demoted, and the inferior are eliminated”. In the new year, we will consolidate the internal management foundation, adhere to problem-oriented and goal-oriented approaches, comprehensively deepen reforms, and further enhance the quality and efficiency of operation and management.

Those who observe trends are clear-sighted, those who follow trends are wise, and only those who harness trends can seize development opportunities. Standing at a new historical starting point, only by accurately recognizing changes, scientifically responding to changes, and proactively seeking changes can we make precise moves in serving the real economy, hold the bottom line when facing risks and challenges, and steer the right course in the tide of era transformations. In 2026, we will firmly practice developing the bank through management, upgrading the bank through service, invigorating the bank through technology, and strengthening the bank through talent, persist in providing comprehensive financial services with a customer-centric approach, accumulate strength while consolidating foundations, and break through obstacles while deepening reforms. With the power of finance, we will serve the needs of the country, respond to the expectations of the people, and contribute our financial strength to Chinese-style modernization.

Company Profile

- | | | |
|----|---|--|
| 1. | Company name in Chinese:
Company name in English: | 浙商銀行股份有限公司(Abbreviation in Chinese: 浙商銀行)
CHINA ZHESHANG BANK CO., LTD. (Abbreviation in English: CZBANK) |
| 2. | Legal Representative¹: | Chen Haiqiang |
| 3. | Registered address:

Postcode:
Principal office address:

Postcode:
E-mail:
Website:
Customer service and complaint hotline:
Tel for investor relations management:
Fax: | No. 1788, Hongning Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC
311200
No. 1 Minxin Road, Shangcheng District, Hangzhou, Zhejiang Province, the PRC
310020
ir@czbank.com
www.czbank.com
95527
86-571-88268966
86-571-87659826 |
| 4. | Principal place of business in Hong Kong: | 15/F, Three Exchange Square, No. 8 Connaught Place, Central, Hong Kong, the PRC |
| 5. | Authorized representatives: | Chen Haiqiang, Luo Feng |
| 6. | Secretary to the Board:
Joint Company Secretaries:
Representative of securities affairs: | Luo Feng
Luo Feng, Chan Yin Wah
Chen Ning |
| 7. | A Shares
Stock exchange where the securities are listed:
Stock abbreviation:
Stock code: | Shanghai Stock Exchange
CZBANK
601916 |
| | H Shares
Stock exchange where the securities are listed:
Stock abbreviation:
Stock code: | Hong Kong Stock Exchange
CZBANK
2016 |

Note 1: On February 13, 2026, the qualification of Mr. Chen Haiqiang to serve as the Chairman was approved by the National Financial Regulatory Administration. In accordance with the Articles of Association, the Chairman serves as the Bank's Legal Representative, and the change of registration with the market supervision authorities has not yet been completed as of the publication date of this annual report.

Company Profile

8. **Share registrar:**
- A Shares:** China Securities Depository and Clearing Corporation
Limited Shanghai Branch
No. 188 South Yanggao Road, Pudong New Area,
Shanghai, the PRC
- H Shares:** Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F, Hopewell Center, 183 Queen's
Road East, Wanchai, Hong Kong, the PRC
9. **Legal advisers:**
- As to Mainland China Laws:** Zhejiang T&C Law Firm
- As to Hong Kong Laws:** Freshfields
10. **Accounting firms engaged by the Company:**
- Domestic auditor:** KPMG Huazhen LLP
Office address: 8/F, Tower E2, Oriental Plaza, 1 East
Chang'an Avenue, Dongcheng District, Beijing, PRC
Signing certified accountants: Pan Sheng, Jin Rui
- International auditor:** KPMG
Office address: 8/F, Prince's Building, 10 Chater Road,
Central, Hong Kong, the PRC
11. **Newspapers and websites designated for
information disclosure:**
- Mainland China:** China Securities Journal, Shanghai Securities News,
Securities Times and Securities Daily
Website of the Shanghai Stock Exchange (www.sse.com.cn)
Website of the Company (www.czbank.com)
- Hong Kong:** Website of the Hong Kong Stock Exchange (www.hkex.com.hk)
Website of the Company (www.czbank.com)
- Place for inspection of the annual report:** Office of the Board of the Company
(No. 1 Minxin Road, Shangcheng District, Hangzhou,
Zhejiang Province, the PRC)
12. **Other information about the Company:** Uniform social credit code: 91330000761336668H
Financial institution license serial number:
B0010H133010001
Registration date: July 26, 2004

Corporate Overview

As one of the twelve nationwide joint-stock commercial banks, CZBank officially commenced business on August 18, 2004, with its head office in Hangzhou, Zhejiang Province. CZBank is an “A+H” listed bank and a domestic systemically important bank in China. Since its establishment, CZBank has maintained a foothold in Zhejiang while adopting a global vision. The bank has been committed to serving national strategies, providing high-quality and efficient financial services to society, and has grown into a sound commercial bank with solid fundamentals, strong profitability and prudent risk management.

Anchoring the development vision of being “a first-class commercial bank”, CZBank has always adhered to taking the comprehensive strengthening of the Party’s leadership as the fundamental guarantee, taking Deepening the Development in Zhejiang and serving the real economy as the foothold, taking reform and innovation and refining governance as the basic path, and taking risk prevention and safe development as the bottom-line requirement. We thoroughly practice the strategies of developing the bank through management, improving the Bank through services, prospering the Bank through technology, and strengthening the Bank through talents, continuously build distinctive competitive advantages, systematically consolidate the foundation for steady development, and embark on a new journey of high-quality development in all respects.

In 2025, CZBank’s operating income was RMB62.558 billion, representing a decrease of 7.60% over last year; net profit attributable to shareholders of the Bank was RMB12.931 billion, representing a decrease of 14.85% over last year. As at the end of the reporting period, total assets were RMB3.48 trillion, representing an increase of 4.68% compared with the end of last year, of which: total loans and advances to customers were RMB1.92 trillion, representing an increase of 3.53% compared with the end of last year; total liabilities were RMB3.27 trillion, representing an increase of 4.83% compared with the end of last year, of which: the balance of customer deposits was RMB2.04 trillion, representing an increase of 6.30% compared with the end of last year. The non-performing loan ratio was 1.36%, and allowance to non-performing loans was 155.37%.

CZBank has established 373 branch outlets in 22 provinces (autonomous regions or municipalities directly under the Central Government) and the Hong Kong Special Administrative Region, effectively covering key areas such as Zhejiang, where its headquarters are located, the Yangtze River Delta, and the Guangdong-Hong Kong-Macao Greater Bay Area. It controls two subsidiaries, namely Zheyin Financial Leasing and CZB Wealth Management. In the “Top 1000 World Banks 2025” ranking by The Banker, U.K., CZBank ranked 82nd in terms of tier-one capital. China Chengxin International granted CZBank the highest AAA corporate credit rating among financial institutions, while S&P and Moody’s granted CZBank a “investment grade” in the international rating.

Development Strategies and Core Competitiveness

(I) Development Strategies

1. Vision, Mission and Culture

Vision: To build a first-class commercial bank

Mission: Strive to provide high-quality and efficient financial services to society

Culture: See deeds, feel hearts, envision the future

2. Guiding Principles.

Guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we deeply implement the spirit of the 20th CPC National Congress and all plenary sessions of the 20th CPC Central Committee, fully implement General Secretary Xi Jinping's important expositions on financial work, adhere to the strengthening of the Party's leadership as the fundamental guarantee, take "Deepening the Development in Zhejiang" and serving the real economy as our starting point and ultimate goal, take reform and innovation and improving governance as the fundamental path, and regard risk prevention and safe development as bottom-line requirements. We adhere to the principles of "developing the bank through refined management, upgrading the bank through quality service, invigorating the bank through technological innovation, and strengthening the bank through talent cultivation". As a committed long-termist, we will continuously enhance CZBank's core competitiveness and brand influence, better play a strategic supporting role in the construction of a strong financial province, and make important contributions to achieving decisive progress in the high-quality development and construction of the demonstration zone for common prosperity and taking the lead in presenting a vivid picture of basically realizing socialist modernization.

Development Strategies and Core Competitiveness

3. Strategic Goals

To build a high-quality commercial bank with sound governance, adequate capital, standard management, controllable risks, outstanding core competitiveness, and significant brand influence.

4. Strategic Path

To strive to achieve our vision, mission, and strategic goals, we will unswervingly follow the four strategic paths over the next five years: developing the bank through refined management, upgrading the bank through quality service, invigorating the bank through technological innovation, and strengthening the bank through talent cultivation, comprehensively breaking new journey for high-quality development.

(II) Core Competitiveness

1. Developing the bank through refined management – Strengthen systematic management capabilities. Comprehensively build a “standardized, refined, empowered, systematic, and scientific” management system, continuously improve a comprehensive institutional system with clear powers and responsibilities, standardized processes, and strong execution, and build a dynamic updating mechanism of “establishing, modifying, and abolishing” the institutional system. Strengthen the head office’s capabilities in leadership, empowerment, and oversight, implement the main responsibilities of branches for operational development such as customers, business, efficiency, and quality, promote sub-branches to consolidate basic management and strengthen execution, and achieve the integrated development of “building a strong head office, optimizing branches, and consolidating sub-branches”. Coordinate and improve resource allocation and incentive mechanisms, and arrange long-term plans in five aspects: customer base, risk, structure, efficiency, and scale from a systems perspective.
2. Upgrading the bank through quality service – Build a customer-centric integrated service system. Adhere to the service positioning of “Deepening the Development in Zhejiang”, linkage between corporate and financial markets, and serving the modern industrial system, and establish the service concept of “thinking what you think, accompanying you forward”. Carry out comprehensive customer operations, build bank-wide industry research capabilities, create a “three-in-one” service system of customers, products, and teams, and form differentiated and characteristic service brands such as CZBank supply chain, Zheyin Financial Leasing, CZBank science and technology innovation, financial market of CZBank, CZBank cross-border, CZBank wealth, CZBank trading, and CZBank non-financial. Deeply cultivate the service culture of “the head office serving branches, the middle and back offices serving the front office, leaders serving employees, and the whole bank serving development”, and reshape the comprehensive service capabilities of being “customer-centric”.

Development Strategies and Core Competitiveness

3. Invigorating the bank through technological innovation – Maintain a relatively leading position among peers. Strengthen the basic support of technology, fully promote the construction of a new core system, improve the data governance system, and build a data management system and capabilities superior to the industry average. Closely focusing on the needs of business efficiency enhancement, management quality improvement, and customer satisfaction, promote the deep integration of technology and operation management, and comprehensively empower management decision-making and business implementation. Systematically build an AI infrastructure system, deepen the large-scale implementation of AI scenario applications in marketing, risk control, product services, and other fields, and strengthen the leading role of technology in business.
4. Strengthening the bank through talent cultivation – Strengthen professional and expert governance. Firmly establish the employment orientation of “having both ability and political integrity, being recognized by the masses, focusing on actual performance, matching people with positions, and tiered training”, vigorously create the value concept of a “striver-oriented philosophy”, continuously optimize the talent development environment, and improve the talent incentive and growth mechanism, so that all kinds of talents can fully display their talents without distractions. Establish a distinct orientation giving priority to internal training, strengthen the reserve of excellent cadres and talents, steadily promote tiered and classified training, solidly advance the reform of the position sequence system, and establish more abundant professional sequence channels step by step. We will coordinate bank-wide research resources, and implement the bank-wide industry research “132N Five Policies in One” working mechanism, to provide professional support for the whole bank’s operation.

Five Finances

The Company thoroughly executes the decisions and deployment of the CPC Central Committee and the State Council, fully implements the spirit of the Central Financial Work Conference. We deeply understand the political and people-oriented nature of financial work, strengthen organizational leadership, formulate work plans, intensify the resource allocation, and optimize financial products and services. We continuously enhance our support to major national strategies, key areas and vulnerable areas in the national economy, and ensure to effectively carry out “Five Finances” of finance, promoting the high-quality development of the real economy.

Technology Finance

The Company closely follows the pace of the national strategy, fully promotes the development of new productive forces, establishes a distinctive sci-tech financial service system underpinned by its talent pool, and has seen a sustainable increase in the number of science and technology-based enterprises served and the scale of financing provided. The Company has rolled out the Science for Good Companionship Plan as a dedicated sci-tech finance development initiative, built a professional sci-tech finance team, and developed a tailored evaluation mechanism. We have iteratively upgraded 30 major exclusive product lines covering 15 key sci-tech finance scenarios. Focusing on key industries including biomedicine, integrated circuits, aerospace, and artificial intelligence, we have actively supported a large number of technology enterprises and continuously strengthened financial support for priority sci-tech sectors. By the end of 2025, the balance of sci-tech loans¹ of the Company amounted to RMB 270.807 billion.

Green Finance

The Company actively supports green and low-carbon development by issuing the “CZB Green Finance Development Strategy and Implementation Outline” to establish a green finance organizational framework system, clarify strategic objectives and implementation path, and contribute to the comprehensive green transformation of economic and social development and the construction of a beautiful China. The Company continuously strengthens policy guidance for green finance by launching “green factory loans” and “transition finance loans”, actively explores environmental rights pledge financing, strengthens the categorization management and dynamic assessment of customers’ ESG (environmental, social and governance) risks, and continues to increase financial support for green, low-carbon, circular economy and biodiversity initiatives. By the end of 2025, the balance of green loans of the Company amounted to RMB256.835 billion, representing an increase of 8.01% compared with that at the end of last year.

Note¹: The relevant indicators of the “Five Finances” for the current period have been adjusted in accordance with the “Notice of the General Office of the People’s Bank of China on the Statistical Work of ‘Five Finances’” (Yin Ban Fa [2025] No. 66), and the relevant comparative figures are also in accordance with the new standards.

Inclusive Finance

The Company continues to enhance its inclusive financial service capacity, improves risk management systems and mechanisms, promotes the transformation of inclusive financial services into digitalization and scenario-based services, actively supports rural revitalization, and promotes the high-quality development of inclusive financial services. It actively implements the coordination mechanism for financing of small and micro foreign trade enterprises, providing full support for their stable development. Focusing on service scenarios such as small and micro enterprise parks and individually business operators, it delivers comprehensive financial services to small and micro enterprise clients, continues to intensify financial support for private, small-and micro-enterprises and individually business operators, and effectively addresses the practical difficulties of small and micro enterprises. By the end of 2025, the balance of loans to key inclusive sectors of the Company amounted to RMB358.198 billion, representing an increase of 0.30% compared with that at the end of last year. The balance of agriculture-related loans¹ amounted to RMB175.300 billion, representing an increase of 3.06% compared with that at the end of last year.

Aging Finance

In response to the national strategy for addressing population aging, the Company has issued the “CZB Aging Finance Development Strategy and Implementation Outline”, and launched the “Golden Life, Silver Joy” (金桂人生 銀發樂享) aging finance brand. By catering to the diverse needs of the silver-haired customer base, it integrates financial products with non-financial services through dedicated products, benefits, services, activities and channels to enhance service quality and efficiency for them. The Company has promoted ageing-friendly renovation across all channels, upgraded ageing-friendly hardware facilities to meet local needs, set up special care service window, created “warmth stations” and revamped the “senior-friendly edition” of its mobile banking app. It has actively promoted third-pillar pension insurance, opened a total of 303,900 individual pension fund accounts with a total deposit of RMB387 million, and strengthened cooperation with insurance companies with retained amount of commercial pension products of RMB1.793 billion. The Company has steadily advanced financial development in the aging industry, with its balance of loans in the aging industry amounting to RMB1.039 billion by the end of 2025, representing a significant increase as compared with last year.

Digital Finance

The Company has steadily advanced its digital transformation, and enhanced digital operation and service capabilities to drive innovation and quality improvement in the digital economy. It has comprehensively implemented the “replacing core system to consolidate our foundation” project, orderly promoted the construction of new-generation core systems, systematically enhanced data governance level, accelerated the release of data asset value, and established a full-process digital risk management system to consolidate the base of digital finance. The Company has actively promoted scenario-based service innovation, delivering a series of representative digital finance application achievements. In particular, it has focused on financial services for small and micro enterprise parks, and launched digital applications such as the smart park platform, providing tailored comprehensive financial services to park operators and those enterprises in the park. Focusing on supply chain finance scenarios, the Company has iteratively optimized multiple supply chain finance platforms including electronic certificates for accounts receivable. As at the end of 2025, it had formed differentiated solutions in key industries such as electric power, energy, new energy automobile, and modern communications, and had cumulatively provided financing of more than RMB1.1 trillion, served more than 4,000 core enterprises, and extended services to more than 98,000 upstream and downstream enterprises.

Note¹: Starting from 2025, the Company's agriculture-related loans have been calculated in accordance with the revised new standards specified in the “Notice of the Survey and Statistics Department of the People's Bank of China on Issuing the Revised Content of Financial Statistics for Financial Institutions in 2024” (Yin Diao Fa [2024] No. 2), and the relevant comparative figures are also in accordance with the new standards.

Deepening Zhejiang development

Main indicators in Zhejiang Province



Total financing services

RMB **1,175.5** billion
increased by  15.19%



Deposit balance

RMB **633.3** billion
increased by  12.17%



Loan balance

RMB **661.4** billion
increased by  7.56%



Small and micro loans
under inclusive finance

RMB **144.3** billion
increased by  1.41%



Green loan

RMB **105.1** billion
increased by  5.10%



Loans to manufacturing
industries

RMB **127.9** billion
increased by  3.81%



Agricultural-related loan¹

RMB **98.6** billion
increased by  5.12%

Main achievements

01

Provided forceful and effective services for the overall development of the province.

By the end of 2025, the total amount of financing services in the province reached RMB1,175.5 billion, representing an increase of RMB155.0 billion over the beginning of the year, with additional financing from major projects of RMB10.6 billion. More than 30 targeted measures were introduced to focus on key initiatives such as the “415X” advanced manufacturing cluster construction and consumption transformation and upgrading. It has been awarded the first prize for supporting the economic and social development of Zhejiang for 10 consecutive years, and the “Most Satisfactory Bank for Private Enterprises” for 6 consecutive years.

Continuously strengthened cooperation with government departments at all levels.

It has signed agreements with 20 provincial-level units, continuously strengthened systematic cooperation with the provincial Department of Economics and Information Technology, Department of Commerce, Market Supervision Administration and Government Offices Administration. The contract coverage rate with district and county governments reached 86.59%, representing an increase of 19.92 percentage points over the beginning of the year. It newly acquired 102 types of dedicated qualification accounts, achieving full coverage of housing fund loan qualifications across all cities within the province, and successful connections with the provincial civil servant payroll management system and the Provincial High Court’s intelligent bankruptcy adjudication and the case payment system.

02

Note¹: Starting from 2025, the Company’s agriculture-related loans have been calculated in accordance with the revised new standards specified in the “Notice of the Survey and Statistics Department of the People’s Bank of China on Issuing the Revised Content of Financial Statistics for Financial Institutions in 2024” (Yin Diao Fa [2024] No. 2), and the relevant comparative figures are also in accordance with the new standards.

03

Deepening development extended into county-level areas.

By the end of 2025, the comprehensive financial ecosystem coverage rate in county-level areas within the province reached 85.71%, representing an increase of 40.48 percentage points over the beginning of the year, and achieved full coverage of districts and counties under 6 cities and municipalities including Hangzhou and Ningbo. It launched the “government services in the hall” (政務服務進廳堂) initiative, and 11 high-frequency services including housing fund contributions, ID card renewals and business license issuance have been implemented.

05

Market position has significantly improved.

By the end of 2025, the balance of all deposits and loans in the province reached RMB633.3 billion and RMB661.4 billion respectively, an increase of RMB68.7 billion and RMB46.5 billion respectively, compared with the beginning of the year, with both growth rates outperforming the joint-stock peers.

06

Enhanced service quality and expanded coverage for customer groups.

By the end of 2025, the basic customers, small and micro enterprise customers and retail customers in the province amounted to 65,000, 83,000 and 5.23 million respectively, representing an increase of 21.35%, 30.02% and 31.12% over the beginning of the year, respectively. It served nearly 15,000 upstream and downstream supply chain enterprises in Zhejiang Province, and provided services to approximately 11,000 Zhejiang-based overseas enterprises, providing foreign exchange trading services exceeding US\$45 billion.

Digital service capabilities continued to strengthen.

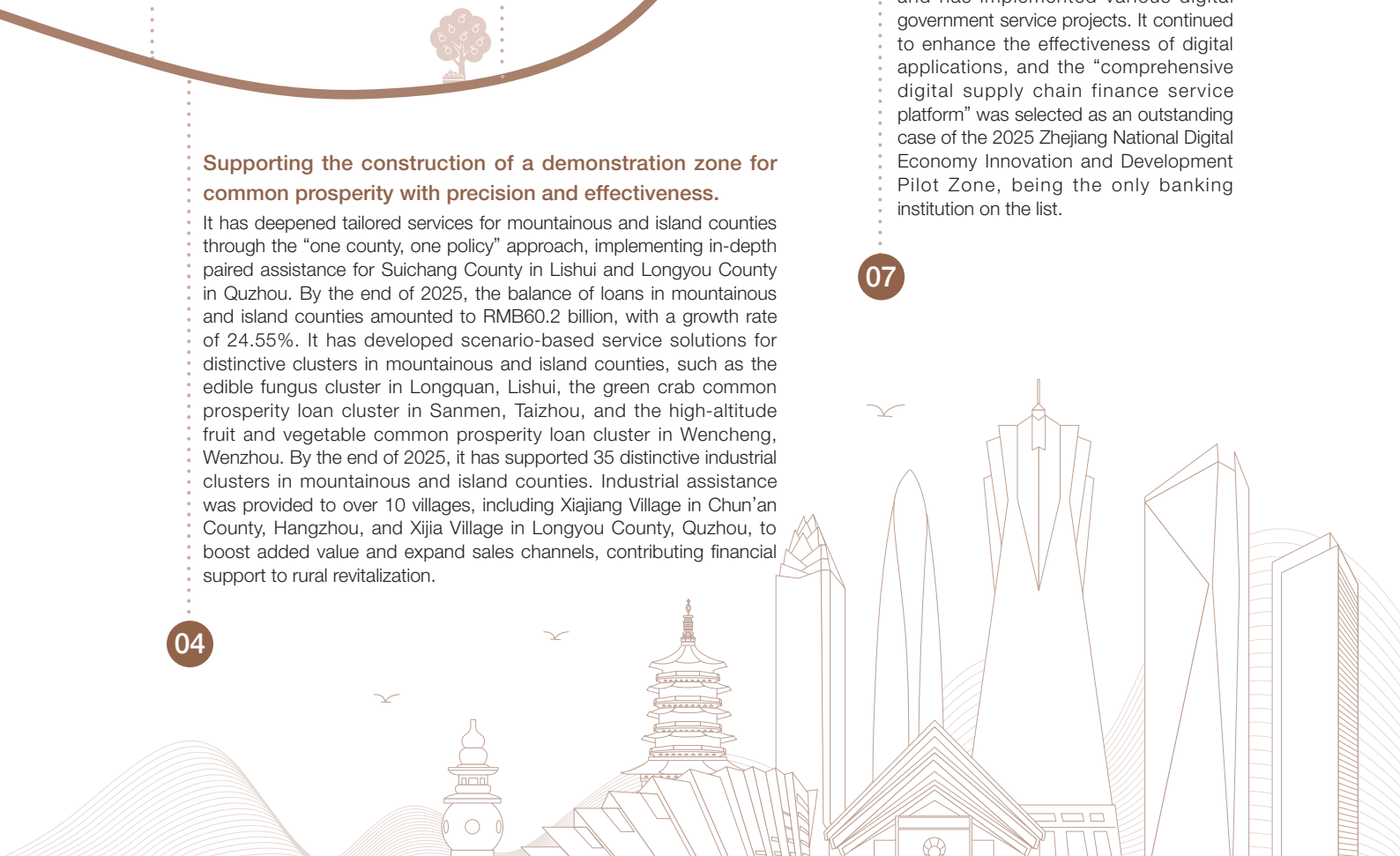
It actively aligned with digital service demands across all levels of government, and has implemented various digital government service projects. It continued to enhance the effectiveness of digital applications, and the “comprehensive digital supply chain finance service platform” was selected as an outstanding case of the 2025 Zhejiang National Digital Economy Innovation and Development Pilot Zone, being the only banking institution on the list.

Supporting the construction of a demonstration zone for common prosperity with precision and effectiveness.

It has deepened tailored services for mountainous and island counties through the “one county, one policy” approach, implementing in-depth paired assistance for Suichang County in Lishui and Longyou County in Quzhou. By the end of 2025, the balance of loans in mountainous and island counties amounted to RMB60.2 billion, with a growth rate of 24.55%. It has developed scenario-based service solutions for distinctive clusters in mountainous and island counties, such as the edible fungus cluster in Longquan, Lishui, the green crab common prosperity loan cluster in Sanmen, Taizhou, and the high-altitude fruit and vegetable common prosperity loan cluster in Wencheng, Wenzhou. By the end of 2025, it has supported 35 distinctive industrial clusters in mountainous and island counties. Industrial assistance was provided to over 10 villages, including Xiajiang Village in Chun’an County, Hangzhou, and Xijia Village in Longyou County, Quzhou, to boost added value and expand sales channels, contributing financial support to rural revitalization.

04

07



Honors and Awards

The Banker, magazine of the UK

82nd in the “Top 1000 World Banks 2025” ranking

Eight ministries and commissions, including the State Administration for Market Regulation, the National Development and Reform Commission, the Ministry of Finance and the People’s Bank of China

Corporate Standards “Leader”

Zhejiang Provincial Committee of the Communist Party of China and People’s Government of Zhejiang Province

The 8th “Zhejiang Charity Award”

People’s Bank of China, Zhejiang Branch

Most Satisfactory Bank for Private Enterprises

China Foreign Exchange Trade System

Market Innovation Business Institution (Inter-bank Deposits by CFETS)

MSCI

“AAA” in MSCI ESG rating

Thirteen departments, including the Ministry of Industry and Information Technology, the People’s Bank of China and the National Financial Regulatory Administration

Typical Cases of Cybersecurity Technology Applications

Zhejiang Provincial Committee of the Communist Party of China, People’s Government of Zhejiang Province and Military Region in Zhejiang Province

Patriotic and Military-Supporting Model Collective in Zhejiang Province

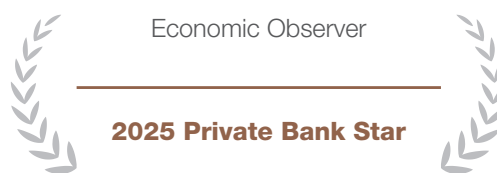
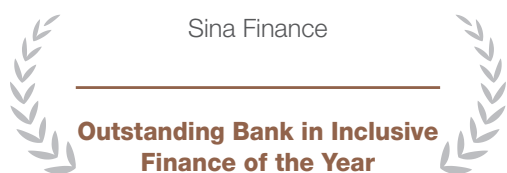
China Central Depository & Clearing Co., Ltd.

“Outstanding ABS Originator” at the China Debt Member Business Development Quality Evaluation

Zhejiang Provincial Finance & Trading Unions

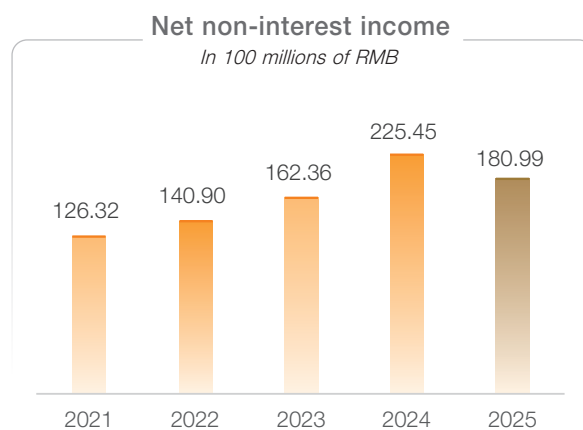
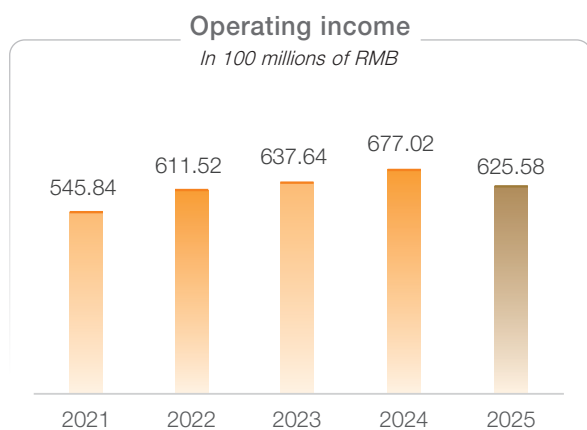
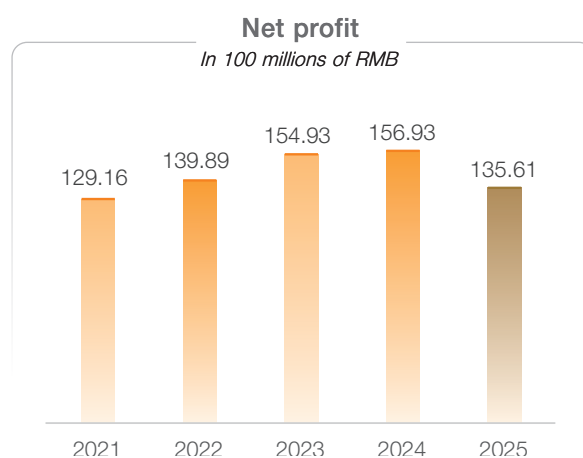
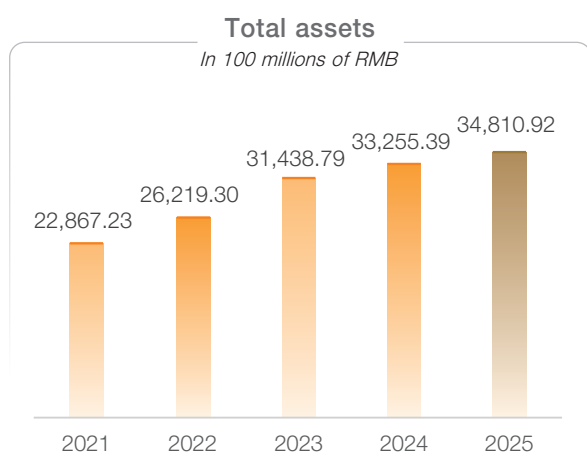
Honorary title of “Most Beautiful Station”

Honors and Awards



Financial Summary

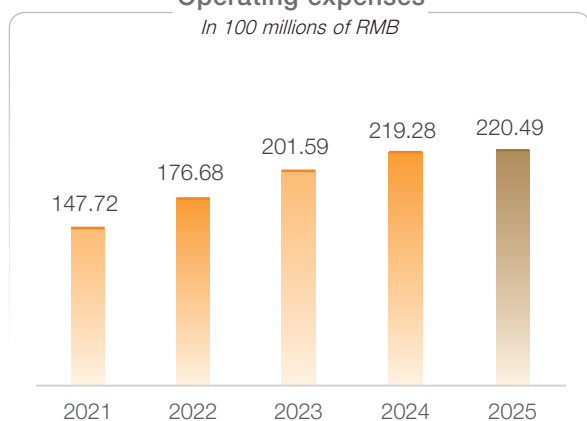
(The financial data and indicators set forth in this annual report are prepared in accordance with the International Financial Reporting Accounting Standards, are consolidated data of the Bank and its subsidiaries and presented in RMB, unless otherwise specified.)



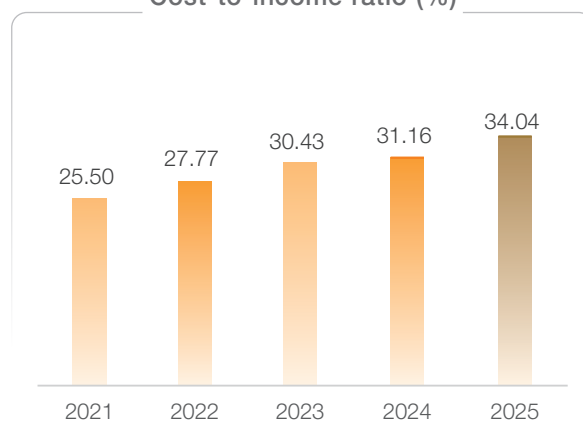
Financial Summary

Operating expenses

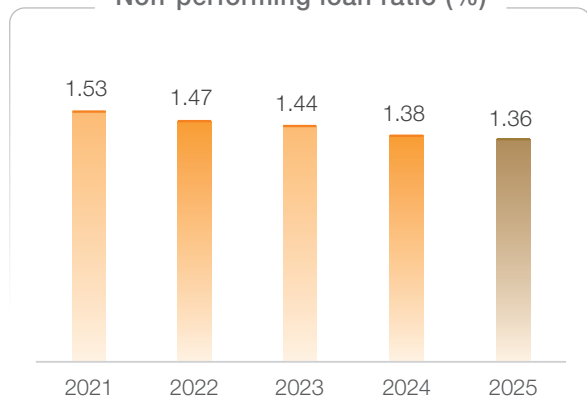
In 100 millions of RMB



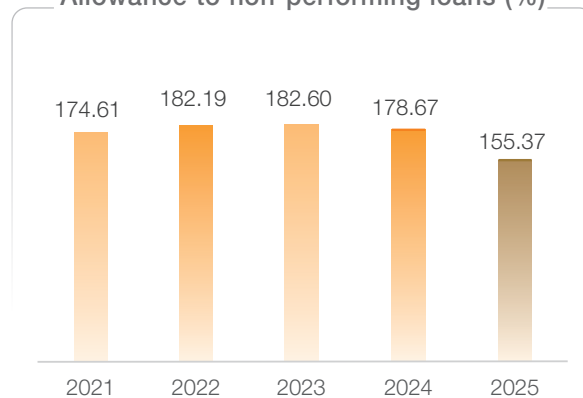
Cost-to-income ratio (%)



Non-performing loan ratio (%)



Allowance to non-performing loans (%)



Financial Summary

Key Financial Data and Indicators

	2025	2024	2023	2022	2021
Operating results (RMB million)					
Operating income	62,558	67,702	63,764	61,152	54,584
Profit before taxation	16,129	17,579	17,492	15,831	14,981
Net profit attributable to shareholders of the Bank	12,931	15,186	15,048	13,618	12,648
Scale indicators (at the end of the reporting period, RMB million)					
Total assets	3,481,092	3,325,539	3,143,879	2,621,930	2,286,723
Total loans and advances to customers	1,922,711	1,857,116	1,716,240	1,525,030	1,347,239
Total liabilities	3,273,757	3,122,796	2,954,302	2,456,000	2,119,840
Customer deposits	2,043,466	1,922,289	1,868,659	1,681,443	1,415,705
Equity attributable to shareholders of the Bank	202,868	198,903	186,245	162,933	164,169
Per share (RMB)					
Net assets per share at the end of the period attributable to shareholders of the Bank ⁽¹⁾	6.48	6.33	5.87	6.49	5.84
Basic earnings per share attributable to shareholders of the Bank ⁽²⁾	0.44	0.52	0.57	0.53	0.53
Diluted earnings per share attributable to shareholders of the Bank	0.44	0.52	0.57	0.53	0.53
Profitability indicators (%)					
Return on average total assets ⁽³⁾	0.40	0.49	0.54	0.57	0.60
Weighted average return on net assets ⁽⁴⁾	6.80	8.49	9.45	9.01	9.83
Net interest margin	1.60	1.71	2.01	2.21	2.27
Net interest spread	1.46	1.52	1.81	2.02	2.07
Net non-interest income to operating income	28.93	33.30	25.46	23.04	23.14
Cost-to-income ratio ⁽⁵⁾	34.04	31.16	30.43	27.77	25.50
Asset quality indicators (%)					
Non-performing loan ratio ⁽⁶⁾	1.36	1.38	1.44	1.47	1.53
Allowance to non-performing loans ⁽⁷⁾	155.37	178.67	182.60	182.19	174.61
Allowance to total loans ⁽⁷⁾	2.11	2.46	2.63	2.67	2.68
Capital adequacy indicators (%)					
Core tier-one capital adequacy ratio ⁽⁸⁾	8.40	8.38	8.22	8.05	8.13
Tier-one capital adequacy ratio ⁽⁸⁾	9.60	9.61	9.52	9.54	10.80
Capital adequacy ratio ⁽⁸⁾	12.12	12.61	12.19	11.60	12.89

Financial Summary

Notes:

- (1) Net assets per share attributable to shareholders of the Bank = (Equity attributable to shareholders of the Bank minus other equity instruments) divided by the total number of ordinary shares at the end of the period.
- (2) Basic earnings per share attributable to shareholders of the Bank = Net profit attributable to shareholders of ordinary shares of the Bank (excluding net profit attributable to other equity instruments of the Bank) divided by weighted average number of ordinary shares outstanding. The Bank completed the A-share right issue and the H-share right issue on June and July 2023, respectively. As a result of the Right Issue, the earnings per share for 2022 and previous years have been recalculated.
- (3) Return on average total assets = Net profit divided by the average balance of total assets at the beginning and at the end of the period.
- (4) Calculated in accordance with the Rules for the Compilation and Submission of Information Disclosure by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Share (2010 Revision) issued by the CSRC.
- (5) Cost-to-income ratio = Operating expenses (excluding taxes and surcharges) divided by operating income.
- (6) Since the 2023 annual report, the Bank has calculated the non-performing loan ratio and allowance to total loans in accordance with the Guidelines for the Calculation of Major Financial Indicators in China's Banking Industry (Yin Xie Fa [2023] No. 34) 《中國銀行業主要財務指標計算指引》(銀協發[2023]34號)) issued by the China Banking Association, where: Non-performing loan ratio = Balance of non-performing loans divided by total loans and advances to customers (excluding interest accrued).
- (7) Allowance to non-performing loans = Balance of the allowance for ECLs of loans divided by balance of non-performing loans; allowance to total loans = Balance of the allowance for ECLs of loans divided by total loans and advances to customers (excluding interest accrued). There is no difference between the indicator for the Group and the Bank. According to the Notice on Adjusting the Regulatory Requirements for Loan Loss Provisions of Commercial Banks (Yin Jian Fa [2018] No. 7), a differentiated and dynamically adjusted provision regulatory policy is implemented for joint-stock banks. The regulatory standards for the allowance to non-performing loans and allowance to total loans applicable to the Group are 140% and 2.1%.
- (8) Since 1 January 2024, the Group has calculated the capital adequacy indicators in accordance with the requirements under the Administrative Measures for the Capital of Commercial Banks (No. 4 Order [2023] of National Financial Regulatory Administration) 《商業銀行資本管理辦法》(國家金融監督管理總局令2023年第4號)).

Explanation of Differences between Financial Statements Prepared under Domestic and International Accounting Standards

The net profit attributable to shareholders of the Bank for the reporting period ended December 31, 2025 and the equity attributable to shareholders of the Bank as at the end of the reporting period presented in the financial statements prepared by the Group under the China Accounting Standards are the same with that presented in the financial statements prepared by the Group under the International Financial Reporting Accounting Standards.

Management Discussion and Analysis

(I) Economic, Financial and Regulatory Environments

In 2025, the global economy showed a resilient growth trend amidst multiple challenges, but the pressure of slowing growth remained significant. The frequently adjusted tariff policies of the United States became the main disruptive factor for global trade, leading to a slowdown in total international trade growth and triggering structural adjustments. Global inflation generally showed a downward trend, but rebounded in some economies due to tariff policies and internal factors. Important progress was made in frontier areas such as large artificial intelligence models and innovative biological drugs, and the process of industrialization and commercialization accelerated, becoming an important driving force for economic transformation and upgrading. Overall, the world economy presented the characteristics of low growth and high uncertainty in the complex intertwining of trade frictions, geopolitical risks and the driving force of technological revolution.

The year 2025 was the concluding year of the 14th Five-Year Plan. Under the strong leadership of the Central Party Committee with Comrade Xi Jinping at its core, China adhered to the general principle of seeking progress while maintaining stability and improving quality and efficiency, overcame internal and external difficulties, pushed the economy to forge ahead under pressure, and successfully achieved the major expected goals of economic and social development, bringing a successful conclusion to the 14th Five-Year Plan. GDP for the year crossed RMB140 trillion for the first time, a 5.0% increase over the previous year at constant prices, and per capita GDP stabilized at over USD13,000, making it the major contributor to global economic growth. Multiple core indicators improved, with total imports and exports of goods exceeding RMB45 trillion, overall employment remaining stable, and real growth in per capita disposable income keeping pace with economic growth. The high-quality development was enhanced, new quality productive forces were cultivated and expanded, the added value of high-tech manufacturing grew steadily, the vitality of service consumption was released, and a diversified export pattern accelerated to form. At the same time, China's economy still faced challenges such as external trade constraints, strong domestic supply but weak demand, and insufficient endogenous momentum, but the favorable conditions outweighed the unfavorable factors, and the trend of economic rebound and long-term improvement remained unchanged.

In 2025, the financial regulatory system continued to be deepened. On the basis of the framework of "One Bank (PBOC), One Administration (NFRA), and One Commission (CSRC)" (一行一局一會), the regulatory coordination mechanism was further refined. Regulatory priorities shifted to emerging areas including fintech and cross-border capital flows, while penetrating supervision capacity was notably strengthened. Coordination between central and local financial regulators became more effective, providing a more solid institutional underpinning for the prevention and resolution of financial risks.

In 2025, monetary policy maintained a moderately accommodative stance, strengthened cross-cyclical adjustment, innovatively applied structural tools while lowering relevant interest rates. Net injections through open market operations exceeded RMB6 trillion to ensure abundant liquidity, the weighted average interest rate for newly issued corporate and personal housing loans dropped to around 3.1%, and credit resources accurately flowed to key areas such as sci-tech innovation and green development. Fiscal policy stepped up to enhance efficiency, the deficit rate was raised to around 4%, the quota for new special bonds was RMB4.4 trillion, and ultra-long-term special government bonds of RMB1.3 trillion were issued. The investment direction and management mechanism of bonds were being continuously optimized, with efforts focused on the fields of "Two Focuses (兩重)" and "Two News (兩新)", so as to further expand domestic demand, stabilize investment and boost consumption.

Management Discussion and Analysis

The banking industry has made great efforts to improve the quality and efficiency of its services to the real economy and strengthened its credit support to key areas. At the end of 2025, the local and foreign currency assets of banking financial institutions amounted to RMB480 trillion, an increase of 8.0% year-on-year; the total local and foreign currency liabilities of banking financial institutions reached RMB441.5 trillion, an increase of 8.2% year-on-year. The balance of inclusive loans to small and micro enterprises from banking financial institutions was RMB37 trillion, an increase of 11.0% year-on-year; the balance of inclusive agriculture-related loans was RMB14.2 trillion, an increase of 10.3% year-on-year. Commercial banks achieved an annual net profit of RMB2.4 trillion, representing a year-on-year growth of approximately 2.3%; the balance of non-performing loans was RMB3.5 trillion, and the non-performing loan ratio was 1.50%, overall asset quality remained generally stable.

(II) Analysis of Overall Operation Performance

During the reporting period, the Group fully implemented the unified decisions and deployments of the CPC Central Committee and the Zhejiang Provincial Party Committee. Guided by the spirit of the Fourth Plenary Session of the 20th CPC Central Committee, anchoring the “three first-class” goal and vision, the Group continuously injected financial momentum into economic and social development.

As at the end of the reporting period, total assets of the Group amounted to RMB3,481.092 billion, representing an increase of RMB155.553 billion or 4.68% compared with the end of last year. Of which total loans and advances to customers amounted to RMB1,922.711 billion, representing an increase of RMB65.595 billion or 3.53% compared with the end of last year. Total liabilities amounted to RMB3,273.757 billion, representing an increase of RMB150.961 billion or 4.83% compared with the end of last year. Of which: customer deposits amounted to RMB2,043.466 billion, representing an increase of RMB121.177 billion or 6.30% compared with the end of last year.

During the reporting period, operating income of the Group amounted to RMB62.558 billion, representing a decrease of RMB5.144 billion or 7.60% compared with the previous year, of which net interest income amounted to RMB44.459 billion, representing a decrease of RMB698 million or 1.55% compared with the previous year; net non-interest income amounted to RMB18.099 billion, representing a decrease of RMB4.446 billion or 19.72% compared with the previous year. Net profit attributable to shareholders of the Bank amounted to RMB12.931 billion, representing a decrease of RMB2.255 billion or 14.85% compared with the previous year.

As at the end of the reporting period, the non-performing loan ratio of the Group was 1.36%, representing a decrease of 0.02 percentage point compared with the end of last year. Allowance to non-performing loans was 155.37%, representing a decrease of 23.30 percentage points compared with the end of last year; allowance to total loans was 2.11%, representing a decrease of 0.35 percentage point compared with the end of last year.

As at the end of the reporting period, the capital adequacy ratio of the Group was 12.12%, representing a decrease of 0.49 percentage point compared with the end of last year; the tier-one capital adequacy ratio was 9.60%, representing a decrease of 0.01 percentage point compared with the end of last year; the core tier-one capital adequacy ratio was 8.40%, representing an increase of 0.02 percentage point compared with the end of last year, all satisfying the regulatory requirements.

Management Discussion and Analysis

(III) Analysis of Financial Statements

1. Analysis of Consolidated Statement of Profit or Loss

During the reporting period, operating income of the Group amounted to RMB62.558 billion, representing a decrease of 7.60% compared with the previous year, of which net interest income amounted to RMB44.459 billion, representing a decrease of 1.55% compared with the previous year; net non-interest income amounted to RMB18.099 billion, representing a decrease of 19.72% compared with the previous year. Operating expenses were RMB22.049 billion, representing an increase of 0.55% compared with the previous year; the cost-to-income ratio was 34.04%, representing an increase of 2.88 percentage points compared with the previous year. Impairment losses amounted to RMB24.380 billion, representing a decrease of 13.53% compared with the previous year. Income tax expenses were RMB2.568 billion, representing an increase of 36.16% compared with the previous year. Net profit attributable to shareholders of the Bank amounted to RMB12.931 billion, representing a decrease of 14.85% compared with the previous year, return on average total assets was 0.40%, and weighted average return on net assets was 6.80%.

Changes in main items of the consolidated statement of profit or loss

In RMB million, except percentages

Item	2025	2024	Amount of increase (decrease)	Increase (decrease) (%)
Net interest income	44,459	45,157	(698)	(1.55)
Net non-interest income	18,099	22,545	(4,446)	(19.72)
Operating income	62,558	67,702	(5,144)	(7.60)
Less: Operating expenses	22,049	21,928	121	0.55
Less: Impairment losses	24,380	28,195	(3,815)	(13.53)
Profit before taxation	16,129	17,579	(1,450)	(8.25)
Less: Income tax expenses	2,568	1,886	682	36.16
Net profit	13,561	15,693	(2,132)	(13.59)
Attributable to: Shareholders of the Bank	12,931	15,186	(2,255)	(14.85)
Non-controlling interests	630	507	123	24.26

Management Discussion and Analysis

(1) Net interest income

In 2025, net interest income amounted to RMB44.459 billion, representing a decrease of RMB698 million or 1.55% compared with the previous year, accounting for 71.07% of the operating income. Interest income amounted to RMB101.633 billion, representing a decrease of RMB9.064 billion or 8.19% compared with the previous year; interest expenses amounted to RMB57.174 billion, representing a decrease of RMB8.366 billion or 12.76% compared with the previous year. The net interest spread and net interest margin were 1.46% and 1.60%, representing a decrease of 6 and 11 basis points respectively compared with the previous year. The main reasons were as follows: The Group firmly implemented the policy orientation of surrendering profits to the real economy, continuously promoted the reduction of corporate financing costs, and the average yield of interest-earning assets decreased by 46 basis points compared with the previous year. We actively responded to the pressure of narrowing interest spread in the low-interest-rate era, improved the level of liability quality management, and the average cost of interest-bearing liabilities decreased by 40 basis points compared with the previous year.

Average yield of interest-earning assets and average cost of interest-bearing liabilities

In RMB million, except percentages

Item	2025			2024		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Interest-earning assets						
Loans and advances to customers	1,904,138	72,061	3.78	1,806,287	80,455	4.45
Investments ⁽¹⁾	875,176	24,632	2.81	846,106	25,359	3.00
Due from banks and other financial institutions ⁽²⁾	168,242	3,189	1.90	149,962	2,975	1.98
Balances with central bank ⁽³⁾	125,121	1,751	1.40	137,528	1,908	1.39
Total interest-earning assets	3,072,677	101,633	3.31	2,939,883	110,697	3.77
Item	2025			2024		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Interest-bearing liabilities						
Customer deposits	1,974,803	35,074	1.78	1,855,581	38,924	2.10
Due to banks and other financial institutions ⁽⁴⁾	479,508	9,106	1.90	528,482	13,522	2.56
Due to central bank	80,952	1,475	1.82	69,066	1,530	2.22
Debt securities issued ⁽⁵⁾	549,904	11,519	2.09	456,509	11,427	2.50
Others	-	-	-	3,131	137	4.38
Total interest-bearing liabilities	3,085,167	57,174	1.85	2,912,769	65,540	2.25
Net interest income		44,459			45,157	
Net interest spread			1.46			1.52
Net interest margin ⁽⁶⁾			1.60			1.71

Management Discussion and Analysis

Notes:

- (1) including financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income and finance lease receivables.
- (2) including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets purchased under resale agreements.
- (3) including statutory deposit reserves, surplus deposit reserves, foreign exchange risk reserves and fiscal deposits.
- (4) including deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under repurchase agreements.
- (5) including issued inter-bank certificates of deposits, financial bonds and subordinated bonds, etc.
- (6) Net interest margin: the income generated from the business of financial assets measured at fair value through profit or loss was not classified as interest income categorized by accounting item, and its corresponding interest-bearing liabilities and interest expenses shall be adjusted accordingly.

Analysis of changes in interest income and expenses

In RMB million

Item	Comparison between 2025 and 2024		
	Volume ⁽¹⁾	Interest rate ⁽²⁾	Net increase (decrease) ⁽³⁾
Interest-earning assets			
Loans and advances to customers	4,358	(12,752)	(8,394)
Investments	871	(1,598)	(727)
Due from banks and other financial institutions	363	(149)	214
Balances with central bank	(172)	15	(157)
Changes in interest income	5,420	(14,484)	(9,064)
Interest-bearing liabilities			
Customer deposits	2,501	(6,351)	(3,850)
Due to banks and other financial institutions	(1,253)	(3,163)	(4,416)
Due to central bank	263	(318)	(55)
Debt securities issued	2,338	(2,246)	92
Others	(137)	0	(137)
Changes in interest expenses	3,712	(12,078)	(8,366)
Changes in net interest income	1,708	(2,406)	(698)

Notes:

- (1) Change in volume represents the average balance for the reporting period minus the average balance for the previous year, multiplied by the average yield or average interest-bearing rate for the previous year.
- (2) Change in interest rate represents the average yield or average interest-bearing rate for the reporting period minus the average yield or average interest-bearing rate for the previous year, multiplied by the average balance for the reporting period.
- (3) Net increase or decrease represents interest income (expenses) for the reporting period minus interest income (expenses) for the previous year.

Management Discussion and Analysis

(2) Interest income

Interest income from loans and advances to customers

Interest income from loans and advances to customers amounted to RMB72.061 billion, representing a decrease of RMB8.394 billion or 10.43% compared with the previous year. This was primarily because the Group fully implemented the policy orientation of the state and regulatory authorities, and continuously increased credit investment in key areas. During the reporting period, the average balance of loans and advances to customers was RMB1.90 trillion, representing an increase of 5.42% compared with the previous year. At the same time, affected by the downward trend of loan market interest rates, the average yield of loans and advances to customers decreased by 67 basis points compared with the previous year.

Analysis of average income from loans and advances to customers by business type

In RMB million, except percentages

	2025			2024		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	1,317,703	49,511	3.76	1,208,730	52,628	4.35
Personal loans and advances	466,156	20,369	4.37	484,008	25,460	5.26
Discounted bills	120,279	2,181	1.81	113,549	2,367	2.08
Total loans and advances to customers	1,904,138	72,061	3.78	1,806,287	80,455	4.45

Interest income from investments

Interest income from investments amounted to RMB24.632 billion, representing a decrease of RMB727 million or 2.87% compared with the previous year. This was primarily due to the average yield of investments decreasing by 19 basis points compared with the previous year.

Interest income from due from banks and other financial institutions

Interest income from due from banks and other financial institutions amounted to RMB3.189 billion, representing an increase of RMB214 million or 7.19% compared with the previous year, primarily because the average balance of due from banks and other financial institutions increased by 12.19% compared with the previous year.

Management Discussion and Analysis

(3) Interest expenses

Interest expenses on customer deposits

Interest expenses on customer deposits amounted to RMB35.074 billion, representing a decrease of RMB3.850 billion or 9.89% compared with the previous year, primarily because the Group actively guided the expansion of low-cost deposits and continuously reduced the deposit interest payment rate. During the reporting period, the average cost of customer deposits decreased by 32 basis points compared with the previous year.

In RMB million, except percentages

	2025			2024		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Corporate deposits and other deposits⁽¹⁾						
Time	1,253,588	25,326	2.02	1,122,027	26,759	2.38
Demand	371,018	2,556	0.69	444,222	5,168	1.16
Subtotal	1,624,606	27,882	1.72	1,566,249	31,927	2.04
Personal deposits						
Time	283,127	7,151	2.53	233,248	6,894	2.96
Demand	67,070	41	0.06	56,084	103	0.18
Subtotal	350,197	7,192	2.05	289,332	6,997	2.42
Total	1,974,803	35,074	1.78	1,855,581	38,924	2.10

Note:

(1) Other deposits include remittance payables, temporary deposits, and outward remittances, etc.

Interest expenses on due to banks and other financial institutions

Interest expenses on due to banks and other financial institutions amounted to RMB9.106 billion, representing a decrease of RMB4.416 billion or 32.66% compared with the previous year, primarily due to the average cost of due to banks and other financial institutions standing at 1.90%, representing a decrease of 66 basis points from the previous year.

Management Discussion and Analysis

(4) Net non-interest income

During the reporting period, the Group's net non-interest income amounted to RMB18.099 billion, representing a decrease of RMB4.446 billion or 19.72% compared with the previous year. Among which, net fee and commission income amounted to RMB3.752 billion, representing a decrease of RMB735 million compared with the previous year; while other net non-interest income amounted to RMB14.347 billion, representing a decrease of RMB3.711 billion compared with the previous year.

Net fee and commission income

In RMB million, except percentages

Item	2025	2024	Amount of increase (decrease)	Increase (decrease) (%)
Agency and entrustment service	2,791	2,265	526	23.22
Commitment and guarantee service	816	1,031	(215)	(20.85)
Settlement and clearing service	806	678	128	18.88
Custodian and fiduciary service	662	637	25	3.92
Underwriting and consultation service	616	928	(312)	(33.62)
Fee from bank cards	178	197	(19)	(9.64)
Others	74	225	(151)	(67.11)
Total fee and commission income	5,943	5,961	(18)	(0.30)
Less: Fee and commission expenses	2,191	1,474	717	48.64
Net fee and commission income	3,752	4,487	(735)	(16.38)

Net fee and commission income was RMB3.752 billion, representing a decrease of RMB735 million or 16.38% compared with the previous year. Of which, fee income from agency and entrustment service was RMB2.791 billion, representing an increase of RMB526 million compared with the previous year, primarily due to the growth of agency sales business income; fee income from commitment and guarantee business was RMB816 million, representing a decrease of RMB215 million compared with the previous year, primarily due to a decline in the scale of guarantee and commitment business; income from underwriting and consultation service was RMB616 million, representing a decrease of RMB312 million compared with the previous year, primarily due to a decline in the fee rate for bond underwriting service.

Management Discussion and Analysis

Other net non-interest income

In RMB million, except percentages

Item	2025	2024	Amount of increase (decrease)	Increase (decrease) (%)
Net trading gains	5,229	10,771	(5,542)	(51.45)
Net gains on financial investments	6,952	5,852	1,100	18.80
Other operating income	2,166	1,435	731	50.94
Total	14,347	18,058	(3,711)	(20.55)

Other net non-interest income amounted to RMB14.347 billion, representing a decrease of RMB3.711 billion or 20.55% compared with the previous year, primarily due to the volatile upward movement of bond market yields during the reporting period, leading to a decrease in income from financial assets measured at fair value through profit or loss compared with the previous year.

(5) Operating expenses

In RMB million, except percentages

Item	2025	2024	Amount of increase (decrease)	Increase (decrease) (%)
Staff costs	13,048	13,737	(689)	(5.02)
General and administrative expenses	4,893	4,642	251	5.41
Depreciation and amortization	2,055	2,022	33	1.63
Tax and surcharges	755	835	(80)	(9.58)
Others	1,298	692	606	87.57
Total	22,049	21,928	121	0.55

Operating expenses were RMB22.049 billion, representing an increase of RMB121 million or 0.55% compared with the previous year. The Group actively carried out comprehensive cost management and continuously optimized the input-output structure.

Management Discussion and Analysis

(6) Impairment losses

Item	In RMB million	
	2025	2024
Deposits with banks and other financial institutions	1	(5)
Placements with banks and other financial institutions	5	(2)
Financial assets purchased under resale agreements	16	(4)
Loans and advances to customers	21,219	25,829
Financial investments	2,262	1,904
Finance lease receivables	684	697
Off-balance sheet items	(195)	(433)
Other assets	388	209
Total	24,380	28,195

During the reporting period, impairment losses amounted to RMB24.380 billion, representing a decrease of RMB3.815 billion or 13.53% compared with the previous year. Please refer to “Note VI to the Financial Statement – 7 Expected credit losses; 25 Impairment Allowance”.

(7) Income tax expenses

Income tax expenses amounted to RMB2.568 billion, representing an increase of RMB682 million or 36.16% compared with the previous year, with an effective tax rate of 15.92%. For the reconciliation statement of the income tax expenses calculated at statutory tax rate and the actual income tax expenses, please refer to “Note VI to the Financial Statement – 10 Income Tax Expense”.

(8) Segment information

Segment operating results by business line

Item	In RMB million, except percentages			
	2025		2024	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate banking	35,181	56.24	38,124	56.31
Retail banking	10,360	16.56	12,568	18.57
Treasury operations	12,996	20.77	14,001	20.68
Others	4,021	6.43	3,009	4.44
Total operating income	62,558	100.00	67,702	100.00

Management Discussion and Analysis

Segment operating results by geographic region

In RMB million, except percentages

Item	2025		2024	
	Amount	Proportion (%)	Amount	Proportion (%)
Yangtze River Delta Region	38,911	62.20	39,054	57.69
Bohai Rim Region	7,844	12.54	10,228	15.11
Pearl River Delta and Economic Zone on the Western Coast of the Taiwan Straits	5,563	8.89	6,604	9.75
Midwestern China Region	10,240	16.37	11,816	17.45
Total operating income	62,558	100.00	67,702	100.00

For detailed information on business segments and geographical segments, please refer to “Note VIII to the Financial Statement – Segment Reporting”.

2. Analysis of Consolidated Statement of Financial Position

(1) Assets

As at the end of the reporting period, total assets of the Group amounted to RMB3,481.092 billion, representing an increase of RMB155.553 billion or 4.68% compared with the end of last year. Of which, net loans and advances to customers amounted to RMB1,883.237 billion, representing an increase of RMB70.553 billion or 3.89% compared with the end of last year; financial investments amounted to RMB1,051.507 billion, representing a decrease of RMB3.944 billion or 0.37% compared with the end of last year. In the respect of structure, net loans and advances to customers accounted for 54.10% of total assets, representing a decrease of 0.41 percentage point compared with the end of last year; financial investments accounted for 30.21% of total assets, representing a decrease of 1.53 percentage points compared with the end of last year.

Assets utilization

In RMB million, except percentages

Item	December 31, 2025		December 31, 2024	
	Amount	Proportion (%)	Amount	Proportion (%)
Total loans and advances to customers	1,922,711		1,857,116	
Less: Allowance for ECLs of loans ⁽¹⁾	39,474		44,432	
Net loans and advances to customers	1,883,237	54.10	1,812,684	54.51
Financial investments ⁽²⁾	1,051,507	30.21	1,055,451	31.74
Cash and balances with central bank	125,704	3.61	129,691	3.90
Precious metals	80,929	2.32	16,956	0.51
Due from banks and other financial institutions ⁽³⁾	170,134	4.89	137,692	4.14
Other assets	169,581	4.87	173,065	5.20
Total assets	3,481,092	100.00	3,325,539	100.00

Management Discussion and Analysis

Notes:

- (1) Allowance for ECLs of loans refers to the allowance made for the loss of loans and advances to customers measured at amortized cost.
- (2) Financial investments include financial assets measured at fair value through profit or loss, financial assets measured at amortized cost, and financial assets measured at fair value through other comprehensive income.
- (3) Due from banks and other financial institutions include deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements.

Loans and advances to customers

The Group fulfilled its mission and responsibility as a state-owned financial enterprise through targeted placement of credit resources, deepened its presence in the Zhejiang base camp, and maintained steady growth in total loan placement with continuous structural optimization. On the one hand, we optimized incremental growth by investing in businesses with controllable risks and suitable returns; on the other hand, we revitalized existing stock to release efficiency. As at the end of the reporting period, total loans and advances to customers of the Group amounted to RMB1,922.711 billion, representing an increase of RMB65.595 billion or 3.53% compared with the end of last year.

Loans and advances to customers structure by business type

In RMB million, except percentages

Item	December 31, 2025		December 31, 2024	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate loans and advances	1,331,459	69.25	1,249,566	67.28
Personal loans and advances	464,408	24.15	478,631	25.77
Discounted bills	116,916	6.08	119,200	6.42
Changes in fair value through other comprehensive income	706	0.04	1,224	0.07
Interest accrued	9,222	0.48	8,495	0.46
Total	1,922,711	100.00	1,857,116	100.00

Corporate loans and advances

The Company's lending business has focused on the supply chain and technology innovation sectors, deepened the chain-based financial ecosystem, and addressed the full-cycle, multi-scenario needs of enterprises. By continuously iterating its distinctive business matrix, the business provides targeted services to core enterprises and their upstream and downstream partners within industrial chains. As a result, the Company's lending business has achieved steady growth in scale, and its comprehensive service capabilities have continued to strengthen. As at the end of the reporting period, total corporate loans and advances amounted to RMB1,331.459 billion, representing an increase of 6.55% compared with the end of last year.

Management Discussion and Analysis

Personal loans and advances

We seized the general trend of consumption-driven economic growth, focused on optimizing the personal loan structure, prioritized the expansion of mortgage and consumption scenarios, and leveraged the wealth management ecosystem to achieve synergies. As a result, our retail customer base has been further consolidated. As at the end of the reporting period, total personal loans and advances amounted to RMB464.408 billion, representing a decrease of 2.97% compared with the end of last year.

Discounted bills

We continued to build and enhance the full life-cycle circular operation of bills, expanded the basic customer base through scenario marketing and digital enhancement, and gave full play to our advantages in liquidity services to support the short-term financing needs of enterprises. As at the end of the reporting period, total discounted bills amounted to RMB116.916 billion, representing a decrease of 1.92% compared with the end of last year.

Financial investments

The Group's financial investment scale remained stable with continuous structure optimization. We seized market trends and moderately increased bond investment holdings, diversifying our support for regional economic development and the financing needs of the real economy, while reducing other investment assets. Portfolio management was adopted to ensure safety and liquidity. As at the end of the reporting period, total financial investments amounted to RMB1,051.507 billion, representing a decrease of 0.37% compared with the end of last year.

Financial investment composition

In RMB million, except percentages

Item	December 31, 2025		December 31, 2024	
	Amount	Proportion (%)	Amount	Proportion (%)
Fund investments	136,837	13.01	175,096	16.59
Bond investments	832,636	79.18	791,378	74.98
Trust schemes and asset management plans	91,449	8.70	99,599	9.44
Other financial investments	3,853	0.37	5,150	0.49
Interest accrued	11,758	1.12	9,625	0.91
Allowance for ECLs	(25,026)	(2.38)	(25,397)	(2.41)
Total	1,051,507	100.00	1,055,451	100.00

Note: Other financial investments include equity investments, other debt instruments, and wealth management products.

Management Discussion and Analysis

(2) Liabilities

The Group comprehensively promoted the optimization project of liability structure, adhered to being customer-centric, relying on digitalization, and using scenarios as the entry point, provided customers with high-quality and efficient comprehensive services, built a real, stable, and low-cost liability base, stimulated the endogenous development driving force of liability business, and further consolidated the foundation of high-quality development with low-cost funds. As at the end of the reporting period, total liabilities of the Group amounted to RMB3,273.757 billion, representing an increase of RMB150.961 billion or 4.83% compared with the end of last year.

Liabilities Composition

In RMB million, except percentages

Item	December 31, 2025		December 31, 2024	
	Amount	Proportion (%)	Amount	Proportion (%)
Due to central bank	102,206	3.12	77,821	2.49
Customer deposits	2,043,466	62.42	1,922,289	61.56
Due to banks and other financial institutions	515,042	15.73	498,068	15.95
Debt securities issued	512,953	15.67	541,533	17.34
Others	100,090	3.06	83,085	2.66
Total liabilities	3,273,757	100.00	3,122,796	100.00

Note: Due to banks and other financial institutions include deposits from banks and other financial institutions, placements from banks and other financial institutions, and financial assets sold under purchase agreements.

Customer deposits

The Group was committed to building the acquisition of low-interest and high-quality deposits into a core operational capability, and expanding the scale of low-cost deposits and retail deposits. As at the end of the reporting period, balance of customer deposits of the Group amounted to RMB2,043.466 billion, representing an increase of RMB121.177 billion or 6.30% compared with the end of last year. With respect to customer structure, corporate deposits increased by RMB25.316 billion or 1.60%; and personal deposits increased by RMB91.140 billion or 29.92%. With respect to term structures, time deposits increased by RMB123.465 billion or 8.89%; and demand deposits decreased by RMB7.009 billion or 1.40%.

Management Discussion and Analysis

Structure of our customer deposits by business type

In RMB million, except percentages

Item	December 31, 2025		December 31, 2024	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate deposits				
Demand	417,299	20.42	434,291	22.59
Time	1,191,219	58.29	1,148,911	59.77
Sub-total	1,608,518	78.71	1,583,202	82.36
Personal deposits				
Demand	74,934	3.67	64,951	3.38
Time	320,838	15.70	239,681	12.47
Sub-total	395,772	19.37	304,632	15.85
Other deposits	2,019	0.10	372	0.02
Interest accrued	37,157	1.82	34,083	1.77
Total	2,043,466	100.00	1,922,289	100.00

(3) Shareholder's equity

As at the end of the reporting period, equity attributable to shareholders of the Bank amounted to RMB202.868 billion in total, representing an increase of RMB3.965 billion or 1.99% compared with the end of last year. Please see "Financial Statements – Consolidated Statement of Changes in Shareholders' Equity".

Management Discussion and Analysis

(IV) Analysis of Loan Quality

1. Loans distribution by risk classification

In RMB million, except percentages

Item	December 31, 2025		December 31, 2024	
	Amount	Proportion (%)	Amount	Proportion (%)
Pass	1,841,533	96.24	1,777,415	96.15
Special mention	45,213	2.36	44,488	2.40
Non-performing	26,037	1.36	25,494	1.38
Substandard	11,775	0.62	11,230	0.61
Doubtful	5,556	0.29	10,503	0.57
Loss	8,706	0.45	3,761	0.20
Changes in fair value through other comprehensive income	706	0.04	1,224	0.07
Subtotal	1,913,489	100.00	1,848,621	100.00
Interest accrued	9,222	N/A	8,495	N/A
Total loans and advances to customers	1,922,711	N/A	1,857,116	N/A

The overall loan quality of our Group was kept at a stable level. As at the end of the reporting period, the pass loans amounted to RMB1,841.533 billion, representing an increase of RMB64.118 billion compared with the end of last year; loans classified as special mention were RMB45.213 billion, representing an increase of RMB725 million compared with the end of last year, and the percentage of loans classified as special mention was 2.36%, representing a decrease of 0.04 percentage point compared with the end of last year; the non-performing loans were RMB26.037 billion, representing an increase of RMB543 million compared with the end of last year, with a non-performing loan ratio of 1.36%, representing a decrease of 0.02 percentage point compared with the end of last year.

Management Discussion and Analysis

2. Distribution of loans and non-performing loans by business type

In RMB million, except percentages

Item	December 31, 2025				December 31, 2024			
	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Corporate loans	1,331,459	69.58	14,646	1.10	1,249,566	67.59	16,996	1.36
Personal loans	464,408	24.27	11,378	2.45	478,631	25.89	8,498	1.78
Discounted bills	116,916	6.11	13	0.01	119,200	6.45	-	-
Changes in fair value through other comprehensive income	706	0.04	N/A	N/A	1,224	0.07	N/A	N/A
Sub-total	1,913,489	100.00	26,037	1.36	1,848,621	100.00	25,494	1.38
Interest accrued	9,222	N/A	N/A	N/A	8,495	N/A	N/A	N/A
Total loans and advances to customers	1,922,711	N/A	N/A	N/A	1,857,116	N/A	N/A	N/A

As at the end of the reporting period, our corporate non-performing loans amounted to RMB14.646 billion, representing a decrease of RMB2.350 billion compared with the end of last year, with a non-performing loan ratio of 1.10%, representing a decrease of 0.26 percentage point compared with the end of last year. The personal non-performing loans were RMB11.378 billion, representing an increase of RMB2.880 billion compared with the end of last year, with a non-performing loan ratio of 2.45%, representing an increase of 0.67 percentage point compared with the end of last year.

Management Discussion and Analysis

3. Distribution of loans and non-performing loans by industry

In RMB million, except percentages

Item	December 31, 2025				December 31, 2024			
	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Corporate loans	1,331,459	69.58	14,646	1.10	1,249,566	67.59	16,996	1.36
Leasing and commercial services	339,725	17.75	1,346	0.40	267,267	14.46	2,967	1.11
Manufacturing	286,725	14.98	3,797	1.32	273,221	14.78	4,007	1.47
Wholesale and retail trade	185,808	9.71	4,251	2.29	191,741	10.37	4,268	2.23
Real estate	161,815	8.46	2,817	1.74	186,133	10.07	2,885	1.55
Administration of water conservancy, environment and public facilities	87,829	4.59	18	0.02	68,991	3.73	44	0.06
Construction	80,505	4.21	972	1.21	74,814	4.05	659	0.88
Financing	40,338	2.11	20	0.05	42,009	2.27	52	0.12
Transportation, storage and postal service	18,930	0.99	116	0.61	17,314	0.93	1,101	6.36
Accommodation and Catering	17,947	0.94	94	0.52	18,460	1.00	74	0.40
Electricity, heat, gas and water production and supply	17,525	0.92	195	1.11	14,403	0.78	88	0.61
Mining	12,832	0.67	-	-	16,611	0.90	-	-
Others ⁽¹⁾	81,480	4.25	1,020	1.25	78,602	4.25	851	1.08
Personal loans	464,408	24.27	11,378	2.45	478,631	25.89	8,498	1.78
Discounted bills	116,916	6.11	13	0.01	119,200	6.45	-	-
Changes in fair value through other comprehensive income	706	0.04	N/A	N/A	1,224	0.07	N/A	N/A
Subtotal of loans and advances	1,913,489	100.00	26,037	1.36	1,848,621	100.00	25,494	1.38
Interest accrued	9,222	N/A	N/A	N/A	8,495	N/A	N/A	N/A
Total loans and advances to customers	1,922,711	N/A	N/A	N/A	1,857,116	N/A	N/A	N/A

Note:

- (1) Others include various industries such as culture, sports and entertainment; information transmission, computer service and software; agriculture, forestry, animal husbandry and fishery; household services and other services; scientific research, technology services and geological exploration; education; health, social security and social welfare.

In 2025, the Group adopted a “prudent and solid” risk appetite, anchored the “three first-class” target vision, and adhered to the political and people-oriented nature of the financial work. We implemented the risk philosophy of “low risk, balanced returns”, and adhered to “risk first, compliance as the foundation”. Guided by serving the real economy and focusing on scenarios as the core, we improved investment and research capabilities, strengthened the credit-guidance, enhanced the risk prediction, optimized the asset allocation, and safeguarded the high-quality development of the Bank.

Management Discussion and Analysis

4. Distribution of loans and non-performing loans by geographic region

In RMB million, except percentages

Item	December 31, 2025				December 31, 2024			
	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Yangtze River Delta Region	1,067,571	55.79	17,856	1.67	991,127	53.62	16,115	1.63
Midwestern China Region	380,390	19.88	3,403	0.89	367,401	19.87	3,487	0.95
Bohai Rim Region	245,388	12.82	2,670	1.09	257,185	13.91	3,137	1.22
Pearl River Delta and Economic Zone on the Western Coast of the Taiwan Straits	219,434	11.47	2,108	0.96	231,684	12.53	2,755	1.19
Changes in fair value through other comprehensive income	706	0.04	N/A	N/A	1,224	0.07	N/A	N/A
Subtotal	1,913,489	100.00	26,037	1.36	1,848,621	100.00	25,494	1.38
Interest accrued	9,222	N/A	N/A	N/A	8,495	N/A	N/A	N/A
Total loans and advances to customers	1,922,711	N/A	N/A	N/A	1,857,116	N/A	N/A	N/A

Based on a continuous tracking of the development trends in the macro economy and the industry, according to changes in the external operating environment, internal operating conditions and risk situations, and taking into account economic characteristics of various regions, the Group adjusted its credit policies in due course; focused on the primary strategy of “deepening the development in Zhejiang”, enhanced the competitiveness of key regions, actively prevented regional risks, supported regional development requirements, and comprehensively optimized the structure of credit assets.

Management Discussion and Analysis

5. Distribution of loans and non-performing loans by security type

In RMB million, except percentages

Item	December 31, 2025				December 31, 2024			
	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Mortgage loans	800,607	41.84	13,782	1.72	813,467	44.00	15,617	1.92
Pledged loans	72,451	3.79	1,648	2.27	69,066	3.74	711	1.03
Guaranteed loans	490,627	25.64	3,341	0.68	377,355	20.41	3,538	0.94
Unsecured loans	432,182	22.58	7,253	1.68	468,309	25.33	5,628	1.20
Discounted bills	116,916	6.11	13	0.01	119,200	6.45	-	-
Changes in fair value through other comprehensive income	706	0.04	N/A	N/A	1,224	0.07	N/A	N/A
Subtotal	1,913,489	100.00	26,037	1.36	1,848,621	100.00	25,494	1.38
Interest accrued	9,222	N/A	N/A	N/A	8,495	N/A	N/A	N/A
Total loans and advances to customers	1,922,711	N/A	N/A	N/A	1,857,116	N/A	N/A	N/A

The secured loan structure of the Group basically remained stable. As at the end of the reporting period, the mortgage loans had a relatively high percentage; the mortgage loans balance was RMB800.607 billion, representing a decrease of RMB12.860 billion compared with the end of last year; the balance of non-performing loans among mortgage loans was RMB13.782 billion, with the non-performing loan ratio of 1.72%, representing a decrease of 0.20 percentage point compared with the end of last year.

Management Discussion and Analysis

6. Top ten borrowers

In RMB million, except percentages

Top ten borrowers	Industry	Amount	Proportion (%)
A	Information transmission, software and information technology services	9,071	0.47
B	Real estate	6,100	0.32
C	Real estate	4,501	0.24
D	Real estate	3,944	0.21
E	Leasing and commercial services	3,810	0.20
F	Leasing and commercial services	3,195	0.17
G	Real estate	3,053	0.16
H	Leasing and commercial services	3,032	0.16
I	Manufacturing	2,979	0.16
J	Manufacturing	2,765	0.14
Total		42,450	2.23

As at the end of the reporting period, the balance of loans to the single largest borrower of the Group was RMB9.071 billion, representing 3.53% of the Group's net capital. The total loans to our top ten single borrowers amounted to RMB42.450 billion, representing 16.54% of the net capital of the Group.

7. Overdue loans

In RMB million, except percentages

Overdue period	December 31, 2025		December 31, 2024	
	Amount	Proportion (%)	Amount	Proportion (%)
Overdue by 1 day to 90 days	10,384	0.54	12,399	0.67
Overdue by 90 days to one year	15,869	0.83	12,615	0.68
Overdue by one year to three years	7,165	0.37	7,554	0.41
Overdue by more than three years	1,295	0.07	943	0.05
Total	34,713	1.81	33,511	1.81

As at the end of the reporting period, the balance of overdue loans amounted to RMB34.713 billion, representing an increase of RMB1.202 billion compared with the end of last year; specifically, loans overdue by more than 90 days amounted to RMB24.329 billion, representing an increase of RMB3.217 billion compared with the end of last year.

Management Discussion and Analysis

8. Renegotiated loans

The Group conducted strict and prudent control over loan renegotiation. As at the end of the reporting period, the Group's total renegotiated loans and advances amounted to RMB15.531 billion, representing an increase of RMB2.656 billion compared with the end of last year; among them, total renegotiated loans and advances that were overdue by more than 3 months amounted to RMB2.908 billion, representing an increase of RMB1.380 billion compared with the end of last year.

9. Movements in the expected credit loss (“ECL”) allowance on loans

Item	<i>In RMB million</i> Amount
Balance at the beginning of the period	45,551
Charge for the period	21,219
Write-offs	(12,843)
Transfer out	(15,596)
Others	2,123
Balance at the end of the period	40,454

Notes:

- (1) Includes provision made for the loss of loans and advances to customers measured at amortized cost and measured at fair value through other comprehensive income.
- (2) Others include the impacts of recoveries of loans and advances previously written off and exchange rate fluctuations.

(V) Capital Management

In accordance with the relevant provisions of the Administrative Measures for the Capital of Commercial Banks (No. 4 Order [2023] of National Financial Regulatory Administration) 《商業銀行資本管理辦法》(國家金融監督管理總局令 2023 年第 4 號)), the measurement range of the Group's capital adequacy ratio covers credit risk, market risk and operational risk. Among them, credit risk-weighted assets were measured by using weight method, and market risk-and operational risk-weighted assets were measured by using standardized approach. The Pillar 3 Information Disclosure Report 2025 of China Zheshang Bank Co., Ltd. 《浙商銀行股份有限公司 2025 年度第三支柱信息披露報告》 is available for inspection on the website of the Bank (www.czbank.com).

Management Discussion and Analysis

As at the end of the reporting period, capital adequacy ratio of the Group was 12.12%, tier-one capital adequacy ratio was 9.60%, core tier-one capital adequacy ratio was 8.40%, and leverage ratio was 5.00%, all of which met regulatory requirements.

Capital adequacy ratio (the Group)

In RMB million, except percentages

Item	December 31, 2025	December 31, 2024
Net core tier-one capital	177,985	173,172
Other tier-one capital	25,411	25,364
Net tier-one capital	203,396	198,536
Tier-two capital	53,286	61,904
Net capital base	256,682	260,441
Risk-weighted assets	2,118,335	2,065,287
Among which: credit risk-weighted assets	1,974,890	1,924,753
market risk-weighted assets	23,353	22,553
operational risk-weighted assets	120,093	117,981
Minimum capital requirement (%)	8.00	8.00
Reserve capital and countercyclical capital requirement (%)	2.50	2.50
Additional capital requirement (%)	-	-
Core tier-one capital adequacy ratio (%)	8.40	8.38
Tier-one capital adequacy ratio (%)	9.60	9.61
Capital adequacy ratio (%)	12.12	12.61

Leverage ratio (the Group)

In RMB million, except percentages

Item	December 31, 2025	December 31, 2024
Net tier-one capital	203,396	198,536
Adjusted asset balance inside and outside the balance sheet	4,067,144	3,885,727
Leverage ratio (%)	5.00	5.11

Management Discussion and Analysis

As at the end of the reporting period, capital adequacy ratio of the Company was 11.98%, tier-one capital adequacy ratio was 9.47%, core tier-one capital adequacy ratio was 8.24%, and leverage ratio was 4.84%, all of which met regulatory requirements.

Capital adequacy ratio (the Company)

In RMB million, except percentages

Item	December 31, 2025	December 31, 2024
Net core tier-one capital	167,766	166,402
Other tier-one capital	24,995	24,995
Net tier-one capital	192,761	191,397
Tier-two capital	50,904	59,865
Net capital base	243,664	251,262
Risk-weighted assets	2,034,760	1,992,742
Among which: credit risk-weighted assets	1,894,995	1,855,223
market risk-weighted assets	23,226	22,360
operational risk-weighted assets	116,539	115,159
Minimum capital requirement (%)	8.00	8.00
Reserve capital and countercyclical capital requirement (%)	2.50	2.50
Additional capital requirement (%)	-	-
Core tier-one capital adequacy ratio (%)	8.24	8.35
Tier-one capital adequacy ratio (%)	9.47	9.60
Capital adequacy ratio (%)	11.98	12.61

Leverage ratio (the Company)

In RMB million, except percentages

Item	December 31, 2025	December 31, 2024
Net tier-one capital	192,761	191,397
Adjusted asset balance inside and outside the balance sheet	3,979,104	3,812,789
Leverage ratio (%)	4.84	5.02

Management Discussion and Analysis

(VI) Other Financial Information Disclosed in Accordance with Regulatory Requirements

1. Balance and status of off-balance sheet items that may have a significant impact on the financial position and operating results

The Group's off-balance sheet items include commitments and contingencies and others. Specifically, commitments and contingencies include credit commitments and financial guarantee, capital expenditure commitments, bond underwriting and redemption commitments, outstanding litigations and disputes, etc., among which credit commitments and financial guarantee serves as the uppermost component. As at the end of the reporting period, balance of the Group's credit commitments and financial guarantee amounted to RMB832.687 billion. For details of commitments and contingent liabilities, please see "Note IX to the Financial Statement".

2. Status of overdue debts

As at the end of the reporting period, the Group had no overdue debts.

Management Discussion and Analysis

(VII) Risk Management

1. Comprehensive risk management system

Adopting a “prudent and steady” risk appetite, the Company focuses on the “three first-class” vision, proactively upholds the political responsibility and people-centered nature of the financial work, implements the risk philosophy of “low risk and balanced returns”, and adheres to the principle of “risk first, compliance as the cornerstone”. Guided by serving the real economy, with scenarios as the core, the Company enhances investment research capabilities, strengthens credit guidance, reinforces risk prediction, and optimizes asset allocation. It improves unified credit management, strengthens the whole-process management and control of credit extension, strictly implements the “three checks” management of credit extension, and consolidates the foundation of credit management. The Company strengthens risk prevention and control in key areas, strictly controls new risks, accelerates the resolution and disposal of existing risks, strengthens the classification management of asset risks, and maintains stable asset quality; It deepens the empowerment of risk control systems, improves the level of intelligent risk control, and safeguards the high-quality development of the whole Bank.

The Board of Directors takes the ultimate responsibility for comprehensive risk management, and the Senior Management is responsible for implementing comprehensive risk management. The Company establishes the position of chief risk officer. The Board of Directors has established a Risk and Related Party Transaction Control Committee; the Senior Management has established special committees including the Risk Management Committee, Asset and Liability Management Committee, Information Technology Management Committee, Data Governance Committee, and Innovation Management Committee and other deliberative bodies.

The Risk Management Department at our head office is the coordination department for comprehensive risk management and the leading executive department for management of the credit risk, market risk (excluding interest rate risk of banking book), country risk, information technology risk, and ESG risk. The Asset and Liability Management Department at our head office is the leading executive department for management of the interest rate risk of banking book and liquidity risk. The Internal Control and Compliance and Legal Affairs Department at our head office is the leading executive department for operational risk, compliance risk and outsourced risk management. The Party-Mass Work Department (Publicity Department of the Party Committee) at our head office is the leading executive department for reputational risk management. The Development and Planning Department at our head office is the leading executive department for strategic risk management. The Social Responsibility and Consumer Rights Protection Department at our head office is the leading executive department for consumer rights protection.

To meet its comprehensive risk management requirements, the Company appoints risk monitoring officers to selected departments at its head office. These officers assist the management of the respective departments in overseeing comprehensive risk management, while maintaining independence in business judgment and risk reporting. The Company also uniformly deploys risk monitoring officers across all its branches. These officers support branch presidents in managing comprehensive risk management, perform their duties independently and effectively on a consistent basis, and exercise independent business judgment and risk reporting.

Management Discussion and Analysis

2. Credit risk management

Credit risk refers to the risk of the Company suffering from losses due to defaults of debtors or counterparties or a decline in their credit quality. The Company's credit risk primarily lies in on and off-balance sheet business, including loans, inter-bank lending, bond investments, bill acceptances, letters of credit, letters of guarantee, and special purpose vehicle investments.

The objectives of our credit risk management are to control our credit risk within a reasonable range acceptable to us and maximize comprehensive benefits across the Bank denominated in local currency and adjusted with respect to risks.

The Company's credit risk management system consists of the Board of Directors, the Senior Management, the Risk Management Committee, the Credit Review Committee of the head office, the Credit Review Committee of the branches, the Credit Review Teams of sub-branches, the Risk Management Department of the head office and other credit risk control departments, Business Operation and Management Departments, Technology Management Department, Audit Department, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the credit risk management as well as the formulation and implementation of systems and policies relating to credit risk management.

The Company formulates credit policies based on changes in external operating environment, internal operating and risk conditions. Such policies expressly set out guidance on certain aspects of our credit business, such as customer structure, industry structure, product structure, regional structure and key strategic areas. In addition, the Company adjusts its credit policies in due course based on a continuous tracking of the development trends in the macro economy and the industry. In the face of the complex and volatile economic environment at home and abroad, where opportunities and challenges coexist, the Company comprehensively advances the customer-centric comprehensive collaborative reform, adheres to the principle of taking the real economy as the focal point and the growth driver of its credit asset business, and continuously expands its customer base to consolidate the cornerstone of its credit business. Taking the primary strategy of "Deepening the Development in Zhejiang", we enhance the competitiveness of key regions, insist on intelligent risk control, highlight precise credit risk identification and forward-looking prevention and resolution, strictly control new non-performing assets, and comprehensively optimize the structure of credit assets.

The Bank classifies its financial assets in accordance with the criteria set forth in the "Measures for Classification of Financial Assets Risks of Commercial Banks" 《商業銀行金融資產風險分類辦法》, taking into account factors such as the debtor's ability to perform, willingness to repay, and repayment record; the risk classification process of the Company's financial assets implements a five-tiered procedure of "initial classification, review, examination, deliberation, and approval".

(1) Credit risk management for corporate customers

The Company conducts a unified credit management of corporate customers, and determines maximum comprehensive credit lines and business credit lines for customers based on comprehensive evaluation of customers and according to certain standards and procedures.

Management Discussion and Analysis

The Company strictly complies with regulatory requirements and puts loans (including trade financing), bill acceptances and discounting, overdrafts, bond investments, special purpose vehicle investments, opening letters of credit, factoring, guarantees, loan commitments and other businesses where credit risks are essentially borne by the Company under our unified credit extension management. On the basis of comprehensive coverage of various types of credit businesses, the Company continues to improve the credit risk limit indicator system, and reasonably determines limit indicators of single corporate customers and group customers.

The Company continuously strengthens its credit policy system, establishes unified credit limit management rules for corporate customers, intensifies the comprehensive management and unified control of overall corporate customer credit limits, improves standardized and compliant credit approval processes, authorization system and position risk accountability mechanism, and adjusts credit policies in time and takes effective measures to prevent credit risks.

The Company further improves the concentration risk management, formulates the concentration risk management related systems, clarifies the responsibilities allocation and main methods of concentration risk management, and continues to promote the construction of concentration risk management.

The Company continuously enhances the management of credit risks related to financing platforms of local governments, strictly complies with various policies and regulatory requirements of the State Council and financial regulatory authorities on financing platforms of local governments, makes dynamic adjustments to credit strategies, and further optimizes the credit business structure of financing platforms to prevent credit risks that may arise from local governments' financing platforms; steadily resolves the existing debts of financing platforms, strictly controls the debt increase of financing platforms, promotes the orderly exit of financing platforms in a standardized manner, and drives the implementation of local debt risk resolution.

The Company continuously enhances the management of real estate loan risks. The Company engages in real estate related credit business prudently, and implements categorized management on the regions, clients and projects of real estate business in accordance with national policies and industry dynamics. It sets credit limits for loans we grant to the customers in the real estate industry and adopts the name list system management, and continuously adjusts and optimizes the asset structure, as well as strengthens the monitoring and management of risks relating to existing loans.

(2) Credit risk management for small and micro enterprises

The Company fortifies the moat for the high-quality development of small and micro business operations through digital and intelligent risk control, embedding digital genes into the entire chain of risk management for small and micro businesses. Meanwhile, it optimizes the risk management system and mechanisms, enhances the proactivity of risk control, and continuously improves the credit risk control system for small and micro enterprise businesses.

The Company reasonably formulates differentiated risk control model rules and customer group access standards by region, increases the application of external authoritative data, and accurately calibrates credit allocation. It strengthens the application of digital and intelligent risk control tools, creating a risk monitoring management system featuring "full coverage", "strong application" and "quick response", effectively achieving proactive risk control. It continuously optimizes the post-loan management system for small enterprises, configures differentiated post-loan system roles and personalized task triggering rules, creating a precise post-loan safety net.

Management Discussion and Analysis

(3) Credit risk management for retail customers

The Company continuously deepens the whole-process credit risk management for retail credit customers. It implements a centralized approval mechanism at the head office, leverages big data and intelligent risk control models to achieve a combination of automation and manual intervention, dynamically evaluates customer credit status, and improves customer risk profiling. It strictly controls pre-lending access thresholds, strengthens in-lending credit monitoring, and implements differentiated risk early warning and disposal post-lending. Meanwhile, it optimizes risk strategies and product pricing, strengthens asset quality control, promotes risk culture advocacy, and ensures the steady and sound development of the retail credit business on the basis of risk control.

The Company has established a whole-process digital and intelligent risk management system for credit card (consumer finance) business, covering pre-lending access, in-lending monitoring and post-lending early warning. It has developed core models including the “1+N” machine learning scoring model, enabling the transformation of risk control decision-making from “experience and strategy-driven” to “algorithm and model-driven”, and comprehensively improving the accuracy, automation and intelligence of risk management. By taking into account the risk profiles of different regions, industries and customer segments, the Company has formulated and continuously updated differentiated risk control strategies, steadily elevating the risk management capacity of its credit card (consumer finance) business.

(4) Credit risk management for financial institution customers

The Company incorporates financial institution customers into its unified credit management framework. It has developed unified management measures and corresponding operating procedures for the unified credit limits of financial institution customers, and refined a full set of systems and processes for the due diligence, review and approval of unified credit granting to such customers.

Businesses conducted with financial institution customers that involve customer credit risk are subject to the Company’s unified credit granting management. In the course of business operations, the Company utilizes customers’ credit lines in compliance with applicable policies.

3. Market risk management

Market risk refers to the risk of losses of on and off-balance sheet business arising from unfavorable changes in market prices (including interest rates, exchange rates, stock prices and commodity prices). The term “market risk” in this section does not include interest rate risk of banking book (for the interest rate risk of banking book, please refer to the relevant content of “7. Interest rate risk management of banking book” below).

The objectives of our market risk management are to effectively prevent market risks, control market risks within an acceptable range, and achieve a reasonable balance between risk and return.

The Company’s market risk management system consists of the Board of Directors, Senior Management, Risk Management Department, Capital Operation Center, Technology Management Department, Audit Department, other departments, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the market risk management, overseeing the implementation of market risk appetite as well as formulating and regularly evaluating and monitoring the implementation of policies and procedures for market risk management, so as to ensure the Company can effectively identify, measure, monitor and control various types of market risks borne by various businesses.

Management Discussion and Analysis

The market risk measurement methods adopted by the Company include duration analysis, foreign exchange exposure analysis, scenario analysis, sensitivity analysis, Value at Risk (VaR) measurement etc., and the measures taken by the Company to control market risks include, among others, limit management, hedging, reducing risk exposures etc. The Company has established a market risk management system pursuant to the relevant measures of the regulatory authority. The Company has formulated market risk management policies and procedures applicable to the nature, scale, complexity and risk features of its business and aligned such policies and procedures with its overall business development strategy, management capabilities, capital strength and overall risk level that can be borne by the Company.

The Company regularly updates and improves its market risk appetite and limit management system, continues to improve the market risk management systems and market risk measurement systems. The Company conducts market risk measurement, monitoring and routine management by using the independent market risk management platform. The Company values positions of our trading book on a daily basis, continuously monitors non-stop-loss limits and stop-loss limits, and regularly evaluates market risks through stress testing and other methods.

4. Liquidity risk management

Liquidity risk refers to the risk of failure to obtain adequate funds in time at reasonable costs to repay debts when they are due, perform other payment obligations and meet other capital needs in the ordinary course of business. Factors affecting liquidity risks are divided into external factors and internal factors. External factors include domestic and foreign financial conditions, macroeconomic regulation policies, depth and width of developments of financial markets and the competition status of the banking industry; internal factors include maturities of assets and liabilities, business structures, stability of deposits, and market financing capacity and various unexpected events, etc.

The objectives of our liquidity risk management are to ensure our liquidity needs can be satisfied in time at reasonable costs and to control our liquidity risks within a reasonable range acceptable to us.

The Company's liquidity risk management system consists of the Board of Directors, Senior Management, Risk Management and Internal Control Committee, Asset and Liability Management Committee, Risk Management Department, Asset and Liability Management Department, Capital Operation Center, Audit Department, Technology Management Department and other operation and management departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the liquidity risk management as well as the formulation and implementation of relevant systems and policies for liquidity risk management.

The Company managed the liquidity risk in a centralized manner. By establishing a scientific and complete liquidity risk management system, the Company can effectively identify, measure, monitor, control and report its liquidity risk, continuously strengthen liquidity risk management, and continue to improve the foresight and initiative of liquidity management. Specific measures for liquidity risk management include: paying close attention to both domestic and foreign macroeconomic and political situations and market liquidity changes, as well as adjusting our asset and liability management strategy in a timely manner; strengthening debt management, making flexible use of active debt instruments, actively broadening long-term sources of fund, promoting bond issuance and continuously increasing the proportion of stable liabilities; driving the diversification of financing channels construction and actively expanding financing channels while maintaining good relations with major financing counterparts;

Management Discussion and Analysis

strengthening the management of high quality liquid assets to ensure that the size of high quality liquid assets matches the potential financing needs of the whole bank, and enhance its ability to mitigate liquidity risk; strengthening the early-warning monitoring and management of liquidity, optimizing our emergency response program for liquidity risk and conducting emergency drills on a regular basis; conducting stress tests for liquidity risk on a quarterly basis, identifying weak links in the Company's liquidity risk management based on results of such tests, adjusting liquidity risk management strategies if necessary, and modifying our liquidity risk management measures in a timely manner to improve our liquidity risk management mechanism. The results of the stress test indicate that the Group's liquidity risk is within a manageable range under various scenario stress assumptions.

As at the end of the reporting period, the Company's total liquidity ratio of the local currencies and foreign currencies was 81.57%. Our liquidity coverage ratio was 179.52%, among which, high quality liquid assets amounted to RMB369.093 billion, and the net cash outflows over the next 30 days was RMB205.599 billion. The Company's net stable fund ratio was 112.68%, among which, stable fund available was RMB1,923.035 billion and stable fund required was RMB1,706.645 billion.

As at the end of the reporting period, the Group's total liquidity ratio of the local currencies and foreign currencies was 81.58%. Our liquidity coverage ratio was 174.01%, among which, the high-quality liquid assets amounted to RMB370.301 billion, and the net cash outflows over the next 30 days was RMB212.809 billion. The relevant information on the net stable fund ratio of the Group in the last two quarters was set out below:

Date	Net stable fund ratio (%)	Currency: combined of domestic and foreign currency	
		Stable fund available (in 100 million of RMB)	Stable fund required (in 100 million of RMB)
As at December 31, 2025	109.65	19,517.87	17,799.44
As at September 30, 2025	111.41	19,384.04	17,399.52

5. Operational risk management

Operational risk refers to the risk of losses that may be incurred due to problematic internal procedures, personnel and information technology systems, as well as external events, including legal risks but excluding strategic risks and reputational risks. Types of incidents of losses due to operational risks that the Company may expose to mainly include seven categories, i.e. internal fraud incidents, external fraud incidents, employment systems and safety incidents at working places, incidents related to clients, products and business activities, damage to physical assets, incidents related to information technology system and incidents related to execution, closing and procedure management.

The Company's operational risk management system consists of the Board of Directors, Senior Management, Risk Management Department, Internal Control and Compliance and Legal Affairs Department, Asset and Liability Management Department, Audit Department, other departments of the head office, as well as branches, sub-branches and subsidiaries. The Company adopts a three-lines-of-defense based management framework for operational risk management under the leadership of the Board of Directors and Senior Management. The Board of Directors takes the ultimate responsibility for operational risk management. The Senior Management undertakes the responsibility

Management Discussion and Analysis

of implementing operational risk management, and is responsible for organizing the formulation and implementation of all basic systems and relevant management measures for operational risk management, clarifying the duties of and requirements for all departments and institutions, setting operational risk preferences and their transmission mechanisms, and reasonably allocating sufficient resources, etc.

The objectives of the Company's operational risk management are to effectively prevent operational risks, minimize losses, and enhance resilience to internal and external events, thereby ensuring the stability of business operations. The Company has established an operational risk management system aligned with the nature, scale, and complexity of its business to implement whole-process operational risk management. Recognizing that robust internal controls are fundamental to mitigating operational risk, the Company has formulated unified procedures for the identification, assessment, monitoring, measurement, and control/mitigation of such risks.

During the reporting period, adhering to the operational risk management principles of prudence, comprehensiveness, compatibility and effectiveness, the Company adjusted its management strategies and priorities in a timely manner in line with its business strategy, management philosophy and changes in the external financial environment. It continuously implemented regulatory requirements on operational risk management and operational risk capital measurement; clarified its operational risk appetite and improved transmission mechanisms; expanded the application of operational risk management tools to strengthen its capabilities in operational risk identification, assessment, control and mitigation; refined the outsourcing risk management system and consolidated the foundation for outsourcing risk management; optimized the development of information systems to enhance digital and intelligent support; effectively prevented and mitigated legal risks and conducted legal research on emerging hot topics; fostered a sound operational risk management culture and strengthened employee conduct management; and enhanced safety and security management, focused on key areas in safety and security work, and promptly eliminated potential risks. During the reporting period, the Company's operational risk management systems operated steadily, and operational risk was generally under control.

6. Country risk management

Country risk refers to the risk incurred due to any economic, political or social change and incident in a country or region which results in the debtors in such country or region being unable or refusing to repay their debts or results in any losses to the business presence of the Company in such country or region or any other losses to the Company.

The objectives of our country risk management are to control our country risk within a reasonable range acceptable to us and maximize comprehensive benefits across the Bank denominated in local currency and adjusted with respect to risks.

The Company's country risk management system consists of the Board of Directors, Senior Management, Risk Management Department, Development and Planning Department, Planning and Finance Department, International Business Department, Capital Operation Center, Retail Credit Department, Credit Card (Consumer Finance) Department and other business operation and management departments of the head office, Technology Management Department and Audit Department, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the country risk management as well as the formulation and implementation of relevant systems and policies for country risk management.

Management Discussion and Analysis

The Company continuously advances the country risk management work pursuant to the relevant measures of the regulatory authority. The Company has formulated basic country risk management systems, quota management measures and schemes, clarified the organizational structure and division of responsibilities, limit framework, management mechanism, etc., with respect to country risk limit management, and set the index and threshold of country risk limits; we regularly assess and monitor the country risks.

7. Interest rate risk management of banking book

Interest rate risk in the banking book refers to the risk of losses in the economic value and overall gain of the banking book arising from adverse changes in interest rate levels and term structure etc., mainly including gap risk, benchmark risk and option risk.

The objectives of our interest rate risk management of banking book are to control our interest rate risk of banking book within a reasonable range acceptable to us and reduce fluctuations in net interest income and economic value of banking book to maximize the comprehensive benefits across the Bank.

The Company's interest rate risk management system of banking book consists of the Board of Directors, Senior Management, Risk Management and Internal Control Committee, Asset and Liability Management Committee, Risk Management Department, Planning and Finance Department, Asset and Liability Management Department, Capital Operation Center, Audit Department and other operation and management departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing the interest rate risk management of banking book, establishing the framework for interest rate risk management and the system for measurement of interest rate risk of banking book, and promoting the effective implementation of relevant systems and policies for interest rate risk management of banking book.

The Company assesses interest rate risk in the banking book primarily through gap analysis, sensitivity analysis, and scenario simulation, as well as stress testing. Considering the Bank's risk appetite and profile, the macroeconomic environment, and market conditions, the Company formulates strategies for managing such risk. During the reporting period, based on the Group's interest rate risk appetite and internal management requirements, and in response to macroeconomic and monetary policy developments, the Company dynamically and flexibly adjusted the scale and maturity structure of assets and liabilities, and optimized its asset-liability repricing maturity management plan. As at the end of the reporting period, the Company's interest rate risk in the banking book remained well within management objectives and was generally under control.

8. Reputational risk management

Reputational risk refers to the risk of negative evaluation of the Company by stakeholders, the public and the media as a result of the Company's behavior, the conduct of its employees or external events, thereby damaging the Company's brand value, adversely affecting the Company's normal operation and even affecting market stability and social stability.

Reputational risk management refers to the establishment of a whole-process reputational risk management system covering various processes such as prior assessment, risk monitoring, classification and evaluation, response and disposal, information reporting, assessment and accountability, and evaluation and conclusion, in order to achieve the objectives of reputational risk management and build

Management Discussion and Analysis

up a good social image of the Company, which enables the realization of a closed loop of reputational risk management, and also contributes to promoting the daily management of reputational risk from the aspects of source management, risk identification and inspection, emergency drills, joint mechanism, social supervision, accumulation of reputation capital, internal audit, interbank collaboration, etc.

The objectives of our reputational risk management are to correctly handle news and public opinions on us, public relations and our relationships with customers, actively and effectively prevent reputational risks and respond to reputational events, so as to minimize the losses and negative impacts caused by such events on the Company, interested parties and the public. The Company has included reputational risk management in its corporate governance and comprehensive risk management system.

The Company's reputational risk management system consists of the Board of Directors, Senior Management, Risk Management and Internal Control Committee, Publicity Department of the Party Committee, General Executive Office, the Board Executive Office, Risk Management Department, other relevant departments of the head office, as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for managing and organizing the reputational risk management across the Bank as well as the formulation and improvement of relevant systems and policies for reputational risk management of the Company.

During the reporting period, the Company adhered to the bottom line of reputational risk management. By prioritizing front-end risk prevention and control, optimizing full-process management, and improving digital management tools, it promoted the transformation of reputational risk management from passive response to proactive prevention, effectively enhancing management effectiveness compared with the previous period and strictly guarding against major reputational risk events. Meanwhile, focusing on implementing the spirit of important meetings of the CPC Central Committee and the Zhejiang Provincial Party Committee and Provincial Government, serving key initiatives including the "Five Finances", the Company's core strategies such as "Deepening the Development in Zhejiang", as well as its distinctive businesses including tech finance and cross-border finance, the Company released high-impact reports via authoritative media. This has continuously strengthened the systematicity and guidance of positive communication and conveyed the sound development momentum of the Company to all stakeholders.

9. Strategic risk management

Strategic risk refers to the risk arising from any improper operational strategy or change in the external business environments, including improper strategic design, inappropriate strategic implementation and inapplicable stated strategy as a result of changes in the internal and external environments.

The objective of our strategic risk management is to control our strategic risk within a reasonable range acceptable to us by continuously improving the strategic risk management system.

The Company's strategic risk management system consists of the Board of Directors, Senior Management, Risk Management and Internal Control Committee, Risk Management Department, Development and Planning Department, Audit Department, Technology Management Department, other relevant departments of the head office, as well as domestic and foreign branches, sub-branches and subsidiaries.

Management Discussion and Analysis

Adhering to the principle of “clear responsibilities, proactive prevention, overall evaluation and timely adjustment”, the Company constantly improves and refines the strategic risk management system suitable for the scale and features of its business, and has realized effective management of strategic risks. Main management measures include: Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, we fully implemented the spirit of the Fourth Plenary Session of the 20th CPC Central Committee and earlier plenary sessions of the 20th CPC Central Committee. In accordance with the arrangements of the Central Economic Work Conference and the Central Financial Work Conference, we earnestly upheld the political essence and people-centered nature of financial work, remained committed to the vision of building “a first-class commercial bank” and comprehensively opened a new journey of high-quality development.

10. Compliance risk management

Compliance risk refers to the risk of legal sanctions, regulatory penalties, significant financial losses and reputational losses that may result from the failure to comply with laws, rules and standards.

The objectives of our compliance risk management are to establish a sound compliance risk management framework and promote the development of a comprehensive risk management system which enables us to operate in a lawful and compliant manner.

The Company’s compliance risk management system consists of the Board of Directors, Senior Management, Risk Management and Internal Control Committee, Risk Management Department, Internal Control and Compliance and Legal Affairs Department, Audit Department, other relevant departments of the head office as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the compliance risk management as well as the formulation and implementation of each basic system and policy for compliance risk management.

During the reporting period, the Company closely monitored changes in the economic and financial landscape, earnestly implemented various national policies and regulatory requirements, clarified its compliance management plan, steadily advanced the implementation of various internal control and compliance management initiatives, and continuously improved the quality and effectiveness of its compliance management. It furthered the development of a compliance culture, continued to implement the compliance commitment system, strengthened the dissemination of typical cases, enhanced employee warning education, and promoted the construction of “Rule of Law in CZBank”, making proactive compliance, full-staff compliance, and compliance-driven value creation a shared consensus. The Company improved its rules and regulations system, advanced the digitalization of system management, and strengthened system implementation, supervision and evaluation. Adopting a problem-oriented approach, it intensified internal supervision, inspections and rectification of identified issues, effectively managing and controlling compliance risks. It also adhered to technological empowerment, continuously implemented the “embedded” compliance mechanism, integrated compliance management requirements into business processes to the greatest extent possible, and raised the digital and intelligent level of compliance management.

Management Discussion and Analysis

11. Large exposure administration

According to the Measures for the Administration of the Large Exposures of Commercial Banks (No. 1 Order [2018] of Former CBIRC 《商業銀行大額風險暴露管理辦法》(原中國銀保監會2018年第1號令)), large exposure means the exposure of a commercial bank to a single client or a group of connected clients exceeding 2.5% of its net tier 1 capital. The Company has established a sound mechanism for the administration of large exposures, continued to improve the functions of the large exposure administration system, and commenced the measurement, monitoring and reporting of large exposures in an orderly manner. As of the end of the reporting period, all indicators of the Company's large exposures were in compliance with the regulatory limits.

12. Information technology risk management

Information technology risk refers to any operational, legal and reputational risk arising from natural factors, human factors, technical bugs and management defects in connection with the application of information technologies by the Company.

The objectives of our information technology risk management are to control our information technology risk within a reasonable range acceptable to us, promote business innovation, enhance application level of information technology, and intensify core competence and sustainable development capability.

The Company's information technology risk management system consists of the Board of Directors, cyber security leadership team, digital reform promotion leadership group, Senior Management, Chief Information Officer (CIO), Risk Management and Internal Control Committee, information technology management committee, data governance committee, business continuity management committee, the Risk Management Department, Internal Control and Compliance and Legal Affairs Department, Technology Management Department, Audit Department, other relevant departments of the head office as well as branches, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the information technology risk management as well as organizing the formulation and implementation of relevant systems and policies for information technology risk management.

The Company has established a relatively well-organized information technology risk management mechanism and process system, and in accordance with the ISO20000, ISO22301, ISO27001 and ISO27701 management system and regulatory requirements, comprehensively formulated relevant system processes and implementation rules; it has established relatively well-organized systems for business continuity management, information technology outsourcing risk management, network security management, data security management, information technology services management etc. and a relatively well-standardized information technology risk monitoring and assessment mechanism.

During the reporting period, the Company systematically pursued the strategy of developing the bank through technology, improved its IT governance system, and advanced digital transformation and the upgrading of data governance, empowering business models and operation management in an all-round way. It comprehensively promoted the development of intelligent network security operation, basic data security safeguards, and personal information protection compliance systems, enhancing capabilities including proactive network security defense, data security control and personal information protection. It focused on risk monitoring, assessment, measurement, control and reporting regarding the operation of important information systems, and optimized and upgraded digital operation and maintenance.

Management Discussion and Analysis

It continued to build the “two cities, multiple centers” system, strengthening basic resource support capabilities such as intra-city dual-active deployment and off-site disaster recovery. It further advanced emergency management, optimized disaster recovery strategies and technical routes, and carried out cross-month intra-city traffic scheduling and switching drills to improve business continuity and disaster recovery capabilities. During the reporting period, the information systems operated stably, and no major information technology risk incidents occurred.

13. Anti-money laundering management

The Company has improved the money laundering risk management mechanism under the comprehensive risk management framework in accordance with the anti-money laundering laws and regulations, including the Anti-money Laundering Law of the People’s Republic of China 《中華人民共和國反洗錢法》, the Administrative Measures for Anti-money Laundering and Counter-terrorist Financing of Financial Institutions in the Banking Sector 《銀行業金融機構反洗錢和反恐怖融資管理辦法》, the Guidelines for the Management of Money Laundering and Terrorist Financing Risks for Corporate Financial Institutions (for Trial Implementation) 《法人金融機構洗錢和恐怖融資風險管理指引(試行)》 and the Administrative Measures on Customer Due Diligence and Preservation of Customer Identity Information and Transaction Records of Financial Institutions 《金融機構客戶盡職調查和客戶身份資料及交易記錄保存管理辦法》, so as to further solidify the foundation of anti-money laundering works and continuously improve the quality and effectiveness of anti-money laundering management.

During the reporting period, the Company strictly complied with the laws and regulations on anti-money laundering, and seriously fulfilled its legal obligations and social responsibilities in anti-money laundering. It continued to improve the anti-money laundering system framework and implemented legal, regulatory and supervisory requirements; it strengthened customer money laundering risk management and improved the effectiveness of customer due diligence; it prepared monitoring reports for large-value and suspicious transactions, deepened AI applications, and continuously optimized the suspicious transaction monitoring model; it upgraded anti-money laundering system functions, deepened anti-money laundering data governance, and enhanced the level of digitization; it improved risk prevention and control mechanisms in key areas, and strengthened the management of high-risk businesses and customers; it intensified anti-money laundering supervision, inspection and risk screening, and provided business risk warnings to relevant departments; it organized anti-money laundering publicity and training to improve the anti-money laundering competence of all staff; it actively cooperated with anti-money laundering investigations and assisted investigations to strictly implement various anti-money laundering regulatory requirements.

(VIII) Business Summary

CZBank anchored the development vision of becoming a “first-class commercial bank”, took “Deepening the Development in Zhejiang” and serving the real economy as the foothold, and thoroughly practiced the development principles of “developing the bank through refined management, upgrading the bank through quality service, invigorating the bank through technological innovation, and strengthening the bank through talent cultivation”. It has continuously built distinctive competitive advantages, systematically consolidated the foundation for sound and sustainable development, and fully embarked on a new journey of high-quality development.

Management Discussion and Analysis

1. Corporate Business

Customer-oriented, promoting dual growth in customer base and scale. In 2025, the Company comprehensively reshaped its corporate customer marketing system. By developing batch-oriented customer engagement scenarios, conducting targeted R&D on featured products, and building a comprehensive service system, it upgraded its business model from single-customer marketing to an “ecosystem-based, batch-based” customer group operation. Meanwhile, the Company continued to refine its tiered and classified service mechanism for corporate customers, established a scenario-based marketing service model, and matched differentiated service plans and resource support to effectively meet customer needs. It adopted a package of measures to achieve growth in both customer base and business scale. As at the end of the reporting period, the Company served more than 290,000 corporate clients, representing an increase of 11.83% from the beginning of the year. The balance of RMB-denominated on-balance-sheet assets for corporate clients stood at RMB1,086.033 billion, an increase of RMB70.188 billion or 6.91% from the beginning of the year.

Serving the real customer base, assisting the transformation and development of the manufacturing industry. The Company persisted in serving the real economy, strengthened policy guarantees, promoted product innovation, and assisted manufacturing enterprises in developing towards high-end, intelligent, and green orientations. Focusing on the perspective of advanced manufacturing industrial clusters, it effectively helped the rapid development of the advanced manufacturing industry by introducing special empowerment measures. In 2025, manufacturing loans maintained steady growth. As at the end of the reporting period, the balance of loans invested in the manufacturing industry across the Bank was RMB286.725 billion, an increase of RMB13.504 billion over the beginning of the year.

Serving the construction of the Zhejiang headquarter, effectively carrying out works in financial guarantees within the province. The Company steadily advanced the strategy of “Deepening the Development in Zhejiang”, continuously strengthened government-bank and bank-enterprise cooperation, enhanced service capabilities with financial advisors as the bond, fully guaranteed financing support for key regions, key projects, and key customers within the province, and accurately assisted the high-quality development of Zhejiang Province. As at the end of the reporting period, the Company’s corporate loan balance within Zhejiang Province was RMB395.2 billion, an increase of RMB60.9 billion over the beginning of the year.

Focusing on sci-tech self-reliance and self-strengthening, providing targeted support to nurture new-quality productive forces. The Company has established a distinctive “sci-tech financial service system underpinned by its talent pool”. It has rolled out the “Science for Good Companionship Plan” as a dedicated sci-tech finance development initiative, built a professional sci-tech finance team, and developed a tailored evaluation mechanism. We have upgraded 30 major exclusive product lines covering 15 key sci-tech finance scenarios. Focusing on key industries including biomedicine, integrated circuits, aerospace, and artificial intelligence, we have actively supported a large number of technology enterprises and continuously strengthened financial support for priority sci-tech sectors. As of the end of the reporting period, we had served 35,774 technology enterprises, with an outstanding sci-tech loan balance of RMB270.807 billion, and provided services to 4,290 high-level talents.

Management Discussion and Analysis

Continuously improving the digital and intelligent capabilities of supply chain finance, creating differentiated service advantages. The Company takes digital transformation as its core driving force, closely aligns with the national strategy of building a modern industrial system, and deepens the digital reform of supply chain finance. We strive to elevate the quality of our digital and intelligent services, accelerate the shift from a “capital provider” to a “value co-creator”, and build a new financial service paradigm that covers the entire transaction chain and full life cycle of real-economy enterprises. Through systematic innovation in four dimensions — process reengineering, credit model innovation, technology empowerment and service upgrading — we have upgraded our customer service platform and integrated our product management middle platform, forming a full-chain, full-scenario and full-product supply chain financial service solution. We have focused on developing distinctive service advantages in new-quality productive forces sectors such as power, energy and new energy vehicles. As of the end of the reporting period, we served more than 4,000 digital supply chain projects, with cumulative financing exceeding RMB1.1 trillion, and served over 98,000 upstream and downstream clients.

2. International Business

The Company has closely followed the Belt and Road initiative and the pace of enterprises “going global”, and continuously enhanced the innovation of diversified cross-border financial products. Relying on the dual-linkage platform of the Free Trade Zone sub-accounting unit and the Hong Kong Branch, we have built two major brands: “CZB Silk Road Finance” and “CZB Global Trading Treasure”. By leveraging five major service systems — global account and settlement services, integrated liquidity financing, one-stop commercial and investment banking financing, immersive customer-centric forex trading, and scenario-based new foreign trade models — we have provided “going global” enterprises with high-quality comprehensive cross-border financial services covering local and foreign currencies, domestic and foreign trade, as well as offshore and onshore businesses, fully supporting the development of the real economy in foreign investment and foreign trade sectors.

During the reporting period, we served over 24,000 export-orientated enterprises and provided foreign exchange trading services of USD188.0 billion, among which USD69.2 billion was generated via “CZB Global Trading Treasure”, with investment in cross-border financial assets of RMB269.5 billion.

3. Bill Business

The bill business line remained committed to the fundamental purpose of serving the real economy, to continuously promote the full life-cycle circular operation of bills.

During the reporting period, the Company comprehensively employed a full range of bill products including acceptance, guarantee and discounting to serve 24,600 corporate clients, representing a year-on-year increase of 3.64%, and continuously expanded the coverage of bill services. The annual bill discount volume exceeded RMB500 billion, of which commercial bill discount volume reached nearly RMB300 billion, maintaining a leading market position.

As the first corporate bank in Zhejiang Province connected to the supply chain bill platform, the Company actively promoted the innovative application of supply chain bills. In July 2025, it issued the market’s first sci-tech innovation supply chain bill ABN product, which effectively enriched the customer service model and was widely recognized by the market and regulators.

Management Discussion and Analysis

The Company actively carried out the financial advisor live broadcast series “Integrity & Service at Core, Bills Connect the Nation”, which aroused widespread attention and positive feedback from all sectors of society, and received the 2025 Golden Tripod Award by Sina Finance. According to the evaluation results of the Shanghai Commercial Paper Exchange for 2025, the Company won nine major awards, including “Outstanding Comprehensive Business Institution” (優秀綜合業務機構), “Outstanding Discounting Institution” (優秀貼現機構) and “Outstanding Trading Institution” (優秀交易機構).

4. Retail Business

During the reporting period, under the guidance of the “6+1” system of “customers, products, teams, channels, assessment, services, and risk compliance”, the Company’s retail business focused on eight major customer bases to consolidate the development foundation, expanded new models of scenario-based operations, continued to strengthen the construction of digital channels, and achieved relatively fast development.

(1) Individual customers and financial assets under management for individual customers

During the reporting period, the Company focused on eight major customer groups, including payroll customers, silver-haired customers and platform customers, achieving diversified customer acquisition and a significant expansion in customer base. It continuously implemented tiered and classified customer management and deepened customer operation. Adopting a customer-centric approach, the Company conducted effective cross-selling and asset allocation to continuously create value for customers.

As at the end of the reporting period, the Company had 18.6082 million individual customers (including debit and credit card customers)¹; customers with an average monthly/daily AUM of RMB200,000 and above reached 627,800, representing an increase of 26.46% over the beginning of the year; the balance of financial assets under management (AUM) for individual customers was RMB770.369 billion, representing an increase of 22.91% over the beginning of the year.

(2) Individual Deposits and Loans Business

During the reporting period, the Company adhered to the business strategy of pursuing a balance between business volume and pricing, and proactively adapted to market changes. Firstly, focusing on the three priorities of “consolidating the customer base, achieving balanced and efficient growth, and optimizing business structure”, the Company developed ten scenarios for attracting low-cost deposits, further consolidating a stable and low-cost retail liability base. Secondly, centered on customer needs and experience, the Company continuously enhanced and improved its product system, strengthened digital marketing empowerment, and achieved substantial growth in business scale. As at the end of the reporting period, the Company’s personal deposits balance was RMB395.772 billion, an increase of 29.92% over the beginning of the year, and the proportion of personal deposits balance to the customer deposits increased by 3.52 percentage points over the beginning of the year. The average daily balance of low-cost deposits, including personal current deposits and call deposits, was RMB73.984 billion, an increase of 11.67%. The interest payment cost of personal deposits declined significantly compared with the beginning of the year, and the proportion of low-interest deposits in operating income continued to increase.

Note¹: This figure does not include online loan customers. As at the end of the reporting period, the Company had a total of 37,279,200 retail customers (including online loan customers).

Management Discussion and Analysis

During the reporting period, the Company actively implemented the policy requirements of the state and regulatory departments, strictly enforced personal housing credit policies, supported residents' basic and improvement housing needs, actively fulfilled social responsibilities, and maintained the stability of the real estate market. As at the end of the reporting period, the Company's personal housing loan balance was RMB186.339 billion, an increase of 10.83% over the beginning of the year. The Company fully implemented the central government's decisions and deployments on expanding domestic demand, actively supported the special action plan for boosting consumption, implemented the fiscal discount policy for personal consumer loans, increased the issuance of consumer loans and continued to expand customer acquisition through scenario-based operations, and continuously improved the quality and efficiency of retail loan services. As at the end of the reporting period, the Company's retail loans (including personal housing loans and personal consumer loans) amounted to RMB304.696 billion, representing an increase of 6.71% over the beginning of the year.

(3) Wealth Management

During the reporting period, the Company innovated and iterated its service and product system based on customer needs, and the wealth management agency business maintained steady growth. As at the end of the reporting period, the retained scale of retail wealth management distribution increased by 16.45% year-on-year.

During the reporting period, the Company adhered to the dual-wheel drive of "independent research + rigorous selection". Based on residents' wealth management needs of "prioritizing stability while steadily increasing equity allocation", and focusing on the themes of refinement, scenario-based application and portfolio allocation, the Company continuously enriched its asset allocation strategies and agency product lineup, committing itself to improving clients' investment return experience. First, in view of the low-interest-rate market environment and clients' demand for sophisticated returns, the Company focused on enriching a variety of "fixed income+" product strategies. During the reporting period, the retained scale of "fixed income+" products distributed by the Company increased by 156.90% year on year. Second, seizing favorable opportunities in the capital market, the Company vigorously promoted the development of the mutual fund agency business. Centered on fund agency business, the Company built the "CZBank Strict Selection" system. Guided by the philosophy of "staying committed to the long term and focusing on excess returns", and through rigorous selection criteria combining quantitative and qualitative measures, the Company strived to select high-quality products with long-term value appreciation for clients. During the reporting period, the retained scale of the Company's non-money market mutual funds increased by 57.03% year on year. Third, based on national policy orientations and the Company's development strategy, the Company launched exclusive scenario-based products. During the reporting period, focusing on themes including the "Five Financings", Zhejiang's high-quality development and the construction of a common prosperity demonstration zone, as well as the Company's "Deepened Development in Zhejiang" strategy, the Company launched competitive customized wealth management products, such as the "Jin Gui Ren Sheng" Exclusive Model, "Common Prosperity Model", "26 Mountainous Counties Model" and "Linping Financial Demonstration Zone Exclusive Model". Fourth, driven by digital and intelligent transformation, the Company enhanced the empowerment efficiency of investment research and wealth advisory. On the one hand, relying on the MAPS asset allocation system independently developed by the Company, the Company conducted in-depth diagnosis of clients' holding portfolios throughout the customer life cycle and in light of risk preferences, and provided personalized exclusive product portfolio recommendations, promoting the transformation and upgrading of the wealth management agency business from "selling single products" to "allocating portfolios". During the reporting period, the number of clients using the MAPS asset

Management Discussion and Analysis

allocation system increased by 74.81% year on year. On the other hand, the Company accelerated the application of AI in investment research and wealth advisory. For wealth managers, the Company launched the “Intelligent Training Assistant”. Through AI digital persona role-playing and immersive interactive practice, it simulated customer interactions in various scenarios, helping wealth managers identify customer needs, refine service highlights, optimize marketing skills and obtain professional improvement suggestions. For investment research personnel, the Company planned and developed the “AI Investment Research Assistant Agent”. Through large model empowerment in investment research scenarios such as information search, document reading, data calculation and report writing, it improved the efficiency of product research and asset allocation.

(4) Private Banking

During the reporting period, the Company's private banking business focused on deep customer cultivation and professional services, and comprehensively improved the comprehensive service ecosystem for private banking. It actively anchored the main line of serving the real economy, focused on livelihood areas such as pension finance and charitable trusts, and assisted groups such as entrepreneurs in fulfilling their social responsibilities. As at the end of the reporting period, the Company had 17,618 private banking clients, representing an increase of 21.23% over the beginning of the year; the balance of financial assets of private banking clients was RMB243.2 billion, an increase of 18.63% over the beginning of the year.

During the reporting period, adhering to the value concept of “Passing on Wealth and Wisdom for Sustainable Legacy”, the Company actively built a comprehensive, customized, and digital-intelligent integrated operation and service model, providing all-around financial services and characteristic value-added services for the personal, family, and career development of private banking clients. First, it continuously optimized the management structure of the private banking business, strengthened professional training and the construction of the qualification certification system, and forged a private banking professional team with excellent comprehensive qualities and outstanding professional capabilities. Second, it built a distinctive, customer-recognized, tiered, and classified private banking customer rights system to accurately match clients' diversified needs. Third, focusing on clients' diversified asset allocation needs, it created a multi-strategy, full-category private banking product matrix, providing clients with professional asset allocation solutions. Fourth, closely following national strategies and livelihood needs, it innovatively landed the “charity + pension” product-donation charitable trust business, handling the pension finance in proper way. Fifth, based on systematic construction, supported by institutionalized operation and driven by digital intelligence, it devoted itself to shaping a private banking service brand with market influence.

(5) Credit Card (Consumer Finance) Business

During the reporting period, the Company firmly adhered to the “small and smart” development positioning for credit cards. Closely revolving around residents' consumer financial service needs, it deepened product innovation and service upgrading, fully promoted the vehicle purchase installment business, and continuously enhanced market competitiveness. As at the end of the reporting period, the Company cumulatively issued 4.6416 million credit cards, an increase of 218,100 cards over the beginning of the year; the balance of credit card (consumer finance) loans was RMB33.678 billion, an increase of RMB300 million over the beginning of the year.

Management Discussion and Analysis

The Company devoted itself to building a new credit card operation pattern with distinctive product features, strong consumption promotion, and a perfect digital ecosystem. First, it created a characteristic product system. It innovatively launched the CZBank Goodness Family Card (浙銀善家卡) and the CZBank•Picturesque Zhejiang Cultural Tourism Co-branded Credit Card (浙商银行•詩畫浙江文旅聯名信用卡); targeting high-end customers, it issued the Zhi Shan Diamond Credit Card (至善鑽石信用卡), refining the differentiated product layout. Second, it took multiple measures to stimulate consumption. It deepened the “Red Monday” (紅動) series of brand activities, seized important consumption nodes such as the Spring Festival and Double Eleven, and increased the placement of preferential activities on mainstream platforms; it actively responded to the national “trade-in” policy and launched exclusive coupon activities on mainstream channels to help boost consumption. Third, it strengthened digital operation and scenario ecosystem construction. Using privacy computing technology, it deepened the refined operation of the entire customer life cycle; on the mobile banking APP, it innovatively created three major online zones: “Car Owners’ Zone”, “Local Life”, and “Discount Shopping”, building a card usage ecosystem integrating consumption, payment, and service.

Closely following the new development trends of the domestic automobile industry, the Company focused on the auto loan installment business. It actively advanced cooperation with leading new energy vehicle manufacturers and dealers, improved approval efficiency and service quality, continuously enhanced customer experience, and achieved relatively rapid growth in auto loan installment business.

5. Small Enterprises Business

During the reporting period, the Company’s small enterprise business deeply practiced the political responsibility and people-centered nature of financial work, actively advanced customer-centric comprehensive collaborative reform, further optimized the asset structure, steadily advanced scenario-based customer acquisition, digital empowerment, and comprehensive operation. It iteratively upgraded the inclusive finance customer acquisition and business development model for micro and small enterprises, and endeavored to deliver high-quality inclusive finance services.

As at the end of the reporting period, all domestic branches of the Company had launched small and micro enterprise loan businesses. The balance of inclusive small and micro enterprise loans¹ was RMB357.227 billion, an increase of RMB1.802 billion over the beginning of the year, accounting for 20.33% of total loans, maintaining a leading position among national commercial banks. The interest rate of newly issued inclusive small and micro enterprise loans decreased by 63 BPs year-on-year; the non-performing ratio of inclusive small and micro enterprise loans stood at 1.70%.

Note¹: According to the regulatory assessment criteria of the National Financial Regulatory Administration for inclusive small and micro enterprise loans, both “inclusive small and micro enterprise loans” and “total loans” exclude data related to bill discounting and rediscounting.

Management Discussion and Analysis

(1) Deepening the Development in Zhejiang, proactively serving the overall development of the whole province

First, the Company actively participated in building a county-level comprehensive financial ecosystem. It firmly supported the key work of local Party committees and governments, strengthened government-bank coordination, took the initiative to connect with key government departments of all counties (districts), and deeply engaged in local government platforms and key projects. Based on the distinctive local industries in each county, it fully explored characteristic scenarios with market potential, extended the main channels of financial services to the grassroots level, better served local customers, and supported the common prosperity of county economies. Second, the Company provided targeted support to its branches through the “one policy for one branch” approach. It implemented differentiated management in credit scale, credit approval authority, operational resources and financial resources, and carried out special programs for inclusive financial services for micro and small enterprises in line with local economic and social development priorities and the key work of Party committees and governments, so as to precisely meet the development needs of all regions within the province. As at the end of the reporting period, the balance of inclusive loans to small and micro enterprises granted by provincial branches accounted for more than 40% of the total, and the newly issued such loans during the year accounted for 48.35% of the total new inclusive loans to small and micro enterprises.

(2) Exploring scenarios, iteratively upgrading the customer acquisition and business development model

First, the Company further deepened the identification of scenario-based needs and marketing initiatives for corporate clients. It newly upgraded its “10+N Comprehensive Financial Service Plan for Industrial Parks” to fully address the full-cycle financial needs of enterprises throughout their entry, relocation, commissioning and ongoing operations. As at the end of the reporting period, the scale of business related to small enterprise parks exceeded RMB100 billion, representing an increase of RMB10.883 billion from the beginning of the year. Second, the Company intensified the development of scenario-based customer acquisition channels. Focusing on key scenarios – including government cooperation projects, characteristic industries, core enterprises, specialized markets and small and micro enterprise parks – it embedded financial services into various production and operational scenarios of target customer groups, ensuring the precise and effective delivery of financial products to micro and small enterprises. Third, the Company strengthened cooperation with leading internet platforms. It established partnerships with top internet platforms and technology companies such as Alibaba and Tencent. By focusing on the customer ecosystems and scenarios of these partners and leveraging their substantial traffic advantages, the Company achieved large-scale customer acquisition and traffic conversion.

(3) Digital empowerment, comprehensively deepening business transformation and development

First, the Company adopted an online-offline integrated approach. Focusing on high-quality micro and small enterprises (MSEs) in upstream and downstream industrial and service chains as well as within key ecosystems, it leveraged the advantages of digital products to achieve large-scale customer acquisition, and initially established the “1+1+N” digital service system. As at the end of the reporting period, the balance of digital business reached RMB7.251 billion, an increase of RMB2.793 billion from the beginning of the year. Second, the Company built a digital marketing platform for inclusive MSEs. It promoted the application of digital marketing tools such as visual marketing dashboards and marketing assistants, enhanced customer service capabilities on the WeChat Work terminal, and established a one-stop operation system covering the entire marketing lifecycle.

Management Discussion and Analysis

(4) Consolidating the customer base, steadily improving comprehensive service levels

First, the Company enriched the comprehensive collaborative scenario system to deepen service penetration. It deepened the replication and promotion of mature collaborative scenarios, and conducted scenario-based customer acquisition and customer referral around micro and small enterprises in the upstream and downstream of core enterprises. It encouraged branches and sub-branches to leverage regional resource advantages, integrate with local characteristic industries, and develop distinctive regional collaborative scenarios including photovoltaic loans and merchant acquiring services for individual industrial and commercial households. Second, the Company strengthened the development of the micro and small enterprise customer base to consolidate a solid foundation for growth. It actively shifted to integrated operation and refined customer management, and vigorously promoted financial products such as international settlement, payroll agency services and wealth management, so as to meet customers' comprehensive financial service needs.

6. Investment Banking Business

The investment banking business remained committed to serving the real economy as its fundamental purpose. We focused on developing a full life-cycle bond business system, pursuing the dual-wheel drive of asset circulation, and delivering comprehensive services to high-quality clients, so as to advance the high-quality development of investment banking.

During the reporting period, the Company utilized investment banking products to serve 1,685 clients such as central state-owned enterprises and private enterprises, an increase of 26.50% over the same period last year. The investment banking realized an FPA of RMB693.278 billion, an increase of 21.05% over the same period last year.

In the bond business, we underwrote bonds worth RMB196.030 billion, with outstanding performance in characteristic segments including the underwriting of first-time issuers, private corporate bonds, and sci-tech innovation bonds. The credit enhancement business reached RMB4.184 billion, retaining its leading position in the market. As the first bank in the market to systematically launch and promote the bond resale business, we achieved an actual participation volume of RMB20.622 billion, ranking among the forefront of the industry. We also developed businesses such as cash tender offers, establishing and improving a full-chain, full-life-cycle bond service system.

In terms of asset development, we expanded our total service scale through syndicated loans, M&A financing, non-standard assets and other products, with a total FPA of RMB92.258 billion. We participated in key project construction by way of syndicated loans, and the committed amount of project syndicated loans during the reporting period reached RMB30.783 billion. We opened up a new path for business structure adjustment by facilitating the acquisition of high-quality assets and the disposal of risky assets through secondary market trading of syndicated loans, with a transaction circulation volume of RMB1.543 billion.

In terms of credit asset circulation, we achieved a circulation scale of RMB14.125 billion, of which the issuance volume of credit ABS reached RMB7.771 billion, ranking sixth among peer banks and first among joint-stock banks, with normalized issuance of credit ABS in place. In addition, in accordance with the Guiding Opinions of the General Office of the State Council on Effectively Advancing the "Five Finances" Initiatives (Guo Ban Fa [2025] No. 8) 《國務院辦公廳關於做好金融「五篇大文章」的指導意見》(國辦發[2025]8號)), we are currently the only national joint-stock bank in the market with eight consecutive years of micro and small enterprise loan securitization issuances.

Management Discussion and Analysis

7. Financial Market Business

The Company has continuously strengthened market research, judgment and trading strategy execution, adopted flexible asset and liability management measures to proactively response to market changes. During the reporting period, the Company leveraged its market-making strengths and characteristics in fixed income, foreign exchange, precious metals and other businesses. It has steadily enhanced its capabilities in investment research, customer service, risk compliance and digital operation, actively served the real economy, and promoted the high-quality development of financial market business.

In the domestic currency market, the Company continuously strengthened macroeconomic research and market judgment, optimized its investment research analysis framework and investment portfolio structure, and made flexible use of hedging tools. While achieving steady investment returns, it actively fulfilled its market-making responsibilities and served national strategic priorities. During the reporting period, the Company was recognized as an outstanding market maker or core market maker by three major policy bank issuers. It innovatively launched the market's first Zhejiang regional sci-tech innovation bond basket, the "CZBank Selected Zhejiang Enterprise Sci-Tech Innovation Bond Basket". Together with Shanghai Clearing House, it co-released the Shanghai Clearing House-CZBank Commercial Bank Sci-Tech Innovation Bond Index. It also achieved breakthroughs in innovative businesses including standard bond forwards and standardized interbank certificates of deposit. The Company was honored with titles including "Market Influential Institution of the Year" and "Market Innovative Business Institution" by the National Interbank Funding Center. It has earnestly implemented the "Five Finances" deployment, advanced sci-tech financial innovation, and realized the coordinated improvement of business scale, structural optimization and market influence.

In the foreign currency market, the Company continuously optimized its product portfolio and service models, earned market recognition across multiple business lines, and received several institutional awards from the National Interbank Funding Center. These included the Excellent Service Enterprise Exchange Rate Risk Management Member Award, Excellent Technology Service Support Institution, Excellent Foreign Currency Borrowing Quotation Bank, Excellent Foreign Currency Borrowing Member, Excellent Foreign Currency Repurchase Member, and Excellent Foreign Currency Interest Rate Swap Member.

In the precious metals market, the Company was committed to building a professional proprietary trading brand, formulated market-adapted trading strategies, continuously improved its comprehensive service system, and achieved sound progress in market-making, product innovation and customer services. During the reporting period, the Company became a market maker in the interbank gold inquiry market of the Shanghai Gold Exchange. It ranked second in gold market-making at the Shanghai Futures Exchange and first in silver market-making across the market.

In terms of digital development, the Company continued to deepen digital transformation with the goal of enhancing the core competitiveness of its financial market business. It focused on building an intelligent market-making system covering multiple products including fixed income, foreign exchange and precious metals, and established an ecosystem that integrates core links such as investment research, trading, and sales.

Management Discussion and Analysis

8. Financial Institution Business

During the reporting period, adhering to a customer-centric and professionalism-driven approach and taking the building of comprehensive capabilities as the foundation, the Company has stayed fully focused on the fundamentals of business operations, deepened synergistic customer portfolio management, and continuously enriched collaboration scenarios. It has achieved the upgrade from traditional product-based cooperation to customer-centric integrated services, effectively enhancing the comprehensive value derived from customer groups.

Continuously strengthening the development of its financial institution client base. The Company has actively established a financial peer cooperation ecosystem, rebuilt the “Common Benefit” platform, and systematically developed a one-stop integrated service platform for financial institution clients, offering comprehensive product and service offerings including capital financing, interbank agency, counter bonds, and asset supermarket services. As at the end of the reporting period, the cumulative transaction volume of the platform exceeded RMB1.3 trillion.

Steadily promoting the interbank asset and liability business. The Company has strengthened investment research to enhance standardized asset investment capabilities and effectively serve the Bank’s high-quality corporate clients, proactively adjusted the liability structure to effectively reduce the interest payment rate. During the reporting period, the interest rate on RMB interbank deposits decreased by 46 basis points compared to last year.

Successfully carrying out the issuance of financial bonds. During the reporting period, the Company issued small and micro financial bonds of RMB20.0 billion, ordinary financial bonds of RMB20.0 billion, green financial bonds of RMB5.0 billion, and sci-tech innovation bonds of RMB5.0 billion. These issuances effectively supplemented the funding sources for inclusive finance, green finance, and sci-tech innovation, providing strong impetus for the development of the “Five Finances” initiatives.

9. Asset Custodian Business

The Company’s asset custody business focused on the two core objectives: achieving marketing breakthroughs in key products and enhancing the quality and efficiency of client services. Taking intelligent operations as the foundation, the Company adopted a package of measures to build a custody business ecosystem, and comprehensively promoted the high-quality development of the asset custody business.

First, the custody business maintained steady growth, with expanding business scale and an optimized structure. As at the end of the reporting period, custody volume reached RMB2.72 trillion, representing an increase of RMB209.836 billion, or 8.35%, from the beginning of the year. During the reporting period, the business achieved custody income of RMB662 million, up 3.92% year-on-year. The share of asset management products stood at 73.66%, up 0.87 percentage point from the end of the previous year and 8.7 percentage points higher than the average among joint-stock banks, reflecting continuous optimization of the asset custody structure.

Management Discussion and Analysis

Second, public fund custody maintained rapid growth, with steadily enhanced business competitiveness. As at the end of the reporting period, public fund custody volume reached RMB581.911 billion, an increase of RMB58.143 billion or 11.10% from the beginning of the year. During the reporting period, public fund custody income amounted to RMB389 million, up 13.25% year-on-year, with the growth rate ranking third among joint-stock banks. Seizing opportunities arising from market innovation, the Company successfully provided custody services for sci-tech innovation bond ETFs, becoming one of the six national commercial banks offering such custody services.

Third, digital development was further advanced, and the quality and efficiency of operational services improved comprehensively. Through iterative system upgrades, the automation level of custody operations was further enhanced, and customer service capabilities have strengthened significantly. The Company innovated its custody operation model, further standardized operating procedures, clarified service timelines, operational standards and processes, and continuously improved its comprehensive service capabilities. It maintained stable and secure operations throughout the period, with zero risk incidents recorded during the reporting period.

(IX) Financial Technology

Guided by the vision of being “a first-class commercial bank”, the Company has vigorously advanced its digital transformation, steadily strengthened its digital infrastructure, built a robust security line for safe operation, enhanced the innovative application of financial technology, and promoted the deep integration of “technology, business and data”. It has comprehensively improved its digital operation and management capabilities, empowered the quality and efficiency upgrading of business models and financial products, and accelerated its evolution toward full digitalization, high automation and overall intelligence, fostering new drivers and strengths for high-quality development. During the reporting period, the Company received more than 50 authoritative honors and awards, including the Third Prize of the 2024 FinTech Development Award by the People’s Bank of China, the Typical Case of Network Security Technology Application selected by 13 ministries and commissions including the Ministry of Industry and Information Technology, and the “Data Elements X” Typical Case by the National Data Administration.

1. Strengthen Data and Technology-driven Development to Consolidate the Foundation of Digital Transformation

To seize new opportunities in AI development, the Company strengthened the “dual-wheel drive” of data elements and technological innovation, significantly elevating the level of technological support and empowerment. First, it steadily advanced the “core reconstruction and foundation enhancement” initiative, methodically progressing the development of core functions for the next-generation core banking system, the supporting upgrades of peripheral systems, and the enhancement of underlying infrastructure. The Company upgraded cloud computing resources and optimized heterogeneous deployment, establishing a hybrid cloud architecture that further improved the stability and reliability of its infrastructure. Second, it comprehensively elevated data governance standards by implementing a three-year data governance action plan. It launched an enterprise-level data dictionary, promoted the implementation of data standards for the next-generation core system, and further enhanced data quality. The Company strengthened the development and management of data assets, deepened the integrated application of internal and external data, and created high-quality datasets for the data middle office. With over 3,000 indicators and tags established, data support capabilities for business operations and management were significantly enhanced. It also advanced the development of a unified, comprehensive, and efficient bank-wide data service system, and fully popularized tools such as the big data query and

Management Discussion and Analysis

analysis platform. By the end of the reporting period, the platform had accumulated over 36,000 data products, strongly supporting data extraction and application across various business scenarios. Third, the Company fully committed to building an AI intelligence-driven engine. It completed the localized deployment of mainstream large models and developed the super intelligent assistant “Zhe Xiao Zhi”, establishing a unified bank-wide AI capability hub, and enabling the implementation of a range of typical AI applications, including trade background verification, intelligent voice quality inspection and automated generation of investigation reports. As at the end of the reporting period, the number of interactions with “Zhe Xiao Zhi” exceeded 600,000.

2. Systematically Promote the Application of Digital Tools to Improve the Digital and Intelligent Level of Operation and Management

The Company continued to build a more efficient, intelligent and refined operation and management system, and accelerated the intelligent upgrading of marketing services, risk control, internal management and other areas. First, it continuously promoted the transformation and upgrading of omnichannel platforms such as mobile banking and online banking and constantly improved the digital marketing system, optimized customer tags and customer 360-degree views, and leveraged platforms including CRM, Product Mastermind and big data marketing to digitally empower more refined customer operations and full coverage of business marketing scenarios. Second, it continued to improve the intelligent risk control system, iteratively optimized enterprise-level risk management platforms including big data risk control and new-generation anti-money laundering (AML), and established a digital-intelligent oversight system driven by the “large models + small models” dual engine. It enhanced the risk control model system for both general and specialized scenarios, and developed multiple anti-money laundering models including ATM cash withdrawal monitoring and enterprise gang risk detection. Third, it promoted quality and efficiency improvement in bank-wide management, upgraded digital application tools including the operation and management cockpit, digital HR and RPA, and built a global intelligent analysis platform based on real-time computing. This has formed a three-dimensional monitoring system and penetrating customer analysis capabilities, and earned the Third Prize of the 2024 Financial Technology Development Award.

3. Technologically Empower Financial Service Innovation to Stimulate the Development Vitality of Digital and Intelligent Finance

The Company strengthened scenario integration and platform innovation, actively embedding digital technologies into the ecological development of government services, people’s livelihoods, inclusive micro and small enterprises (MSEs), and industrial chains. It systematically upgraded digital tools and platforms, continuously enhanced the innovation of digital products and services, and developed intelligent financial solutions to empower the delivery of high-quality digital financial services. First, the Company implemented the “Deepening the Development in Zhejiang” strategy, furthering collaboration with provincial government departments including the State-owned Assets Supervision and Administration Commission of Zhejiang Province and the Department of Commerce of Zhejiang Province. It iteratively developed government-focused digital empowerment projects to support government agencies in delivering efficient management and public services. Second, the Company expanded the coverage of inclusive finance by continuously improving its digital inclusive financial service system. It deeply expanded financial service scenarios in small and micro enterprise parks and developed digital applications such as the Smart Park Platform, providing tailored comprehensive financial services to park operators and resident enterprises. Third, the Company continued to deepen supply chain finance scenarios. Leveraging multiple supply chain financial platforms – including the electronic accounts receivable voucher platform and the new-generation automotive supply chain platform – it achieved connectivity with multiple core enterprises, thereby further strengthening financial support and services for upstream and downstream enterprises in the supply chain.

Management Discussion and Analysis

4. Continuously Fortify Security Risk Barriers to Ensure a Stable and Improving Trend in Production Operations

First, the Company enhanced lean and digital operation and maintenance capabilities, promoted the access and governance of diversified alarms, and established a linkage mechanism featuring “alarm identification – strategy matching – automatic disposal”. It enriched automated operation and maintenance scenarios, optimized emergency operation procedures and plans, and strengthened “combat-oriented and normalized” emergency drills. Second, the Company continued to improve its “two cities, multiple centers” disaster recovery system, fully completed the dual-active construction work for existing application components, optimized the layout of intra-city multi-active data centers, actively explored resource dynamic allocation mechanisms, and carried out long-cycle cross-month intra-city traffic scheduling and switching drills, enhancing business continuity and disaster recovery capabilities. Third, the Company built a solid network defense line and guarded data security, iteratively upgraded the “one foundation, five platforms” cybersecurity architecture, and formed a round-the-clock, digital and intelligent precise cybersecurity perception, prevention and control capability. It continued to improve hierarchical and classified data management, established a “1+4+N” data security technical protection system covering full scenarios, and provided real-time data security monitoring and protection for application systems and databases across the Bank. Operating efficiency increased by 250%, and the relevant project was recognized as an IDC (China) Financial Industry Technology Application Scenario Innovation Case.

(X) E-finance Services

During the reporting period, the Company established a complete E-finance service system covering online banking, mobile banking, remote banking, WeChat banking, bank-enterprise direct connection, corporate treasury management, and online settlement services. The replacement rate of transactions via electronic channels reached 99.92%, taking a leading position in the industry. During the reporting period, the Company vigorously promoted the construction of E-finance channels, enhanced customer experience building and improved risk control measures, resulting in steady growth in channel customers, continuous improvement in the quality and efficiency of business scale and sustained enhancement of channel service capacity.

Online Banking

During the reporting period, being customer-oriented, the Company continuously optimized personal online banking experience, simplified the operations of frequently used functions, enriched channel service scenarios and extended customer channel services. As at the end of the reporting period, the Company had 2.4835 million registered customers of personal online banking, representing an increase of 1.10% over the beginning of the year.

During the reporting period, based on the actual needs of enterprises, the Company launched the payroll slip function to corporate online banking, optimized core and commonly used functions of corporate online banking such as fund transfers and certificate signatures, and implemented the special chain-purification operations against telecom and online fraud; it continuously simplified the operation of frequently used functions to further reduce customer steps and enhance customer experience. As at the end of the reporting period, the Company had 325,600 customers with corporate online banking certificates, representing an increase of 12.14% over the beginning of the year.

Management Discussion and Analysis

Mobile Banking

During the reporting period, the Company iteratively upgraded personal mobile banking to Version 6.0 and launched the age-friendly “Senior Version”. It revamped the wealth channel, optimized product modules including wealth management, deposits and insurance, introduced the mobile banking rewards center and the “Good • Life” channel, and improved functions such as fund transfer and remittance, cash pooling and local lifestyle services, thereby enhancing customer experience and wealth management efficiency. As at the end of the reporting period, the Company had 8.3649 million personal mobile banking customers, an increase of 15.75% from the beginning of the year.

Remote Banking

The Company’s remote banking upholds the service philosophy of “Customer-Centric, Beyond Expectation”. Relying on digital reform and innovation, and integrating multi-channel service platforms, big data and intelligent technologies, the Company provides customers with efficient, comprehensive and professional high-quality services through intelligent voice, intelligent text robots, telephone agent services, online agent services, WeChat and email. Focusing on the three-core strategic positioning of “24-hour intelligent service, digital-intelligent operation and smart operation”, it has built a 7x24 remote banking service platform.

During the reporting period, the Bank handled a total of 4.4166 million customer inquiries, up 15.24% year on year, with an overall connection rate of 97.36%. Among these, 2.8109 million inquiries were handled via telephone, with a manual telephone connection rate of 92.64% and a customer satisfaction rate of 99.76%. Online services were provided 1.6057 million times, with an online connection rate of 99.70%. The Bank continued to deliver more convenient and caring services for elderly customers. During the reporting period, the service coverage for elderly customers improved significantly, serving a total of 79,900 person-times, up 69.28% year on year, effectively fulfilling its social responsibilities.

The Company focused on payroll agency customers, senior pension customers and high-potential long-tail customer groups. Leveraging diversified operation channels including intelligent AI outbound calls, manual outbound calls, SMS and Enterprise WeChat private domain operations, it integrated digital and intelligent capabilities such as customer screening models, data-driven analysis and AI marketing scenario optimization to improve operation efficiency. During the reporting period, remote banking carried out 8.0634 million telephone outbound operations, up 21.96% year on year, continuously empowering business development and supporting the Bank’s overall business expansion.

Management Discussion and Analysis

WeChat Banking

During the reporting period, the Company was committed to developing WeChat Banking into a key front for innovative financial services and brand promotion. The Company's WeChat Banking consists of the CZBank WeChat Official Account and the CZBank Cloud Branch WeChat Mini Program. The CZBank WeChat Official Account mainly focuses on brand value and product promotion, and provides practical service modules such as "Credit Card & Personal", "Small & Micro Enterprises & Corporate", and "Recruitment & Services". The CZBank Cloud Branch WeChat Mini Program offers convenient services including offline appointment booking, online business processing, and salon activity registration.

Bank-Enterprise Direct Connection and Corporate Treasury Management

During the reporting period, the Company took "financial technology + professional services" as the core, and adhered to the principles of digital and intelligent empowerment, business-finance integration, and open interconnection. It continuously enhanced bank-enterprise direct connection and treasury management services, and completed the basic functions of 6 major service centers for corporate treasury management, 3 major service channels, and N characteristic scenario applications. As at the end of the reporting period, the Company had 2,774 core clients of bank-enterprise direct connection and 114 contracted clients of corporate treasury management.

Online Settlement Business

During the reporting period, the Company actively pioneered business innovation, built a mature payment and settlement scenario service system, and created four major scenarios of "collection, payment, distribution, and management". Guided by the needs of government agencies and real enterprises and institutions, it focused on major scenarios such as bidding, fund management, and acquiring, and increased the support and application promotion of online settlement services, forming a brand effect and batch-landing a group of central and state-owned enterprise clients.

(XI) Overseas Branch Business

Established in 2018, the Company's Hong Kong Branch is its first overseas branch. It has continued to implement the Company's development strategy, fully leveraged strategic synergies, proactively captured cross-border business opportunities, and comprehensively strengthened its cross-border financial service capabilities. Through these efforts, its major business lines, including corporate banking, institutional banking, financial markets, investment banking and private banking, have achieved steady, high-quality development. As the Group's international development hub, the Hong Kong Branch has actively pursued an asset-light business model, focusing on acquiring high-quality "going global" enterprises and high-net-worth individual customers, and systematically enhanced its comprehensive capabilities and market competitiveness in serving "going global" clients. It takes the overseas platforms of central state-owned enterprises, listed companies, internet technology enterprises and manufacturing overseas capacity transfer platforms as its core customer groups. It has formulated differentiated service strategies focusing on key regions including the Guangdong-Hong Kong-Macao Greater Bay Area, Southeast Asia and the six Gulf Cooperation Council countries to deepen cross-border business linkage. It has strengthened collaboration with the Head Office and domestic branches, expanded the global reach and depth of CZBank's international services, and taken a new step forward in building its distinctive international business.

As at the end of the reporting period, the Hong Kong Branch of the Company had assets of HK\$72.806 billion. During the reporting period, it realized an operating income of HK\$1.102 billion and a net profit of HK\$566 million.

Management Discussion and Analysis

(XII) Major Subsidiaries and Equity Participation Companies

1. Major subsidiaries

(1) Zheyin Financial Leasing

Zheyin Financial Leasing is a holding subsidiary of the Company with a paid-in capital of RMB4.0 billion, and the Company holds 51% of its shares. It is a national non-banking financial institution approved for establishment and regulated by the former CBIRC. Established on January 18, 2017, the principal business scope of Zheyin Financial Leasing includes financial leasing business, transfer and acquisition of financial leasing assets, borrowing from non-bank shareholders with a term of three months or above, inter-bank lending, borrowing from financial institutions, issuing non-capital bonds, accepting lease deposits, sale and disposal of leased properties, fixed-income investment, asset securitization business, providing consultation services relating to financial leasing and other businesses approved by the NFRA. Since its establishment, Zheyin Financial Leasing has always upheld the mission of serving the real economy and the concept of prudent operation, comprehensively implemented a specialized transformation strategy, actively embraced financial technology, continuously innovated financial services, and formed a “5+2” specialized customer service system focusing on the “five major specialized industries” of intelligent manufacturing, marine economy, green and environmental protection, sci-tech and education, and modern agriculture and food, as well as the “two major specialized models” of manufacturer supply chain and lease-to-lease cooperation. At present, its corporate governance structure and management system are increasingly perfect, its innovation capabilities and research strength are steadily enhanced, its profitability and development quality have been improving year after year, and a team of talents with high comprehensive qualities and strong high-performance has been cultivated. It has embarked on a development path of specialized services and characteristic operations, gradually growing into a key player in China’s financial leasing industry. It has been rated as an “Advanced Unit in Supporting the Economic and Social Development of Zhejiang” (支持浙江經濟社會發展先進單位) for consecutive years, and has won important awards such as the “National May Day Labor Certificate” (全國五一勞動獎狀), the “May Day Labor Certificate of Zhejiang Province” (浙江省五一勞動獎狀), the “Leading Player in the Service Industry of Zhejiang Province” (浙江省服務業領軍企業), the “Special Contributing Enterprise for the 10th Anniversary of the Construction of the New Area of Zhoushan Islands in Zhejiang Province” (浙江舟山群島新區建設10周年特別貢獻企業), the “Outstanding Contributing Enterprise for the 5th Anniversary of the Construction of the Zhejiang Pilot Free Trade Zone” (浙江自貿試驗區五周年建設突出貢獻企業), the “Outstanding Contributing Enterprise of Yangtze River Delta Financial Leasing”(長三角融資租賃突出貢獻企業) and other important awards, highly recognized by all sectors of the society.

As at the end of the reporting period, Zheyin Financial Leasing had total assets of RMB90.395 billion and net assets of RMB9.119 billion. It realized a net profit of RMB1.287 billion during the reporting period.

Management Discussion and Analysis

(2) CZB Wealth Management

CZB Wealth Management was established in January 2025, with a paid-in capital of RMB2.0 billion, and the Company holds 100% of its equity. The business scope of CZB Wealth Management includes the issuance of wealth management products, investment and management of investors' entrusted property, and provision of wealth management advisory and consulting services. Since its establishment, guided by the vision of building a "first-class wealth management company", CZB Wealth Management has adhered to the orientation of "integrity, strictness, and pragmatism", and taken the "five-word ecosystem" and the "five-word code of conduct" as its guidelines. It has fully embodied the political responsibility and people-centered nature of finance, remained committed to its original aspiration of "managing wealth on behalf of customers", and adhered to the business philosophy of "integrity, prudence, compliance, and professionalism". It strives to build the company into a wealth management company that represents the interests of investors, serves the real economy, maintains steady operations, promotes financial services for good, and is driven by digital technology.

As at the end of the reporting period, the scale of wealth management products managed by CZB Wealth Management amounted to RMB182.458 billion, with total assets of RMB2.644 billion and net assets of RMB2.480 billion. It realized a net profit of RMB88 million during the reporting period.

2. Equity Participation Companies

Equity Participation Companies	Place of Incorporation	Date of Incorporation	Number of Shares	Investment Amount
China UnionPay Co., Ltd.	Shanghai	2002-3-26	34 million	RMB25 million
National Financing Guarantee Fund Co., Ltd.	Beijing	2018-7-26	1 billion	RMB1 billion

(XIII) Evaluation of Progress on Quality Improvement, Efficiency Enhancement and Return Focus

To effectively advance the Company's high-quality development and investment value enhancement, protect the legitimate rights and interests of investors, especially small and medium-sized investors, strengthen investors' sense of gain, and promote a reasonable valuation and steady development of the Company in the capital market, the Company actively acted in response to relevant initiatives of the Shanghai Stock Exchange. Following the deliberation and approval at the fourth meeting of the seventh session of the Board of Directors, the Company issued the "Valuation Enhancement Plan and 'Improving Quality, Increasing Efficiency, and Emphasizing Returns' Action Plan" on April 9, 2025, laying out targeted measures in operational improvement, cash dividends, investor relations management and information disclosure.

During the reporting period, the Company actively implemented various work deployments of the action plan, and the implementation status is hereby reported as follows:

1. Operating quality and efficiency met expectations

During the reporting period, facing the complex and ever-changing external environment, the Company anchored the goal of building a "first-class commercial bank". The operating results generally met expectations, serving the overall situation was powerful and effective, and the development maintained a positive trend.

For details of the strategy implementation and overall operating status of the Company, please refer to: "Development Strategies and Core Competitiveness – Five Finances, Deepening the Development in Zhejiang" and "Management Discussion and Analysis – (II) Analysis of Overall Operation Performance".

Management Discussion and Analysis

2. Cash dividends were steadily implemented

During the reporting period, the Company strictly followed the established dividend policy, fully considered the Company's profitability status and capital needs, formulated a reasonable dividend plan, effectively enhanced the shareholders' sense of gain, and was selected into the 2025 Cash Dividend List of Listed Companies by the China Association of Public Companies.

3. Investor relations management was continuously deepened

During the reporting period, the Company actively carried out investor relations management, continuously enriched communication forms, broadened communication channels, and transmitted the Company's value to the market at multiple levels; it timely and deeply understood the appeals of various investors, and made targeted responses, achieving a benign interaction between the Company and investors.

For details, please refer to relevant contents such as "Corporate Governance – (XV) Investor Relations Management".

4. Information disclosure was continuously optimized

The Company faithfully performed its information disclosure obligations, strictly in accordance with the requirements of relevant laws and regulations on information disclosure in both domestic and overseas locations, truly, accurately, completely, timely and fairly carried out information disclosure work, continuously improved the disclosure content of periodic reports, strengthened the proactiveness and timeliness of the disclosure of temporary announcements, and continuously enhanced the effectiveness and transparency of information disclosure.

For details, please refer to relevant contents such as "Corporate Governance – (XIV) Implementation of Information Disclosure".

5. Increase in shareholding was orderly completed

On April 9, 2025, the Company issued the "Announcement on the Voluntary Shareholding Increase Plan by Directors, Supervisors, Senior Management, and Others" (Announcement No.: 2025-018). Based on the recognition of the Company's value and confidence in its future development, some directors, supervisors, senior management, and major persons in charge of head office departments, branches, and subsidiaries of the Company planned to voluntarily increase their holdings of the Company's A shares with their own funds totaling not less than RMB20 million through the centralized bidding trading method of the trading system of the Shanghai Stock Exchange. This share increase plan has been smoothly implemented and completed, with a completion rate of 105%.

Management Discussion and Analysis

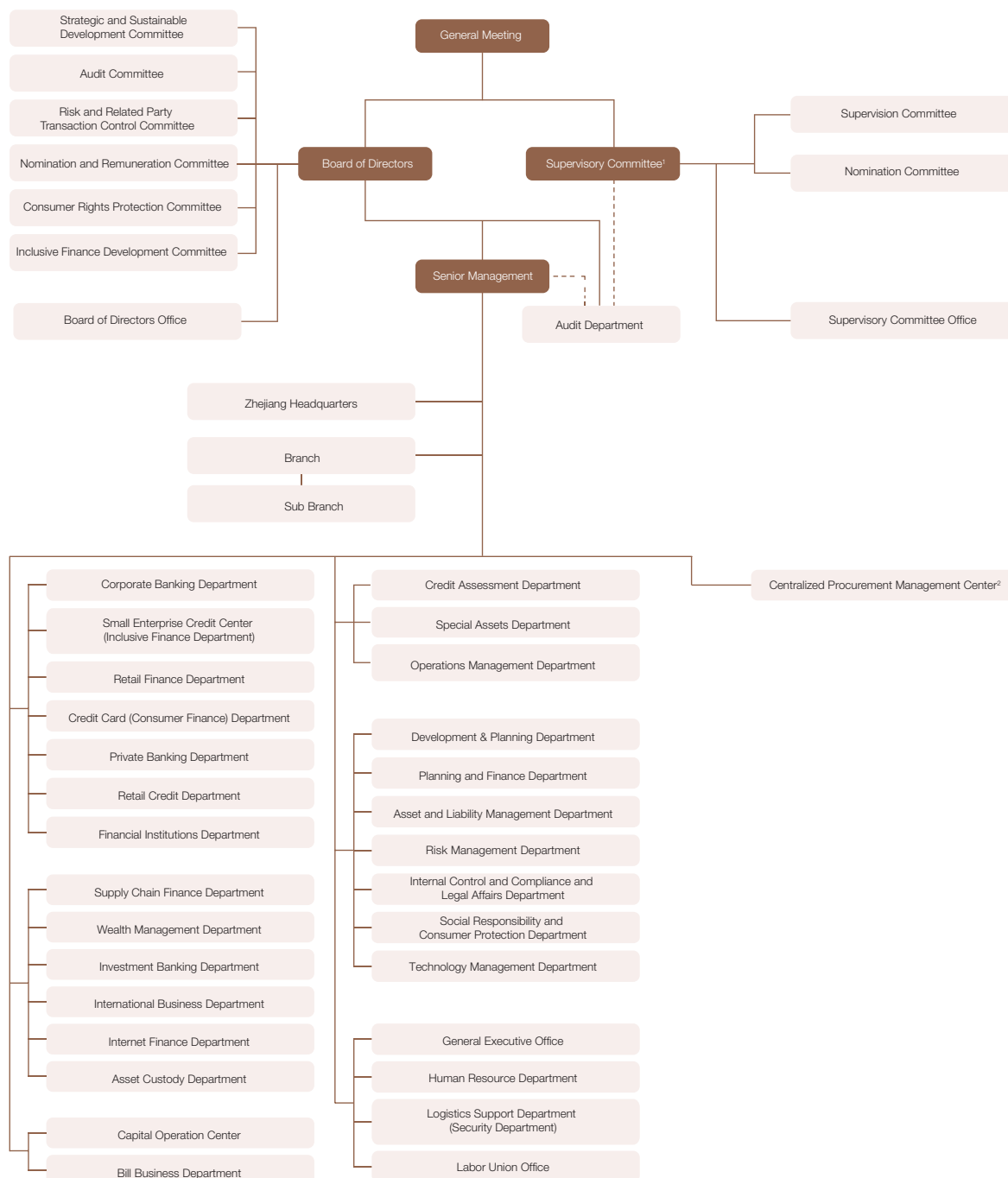
(XIV) Outlook

In 2026, the uncertainty of the international situation will increase, and geopolitical conflicts and trade frictions in regions such as the Middle East will still pose complex external challenges, but the fundamental advantages of strong resilience, sufficient momentum, and great potential of China's economic development have not changed. The year 2026 is the opening year of the "15th Five-Year Plan". The Fourth Plenary Session of the 20th CPC Central Committee has made strategic deployments for economic and social development during the "15th Five-Year Plan" period, and China's economy is expected to maintain its recovery and upward trend. The driving force for domestic economic growth will mainly come from the continuous repair of domestic demand and the optimization and upgrading of industrial structure. Macroeconomic policies will be more proactive and effective, expanding effective investment by moderately increasing the fiscal deficit rate and increasing the issuance of local government special bonds, with a focus on the "Two Focuses and Two News (兩重兩新)" programmes. At the same time, policies on equipment renewal and trading-in consumer goods will stimulate consumption potential, and new business forms such as service consumption and digital consumption will remain active. At the industrial level, the deep integration of scientific and technological innovation and industrial innovation will be accelerated, emerging industries and future industries such as artificial intelligence, new energy, and biomanufacturing will accelerate development, and new quality productive forces will continue to be cultivated and expanded. In terms of opening up to the outside world, with the improvement of domestic industrial competitiveness and the deepening promotion of the "Belt and Road" initiative, the pace of enterprises going overseas will be further accelerated, and the overseas layout of advantageous industries such as new energy vehicles, photovoltaics, and energy storage will continue to expand. In terms of prices, with the improvement of supply and demand relations and the recovery of domestic demand, the price index is expected to get rid of the low-level operation trend and achieve a mild recovery. Overall, China's economy in 2026 will maintain stable growth with the strong support of macroeconomic policies, laying a solid foundation for high-quality development during the "15th Five-Year Plan" period.

In 2026, the Bank will take the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as the guidance, deeply implement the spirit of the 20th CPC National Congress and all plenary sessions of the 20th CPC Central Committee, fully implement General Secretary Xi Jinping's important expositions on financial work. We will pursue the goal of building a first-class commercial bank, uphold the Party's overall leadership as the fundamental guarantee, take root in Zhejiang for deeper development and serve the real economy as our foundation, pursue reform and innovation and improved governance as our fundamental approach, and regard risk prevention and safe development as bottom-line requirements. We will follow the principles of developing the bank through refined management, upgrading the bank through quality service, invigorating the bank through technological innovation, and strengthening the bank through talent cultivation. Adhering to long-termism, we will focus on promoting the "1155" operation strategy, firmly upholding one core operational thread, building one foundational capability, coordinating five operational dimensions, and strengthening five linkage strategies. We aim to build a high-quality commercial bank with sound governance, sufficient capital, standard management, controllable risks, strong core competitiveness, and significant brand influence, striving to provide high-quality and efficient financial services to society.

Corporate Governance

(I) Chart of Organizational Structure



Note¹: The relevant bodies of the Supervisory Committee are currently in the process of being dissolved

²: Department directly under the head office

Corporate Governance

(II) Overview of Corporate Governance

The Company always makes unremitting efforts to pursue standardized business operation and extraordinary corporate governance since improving corporate governance is the top priority of achieving high-quality development. The Company continuously improves corporate governance structure consisting of the general meeting, the Board of Directors, the Supervisory Committee and the Senior Management according to the relevant laws, regulations and regulatory requirements. Each corporate governance body operates independently, with effective checks and balances, cooperating with each other and functioning in a coordinated manner.

The Board of Directors of the Company takes corporate governance legality and compliance as the bottom line, draws on the best practices of outstanding companies as the direction, improves the system of corporate governance mechanism as the basis, and gives full play to the decision-making role of the Board of Directors as the core. It strives to build a corporate governance mechanism with clear boundaries of responsibilities, orderly checks and balances and collaboration, democratic and scientific decision-making, and standardized and efficient operation.

In 2025, the Company continued to integrate the Party's leadership into the entire process of corporate governance in an all-round way and effectively play a key role of Party committee in grasping the direction, planning for the big picture, formulating policies and promoting development; revised the Articles of Association, the Rules of Procedure for General Meetings and the Rules of Procedure for the Board of Directors in a timely manner in accordance with the latest laws, regulations and regulatory requirements; optimized the corporate governance authorization system to further clarify the boundaries of responsibilities of each governance body; and actively carried out the special enhancement year activities for the performance of duties by the Board of Directors to effectively enhance the actual effectiveness of corporate governance.

The meetings held during the reporting period were as follows: 1 annual general meeting, 2 extraordinary general meetings; 13 meetings of Board of Directors; 3 meetings of Strategic and Sustainable Development Committee, 5 meetings of Audit Committee, 6 meetings of Risk and Related Party Transaction Control Committee, 7 meetings of Nomination and Remuneration Committee, 2 meetings of Consumer Rights Protection Committee and 2 meetings of Inclusive Finance Development Committee; 10 meetings of Supervisory Committee; 4 meetings of Nomination Committee, and 4 meetings of Supervision Committee.

Corporate Governance

(III) General Meeting

Pursuant to the Articles of Association, the shareholders' general meeting is the top governing body of the Company, which manages and supervises the Company through the Board of Directors and the Supervisory Committee. The Company raised an independent resolution for each actually independent matter at the general meeting, and voted by ballot to ensure that all shareholders fully and equally enjoy the right to know, the right to speak, the right to raise questions, the right to vote and other rights.

During the reporting period, the Company held the 2024 Annual General Meeting on June 13, 2025, the 2025 first extraordinary general meeting on September 25, 2025, and the 2025 second extraordinary general meeting on December 31, 2025. For details of relevant proposals and relevant announcements about resolutions adopted at the meetings, please refer to the relevant announcements in connection with the general meetings published by the Company on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

The convening, notifying, holding and voting procedures for the above-mentioned meetings are in compliance with the relevant provisions of the Company Law, the listing rules of both the domestic and overseas listing venues of the Company and the Articles of Association. The Chairman of the meetings has explained the detailed procedures for voting by poll to the Shareholders at the general meetings. Lawyers were invited to witness onsite and provide legal opinions for the meetings.

(IV) Board of Directors

1. Composition of the Board of Directors

As at the end of the reporting period, the Board of Directors of the Company comprised 11 directors, of which 2 were Executive Directors, namely Mr. Chen Haiqiang and Ms. Ma Hong; 4 were Non-executive Directors, namely Mr. Hou Xingchuan, Mr. Ren Zhixiang, Mr. Hu Tiangao and Mr. Ying Yuxiang; and 5 were Independent Non-executive Directors, namely Mr. Wang Wei, Mr. Xu Yongbin, Mr. Fu Tingmei, Mr. Shi Hao and Mr. Lou Weizhong. Not less than 1/3 of the members of the Board of Directors of the Company were Independent Non-executive Directors, and the Independent Non-executive Directors complied with the Rule 3.10(2) of the Hong Kong Listing Rules, who had appropriate professional qualifications or accounting or related financial management expertise. The number and composition of Independent Non-executive Directors are in compliance with relevant laws, regulations and requirements of the Hong Kong Listing Rules.

The Board of Directors of the Company was rationally structured with experienced members. The executive Directors are diligent, professional and efficient, while the Non-executive Directors are equipped with rich banking or enterprise management experiences, and the Independent Non-executive Directors' knowledge and background covering various areas including economy, finance, securities, accounting and law.

During the reporting period, all directors diligently performed their duties, being present or in attendance at relevant meetings in a timely manner; actively participated in discussion on affairs; prudently expressed professional opinions; paid continuous attention to conditions of operation and management of the Company; actively participated in various training and thematic study and discussion activities; proactively improved their ability to perform their duties; continuously improved the scientificity and efficiency of decisions, with their high sense of responsibility and excellent professionalism; ensured that commercial activities of the Company complied with national laws and regulations and requirements of regulatory authorities; and effectively protected legitimate rights and interests of shareholders.

Corporate Governance

2. Board Diversity Policy

The Company considers the diversity of the members of the Board of Directors as an important impetus to support the Company in enhancing the corporate governance level and achieving sustainable development. The Company has formulated the Board Diversity Policy of China Zheshang Bank Co., Ltd. according to the relevant provisions of the Hong Kong Listing Rules. It is expressly provided in the Policy that the Board of Directors shall consider various aspects and diversified factors when determining the composition of the Board, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and/or service period, thus ensuring the Board of Directors have diversified viewpoints and angles in performing their duties, and forming into a composition model of the Board matched with the Company's development model.

The Board Diversity Policy of the Company comprises of chapters such as purpose, philosophy, policy statement, expected objective, supervision and reporting, with the main purpose of recognizing and accepting the philosophy of building a diversified Board to strengthen the execution of the Board, and affirming the importance of diversity of the Board to achieve strategic objectives. During the reporting period, the geographical distribution, educational background and professional experience of members of the Board are relatively diversified. Among the current 11 directors of the Company, 1 of them is female; 11 are with post graduate diploma or master degree or above, including 4 with doctoral diploma. The diversified composition of the Board brings a broad vision and a high level of professional experience to the Board and maintains an independent element within the Board to ensure that the Board is able to effectively make independent judgments and scientific decision when studying and considering material issues. The Board will review the implementation and effectiveness of its Board Diversity Policy on an annual basis.

The Company will ensure gender diversity when recruiting middle and senior staff and are committed to providing career development opportunities for female staff so that the Company will have a pipeline of potential successors to the Board. As of December 31, 2025, the ratio of male and female employees of the Company was 1.189:1, which was generally in line with the industry level. As of December 31, 2025, all of the senior management of the Company were male.

3. Responsibilities of the Board of Directors

According to the Articles of Association, the Board of Directors is the decision-making organ of the Company and shall undertake ultimate responsibility for the operation and management of the Company. The main responsibilities are as follows: to convene general meetings, present proposals and report to shareholders at the general meetings; to implement the resolutions of the general meetings; to formulate medium and long-term development plans and development strategies of the Bank and supervise the implementation of such development plans and development strategies; to decide the annual appraisal indices for the operation of the Bank and approve the annual operation plans of the Bank; to formulate our annual financial budgets and final accounts; to formulate our profit distribution plans and plans for recovery of losses; to formulate proposals for increase or decrease of our registered capital, issuance of shares or bonds with the capital replenishment nature; to decide on issuance of bonds other than those with the capital replenishment nature by the Bank; and to formulate proposals for merger, demerger, dissolution and liquidation of the Bank.

Corporate Governance

The Senior Management of the Company has operational autonomy and makes decision in daily operation and management under the authority of the Board, and the Board will not intervene in specific daily affairs of operation and management of the Company.

The Board of the Company is responsible for carrying out the corporate governance functions and has fulfilled their duties and responsibilities, as set out in Code Provision A.2.1 of the Corporate Governance Code. The Board acknowledges that it is responsible for the risk management and internal control systems and for reviewing its effectiveness on an annual basis. During the reporting period, the Board and its committees reviewed the Company's compliance with laws, regulatory provisions and the Corporate Governance Code and its disclosures in the Corporate Governance Report, reviewed and monitored the training and continuous professional development of directors and senior management, strengthened the Company's risk management and internal control, and further enhanced the Company's corporate governance policy and regular practice.

4. Board Independence

The Company has established following mechanisms to ensure independent views and input are available to the Board and the implementation and effectiveness of such mechanisms will be reviewed annually by the Board:

- (a) Five out of the eleven directors are Independent Non-executive Directors, which exceeds the requirement of the Listing Rules that at least one-third of the Board are independent Non-executive Directors.
- (b) The Nomination and Remuneration Committee will assess the independence of a candidate who is nominated to be a new Independent Non-executive Director before appointment and the continued independence of the current long-serving Independent Non-executive Directors on an annual basis. All Independent Non-executive Directors are required to submit a written confirmation to the Company annually to confirm the independence of each of them and their immediate family members, and their compliance with the requirements as set out in the Rule 3.13 of the Listing Rules.
- (c) All Directors are entitled to retain independent professional advisors as and when it is required.
- (d) All Directors are encouraged to express their views in an open and candid manner during the Board/Committee meetings.
- (e) The Chairman of the Board will meet with the Independent Non-executive Directors annually without the presence of the executive Directors.
- (f) A Director (including Independent Non-executive Directors) who has material interest in any contract, transaction or arrangement shall abstain from voting and not be counted in the quorum on any Board resolution approving the same.
- (g) No equity-based remuneration with performance-related elements will be granted to Independent Non-executive Directors.

Corporate Governance

5. Meetings and Proposals of Board of Directors

During the reporting period, the Company held 13 meetings of Board of Directors, among which, 4 were regular meetings and 9 were extraordinary meetings. The main proposals considered at the Board meetings were as follows:

Work Report of the Board of Directors of China Zheshang Bank Co., Ltd. for 2024;
Work Report of President of China Zheshang Bank Co., Ltd. for 2024;
Report of Independent Directors of China Zheshang Bank Co., Ltd. for 2024;
Proposal on Results of 2024 Performance Evaluation of Directors by the Board of Directors;
Proposal on Results of 2024 Performance Evaluation of Senior Management by the Board of Directors;
Internal Audit Work Report of China Zheshang Bank Co., Ltd. for 2024;
Report on Comprehensive Risk Management of China Zheshang Bank Co., Ltd. for 2024;
Report on Implementation of Risk Preference for 2024 and Proposal on Risk Preference for 2025 of China Zheshang Bank Co., Ltd.;
Report on the Implementation of Green Finance of China Zheshang Bank Co., Ltd. for 2024;
Internal Control Evaluation Report of China Zheshang Bank Co., Ltd. for 2024;
2024 Work Report on Protection of Financial Consumer Rights and Interests and 2025 Work Plan of China Zheshang Bank Co., Ltd.;
2024 Work Report on Anti-money Laundering and Counter-terrorist Financing of China Zheshang Bank Co., Ltd.;
Risk Prevention and Control Assessment Report on Criminal Cases of China Zheshang Bank Co., Ltd. in 2024;
Report on Implementation of Related Party Transaction Management System and Particulars of Related Party Transactions of China Zheshang Bank Co., Ltd. for 2024;
Proposal on the Pre-approval limit of Deposit-Type Connected Transactions of China Zheshang Bank Co., Ltd. for 2025;
Sustainability Report of China Zheshang Bank Co., Ltd. for 2024;
2024 Annual Report and its Summary of China Zheshang Bank Co., Ltd. (Domestic Standards and International Standards);
2024 Audit Report on Internal Control of China Zheshang Bank Co., Ltd.;
Proposal on the Engagement of an Accounting Firm for 2025;
Final Financial Report of China Zheshang Bank Co., Ltd. for 2024;
Profit Distribution Plan of China Zheshang Bank Co., Ltd. for 2024;
2025 Annual Budget Report of China Zheshang Bank Co., Ltd.;

Corporate Governance

Business Operation Plan of China Zhesang Bank Co., Ltd. for 2025;
Report on the Management and Implementation of the Consolidation of Statements of China Zhesang Bank Co., Ltd. for 2024;
Liability Quality Management Report of China Zhesang Bank Co., Ltd. for 2024;
Internal Capital Adequacy Assessment Report of China Zhesang Bank Co., Ltd. for 2025;
Proposal on the Issuance of RMB Financial Bonds;
Proposal on the Measures for Market Value Management of China Zhesang Bank Co., Ltd.;
Valuation Enhancement Plan of China Zhesang Bank Co., Ltd.;
Proposal on the Appointment of President of China Zhesang Bank;
Work Summary of Small and Micro Enterprises under Inclusive Finance for 2024 and Work Plan for 2025 of China Zhesang Bank Co., Ltd.;
Development Plan for Internet Loan Business of China Zhesang Bank Co., Ltd. for 2025;
Proposal on the Recommendation of a Director to Perform the Duties of the Chairman on his behalf;
2025 Interim Report and its Summary of China Zhesang Bank Co., Ltd. (Domestic Standards and International Standards);
Capital Plan of China Zhesang Bank Co., Ltd. for 2025-2029;
Proposal on the Issuance of Capital Bonds and Related Authorization by China Zhesang Bank Co., Ltd.;
Proposal on the Change of Directors and Nomination of Mr. Yang Zhaohui as a Candidate for Non-executive Director of the Seventh Session of the Board of Directors of China Zhesang Bank Co., Ltd.;
Proposal on the Change of Directors and Nomination of Mr. Zheng Xingang as a Candidate for Non-executive Director of the Seventh Session of the Board of Directors of China Zhesang Bank Co., Ltd.;
Proposal on the By-election of Members of the Special Committees of the Seventh Session of the Board of Directors of China Zhesang Bank Co., Ltd.;
Proposal on Election of Chairman of the Seventh Board of Directors of Zhesang Bank Co., Ltd.;
Proposal on the Abolition of Supervisory Committee;
Proposal on Amending the Articles of Association of China Zhesang Bank Co., Ltd.;
Proposal on Amending the Rules of Procedure for General Meetings of China Zhesang Bank Co., Ltd.;
Proposal on Amending the Rules of Procedure for the Board of Directors of China Zhesang Bank Co., Ltd.;
Digital Reform and Development Plan of China Zhesang Bank for 2024-2026 (Mid-term Revision);
Proposal on Nominating Mr. Lyu Linhua as a Candidate for Director of China Zhesang Bank;
Proposal on the Institutional Plan of China Zhesang Bank for 2026.

Corporate Governance

6. Attendance of Directors at the Meetings

The following table sets forth the records of attendance in person of each Director at the Board meetings, Special Committees under the Board, and General meetings in 2025.

Directors	Board Meetings	Strategic and Sustainable Development Committee	Audit Committee	Risk and Related Party Transaction Control Committee	Nomination and Remuneration Committee	Consumer Rights Protection Committee	Inclusive Finance Development Committee	General Meetings
Executive Directors								
Chen Haiqiang	13/13	3/3	-	-	-	-	-	3/3
Ma Hong	13/13	3/3	-	-	3/3	-	-	3/3
Non-executive Directors								
Hou Xingchuan	13/13	3/3	-	-	-	-	2/2	3/3
Ren Zhixiang	12/13	3/3	-	-	-	-	2/2	3/3
Hu Tiangao	13/13	-	5/5	-	-	-	-	3/3
Ying Yuxiang	13/13	3/3	-	-	-	-	2/2	2/3
Independent Non-executive Directors								
Wang Wei	13/13	-	5/5	1/1	7/7	-	2/2	3/3
Xu Yongbin	13/13	-	5/5	6/6	7/7	-	-	3/3
Fu Tingmei	13/13	3/3	-	-	-	2/2	2/2	3/3
Shi Hao	13/13	-	-	5/5	6/6	2/2	-	3/3
Lou Weizhong	13/13	-	-	5/5	-	2/2	-	3/3
Resigned Directors								
Lu Jianqiang	6/6	2/2	-	-	-	-	-	1/1
Wang Guocai	1/1	-	-	1/1	1/1	-	-	-

Notes:

- (1) Attendances in person/number of meetings that he/she should attend during the reporting period.
- (2) The above Directors who did not attend the meetings in person had appointed other Directors to attend such meetings on their behalf.
- (3) For details of the change of Directors, please see "Information on Directors, Supervisors, Senior Management, Employees and Institutions".
- (4) The Chairman held a meeting with Independent Non-executive Directors without the attendance of other Directors.

Corporate Governance

7. Information on Survey and Training of the Directors

During the reporting period, some members of the Board of Directors visited Hangzhou Branch, Nanjing Branch, Suzhou Branch, Beijing Branch, Shanghai Branch, the Technology Management Department of the Head Office, the Capital Operation Center, and Zheyin Financial Leasing to carry out field research in order to collect primary data and understand specific conditions of grass-roots organizations as to strategy implementation, risk management, consumer rights protection and technology innovation, and heard the opinions and suggestions of the head office departments, branches and subsidiaries on operation and management of the Board and the head office, provided targeted guiding opinions, and in a timely manner, submitted to the senior management relevant opinions and suggestions.

The Company has always paid attention to continuous training of Directors to ensure that all Directors understand properly understand the operation and businesses of the Company, and that all Directors understand their responsibilities under relevant laws and regulatory requirements. During the reporting period, the Company invited certain Independent Directors to attend results presentation and organized our directors to participate in the 5th Independent Director Capacity Building Training organized by the China Association of Public Companies, the “82nd Enhanced Continuing Professional Development Seminar for Governance Professionals” organized by the Hong Kong Chartered Governance Institute, and anti-money laundering training etc., to enhance the directors’ ability to interpret the policies, broaden the directors’ macroscopic decision-making horizons, and improve the effectiveness of the directors in performing their duties.

According to the training records for 2025 kept by the Company, the status of relevant training for Directors is as follows:

Directors	Scope of Provision of Information and training		
	Corporate Governance	Finance/Business	Compliance/ Operation
Executive Directors			
Chen Haiqiang	✓	✓	✓
Ma Hong	✓	✓	✓
Non-executive Directors			
Hou Xingchuan	✓	✓	✓
Ren Zhixiang	✓	✓	✓
Hu Tiangao	✓	✓	✓
Ying Yuxiang	✓	✓	✓
Independent Non-executive Directors			
Wang Wei	✓	✓	✓
Xu Yongbin	✓	✓	✓
Fu Tingmei	✓	✓	✓
Shi Hao	✓	✓	✓
Lou Weizhong	✓	✓	✓

Corporate Governance

8. Performance of Independent Non-executive Directors

As of the end of the reporting period, the Company had five Independent Non-executive Directors, the number and percentage were in compliance with the relevant laws, regulations and regulatory requirements. The Audit Committee, Risk and Related Party Transaction Control Committee, Nomination and Remuneration Committee, Consumer Rights Protection Committee, and Inclusive Finance Development Committee under the Board of the Company were all chaired by Independent Non-executive Directors, and the Independent Non-executive Directors formed majority in the Audit Committee, Risk and Related Party Transaction Control Committee, Nomination and Remuneration Committee, and Consumer Rights Protection Committee. During the reporting period, the independent Non-executive Directors actively participated in and provided suggestions and advice at the meetings of Board of Directors and the special committees to make effective contribution. Besides, they maintained effective communication with the Company through various means, including site visits, special surveys and attending training etc.

The Company has established a mechanism for special meetings of the independent Non-executive Directors attended by all independent Non-executive Directors, to study and discuss the independent engagement of intermediaries to conduct audit, consultancy and verification of specific matters of the Company, to propose to the Board the convening of an extraordinary general meeting, to propose the convening of a meeting of the Board, as well as other matters requiring the approval of the majority of all independent Directors before they can be submitted to the Board for deliberation. During the reporting period, the Company convened 5 special meetings of independent Directors to consider 13 resolutions.

During the reporting period, the Independent Non-executive Directors have presented their professional advice on the resolutions considered by the Board of Directors, including offering independent written opinions on significant matters, such as the Profit Distribution Plan, the appointment of Senior Management, the engagement of auditing organization and significant related party transactions. In addition, for the special committees under the Board of Directors, the Independent Non-executive Directors made full advantage of their professional edge, provided professional and independent advice regarding corporate governance and operation and management activities of the Company, and thereby ensured the scientific decision-making of the Board of Directors.

The Company has received the annual confirmations from the Independent Non-executive Directors according to Rule 3.13 of the Hong Kong Listing Rules regarding their independence, and considered that none of the Independent Non-executive Directors was involved in any factor set out in Rule 3.13 of the Hong Kong Listing Rules that may cast doubt on their independence. Therefore, the Company believes that all Independent Non-executive Directors meet the independence criteria as set out in the Hong Kong Listing Rules.

Corporate Governance

9. Responsibilities of Directors in Preparation of Financial Reports

The Directors of the Company acknowledged that they were responsible for preparing the financial report of the Company for the year ended December 31, 2025. The Board of Directors undertook that there were no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, save for the information disclosed in this annual report of the Company.

The Directors shall review and confirm the financial reports for each accounting period, so as to ensure that the financial reports truly and fairly reflect the financial status, operation results and cash flow of the Company.

When preparing the financial report for the year ended December 31, 2025, the Directors adopted and applied suitable accounting policies and made prudent and reasonable judgment.

10. Election, Change and Removal of Directors

According to the Articles of Association, Directors shall be elected or replaced at the general meeting and may be dismissed by the general meeting prior to the expiration of their term of office. Directors shall each serve a term of three years. Directors may, after expiry of their term of office, hold a consecutive term upon re-election. The term of a Director shall start from the date on which the said Director assumes office to the expiry of the current Board.

A Director may be removed by an ordinary resolution at a general meeting before the expiry of his/her term of office in accordance with relevant laws and regulations (however, any claim which may be made under any contract will not be affected).

For the change of Directors during the reporting period, please refer to "Information on Directors, Supervisors, Senior Management, Employees and Institutions" of this report.

Corporate Governance

(V) Special Committees under Board of Directors

There are 6 special committees under the Board of Directors of the Company, namely Strategic and Sustainable Development Committee, Audit Committee, Risk and Related Party Transaction Control Committee, Nomination and Remuneration Committee, Consumer Rights Protection Committee and Inclusive Finance Development Committee.

1. Strategic and Sustainable Development Committee

As at the end of the reporting period, the Strategic and Sustainable Development Committee of the Company consisted of 6 Directors, Mr. Chen Haiqiang, Chairman and Executive Director, served as the Committee Chairman. Other committee members included Ms. Ma Hong, Executive Director, Mr. Hou Xingchuan, Non-executive Director, Mr. Ren Zhixiang, Non-executive Director and Mr. Ying Yuxiang, Non-executive Director and Mr. Fu Tingmei, Independent Non-executive Director.

The main duties of the Strategic and Sustainable Development Committee are as follows: to research and formulate business targets, medium and long-term development plans and development strategies of the Company; to organize the development of the Bank's annual business plan; to supervise and inspect the implementation of annual business plans and investment plans; to evaluate the implementation of the Bank's development plan and propose amendments to the plan; to review the Bank's overall planning, major policies and basic systems for environmental, social and governance (ESG) and other sustainable development, review the annual Sustainability Report (ESG Report), regularly evaluate the implementation of the ESG development strategy, guide and supervise the establishment and improvement of related management systems; to study the green financial development strategy, review the green financial objectives set by the senior management and the green financial reports submitted by the senior management, and supervise and evaluate the implementation of the Bank's green financial development strategy; and any other matters authorized by the Board of Directors.

During the reporting period, the Strategic and Sustainable Development Committee mainly considered the proposals and reports such as the Final Financial Report of China Zheshang Bank Co., Ltd. for 2024, Profit Distribution Plan of China Zheshang Bank Co., Ltd. for 2024, Sustainability Report of China Zheshang Bank Co., Ltd. for 2024, 2025 Annual Budget Report of China Zheshang Bank Co., Ltd., Business Operation Plan of China Zheshang Bank Co., Ltd. for 2025, Report on the Implementation of Green Finance of China Zheshang Bank Co., Ltd. for 2024, and Digital Reform and Development Plan of China Zheshang Bank for 2024-2026 (Mid-term Revision).

Corporate Governance

2. Audit Committee

As at the end of the reporting period, the Audit Committee of the Company consisted of 3 Directors. Mr. Xu Yongbin, Independent Non-executive Director, served as the Committee Chairman. Other committee members included Mr. Hu Tiangao, Non-executive Director, and Mr. Wang Wei, Independent Non-executive Director.

The Audit Committee is a specialized working body under the Board of Directors. It is mainly responsible for reviewing the Bank's internal control system and its implementation, the internal audit work, the implementation of the internal audit system, commenting on the appointment of the external auditor and overseeing its relationship with the Bank, reviewing the Bank's financial information and supervising the financial reporting, and making judgment on the truthfulness, completeness, accuracy and timeliness of the financial information. Taking the interests of the Bank as the highest standard, they exercise independent powers and duties in accordance with the provisions of the Articles of Association of the Bank. They are responsible to the Board of Directors and report to the Board of Directors on their work.

During the reporting period, the Audit Committee mainly considered or heard the Annual Audit Report (Pre-communication), 2024 Annual Report and its Summary of China Zheshang Bank Co., Ltd. (Domestic Standards and International Standards), 2024 Audit Report on Internal Control of China Zheshang Bank Co., Ltd., 2024 Annual Financial Report, Report on the Management and Implementation of the Consolidation of Statements of China Zheshang Bank Co., Ltd. for 2024, Internal Audit Work Report of China Zheshang Bank Co., Ltd. for 2024, Internal Control Evaluation Report of China Zheshang Bank Co., Ltd. for 2024, Report on the Evaluation of the Performance of the Accounting Firm of China Zheshang Bank Co., Ltd. for the Year 2024, Report of the Audit Committee of the Board of Directors of China Zheshang Bank Co., Ltd. on the Fulfillment of its Supervisory Duties over the Accounting Firm for the Year 2024, Report of the Audit Committee of the Board of Directors of China Zheshang Bank Co., Ltd. on the Performance of its Duties for the Year 2024, Report on the 2025 First Quarter Results of China Zheshang Bank Co., Ltd., Report on the Internal Audit Work of China Zheshang Bank Co., Ltd. in the First Quarter of 2025, 2025 Interim Report and its Summary of China Zheshang Bank Co., Ltd. (Domestic Standards and International Standards), Report of China Zheshang Bank Co., Ltd. on Internal Audit Work in the Second Quarter of 2025, Report on the 2025 Third Quarter Results of China Zheshang Bank Co., Ltd., Report of China Zheshang Bank Co., Ltd. on Internal Audit Work in the Third Quarter of 2025, Pillar 3 Information Disclosure Report of China Zheshang Bank Co., Ltd. for the Third Quarter of 2025, as well as other resolutions or reports. The Audit Committee also reviewed the independence of external auditors and provided recommendations to the Board on the appointment of external auditors, and considered the audit fees of external auditors for 2025.

During the reporting period, no former partners of any auditing firm which was responsible for auditing accounts of the Company were appointed by the Company as members of the Audit Committee.

Corporate Governance

3. Risk and Related Party Transaction Control Committee

As at the end of the reporting period, the Risk and Related Party Transaction Control Committee of the Company consisted of 3 Directors. Mr. Lou Weizhong, Independent Non-executive Director, served as the Committee Chairman. Other committee members included Mr. Xu Yongbin, Independent Non-executive Director, and Mr. Shi Hao, Independent Non-executive Director.

Main duties of the Risk and Related Party Transaction Control Committee are to supervise the risk control by Senior Management of the Company; to assess the risk profile of the Company; to offer proposals on improving the risk management and internal controls of the Company; to accept filing of general related party transactions; to review material related party transactions of the Bank or the transactions which are subject to reporting, announcement and/or independent shareholders' approvals under the relevant stipulations of securities regulatory authority in the place(s) of listing of the Bank's shares, which shall be submitted to the Board of Directors by the committee for approval; and to deal with other matters as authorized by the Board.

The Risk and Related Party Transaction Control Committee reviews the effectiveness of the Company's risk management procedures and internal control procedures, to ensure the efficiency of the Company's business operations and achieve the Company's objectives and strategies.

During the reporting period, the Risk and Related Party Transaction Control Committee primarily examined the Report on Comprehensive Risk Management of China Zheshang Bank Co., Ltd. for 2024, Internal Control Evaluation Report of China Zheshang Bank Co., Ltd. for 2024, Report on Implementation of Risk Preference for 2024 and Proposal on Risk Preference for 2025 of China Zheshang Bank Co., Ltd., Risk Prevention and Control Assessment Report on Criminal Cases of China Zheshang Bank Co., Ltd. In 2024, Report on the Management and Implementation of the Consolidation of Statements of China Zheshang Bank Co., Ltd. for 2024, 2024 Work Report on Anti-money Laundering and Counter-terrorist Financing of China Zheshang Bank Co., Ltd., Report on Implementation of Related Party Transaction Management System and Particulars of Related Party Transactions of China Zheshang Bank Co., Ltd. for 2024, and Internal Capital Adequacy Assessment Report of China Zheshang Bank Co., Ltd. for 2025, as well as other resolutions or reports.

4. Nomination and Remuneration Committee

As at the end of the reporting period, the Nomination and Remuneration Committee of the Company consisted of 4 Directors. Mr. Wang Wei, Independent Non-executive Director, served as the Committee Chairman. Other committee members included Ms. Ma Hong, Executive Director, Mr. Xu Yongbin, Independent Non-executive Director, and Mr. Shi Hao, Independent Non-executive Director.

Main duties of the Nomination and Remuneration Committee are to propose to the Board on the membership of the Board based on the business operations, asset size and equity structure of the Company; to draft the standard and procedure for the selection of Directors and senior management, and propose the same to the Board; to recommend candidates for Chairman and Vice Chairman to Board of Directors, and provide review comments on the candidates of Directors and senior management members including the President, Vice President, Financial Principal, Secretary to the Board, etc.; to draft the remuneration policy and scheme for Directors and senior management, and make proposals to the Board; and to deal with other matters as prescribed by relevant laws, administrative regulations, departmental rules and regulations of the securities regulatory authority in the place(s) of listing of the Company's shares and as authorized by the Board of Directors.

Corporate Governance

The Nomination and Remuneration Committee under the Board makes recommendations to the Board on the remuneration package of individual executive Directors and senior management.

The nomination procedures for a director candidate of the Company are: the eligible shareholders will recommend candidates for directorship to the Company for consideration; the Nomination and Remuneration Committee will conduct examination of such candidates for directorship and then make recommendations to the Board; following consideration and approval of the Board, the candidates for directorship will be submitted in the general meeting by written proposals. For details, please refer to the section headed “Directors and Board of Directors” in Articles of Association.

Criteria for selection and recommendation of candidates for directorship is that Directors shall have professional knowledge and work experiences necessary for performing their duties and meet conditions specified by the National Financial Regulatory Administration, with their qualification for appointment subject to approval by the National Financial Regulatory Administration.

The Company appoints or re-appoints its directors in strict compliance with the Articles of Association of the Company. Pursuant to the Board diversity policy requirements in the Board Diversity Policy of China Zhesang Bank Co., Ltd., the Nomination and Remuneration Committee shall also pay attention to complementarities among candidates for directorship in terms of knowledge structure, professional competence and experience, cultural and educational background, gender and otherwise, to ensure that the Directors are well equipped, experienced and have diversified perspectives and views.

During the reporting period, the Nomination and Remuneration Committee mainly considered the Proposal on the By-election of Members of the Special Committees of the Seventh Session of the Board of Directors of China Zhesang Bank, Report of Independent Directors of China Zhesang Bank Co., Ltd. for 2024, Proposal on Results of 2024 Performance Evaluation of Directors by the Board of Directors, Proposal on Results of 2024 Performance Evaluation of Senior Management by the Board of Directors, Proposal on the Appointment of Financial Department Head, Proposal on the Appointment of President of China Zhesang Bank, Proposal on Examining the Qualifications of Mr. Yang Zhaohui for the Position of Director, Proposal on Examining the Qualifications of Mr. Zheng Xingang for the Position of Director, Proposal on the By-election of Members of the Special Committees of the Seventh Session of the Board of Directors of China Zhesang Bank, Proposal on Appointment of Head of Board Office of China Zhesang Bank Co., Ltd., Proposal on Election of Chairman of the Seventh Board of Directors of Zhesang Bank, Proposal on Examining the Qualifications of Mr. Lyu Linhua for the Position of Director, Proposal on the Appointment of President of China Zhesang Bank, Proposal on the Appointment of Mr. Zhou Weixin's Position, Proposal on the Appointment of Mr. Pan Huafeng's Position, and Proposal on Appointment of Securities Affairs Representative of China Zhesang Bank, as well as other resolutions or reports.

The Nomination and Remuneration Committee has established a policy on Directors' remuneration and regularly evaluated the performance of the executive Directors and approved the terms of service contracts of executive Directors. In addition, the Nomination and Remuneration Committee has implemented the policies on the nomination of Directors as well as the nomination procedures and selection and recommendation criteria on candidates for Directors. The Nomination and Remuneration Committee has reviewed the structure, number and composition of the Board (including skills, knowledge and experience) during the reporting period to make recommendations on any changes proposed on members of the Board for the purpose of complying with the long-term strategies of the Company.

Corporate Governance

5. Consumer Rights Protection Committee

As at the end of the reporting period, the Consumer Rights Protection Committee of the Company consisted of 3 Directors. Mr. Shi Hao, Independent Non-executive Director, served as the Committee Chairman. Other committee members included Mr. Fu Tingmei, Independent Non-executive Director, and Mr. Lou Weizhong, Independent Non-executive Director.

Main duties of the Consumer Rights Protection Committee are to formulate strategies, policies and objectives of the consumer rights protection work; to direct and supervise the establishment and improvement of the management system for consumer rights protection work; to supervise and evaluate the comprehensiveness, timeliness, and effectiveness of the work performed by senior management and the consumer rights protection department, as well as the performance of relevant duties by senior management in accordance with regulatory requirements and the implementation of consumer rights protection strategies, policies, goals, and work progress; to guide, urge and supervise the senior management to effectively execute and implement relevant work, and regularly listen to the senior management's special reports on the progress of consumer rights protection work; to hold regular meetings on consumer rights protection and review reports of senior management and the consumer rights protection department; to provide guidance on material information disclosure on consumer rights protection; and to deal with other matters as authorized by the Board.

During the reporting period, the Consumer Rights Protection Committee mainly considered the 2024 Work Report on Protection of Financial Consumer Rights and Interests and 2025 Work Plan of China Zheshang Bank Co., Ltd., Report on Complaints of China Zheshang Bank Co., Ltd. in 2024, Opinions and Audit Rectification Feedback Report on the Special Audit of Consumer Rights and Interests Protection Work in 2024, Work Report on Protection of Consumer Rights and Interests of China Zheshang Bank Co., Ltd. for the First Half of 2025, and Report of China Zheshang Bank on the Rectification Plan and Status of the On-site Complaint Inspection by the Financial Consumer Rights Protection Bureau of the National Financial Regulatory Administration, as well as other resolutions or reports.

6. Inclusive Finance Development Committee

As at the end of the reporting period, the Inclusive Finance Development Committee of the Company consisted of 5 Directors. Mr. Fu Tingmei, Independent Non-executive Director, served as the Committee Chairman. Other committee members included Mr. Hou Xingchuan, Non-executive Director, Mr. Ren Zhixiang, Non-executive Director, Mr. Ying Yuxiang, Non-executive Director, and Mr. Wang Wei, Independent Non-executive Director.

The main duties of the Inclusive Finance Development Committee are to formulate strategic plans for the development of the Bank's inclusive finance business and the basic management system; to review the annual business plan of the Inclusive Finance Division and the evaluation and assessment methods; and to direct and supervise the effective implementation of the annual business plan of the Inclusive Finance Division, as well as any other matters as may be authorized by the Board of Directors.

During the reporting period, the Inclusive Finance Development Committee mainly considered Work Summary of Small and Micro Enterprises under Inclusive Finance for 2024 and Work Plan for 2025 of China Zheshang Bank Co., Ltd. and Interpretation of the "Implementation Plan for the High-Quality Development of Inclusive Finance in the Banking and Insurance Sectors" and other resolutions.

Corporate Governance

(VI) Supervisory Committee

The Supervisory Committee is a supervisory body of the Company and is accountable to the general meetings, and oversees the strategic planning, business decisions, financial activities, risk management, internal control and corporate governance of the Company, and the duty performance of the Directors and the senior management with an aim to protect the legitimate rights and interests of the Company, Shareholders, employees, creditors and other stakeholders.

1. Composition of Supervisory Committee

The Supervisory Committee of the Company consists of 9 members, among them, 2 shareholder supervisors are from shareholder companies and have extensive experience in business management and financial expertise; 4 employee supervisors have participated in economics and banking operation and administration for a long time, and thus accumulated rich professional experience in economics and finance; and the 3 external Supervisors have been engaged in finance, economics and law, etc., and have thus accumulated extensive experience in those fields and unique perspectives. The composition of the Supervisory Committee of the Company has adequate expertise and independence which ensures the effective supervision by the Supervisory Committee.

Nomination Committee and Supervision Committee are established under the Supervisory Committee of the Company.

2. Performance of Supervisory Committee

The Supervisory Committee performs its supervisory duties primarily by holding regular meetings of supervisors and special committees to consider, review and hear relevant issues; attending and being present at shareholders' general meetings, the Board meetings and special committee meetings; attending related meetings on operation and management held by the Senior Management; listening to the related work reports or professional reports of the Senior Management and departments; making performance appraisal on Directors, supervisors or senior management; reviewing various documents, information and statements of the Company; carrying out special investigations and surveys at branches; putting forward work suggestions to the Board of Directors and Senior Management.

During the reporting period, the Supervisory Committee convened 10 meetings, of which 7 were onsite meetings and 3 were by way of telecommunications. 32 proposals were reviewed and 15 proposals were considered and listened to regarding corporate governance, regular report, evaluation of the duty performance of the Directors, Supervisors and Senior Management, business innovation, business operations, risk management, financial activities, internal control and case prevention and internal audit, etc.

According to the provisions of relevant laws, regulations and the Articles of Association of the Company, the supervisors attended all general meetings, all meetings of the Board of Directors and some special committees under the Board of Directors, and performed supervision on legal compliance of holding general meetings and Directors' meetings, the procedures for voting by poll as well as the Directors' attendance of meetings, providing opinions and voting, etc.

Corporate Governance

All the 3 external Supervisors of the Company can exercise the supervision function independently. In performing their duties, the external Supervisors took the initiative to know about the Company's operation and management situations by attending meetings of the Supervisory Committee, convening meetings of the special committees under the Supervisory Committee, being present at the meetings of the Board of Directors and its special committees, participating in the survey activities of the Supervisory Committee on branch outlets, and reviewing carefully all kinds of documents, data and statements. Meanwhile, they expressed their independent opinions or suggestions about major issues, and exchanged opinions with the Board of Directors and Senior Management about the problems found out in a timely manner, which played an active role for the Supervisory Committee to perform their supervision duties.

During the reporting period, the Supervisory Committee of the Company had no objection to the matters supervised.

3. Information on training and survey of Supervisors

Throughout the year, Supervisors were organized to participate in 1 anti-money laundering training, and 1 ESG training.

Throughout the year, Supervisors were organized to carry out in-depth investigations in a number of branches, such as Nanjing Branch and Shanghai Branch, understood the implementation of head office system and decision and the transformation and development of branch and risk management, and proactively provided advices and recommendations to relevant leaders.

4. Adjustments to Institutions

In accordance with the Company Law of the People's Republic of China (Revised in 2023) and the relevant provisions of the China Securities Regulatory Commission and the National Financial Regulatory Administration, the Company held its second extraordinary general meeting of 2025 on December 31, 2025, which considered and approved the "Proposal on the Abolition of Supervisory Committee", and the Audit Committee of the Board of Directors will assume the duties and powers of the Supervisory Committee stipulated by laws and regulations. This adjustment will take effect upon the Company's receipt of the approval from the National Financial Regulatory Administration regarding the revised Articles of Association of China Zheshang Bank Co., Ltd. The seventh session of the Supervisory Committee and the Supervisors of the Company will continue to perform their duties in accordance with laws, regulations, and the relevant provisions of the Articles of Association of China Zheshang Bank Co., Ltd. until the adjustment to abolish the Supervisory Board of the Company takes effect.

Corporate Governance

(VII) Special Committees under Supervisory Committee

The Nomination Committee under the Supervisory Committee consisted of 4 Supervisors, and the Supervision Committee consisted of 5 Supervisors, and the external Supervisor served as the Committee Chairman.

1. Nomination Committee under Supervisory Committee

The members of the Nomination Committee of the Supervisory Committee are Mr. Wang Congcong (Chairman), Mr. Peng Zhiyuan, Mr. Du Quan, and Mr. Ma Xiaofeng.

The main duties of the Nomination Committee are as follows: to draft standards and procedures of electing and appointing Supervisors; to recommend qualified candidates of external Supervisors; to make an initial evaluation on the qualifications of candidates of shareholders serving as Supervisors and external Supervisors and give suggestions to the Supervisory Committee; to propose to the Supervisory Committee candidates of Chairman and Vice Chairman of the Supervisory Committee based on the actual condition of the Company; to propose and recommend to the Supervisory Committee candidates of chairmen of various special committees; to supervise the election and appointment of Directors; to draft remuneration plans for Supervisors, make proposals to the Supervisory Committee and supervise the implementation of the said plans after they have been considered by the Supervisory Committee and have been submitted to the general meetings for consideration; to supervise the scientificity and rationality of the remuneration system and policy of the whole Bank as well as the remuneration scheme of senior management; to be responsible for drafting measures for evaluating the duty performance of Directors, Supervisors and senior management, making proposals to the Supervisory Committee and implementing these measures after submitting them to the Supervisory Committee for consideration and decision-making; to assist the Supervisory Committee office in the establishment of a duty performance supervision recording system for Directors, Supervisors and senior management and complete the duty performance supervision records; and to deal with other matters as authorized by the Supervisory Committee.

During the reporting period, the Nomination Committee under the Supervisory Committee held a total of 4 meetings, at which it mainly recommended and nominated the candidates for the chairman of the Special Committee of the Supervisory Committee of the Company. It mainly considered the Results of the Performance Evaluation of the Directors, Supervisors and Senior Management for the year 2024, the Proposal for the Performance Evaluation of the Directors, Supervisors and Senior Management for the year 2025, and other proposals.

Corporate Governance

2. Supervision Committee under Supervisory Committee

The members of Supervision Committee under Supervisory Committee are Mr. Zhang Fanquan (Committee Chairman), Mr. Wu Fanghua, Ms. Chen Zhong, Mr. Wang Junbo and Mr. Chen Sanlian.

The main duties of the Supervision Committee are as follows: to draft plans of supervision on the financial activities of the Company and conducting relevant inspections; to supervise the Board of Directors' adoption of prudent business philosophy and value standards and formulate development strategies in line with the actual situations of the Company; to regularly evaluate the scientificity, rationality and effectiveness of the development strategies formulated by the Board of Directors for compilation of evaluation reports; to instruct the work of the internal audit department of the Company; to carry out an audit of any resigning senior management when necessary; to supervise the duty performance by Directors, Supervisors and senior management; to supervise and inspect major operational decisions of the Company; to supervise and inspect risk management of the Company; to supervise and inspect the soundness and effectiveness of the internal control of the Company; and to deal with other matters as authorized by the Supervisory Committee.

During the reporting period, the Supervision Committee held a total of 4 meetings to review the Report on Special Inspection of the Supervisory Committee for 2024, the Annual Report for 2024, the Report on the Management and Implementation of the Consolidation of Statements for 2024, the Sustainability Report for 2024, the Internal Audit Work Report for 2024, the Internal Control Evaluation Report for 2024, and considered or reviewed the First Quarter, interim and Third Quarter results reports for 2025. They also listened to the report on the financial situation of the Company in 2024, etc.

In addition, members of the Supervision Committee also attended 1 meeting of the Audit Committee of the Board of Directors to supervise the review process of relevant matters and the performance of duties by directors.

(VIII) Company Operation and Decision-Making System

The general meeting is the Company's power organ which manages and supervises the Company through the Board of Directors and Supervisory Committee. The President is employed by the Board of Directors to take charge of the daily operation and management of the Company. The Company adopts the single-level legal person system. All the branches and sub-branches are non-independent accounting units. They carry out the operation and management activities according to the authorization of the head office and are accountable to the head office.

According to the Articles of Association, the Board of Directors exercises the functions and powers of appointing or dismissing the Bank's President, listening to the work report of the President and reviewing his performance, monitoring and ensuring the Senior Management's efficient fulfillment of management duties. The Company adopts a system by which the President shall assume overall responsibility in operation and management of the Company under the leadership of the Board of Directors; and the President shall be accountable to the Board of Directors.

The Company has no controlling Shareholder and de facto controller. The Company and the Shareholders are completely independent in terms of assets, businesses, personnel, organizations and finance, etc. The Company has a complete and independent operation capacity. The Board of Directors, Supervisory Committee and internal units of the Company operate independently.

Corporate Governance

(IX) Chairman and President

According to the Code C.2.1 of the Corporate Governance Code (Appendix C1 to the Hong Kong Listing Rules), the roles of Chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and chief executive officer should be clearly established and set out in writing. As at the end of the reporting period, the positions of Chairman and President of the Company are served by different persons, and each position has clearly defined responsibilities, fulfilling the requirements of the Hong Kong Listing Rules. The Chairman of the Company is responsible for presiding over the general meetings, convening and presiding over the meetings of Board of Directors and supervising and inspecting the implementation of the resolutions of the Board of Directors and other duties. The President of the Company is responsible for leading the operation and management of the Company, reporting to the Board of Directors and organizing the implementation of the resolutions of the Board of Directors, the annual operation plan and investment scheme of the Company.

(X) Company Secretary

Mr. Luo Feng and Ms. Chan Yin Wah have been appointed as the Joint Company Secretaries of the Company with effect from December 19, 2023. As disclosed in the announcement of the Company dated August 9, 2024 in relation to, among others, the appointment of Joint Company Secretaries of the Company, Mr. Luo Feng and Ms. Chan Yin Wah will continue to serve as the Joint Company Secretaries of the Company for the same term as the seventh session of the Board. For details, please refer to the announcement of the Company disclosed on the website of the Hong Kong Stock Exchange dated August 9, 2024.

Mr. Luo Feng is one of the Joint Company Secretaries of the Company. Ms. Chan Yin Wah, an associate Director of SWCS Corporate Services Group (Hong Kong) Limited, is the joint company secretary who meets the relevant professional qualification requirements of the Hong Kong Listing Rules. They are mainly responsible for facilitating the operation of the Board of Directors, ensuring the effective communication between the members of the Board of Directors and the observation of the policies and procedures of the Board of Directors, and ensuring the compliance of the Company with Hong Kong Listing Rules and other regulations. Any Director can discuss with, seek advice from and obtain information from the secretary of the Company. Ms. Chan Yin Wah's main contact person in our Company is Mr. Luo Feng.

During the reporting period, Mr. Luo Feng and Ms. Chan Yin Wah were both complied with the requirements of Rule 3.29 of the Hong Kong Listing Rules.

(XI) Securities Transactions by Directors and Supervisors

The Company has adopted a code of conduct for securities transactions by Directors and supervisors no less exacting than the Model Code in the Appendix C3 to the Hong Kong Listing Rules. The Company had inquired all the Directors and Supervisors and confirmed that they had been complying with the aforesaid code of conduct during the reporting period.

(XII) Relationship between Directors, Supervisors and Senior Management

There is no financial, business, family or other material/affiliated relationship between the Directors, Supervisors and senior management of the Company.

Corporate Governance

(XIII) Shareholders' Rights

The Shareholders shall enjoy the following rights in accordance with the requirements of the Company Law of the People's Republic of China and the Articles of Association of the Company:

1. To hold extraordinary general meeting

At the request of the Shareholders separately or jointly holding 10% or more of the total Shares, the Company shall hold an extraordinary general meeting within two months.

When the Shareholders request to convene an extraordinary general meeting or a Shareholders' class meeting, the following procedures shall be observed: the Shareholders separately or jointly holding 10% or more of the total Shares (including preferred shares with restored voting rights, etc.) submit a written proposal to the Board of Directors and explain the meeting topics. The Board of Directors shall reply in written form within ten days after receiving the proposal as for agreeing or disagreeing to convene the extraordinary general meeting or a Shareholders' class meeting.

If the Board of Directors agrees to convene an extraordinary general meeting or a Shareholders' class meeting, a notice of convening the general meeting shall be sent within five days after the resolution made by the Board of Directors. Any change to the original proposal in the notice shall be approved by the relevant Shareholders.

If the Board of Directors does not agree to convene the extraordinary general meeting or a Shareholders' class meeting, or fails to reply within ten days after receiving the proposal, the Shareholders separately or jointly holding 10% or more of the total Shares (including preferred shares with restored voting rights, etc.) have the right to propose to the Supervisory Committee to hold the extraordinary general meeting or a Shareholders' class meeting, provided that written request shall be submitted to the Supervisory Committee.

If the Supervisory Committee agrees to convene an extraordinary general meeting or a Shareholders' class meeting, the notice of convening the general meeting shall be sent within five days after the receipt of the request. Any change to the original proposal in the notice shall be approved by the relevant Shareholders.

If the Supervisory Committee fails to provide the notice of holding general meeting or a Shareholders' class meeting within the specified period, it shall be deemed that Supervisory Committee will not convene and preside over the general meeting or a Shareholders' class meeting, the Shareholders separately or jointly holding 10% or more of the total Shares (including preferred shares with restored voting rights, etc.) may convene and preside over such meetings at their own discretion.

If the Supervisory Committee or the Shareholders decide to convene the general meeting on their own, they shall notify the Board of Directors in writing and file with the stock exchange. The Board of Directors and the secretary to the Board of Directors shall cooperate. The Board of Directors shall provide the register of members as of the record date, and the reasonable cost required for the meeting shall be borne by the Company, which shall be deducted from the payment due to the default Directors.

Corporate Governance

2. To make proposal to the general meeting

The Shareholders separately or jointly holding 1% or more of the voting Shares (including preferred shares with restored voting rights, etc.) have the right to make proposals to the general meeting.

The Shareholders separately or jointly holding 1% or more of the voting Shares (including preferred shares with restored voting rights, etc.) may make temporary proposal and submit in written form to the convener ten days before the holding date of the general meeting. The convener shall issue the supplementary notice of the general meeting within two days after receiving the relevant proposal to disclose the contents of the temporary proposal. For the contact details, please refer to “Company Profile” of this report.

3. To hold extraordinary meeting of Board of Directors

At the request of the shareholders separately or jointly holding 10% or more of the total Shares, the Chairman shall convene and preside over an extraordinary meeting of Board of Directors within ten days after receiving the proposal.

4. To make inquiries with the Board of Directors

Shareholders have the right to inspect and copy the articles of association, the register of shareholders, minutes of the general meetings, resolutions of the meetings of the Board of Directors, resolutions of the meetings of the Supervisory Committee, and the financial and accounting reports, and to make suggestions or inquiries regarding the Company’s operations.

Shareholders who individually or jointly hold 3% or more of the Company’s shares for 180 consecutive days or more and request to inspect the Company’s accounting books and accounting vouchers shall submit a written request to the Company stating the purpose. If the Company has reasonable grounds to believe that the shareholder has an improper purpose in inspecting the accounting books and accounting vouchers, which may harm the legitimate interests of the Company, it may refuse to provide the inspection, and shall reply to the shareholder in writing stating the reasons within fifteen days from the date the shareholder submits the written request. If the Company refuses to provide the inspection, the shareholder may file a lawsuit with a people’s court.

Shareholders may entrust intermediaries such as accounting firms and law firms to inspect the materials stipulated in the preceding paragraph.

Shareholders and their entrusted intermediaries such as accounting firms and law firms that inspect and copy relevant materials shall abide by the provisions of laws and administrative regulations on the protection of state secrets, commercial secrets, personal privacy, and personal information.

Shareholders of a listed company inspecting and copying relevant materials shall abide by the provisions of laws and administrative regulations such as the Securities Law of the People’s Republic of China.

Corporate Governance

(XIV) Implementation of Information Disclosure

During the reporting period, the Company faithfully performed the obligation of information disclosure, constantly improved regular reporting disclosures, and disclosed temporary announcements in a more active and timely manner, with continuous improvement of the effectiveness and transparency of information disclosure.

The Company prohibits its staff from trading or recommending others to trade by making use of inside information. The Company established information disclosure management system, which has identified the department responsible for inside information management, to disclose information in a timely and compliant manner according to the requirements and procedures of Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Hong Kong Listing Rules.

During the reporting period, the Company truly, accurately, completely, timely and fairly carried out information disclosure work, strictly in accordance with the requirements of relevant information disclosure laws and regulations. The Company disclosed a total of 96 various announcements for A Shares on the newspapers designated by the CSRC, including China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily, the websites of the Shanghai Stock Exchange and the Company, and disclosed a total of 131 various announcements for H Shares on the websites of the Hong Kong Stock Exchange and the Company, which ensured that all shareholders had equal opportunity to get relevant information of the Company. In 2025, the Company obtained the highest rating of Grade A for information disclosure of the Shanghai Stock Exchange.

(XV) Investor Relations Management

The Company attaches great importance to communication and exchange with investors, continuously strengthens its investor relations management capabilities, builds multi-channel and multi-level communication bridges with investors, and continuously deepens the market's recognition of the Company. In 2025, the Company was awarded the honor of "Best Practices in Presentation of Annual Report 2024" by the China Association of Public Companies.

During the reporting period, the Company held three high-quality results presentation meetings, with market attention continuing to rise. The 2024 annual and 2025 half-year results presentation meetings were held through the mode of "on-site meeting + online live broadcast", and the 2025 third-quarter results presentation meeting was held through network text interaction. During the meetings, the senior management gave comprehensive and in-depth answers to focal issues of market concern, such as the effectiveness of the Company's smart operation, the implementation of the "Five Finances", and the specific measures for the strategy of "Deepening the Development in Zhejiang". The various network platforms attracted a total of more than 200,000 online views. After the meetings, the Company timely released the transcripts of the results presentations to ensure that investors who did not attend could keep abreast of the Company's operating conditions and safeguard the rights and interests of investors.

Corporate Governance

During the reporting period, the Company continued to enrich the forms of investor exchange activities and consolidate the foundation of investor relations. The Company held nearly 30 investor exchange sessions through reception of research and participation in brokerage strategy meetings, widely covering nearly 100 brokerages, funds and important institutional investors, effectively consolidating the investor base; it carried out in-depth featured Investor Open Day activities, focused on the Company's characteristic businesses, and invited research teams composed of brokerage analysts, fund managers and researchers to conduct on-site research at excellent branches, intuitively demonstrating the Company's smart operation initiatives; and it pioneered thematic live broadcasts to efficiently interpret the core highlights of the annual report and the practical effectiveness of sci-tech finance, further broadening the breadth and depth of value dissemination.

During the reporting period, the Company continuously strengthened daily communication with small and medium-sized investors and fulfilled its main responsibility for investor protection. The Company always actively solidifies the daily exchange work with small and medium-sized investors, regularly replies to investors' questions on SSE e-interaction, handles IR mailbox emails, answers investor hotline calls, and standardizes the recording and feedback of investor exchanges. At the same time, the Company placed promotional posters on platforms such as its official website, actively carried out activities such as the "May 15 National Investor Protection Publicity Day", and effectively fulfilled its duties of protecting small and medium-sized investors.

(XVI) Major Changes of the Articles of Association

On December 31, 2025, the Company held the 2025 second extraordinary general meeting to consider and approve the proposal on amending the Articles of Association of China Zheshang Bank Co., Ltd. For details of the proposal, please refer to the circular of the general meeting published by the Company on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company. The amendments to the Articles of Association are subject to the approval of the National Financial Regulatory Administration.

(XVII) Statement of Compliance with the Corporate Governance Code as Set out in the Hong Kong Listing Rules

The Company agrees to the principles as set out in Corporate Governance Code (Appendix C1 to the Hong Kong Listing Rules). From January 1, 2025, to December 31, 2025, the Company has been in full compliance with the code provisions under such Code, except for the following:

Code provision C.2.1 of the Corporate Governance Code in Appendix C1 to the Hong Kong Listing Rules requires that the roles of chairman and chief executive should be separate and not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Due to work arrangement, the Board of the Company has agreed that former Chairman Lu Jianqiang will act as President from August 18, 2024 until the date on which a new President is appointed with his qualifications being approved by the National Financial Regulatory Administration. On April 10, 2025, the Company convened the second extraordinary meeting of the seventh session of the Board in 2025, at which the Resolution on the Appointment of President of China Zheshang Bank was considered and approved to appoint Mr. Chen Haiqiang as the President of the China Zheshang Bank. On July 9, 2025, Mr. Lu Jianqiang resigned as Executive Director and Chairman of the Company, and President Chen Haiqiang acted as Chairman from the same day. On December 5, 2025, it was resolved to elect Mr. Chen Haiqiang as the Chairman, and his qualifications

Corporate Governance

was approved by the National Financial Regulatory Administration on February 13, 2026. On December 31, 2025, Mr. Chen Haiqiang resigned as the President, and Mr. Lyu Linhua was appointed as the President on the same date. Prior to the approval of his eligibility to be the President, Mr. Lyu Linhua will serve as an acting President. Since then, the Company has once again complied with Code Provision C.2.1, namely that the roles of Chairman and President are served by different persons. On April 10, 2026, Mr. Lyu Linhua's qualification as the President had been approved by the National Financial Regulatory Administration.

In addition, according to code provision C.1.5 of the Corporate Governance Code, independent non-executive directors and other non-executive directors should attend the general meetings. During the reporting period, one non-executive Director of the Company was unable to attend the first extraordinary general meeting of 2025 of the Company held on September 25, 2025 (the "2025 First EGM") due to business engagement. However, there were sufficient Directors (including executive Directors, non-executive Directors and independent non-executive Directors) present at the 2025 First EGM to ensure that the Board had a full and fair understanding of the views of the shareholders of the Company and that any Director absent from the 2025 First EGM was able to obtain an understanding of the views of the shareholders of the Company expressed at the 2025 First EGM, if any, from the Directors present at the meetings.

(XVIII) Risk Management and Internal Control

In accordance with the requirements of Commercial Banking Law, Basic Rules on Enterprise Internal Control, Internal Control Guidelines for Commercial Banks and other laws and regulations, the Company has established standardized corporate governance structure and defined the scope of rights, responsibility assignment and rules of procedures for the general meeting, Board of Directors, Supervisory Committee and Senior Management. Such organizations as Audit Committee and the Risk and Related Party Transaction Control Committee have been established under the Board of Directors to take charge of the establishment and implementation of sufficient and effective risk management and internal control system and review of the sufficiency and effectiveness of such systems. The Supervision Committee has been established under the Supervisory Committee to supervise the duty performance by Directors, Supervisors and senior management, and supervise and inspect the soundness and effectiveness of the internal control of the Company. The risk management and internal control committee has been established under the Senior Management to take charge of the organization and coordination of internal control management as well as establishment and improvement of the concept, system and organizational structure of internal control.

The Company has strictly complied with the relevant requirements of the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and the Hong Kong Listing Rules, established and continuously improved internal control and risk management system by taking account of the practical situation of the Company to reasonably ensure that the operation management complies with the laws and rules, that the assets are safe and that the financial reports and relevant information are true and complete to improve the operating efficiency and effectiveness and to promote the fulfillment of development strategy. The risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and the Board can only provide reasonable and not absolute assurance against material misstatement or loss.

Corporate Governance

During the reporting period, the Company continuously focused on the goal and vision of becoming a “first-class commercial bank”, deepened the construction of its internal control system and enhanced its governance capabilities. We adhered to using culture building as the guidance, deepened the connotation of compliance culture, strengthened the proactive compliance awareness of all staff members, and continuously optimized the internal control environment. We improved the risk identification and dynamic assessment mechanism, strengthened monitoring and tracking, and enhanced the foresight and effectiveness of risk response. We adhered to the principle of “step-by-step limitation, differentiation, dynamic adjustment, and matching rights and responsibilities”, and improved the refined rigid control scope of the authorization system. We continuously promoted the internalization of external regulations and the establishment, reform, and abolition of systems, strengthened post evaluation of systems, and improved the institutional system. We promoted the deep embedding of compliance management requirements and business management measures into process systems, enhancing the intelligent level of the overall process control. We deepened digital reform, improved the data governance system, strengthened data quality control and application capabilities, and provided support for operational decision-making. We deepened supervision and inspection, strengthened closed-loop rectification and precise accountability; for important and typical problems, we studied systematic measures and mechanism arrangements to enhance problem governance effectiveness. The internal control system ran smoothly and effectively as a whole throughout the year, laying a solid guarantee for the high-quality development of the Company.

While disclosing the annual report, the Company also disclosed the Internal Control Evaluation Report of China Zhesang Bank Co., Ltd. for 2025 in accordance with the requirements of the CSRC and Shanghai Stock Exchange. The report stated that the Bank had maintained effective internal control over financial reporting in all material aspects in accordance with the standard system for enterprise internal control and relevant rules as at December 31, 2025 (benchmark date). KPMG Huazhen LLP has audited the effectiveness of the Bank’s internal control over financial reporting in accordance with the relevant requirements as at December 31, 2025 and issued the standard unqualified auditing report on internal control.

(XIX) External Auditors and Their Remuneration

For the Company’s external auditors and their remuneration, please see “Directors’ Report – Employment of Accounting Firms” of this report.

The responsibility statement of the Company’s external auditors on its financial statements is set out in “Financial Report” of this report.

Corporate Governance

(XX) Internal Audit

The Company has established an independent and vertical internal audit management system, which is accountable to and reports to the Board of Directors and the Audit Committee. The audit organizational structure of the Company is an operating model of 'Head Office + stationed institutions'. At the head office level, there are 4 direct audit divisions and the Integrated Management Center (Evaluation and Accountability Center), Off-site Audit Center, Quality Control Center, and Supervisory Affairs Center; based on factors such as the number of branches, business scale, and geographical location, stationed institutions are set up in the locations of 22 domestic branches, which are directly led and centrally managed by the Audit Department of the Head Office and are accountable to the Audit Department of the Head Office; audit departments are set up in the Hong Kong Branch and two subsidiaries. Audit is responsible for carrying out audit supervision and evaluation of the Bank's business operations, internal control and risk conditions, implementing economic responsibility audits on personnel in corresponding positions, and ensuring the execution of the Bank's strategies and prudent operations.

During the reporting period, internal audit anchored on the goal and vision of becoming a "first-class commercial bank", adhered to long-termism, insisted on doing difficult but correct things, promoted the construction of the five-word ecosystem of "integrity, simplicity, professionalism, cooperation and honesty", practiced the five-word action guidelines of "stability, progress, innovation, reform, and excellence", maintained strategic focus and upheld fundamental principles while breaking new ground, so as to improve the independence, effectiveness, precision and proactivity of audit work, gave play to the supportive role of audit as the third line of defense for operational development, and promoted the high-quality development of the whole Bank. Based on the main responsibilities and main business of audit supervision, we kept a close eye on key positions to strengthen performance supervision, focused on key businesses to carry out special supervision, deepened and solidified audit projects, objectively reflected the problems existing in the Company's operation and management, focused on putting forward high-quality audit opinions and suggestions, and gave play to the driving role of audit work in the strategic implementation, risk prevention and standardized management of the Bank as a whole.

Changes in Shares and Information on Shareholders

(I) Changes in Ordinary Shares

1. Table of Changes in Ordinary Shares

Unit: Share, %

	December 31, 2024		During the reporting period Number of Changes (shares)	December 31, 2025	
	Number	Proportion (%)		Number	Proportion (%)
I. Restricted shares	-	-	-	-	-
II. Unrestricted shares outstanding	27,464,635,963	100.00	-	27,464,635,963	100.00
1. RMB ordinary shares	21,544,435,963	78.44	-	21,544,435,963	78.44
2. Domestically listed foreign shares	-	-	-	-	-
3. Foreign shares listed abroad	5,920,200,000	21.56	-	5,920,200,000	21.56
4. Other	-	-	-	-	-
III. Total number of ordinary shares	27,464,635,963	100.00	-	27,464,635,963	100.00

As of the end of the reporting period, the issued shares of the Company were 27,464,635,963 ordinary shares, including 21,544,435,963 A Shares and 5,920,200,000 H Shares.

2. Description on Change in Ordinary Shares

None.

3. Effects of Change in Ordinary Shares on Financial Indicators such as Earnings per Share and Net Assets per Share for the Latest Year and Period

None.

(II) Issuance and Listing of Securities

1. Issuance of Securities during the Reporting Period

During the Reporting Period, the Company did not issue new ordinary shares nor sell any treasury shares (as defined in the Hong Kong Listing Rules) for cash.

2. Description on Change in Asset and Liability Structure

None.

Changes in Shares and Information on Shareholders

(III) Information on Shareholders of Ordinary Shares

Number of Shareholders of Ordinary Shares and Their Shareholdings

As of the end of the reporting period, the Company had 209,421 shareholders of ordinary shares in total, including 209,313 shareholders of A Shares and 108 shareholders of H Shares. As of the end of the last month before the publication date of this Annual Report, there were 213,694 shareholders of ordinary shares in total, including 213,588 shareholders of A Shares and 106 shareholders of H Shares.

As of the end of the reporting period, the table of shareholdings of the top ten shareholders and top ten shareholders of circulating shares (excluding shares lent through the transfer facility) was as follows:

Unit: Share

Name of Shareholder (full name)	Increase/decrease during the reporting period	Number of shares held at the end of period	Proportion (%)	Class of shares	Pledge or freezing		Nature of shareholders
					Status of Shares	Number	
HKSCC Nominees Limited	+9,299	5,919,886,619	21.55	H Share without selling restrictions	unknown	-	-
Zhejiang Provincial Innovation Investment Group Co., Ltd.	-	3,452,076,906	12.57	A Share without selling restrictions	-	-	State-owned Legal Person
Hengdian Group Holdings Limited	-242,310,660	1,373,231,727	4.99	A Share without selling restrictions	-	-	Domestic Non-state-owned Legal Person
Zhejiang Provincial Energy Group Co., Ltd.	-	1,093,531,078	3.98	A Share without selling restrictions	-	-	State-owned Legal Person
Xintai Life Insurance Co., Ltd. - self owned capital	-	996,325,468	3.63	A Share without selling restrictions	-	-	State-owned Legal Person
Taiping life Insurance Co., Ltd.	-	921,538,465	3.36	A Share without selling restrictions	-	-	State-owned Legal Person
Minsheng Life Insurance Co., Ltd. - self owned capital	-	768,593,847	2.80	A Share without selling restrictions	-	-	Domestic Non-state-owned Legal Person
Zhejiang Hengyi High-tech Materials Co., Ltd.	-	660,490,068	2.40	A Share without selling restrictions	pledged	508,069,283	Domestic Non-state-owned Legal Person
Zhejiang Hengyi Group Co., Ltd.	-	643,052,319	2.34	A Share without selling restrictions	pledged	643,052,319	Domestic Non-state-owned Legal Person
Xizi Elevator Group Co., Ltd	-	601,817,646	2.19	A Share without selling restrictions	-	-	Domestic Non-state-owned Legal Person

Changes in Shares and Information on Shareholders

Notes:

1. The number of shares held by HKSCC Nominees Limited was the sum of shares of the Company's holders of H-shares which were trading in its transaction system.
2. Zhejiang Provincial Financial Holdings Co., Ltd. has now been renamed as Zhejiang Provincial Innovation Investment Group Co., Ltd.
3. As of the end of the reporting period, among the top ten shareholders mentioned above, Zhejiang Hengyi High-tech Materials Co., Ltd. and Zhejiang Hengyi Group Co., Ltd. have a connected relationship. Apart from that, the Company is not aware of other connected relationship between the above shareholders or whether they are parties acting in concert.
4. To the knowledge of the Company, as of the end of the reporting period, none of the shareholders listed in the table was involved in participating in securities lending business.

(IV) Information on the Controlling Shareholders and De Facto Controllers

As of the end of the reporting period, the Company had no controlling shareholders or de facto controllers.

(V) Information on the Company's Largest Shareholder of Ordinary Share

As of the end of the reporting period, Zhejiang Provincial Innovation Investment Group Co., Ltd. held 12.57% of the shares of the Company and was the Company's largest shareholder.

Zhejiang Provincial Innovation Investment Group Co., Ltd. was established in September 2012 with the uniform social credit code of 913300000542040763 and its legal representative was Yang Qiangmin. With a registered capital of RMB12.0 billion, it is a provincial state-owned financial capital investment and operation platform. Zhejiang Provincial Innovation Investment Group Co., Ltd. is a provincial state-owned enterprise, mainly responsible for the management of provincial government investment funds, financial and quasi-financial equity management, investment in science and technology enterprises, digital finance, and digital government. The controlling shareholders and de facto controllers of Zhejiang Provincial Innovation Investment Group Co., Ltd. is Zhejiang Provincial Department of Finance, which holds 100% equity interest of Zhejiang Provincial Innovation Investment Group Co., Ltd.

Changes in Shares and Information on Shareholders

(VI) Information on Substantial Shareholders of Ordinary Shares

As at December 31, 2025

Unit: Share, %

No.	Name of Shareholder	Number of shares held (share)	Separately shareholding ratio	Jointly shareholding ratio	Reasons for being the Substantial Shareholders	Number of pledged shares	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners
1	Zhejiang Provincial Innovation Investment Group Co., Ltd.	3,452,076,906	12.57	12.57	Holding 5% or more of the Bank's shares and dispatch Directors to the Bank	-	Zhejiang Provincial Department of Finance	Zhejiang Provincial Department of Finance	Nil	Zhejiang Provincial Innovation Investment Group Co., Ltd.
2	Zhejiang Provincial Energy Group Co., Ltd.	1,093,531,078	3.98	6.73	Holding 5% or more of the Bank's shares in total with the related parties and jointly dispatch Directors to the Bank	-	State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang Province	State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang Province	Nil	Zhejiang Provincial Energy Group Co., Ltd.
3	Zheneng Capital Investment (Hong Kong) Limited (H share)	475,322,900	1.73			-	Zheneng Capital Holdings Limited		Nil	Zheneng Capital Holdings Limited
4	Zhejiang Energy International Co., Ltd. (H share)	280,075,000	1.02			-	Zhejiang Provincial Energy Group Co., Ltd.		Nil	Zhejiang Energy International Co., Ltd.
5	Zhejiang Hengyi High-tech Materials Co., Ltd.	660,490,068	2.40	5.88	Holding 5% or more of the Bank's shares in total with the related parties	508,069,283	Zhejiang Hengyi Petrochemical Co., Ltd.	Qiu Jianlin	Nil	Zhejiang Hengyi High-tech Materials Co., Ltd.
6	Zhejiang Hengyi Group Co., Ltd.	643,052,319	2.34			643,052,319	Hangzhou Wan Yong Industrial Investment Co., Ltd.		Nil	Zhejiang Hengyi Group Co., Ltd.
7	Zhejiang Hengyi Petrochemical Co., Ltd.	312,000,000	1.14			240,000,000	Hengyi Petrochemical Co., Ltd.		Nil	Zhejiang Hengyi Petrochemical Co., Ltd.

Changes in Shares and Information on Shareholders

No.	Name of Shareholder	Number of shares held (share)	Separately shareholding ratio	Jointly shareholding ratio	Reasons for being the Substantial Shareholders	Number of pledged shares	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners
8	Zhejiang Seaport (Hong Kong) Co., Limited (H share)	1,203,410,000	4.38	5.02	Holding 5% or more of the Bank's shares in total with the related parties	-	Zhejiang Seaport Asset Management Co., Ltd.	Zhejiang Provincial State-owned Assets Supervision and Administration Commission	Nil	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.
9	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. (H share)	175,890,000	0.64			-	Ningbo Municipal People's Government State-owned Assets Supervision and Administration Commission		Nil	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.
10	Hengdian Group Holdings Limited	1,373,231,727	4.99	4.99	Dispatch Directors to the Bank	-	Dongyang Hengdian Association For Economics Corporation	Dongyang Hengdian Association For Economics Corporation	Nil	Hengdian Group Holdings Limited
11	Xintai Life Insurance Co., Ltd. - self owned capital	996,325,468	3.63	4.99	Dispatch Supervisors to the Bank	-	Nil	Nil	Nil	Xintai Life Insurance Co., Ltd.
	Xintai Life Insurance Co., Ltd. (H share)	373,691,000	1.36							
12	Zhejiang China Light & Textile Industrial City Group Co., Ltd.	587,298,906	2.14	3.57	Dispatch Supervisors to the Bank with the related parties jointly	-	Shaoxing City Keqiao District Development and Operation Group Co., Ltd.	Shaoxing City Keqiao District People's Government	Nil	Zhejiang China Light & Textile Industrial City Group Co., Ltd.
13	Shaoxing City Keqiao District Development and Operation Group Co., Ltd.	393,891,313	1.43			-	Shaoxing Keqiao District State-owned Assets Investment Operation Co., Ltd.		Nil	Shaoxing City Keqiao District Development and Operation Group Co., Ltd.
14	Taiping life Insurance Co., Ltd.	921,538,465	3.36	3.36	Dispatch Directors to the Bank	-	China Taiping Insurance Holdings Ltd.	Ministry of Finance of the People's Republic of China	Nil	Taiping life Insurance Co., Ltd.

(VII) Pledge and Freezing of Ordinary Shares

As at the end of the reporting period, to the knowledge of the Company, 2,246,053,446 shares of the Company (representing 8.18% of the total ordinary shares in issue) were pledged, and 158,075,002 shares were subject to judicial freezing (including judicial markings).

Changes in Shares and Information on Shareholders

(VIII) Interests in Shares and Short Positions in Accordance with the Hong Kong Securities and Futures Ordinance

As of December 31, 2025, in accordance with the register kept by the Company under section 336 of the SFO and so far as the Company is aware, the following persons (excluding the Company's Directors, supervisors and chief executive (as defined in the Hong Kong Listing Rules)) had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly held 5% or more of any class of share capital of the Company:

Name of Shareholder	Nature of interests and capacity	Class	Long/short position	Number of shares (shares)	Approximate percentage of interest (%)	Approximate percentage of the relevant class of shares (%)
Zhejiang Provincial Innovation Investment Group Co., Ltd.	beneficial owner	A Share	long position	3,452,076,906	12.57	16.02
Zhejiang Hengyi Group Co., Ltd.	beneficial owner and interests in controlled corporation	A Share	long position	1,615,542,387	5.88	7.50
Qiu Jianlin	interests in controlled corporation	A Share	long position	1,615,542,387	5.88	7.50
Hengdian Group Holdings Limited	beneficial owner	A Share	long position	1,373,231,727	4.99	6.37
Hengdian Association for Economic Corporation	interests in controlled corporation	A Share	long position	1,373,231,727	4.99	6.37
Zhejiang Provincial Energy Group Co., Ltd	beneficial owner	A Share	long position	1,093,531,078	3.98	5.08
Zhejiang Provincial Energy Group Co., Ltd	interests in controlled corporation	H share	long position	755,397,900	2.75	12.76
Zheneng Capital Holdings Limited	interests in controlled corporation	H share	long position	755,397,900	2.75	12.76
Zhejiang Energy Capital Investment (Hong Kong) Limited	beneficial owner	H share	long position	475,322,900	1.73	8.03
Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.	beneficial owner and interests in controlled corporation	H share	long position	1,379,300,000	5.02	23.30
Zhejiang Seaport (Hong Kong) Co., Limited	beneficial owner	H share	long position	1,203,410,000	4.38	20.33
Zhejiang Seaport Asset Management Co., Ltd.	interests in controlled corporation	H share	long position	1,203,410,000	4.38	20.33
Yancoal International (Holdings) Co., Ltd.	beneficial owner	H share	long position	933,897,000	3.40	15.77
Yanzhou Coal Mining Company Limited	interests in controlled corporation	H share	long position	933,897,000	3.40	15.77
Yankuang Group Co., Ltd.	interests in controlled corporation	H share	long position	933,897,000	3.40	15.77
Xintai Life Insurance Co., Ltd.	beneficial owner	H share	long position	373,691,000	1.36	6.31
Minsheng Life Insurance Co., Ltd.	beneficial owner	H share	long position	356,948,000	1.30	6.03
China Wanxiang Holding Co., Ltd.	interests in controlled corporation	H share	long position	356,948,000	1.30	6.03
Aeon Life Insurance Co. Ltd.	beneficial owner	H share	long position	349,611,600	1.27	5.91

Changes in Shares and Information on Shareholders

Save as disclosed above, the Company was unaware of any other person (excluding the Company's Directors, Supervisors and chief executive (as defined in the Hong Kong Listing Rules)) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interest or short position as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO on December 31, 2025.

(IX) Issue of Bonds

On February 23, 2022, according to the approvals in the documents issued by the former CBIRC (Yin Bao Jian Fu [2021] No. 717) and People's Bank of China (Yin Xu Zhun Yu Zi [2021] No. 19), the Company publicly issued the first tranche of 2022 special financial bonds for small and micro corporate loans of China Zheshang Bank Co., Ltd. in the amount of RMB10 billion in the national inter-bank bond market. The tranche of bonds was matured and redeemed on February 25, 2025. On April 7, 2022, according to the approvals in the documents issued by the former CBIRC (Yin Bao Jian Fu [2021] No. 717) and People's Bank of China (Yin Xu Zhun Yu Zi [2021] No. 19), the Company publicly issued the second tranche of 2022 special financial bonds for small and micro corporate loans of China Zheshang Bank Co., Ltd. in the amount of RMB10 billion in the national inter-bank bond market. The tranche of bonds was matured and redeemed on April 11, 2025. These two tranches of bonds have the term of 3 years and bear interest at fixed interest rate, and proceeds from the issue of the bonds will be used specially for extending small and micro corporate loans, increasing the support for credit availability to small and micro enterprises as well as boosting stable and healthy development of the businesses of small and micro enterprises pursuant to applicable laws and approval from regulatory authorities. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for these two tranches of financial bonds was AAA.

On October 18, 2022, according to the approvals in the Affirmative Decision of Administrative License from People's Bank of China issued by People's Bank of China (Yin Xu Zhun Yu Jue Zi [2022] No. 40), the Company publicly issued the third tranche of 2022 special financial bonds for small and micro corporate loans of China Zheshang Bank Co., Ltd. in the amount of RMB10 billion in the national inter-bank bond market. This tranche of bonds has a term of 3 years for RMB5 billion and a term of 5 years for remaining RMB5 billion and bear interest at fixed interest rate, and proceeds from the issue of the bonds will be used specially for extending small and micro corporate loans and supporting the construction of Zhejiang Demonstration Zone for Common Prosperity. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of financial bonds was AAA.

On April 24, 2023, according to the approvals in the Affirmative Decision of Administrative License from People's Bank of China issued by People's Bank of China (Yin Xu Zhun Yu Jue Zi [2023] No. 32), the Company publicly issued the first tranche of 2023 special financial bonds for small and micro corporate loans of China Zheshang Bank Co., Ltd. in the amount of RMB10 billion in the national inter-bank bond market. This tranche of bonds has a term of 3 years and bears interest at fixed interest rate, and all proceeds from the issue of the bonds will be used specially for extending small and micro corporate loans, increasing the support for credit availability to small and micro enterprises as well as boosting stable and healthy development of the businesses of small and micro enterprises. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of financial bonds was AAA.

Changes in Shares and Information on Shareholders

On May 25, 2023, according to the Approvals by CBIRC on the Issuance of Capital Instruments by China Zheshang Bank Co., Ltd. issued by former CBIRC (Yin Bao Jian Fu [2023] No. 254) and the approvals in the Affirmative Decision of Administrative License from People's Bank of China issued by People's Bank of China (Yin Xu Zhun Yu Jue Zi [2023] No. 32), the Company publicly issued tier 2 capital bonds of 2023 China Zheshang Bank Co., Ltd. in an amount of RMB20 billion in the national inter-bank bond market. This tranche of bonds has a term of 10 years and bears interest at fixed interest rate, with a conditional issuer's redemption right at the end of the 5th year, which entitles the issuer to redeem the bonds partially or wholly at par subject to the approval of the relevant regulatory authorities. All proceeds from the issue of the bonds will be used to replenish the tier 2 capital of the Company and optimize its capital structure and promote the sound development of its business. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of tier 2 capital bonds was AAA.

On July 24, 2023, according to the approvals in the Affirmative Decision of Administrative License from People's Bank of China issued by People's Bank of China (Yin Xu Zhun Yu Jue Zi [2023] No. 32), the Company publicly issued the first tranche of 2023 financial bonds of China Zheshang Bank Co., Ltd in the amount of RMB30 billion in the national inter-bank bond market. This tranche of bonds has a term of 3 years and bears interest at fixed interest rate, and all proceeds from the issue of the bonds will be used to meet the needs of asset liability allocation, enrich funding sources, optimize debt maturity structure, and promote stable business development. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of financial bonds was AAA.

On November 3, 2023, according to the approvals in the Affirmative Decision of Administrative License from People's Bank of China issued by People's Bank of China (Yin Xu Zhun Yu Jue Zi [2023] No. 32), the Company publicly issued the second tranche of 2023 special financial bonds for small and micro corporate loans of China Zheshang Bank Co., Ltd in the amount of RMB15 billion in the national inter-bank bond market. This tranche of bonds has a term of 3 years and bears interest at fixed interest rate, and all proceeds from the issue of the bonds will be used specially for extending small and micro corporate loans, increasing the support for credit availability to small and micro enterprises as well as boosting stable and healthy development of the businesses of small and micro enterprises. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of financial bonds was AAA.

On November 23, 2023, according to the Approvals by CBIRC on the Issuance of Capital Instruments by China Zheshang Bank Co., Ltd. issued by former CBIRC (Yin Bao Jian Fu [2023] No. 254) and the approvals in the Affirmative Decision of Administrative License from People's Bank of China issued by People's Bank of China (Yin Xu Zhun Yu Jue Zi [2023] No. 32), the Company publicly issued the second tranche of tier 2 capital bonds of 2023 China Zheshang Bank Co., Ltd. in an amount of RMB10 billion in the national inter-bank bond market. This tranche of bonds has a term of 10 years and bears interest at fixed interest rate, with a conditional issuer's redemption right at the end of the 5th year, which entitles the issuer to redeem the bonds partially or wholly at par subject to the approval of the relevant regulatory authorities. All proceeds from the issue of the bonds will be used to replenish the tier 2 capital of the Company and optimize its capital structure and promote the sound development of its business. The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of tier 2 capital bonds was AAA.

Changes in Shares and Information on Shareholders

On March 15, 2024, according to the Approval (Yin Xu Zhun Yu Jue Zi [2024] No. 6) of the People's Bank of China, the Company issued RMB20 billion special financial bonds for small and micro enterprise loans (tranche I) of 2024 China Zhesang Bank Co., Ltd. in the national inter-bank bond market. Type 1 of this issue has a term of 3 years and bears interest at fixed interest rate, and Type 2 of this issue has a term of 5 years and bears interest at fixed interest rate. All proceeds from the issue will be used to issue loans to small and micro enterprises in Zhejiang Province, supporting the full implementation of the primary strategy of "Deepening the Development in Zhejiang". The Company was awarded an entity credit rating of AAA by China Chengxin International Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of financial bonds was AAA.

On April 17, 2024, according to the Approvals by CBIRC (Yin Bao Jian Fu [2023] No. 254) and by the People's Bank of China (Yin Xu Zhun Yu Jue Zi [2024] No. 6), the Company issued RMB10 billion tier 2 capital bonds of 2024 China Zhesang Bank Co., Ltd. in the national inter-bank bond market. The bonds have a term of 10 years and bears interest at fixed interest rate, and all proceeds from the issue will be used to replenish the tier 2 capital of the issuer and optimize its capital structure and promote the sound development of its business. After comprehensive evaluation by China Chengxin International Credit Rating Co., Ltd., the credit rating of this bond was AAA, with a stable rating outlook, and the credit rating of the Company's entity credit was AAA.

On May 15, 2024, according to the Approval (Yin Xu Zhun Yu Jue Zi [2024] No. 6) of the People's Bank of China, the Company issued RMB20 billion special financial bonds of 2024 for small and micro enterprise loans (tranche II) of China Zhesang Bank Co., Ltd. in the national inter-bank bond market. The tranche of this issue has a term of 3 years and bears interest at fixed interest rate. All proceeds from the issue will be used to issue loans to small and micro enterprises, supporting further the operating strategy of "laying assets with low sensitivity to economic cycle as a ballast stone for CZB". The Company was awarded an entity credit rating of AAA by China Lianhe Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of financial bonds was AAA.

On September 5, 2024, according to the Approval (Yin Xu Zhun Yu Jue Zi [2024] No. 6) of the People's Bank of China, the Company issued RMB13 billion financial bonds of 2024 China Zhesang Bank Co., Ltd. in the national inter-bank bond market. The tranche of this issue has a term of 3 years and bears interest at fixed interest rate. All proceeds from the issue will be used to meet the needs of asset and liability allocation, to enrich the sources of capital, to optimize the maturity structure of liabilities, and to promote the stable development of our business. The Company was awarded an entity credit rating of AAA by China Lianhe Credit Rating Co., Ltd. with a stable rating outlook, and the credit rating for this tranche of financial bonds was AAA.

On February 13, 2025, according to the Approval (Yin Xu Zhun Yu Jue Zi [2025] No. 5) of the People's Bank of China, the Company issued the first tranche of 2025 financial bonds of China Zhesang Bank Co., Ltd. in the amount of RMB20 billion in the national inter-bank bond market. Type 1 of this issue has a term of 3 years and bears interest at fixed interest rate, and the Type 2 of this issue has a term of 5 years and bears interest at fixed interest rate. All proceeds from the issue will be used to meet the needs of asset liability allocation, enrich funding sources, optimize debt maturity structure, and promote stable business development pursuant to applicable laws and approval from competent authorities. After comprehensive evaluation by China Lianhe Credit Rating Co., Ltd., the credit rating of this bond was AAA, and the credit rating of the Company's entity credit was AAA.

Changes in Shares and Information on Shareholders

On April 3, 2025, according to the Approval (Yin Xu Zhun Yu Jue Zi [2025] No. 5) of the People's Bank of China, the Company issued the first tranche of 2025 special financial bonds for small and micro corporate loans (Bond Connect) of China Zheshang Bank Co., Ltd. in the amount of RMB20 billion in the national inter-bank bond market. The tranche of this issue has a term of 3 years and bears interest at fixed interest rate. All proceeds from the issue will be used specially for extending small and micro corporate loans, increasing the support for credit availability to small and micro enterprises as well as boosting stable and healthy development of the businesses of small and micro enterprises pursuant to applicable laws and approval from regulatory authorities. After comprehensive evaluation by China Lianhe Credit Rating Co., Ltd., the credit rating of this bond was AAA, and the credit rating of the Company's entity credit was AAA.

On May 8, 2025, according to the Approval (Yin Xu Zhun Yu Jue Zi [2025] No. 5) of the People's Bank of China, the Company issued the first tranche of 2025 green financial bonds (Bond Connect) of China Zheshang Bank Co., Ltd. in the amount of RMB5 billion in the national inter-bank bond market. The tranche of this issue has a term of 3 years and bears interest at fixed interest rate. All proceeds from the issue will be used in the green industrial projects stipulated by Green Bond Endorsed Project Catalogue (2021 Edition) pursuant to applicable laws and approval from regulatory authorities. After comprehensive evaluation by China Lianhe Credit Rating Co., Ltd., the credit rating of this bond was AAA, and the credit rating of the Company's entity credit was AAA.

On May 19, 2025, according to the Approval (Yin Xu Zhun Yu Jue Zi [2025] No. 5) of the People's Bank of China, the Company issued the first tranche of 2025 sci-tech innovation financial bonds (Bond Connect) of China Zheshang Bank Co., Ltd. in the amount of RMB5 billion in the national inter-bank bond market. The tranche of this issue has a term of 3 years and bears interest at fixed interest rate. All proceeds from the issue will be used to issue loans to science and technology innovation fields, supporting the development of science and technology innovation businesses pursuant to applicable laws and approval from regulatory authorities. After comprehensive evaluation by China Lianhe Credit Rating Co., Ltd., the credit rating of this bond was AAA, and the credit rating of the Company's entity credit was AAA.

(X) Information about Offshore Preference Shares

As of the end of the reporting period, the Company had no surviving preference shares.

(XI) Information about Undated Capital Bond

As considered and approved at the sixth extraordinary meeting of the fifth session of the Board of the Company in 2020 and the Company's 2021 first extraordinary general meeting and with the approval from the former CBIRC and the People's Bank of China, the Company successfully issued undated capital bonds with a total issue amount of RMB25.0 billion on November 25, 2021 in China's national inter-bank bond market. The coupon rate is 3.85% during the first five years and will be adjusted every five years. The Company shall be entitled to redeem the bonds, in total or in partial, on every distribution payment date since the fifth distribution payment date (inclusive). All the proceeds will be used to replenish the Company's additional tier 1 capital.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

(I) Directors, Supervisors and Senior Management

1. Basic information of Directors, Supervisors and senior management as at the end of the reporting period

Name	Position	Gender	Date of birth	Term of office	Number of shares held at the beginning of the period (shares)	Number of shares held at the end of the period (shares)	Pre-tax remuneration received from the Company during the reporting period (RMB'0000)	Whether receiving remuneration from related parties of the Company
Chen Haiqiang	Chairman, Executive Director, former President, former Vice President	Male	1974.10	2026.02-2027.08 (Chairman) 2021.11-2027.08 (Executive Director) 2025.07-2025.12 (President) 2020.07-2025.07 (Vice President)	754,000	918,200	87.17	No
Ma Hong	Executive Director	Female	1972.04	2021.11-2027.08	83,070	180,970	81.67	No
Hou Xingchuan	Non-executive Director	Male	1976.07	2022.01-2027.08	0	0	-	Yes
Ren Zhixiang	Non-executive Director	Male	1969.02	2020.11-2027.08	0	0	-	Yes
Hu Tiangao	Non-executive Director	Male	1965.09	2004.07-2027.08	0	0	-	Yes
Ying Yuxiang	Non-executive Director	Male	1988.01	2024.05-2027.08	0	0	-	Yes
Wang Wei	Independent Non-executive Director	Male	1967.08	2020.11-2027.08	0	0	36.67	No
Xu Yongbin	Independent Non-executive Director	Male	1962.12	2022.02-2027.08	0	0	38.33	No
Fu Tingmei	Independent Non-executive Director	Male	1966.05	2023.05-2027.08	0	0	36.00	No
Shi Hao	Independent Non-executive Director	Male	1964.02	2024.12-2027.08	0	0	36.67	No
Lou Weizhong	Independent Non-executive Director	Male	1962.07	2025.01-2027.08	0	0	35.00	No
Wu Fanghua	Employee Supervisor	Male	1972.08	2023.01-2027.08	52,000	116,900	-	No
Peng Zhiyuan	Employee Supervisor	Male	1976.01	2023.01-2027.08	0	0	-	No
Du Quan	Employee Supervisor	Male	1970.10	2024.06-2027.08	0	66,200	-	No
Chen Zhong	Employee Supervisor	Female	1974.07	2024.06-2027.08	126,900	126,900	-	No
Ma Xiaofeng	Shareholder Supervisor	Male	1977.09	2023.12-2027.08	0	0	-	Yes
Wang Junbo	Shareholder Supervisor	Male	1978.09	2024.06-2027.08	0	0	-	Yes
Zhang Fanquan	External Supervisor	Male	1960.08	2021.07-2027.08	0	0	32.00	No
Wang Congcong	External Supervisor	Male	1980.01	2024.08-2027.08	0	0	31.33	No
Chen Sanlian	External Supervisor	Male	1964.11	2021.07-2027.08	0	0	30.00	No
Lyu Linhua	President (Acting), Executive Director, President and Chief Compliance Officer	Male	1978.05	2025.12-2026.04 (President (Acting)) 2026.04-2027.08 (Executive Director, President and Chief Compliance Officer)	0	0	-	No
Jing Feng	Vice President	Male	1979.12	2021.12-2027.08	744,900	909,000	81.75	No

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Name	Position	Gender	Date of birth	Term of office	Number of shares held at the beginning of the period (shares)	Number of shares held at the end of the period (shares)	Pre-tax remuneration received from the Company during the reporting period (RMB'0000)	Whether receiving remuneration from related parties of the Company
Luo Feng	Vice President, Secretary to the Board of Directors	Male	1979.09	2021.12-2027.08 (Vice President) 2024.06-2027.08 (Secretary to the Board of Directors)	743,990	909,290	81.75	No
Zhou Weixin	Assistant to the President	Male	1971.06	2023.09-2027.08	0	165,400	81.75	No
Pan Huafeng	Assistant to the President, Chief Risk Officer	Male	1972.01	2024.03-2027.08	0	170,000	81.75	No
Lu Jianqiang	Former Chairman, Executive Director	Male	1965.04	2023.08-2025.07	0	0	50.81	No
Wang Guocai	Former Independent Non-executive Director	Male	1956.11	2018.10-2025.02	0	0	6.33	No
Guo Dingfang	Former Chairman of the Supervisory Committee, Employee Supervisor	Male	1969.10	2021.07-2025.12	0	100,000	81.67	No
Gao Qiang	Former External Supervisor	Male	1960.09	2022.06-2025.06	0	0	10.67	No
Lin Jingran	Former Vice President	Male	1974.06	2023.11-2025.12	234,000	397,000	85.17	No
Wang Chaoming	Former Assistant to the President, Former Chief Information Officer	Male	1970.10	2024.08-2025.12 (Assistant to the President) 2024.08-2025.03 (Chief Information Officer)	0	165,000	81.75	No
Hou Bo	Former Assistant to the President	Male	1980.02	2024.08-2025.12	110,000	273,400	81.75	No

Notes:

- (1) The current nominations of Shareholder Directors for the seventh session of the Board of Directors of the Company are as follows: Director Hou Xingchuan is nominated by the shareholder Zhejiang Provincial Innovation Investment Group Co., Ltd.; Director Ren Zhixiang is nominated by the shareholders Zhejiang Provincial Energy Group Co., Ltd., Zhejiang Energy Capital Investment (Hong Kong) Limited, and Zhejiang Energy International Co., Ltd.; Director Hu Tiangao is nominated by the shareholder Hengdian Group Holdings Limited; Director Ying Yuxiang is nominated by the shareholder Taiping Life Insurance Co., Ltd.
- (2) The current nominations of Shareholder Supervisors for the seventh session of the Supervisory Committee of the Company are as follows: Supervisor Wang Junbo is nominated by the shareholder Xintai Life Insurance Co., Ltd.; Supervisor Ma Xiaofeng is nominated by the shareholders Zhejiang China Light & Textile Industrial City Group Co., Ltd. and Shaoxing City Keqiao District Development and Operation Group Co., Ltd.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

- (3) On December 31, 2025, the seventh meeting of the seventh session of the Board of Directors of the Company agreed to appoint Mr. Lyu Linhua as the President of the Company. Prior to the approval of his eligibility, Mr. Lyu Linhua will serve as an acting president of the Bank. The meeting agreed to appoint Mr. Zhou Weixin and Mr. Pan Huafeng as the Vice Presidents of the Company. The eligibilities of the Vice Presidents are subject to the approval of the National Financial Regulatory Administration. On January 25, 2026, the First Extraordinary General Meeting of the Company for 2026 elected Mr. Lyu Linhua as a Director of the Seventh Session of the Board of Directors of the Company, and his qualification is subject to the ratification of his eligibility by the National Financial Regulatory Administration. On February 27, 2026, at the first extraordinary meeting of the seventh session of the Board of the Company in 2026, it was agreed to appoint Mr. Lyu Linhua as the Chief Compliance Officer of the Company, which will be effective from the approval of his qualification to serve as the President by the National Financial Regulatory Administration. On April 10, 2026, Mr. Lyu Linhua's qualification as a Director and the president had been approved by the National Financial Regulatory Administration.
- (4) The commencement date of the term of office for Directors and Senior Management shall be subject to the approval time of regulatory qualifications, and the term of office for Directors, Supervisors and Senior Management upon re-election shall be calculated from the date of initial appointment.
- (5) The total pre-tax remuneration of some Directors, Supervisors and Senior Management performing their duties in the Company is still in the process of confirmation, and the rest will be disclosed separately after the distribution is confirmed.
- (6) Employee Supervisors of the Company receive remuneration from their respective posts as employees, but do not receive remuneration as Employee Supervisors.
- (7) Mr. Hou Bo holds 273,400 shares of the Company, including 163,400 A shares and 110,000 H shares; Ms. Chen Zhong holds 126,900 shares of the Company, including 16,900 A shares and 110,000 H shares; other than that, all the shares held by the remaining personnel are A shares.

2. Changes of Directors, Supervisors and Senior Management

Directors

On January 17, 2025, the qualification of Mr. Lou Weizhong to serve as an Independent Non-executive Director of the Company was approved by the National Financial Regulatory Administration, and he officially assumed office.

On February 24, 2025, Mr. Wang Guocai ceased to serve as an Independent Non-executive Director of the Company and hold positions in the special committees under the Board of Directors. On September 24, 2024, Mr. Wang Guocai resigned from his position as an Independent Non-executive Director of the Company and from his positions in the special committees under the Board of Directors due to reaching the maximum term of his consecutive tenure as independent non-executive director, but continued to perform his duties until the newly appointed independent directors obtained their qualifications. As at February 24, 2025, the qualifications of Mr. Shi Hao and Mr. Lou Weizhong as independent non-executive directors had both been approved by the National Financial Regulatory Administration, and all Directors by way of written resolutions to elect the members of the special committees of the Seventh Session of the Board of Directors. Mr. Wang Guocai ceased to serve as an Independent Non-executive Director of the Company and hold positions in the special committees under the Board of Directors with effect from February 24, 2025.

On July 9, 2025, Mr. Lu Jianqiang resigned from his positions as Chairman, Executive Director, Chairman of the Strategic and Sustainable Development Committee of the Board of Directors, and ceased to be an Authorized Representative of the Company under Rule 3.05 of the Hong Kong Listing Rules due to reaching the retirement age. All Directors by way of written resolutions on July 9, 2025, and unanimously agreed that Mr. Chen Haiqiang, Executive Director and President of the Company, would act as the acting Chairman until a new Chairman is elected and his qualification is approved by the National Financial Regulatory Administration.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

On August 28, 2025, Mr. Ni Defeng and Ms. Jin Guorui resigned from their positions as non-executive Directors of the Seventh Session of the Board of Directors of the Company due to work arrangements. As of the date of resignation, Mr. Ni Defeng and Ms. Jin Guorui had not yet obtained approval from the regulatory authorities for their qualifications to serve as Directors, and had not officially assumed their duties.

On September 25, 2025, the First Extraordinary General Meeting of the Company for 2025 elected Mr. Zheng Xingang as a Director of the Seventh Session of the Board of Directors of the Company, and his qualification is subject to the ratification of his eligibility by the National Financial Regulatory Administration.

On September 25, 2025, the First Extraordinary General Meeting of the Company for 2025 elected Mr. Yang Zhaohui as a Director of the Seventh Session of the Board of Directors of the Company, and his qualification is subject to the ratification of his eligibility by the National Financial Regulatory Administration.

On December 5, 2025, the Eighth Extraordinary Meeting of the Seventh Session of the Board of Directors of the Company for 2025 elected Mr. Chen Haiqiang as the Chairman of the Seventh Session of the Board of Directors of the Company, and his qualification was approved by the National Financial Regulatory Administration on February 13, 2026.

On January 25, 2026, the First Extraordinary General Meeting of the Company for 2026 elected Mr. Lyu Linhua as a Director of the Seventh Session of the Board of Directors of the Company, and his qualification has been approved by the National Financial Regulatory Administration on April 10, 2026.

Supervisors

On May 7, 2025, it was considered at the eleventh meeting of the Seventh Session of the Supervisory Committee of the Company to remove Mr. Gao Qiang from his duties as an External Supervisor of the Seventh Session of the Supervisory Committee and Chairman of the Nomination Committee of the Company. On June 13, 2025, the 2024 Annual General Meeting of the Company considered to remove Mr. Gao Qiang from his duty as an External Supervisor of the Seventh Session of the Supervisory Committee of the Company.

On May 7, 2025, the eleventh meeting of the Seventh Session of the Supervisory Committee of the Company considered and elected the External Supervisor Mr. Wang Congcong as the Chairman of the Nomination Committee of the Seventh Session of the Supervisory Committee of the Company.

On December 24, 2025, due to work adjustments, Mr. Guo Dingfang resigned from his positions as Chairman of the Seventh Session of the Supervisory Committee, Employee Supervisor, and Member of the Nomination Committee of the Supervisory Committee of the Company.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Senior Management

On March 12, 2025, Mr. Wang Chaoming resigned from his position as Chief Information Officer of the Company due to an adjustment of work assignments.

On April 10, 2025, the Second Extraordinary Meeting of the Seventh Session of the Board of Directors of the Company for 2025 agreed to appoint Mr. Chen Haiqiang as the President of the Company. Prior to the approval of his eligibility to be the President, Mr. Chen Haiqiang will serve as an acting President and Mr. Lu Jianqiang, the Chairman, has ceased to be an acting President. On July 7, 2025, the qualification of Mr. Chen Haiqiang to serve as the President of the Company was approved by the National Financial Regulatory Administration.

On December 31, 2025, the seventh meeting of the Seventh Session of the Board of Directors of the Company agreed to appoint Mr. Lyu Linhua as the President of the Company. Prior to the approval of his qualification, Mr. Lyu Linhua acts as the President. The meeting agreed to appoint Mr. Zhou Weixin and Mr. Pan Huafeng as Vice Presidents of the Company, and their qualifications as Vice Presidents are subject to the ratification of their eligibilities by the National Financial Regulatory Administration. On February 27, 2026, at the first extraordinary meeting of the seventh session of the Board of the Company in 2026, it was agreed to appoint Mr. Lyu Linhua as the Chief Compliance Officer of the Company, which will be effective from the approval of his qualification to serve as the President by the National Financial Regulatory Administration. On April 10, 2026, Mr. Lyu Linhua's qualification as the President had been approved by the National Financial Regulatory Administration.

On December 31, 2025, due to work arrangements, Mr. Chen Haiqiang ceased to serve as the President of the Company, but continued to serve as the Secretary of the Party Committee and Executive Director of the Company, and acted as the Chairman, Chairman of the Strategic and Sustainable Development Committee of the Board of Directors, and Legal Representative (his qualification to serve as the Chairman was approved by the NFRA on February 13, 2026). Mr. Lin Jingran resigned from his position as Vice President of the Company due to a job transfer, and Mr. Wang Chaoming and Mr. Hou Bo resigned from their positions as Assistant to President of the Company due to job transfers.

3. Posts held by incumbent Directors, Supervisors and Senior Management in shareholders and those resigned during the reporting period

Name of personnel	Name of shareholder entity	Position held in shareholder entity	Start date of term	End date of term
Hou Xingchuan	Zhejiang Provincial Innovation Investment Group Co., Ltd.	Member of the Party Committee, Deputy General Manager	January 2021	To date
Hu Tiangao	Hengdian Group Holdings Limited	Director, Senior Vice President	September 1995	To date
Ma Xiaofeng	Zhejiang China Light & Textile Industrial City Group Co., Ltd.	Member of the Party Committee, Deputy General Manager	May 2021	To date
Wang Junbo	Xintai Life Insurance Co., Ltd.	Deputy Secretary of the Party Committee, Deputy General Manager, Financial Controller, Executive Director	December 2023	To date

Information on Directors, Supervisors, Senior Management, Employees and Institutions

4. Posts held by incumbent Directors, Supervisors and Senior Management in other companies and those resigned during the reporting period

Name	Name of other companies	Position in other companies	Date of appointment	Date of termination
Ren Zhixiang	Zhejiang Energy Capital Holdings Co. Ltd.	General Manager	October 2019	To date
Ren Zhixiang	Zhejiang Energy Capital Holdings Co. Ltd.	Director	June 2020	August 2025
Ren Zhixiang	Zhejiang Fuzhe Investment Co., Ltd.	Director	April 2020	January 2025
Ren Zhixiang	Zheshang Property and Casualty Insurance Company Limited	Vice Chairman	January 2021	To date
Ren Zhixiang	Orient Securities Co., Ltd.	Director	March 2021	To date
Ren Zhixiang	Zhejiang Zheneng Financial Leasing Co., Ltd.	Chairman	January 2025	To date
Ren Zhixiang	Shanghai Puneng Financial Leasing Co., Ltd.	Chairman	January 2025	To date
Hu Tiangao	Hengdian Group DMEGC Magnetics Co., Ltd.	Director	March 2008	To date
Hu Tiangao	Apeloa Pharmaceutical Co., Ltd.	Director	May 2008	To date
Hu Tiangao	Innuovo Technology Co., Ltd.	Director	April 2011	To date
Hu Tiangao	Hengdian Group Tospo Lighting Co., Ltd.	Director	January 2013	To date
Hu Tiangao	Hengdian Entertainment Co., Ltd.	Director	June 2015	To date
Hu Tiangao	Nanhua Futures Co., Ltd.	Director	April 2021	To date
Hu Tiangao	Zhejiang Xinna Material Technology Co., Ltd.	Director	August 2019	To date
Ying Yuxiang	Taiping Asset Management Co., Ltd.	Deputy General Manager of the Department (in charge of work)	February 2024	To date
Ying Yuxiang	Inner Mongolia Dian Tou Energy Corp Ltd	Director	April 2023	To date
Wang Wei	Zhejiang University	Professor	August 1990	To date
Wang Wei	Financial Institute of Zhejiang Province	Dean	September 2017	To date
Wang Wei	Zhejiang Financial Association	Executive Vice President	June 2013	To date

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Name	Name of other companies	Position in other companies	Date of appointment	Date of termination
Wang Wei	Betta Pharmaceutical Co., Ltd.	Independent Director	November 2019	December 2025
Wang Wei	Sunwave Communications Co., Ltd.	Independent Director	January 2020	December 2025
Wang Wei	Zhejiang E-Commerce Bank Co., Ltd.	Independent Director	April 2019	January 2026
Wang Wei	Wanxiang Trust Co., Ltd.	Independent Director	April 2017	March 2025
Xu Yongbin	Zhejiang Province Management Postgraduate Degree Teaching Committee	Convener	October 2019	To date
Xu Yongbin	Zhejiang Association of CFO	Vice Chairman	May 2019	To date
Xu Yongbin	Zhesang Development Group Co., Ltd.	Independent Director	August 2019	October 2025
Xu Yongbin	Hangzhou Steam Turbine Power Group Co., Ltd.	Independent Director	August 2022	December 2025
Xu Yongbin	Hangzhou United Rural Commercial Bank Co., Ltd.	Independent Director	October 2018	October 2025
Fu Tingmei	Guotai Junan International Holdings Limited	Independent Director	June 2010	To date
Fu Tingmei	COFCO Joycome Foods Limited	Independent Director	May 2016	To date
Fu Tingmei	China Resources Pharmaceutical Group Limited	Independent Director	June 2016	To date
Fu Tingmei	China Resources Medical Holdings Company Limited	Independent Director	February 2023	To date
Shi Hao	Jinke Property Group Co., Ltd.	Non-independent Director	October 2025	To date
Ma Xiaofeng	Shaoxing China Textile City Financial Holdings Co. Ltd.	Manager, Executive Director	October 2018	To date
Chen Sanlian	Zhejiang Jingong Science & Technology Co., Ltd.	Independent Director	August 2021	To date
Chen Sanlian	Wuchan Zhongda Group Co., Ltd.	Independent Director	May 2022	To date
Wang Congcong	Zhejiang Mintai Commercial Bank Co. Ltd.	Independent Director	December 2023	To date
Wang Congcong	Yuyao Rural Commercial Bank	Independent Director	March 2025	To date

Information on Directors, Supervisors, Senior Management, Employees and Institutions

5. Profile of Directors, Supervisors and Senior Management and information of their positions and concurrent appointments as at the end of the reporting period

Directors

Chen Haiqiang

Chen Haiqiang is currently the Secretary of the Party Committee, Chairman of the Board of Directors, and executive Director of the Company. He holds a master degree and is a chief senior economist. Mr. Chen worked as deputy principal staff member at Hangzhou Branch, China Development Bank; President of Ningbo Beilun Sub-branch, member of the Party Committee, assistant to President, and Vice President of Ningbo Branch, China Merchants Bank; secretary of the Party Committee and President of Ningbo Branch, China Zheshang Bank, secretary of the Party Committee and President of Hangzhou Branch, the assistant to President of China Zheshang Bank, member of the Party Committee, Vice President, and CRO of China Zheshang Bank, deputy secretary of the Party Committee and President of China Zheshang Bank. Currently, he also serves as the executive Vice President of Zhejiang Chamber of International Commerce.

Ma Hong

Ma Hong is currently the deputy secretary of the Party Committee, executive Director, Chairman of the Labor Union and the secretary of the Party Committee of the Intra-organizational Department of the Company. She holds a master degree and is a senior economist. Ms. Ma Hong was deputy chief of the hygiene section of the logistics department of the Qingdao Garrison; deputy Director and Director of the hygiene section of the logistics department of Zhejiang Army Reserve Infantry Division; associate consultant of the General Office of Cadres of the Organization Department of the Zhejiang Provincial Committee; associate consultant, deputy division chief, consultant and division chief of the Civil Servant Management Office of the Organization Department of the Zhejiang Provincial Committee; and division chief and primary consultant of the First-division of Civil Servant of the Organization Department of the Zhejiang Provincial Committee.

Hou Xingchuan

Hou Xingchuan is currently a Non-executive Director of the Company. He holds a master degree and is an economist. Mr. Hou used to serve as a cadre of the Information Center, associate chief officer of the Planning and Finance Division and chief officer of the Planning and Finance Division of Zhejiang Provincial Tax Service; the deputy Director general (temporary position) of Jinhua Municipal Taxation Bureau, Jiangbei Branch; chief officer of the Office, deputy Director general of the Planning and Finance Division and deputy Director of the Office of Zhejiang Provincial Tax Service; member of the Party Committee and Deputy General Manager (temporary position) of Zhejiang Development Asset Operations Co., Ltd.; Level 6 management post of Zhejiang Financial Development Co., Ltd.; General Manager of the Strategic Development, member of the Party Committee and Deputy General Manager of Zhejiang Provincial Financial Holdings Co., Ltd. He is currently a member of the Party Committee and Deputy General Manager of Zhejiang Innovation Investment Group Co., Ltd.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Ren Zhixiang

Ren Zhixiang is currently a Non-executive Director of the Company. He holds a Doctoral degree and is a chief senior economist. Mr. Ren worked as the Deputy General Manager of Investment Banking Department of Zhejiang International Trust and Investment Co., Ltd., senior Director of Asset Management Department and chief economist, deputy Director and Director of Strategic Management and Legal Department of Zhejiang Provincial Energy Group Co., Ltd. He currently serves as deputy secretary of the Party Committee and General Manager of Zhejiang Energy Capital Holdings Co., Ltd., secretary of the Party Branch and Chairman of Zhejiang Zheneng Financial Leasing Co., Ltd., secretary of the Party Branch and Chairman of Shanghai Puneng Financial Leasing Co., Ltd., concurrently serves as the Vice Chairman of Zhesang Property and Casualty Insurance Company Limited, and a Director of Orient Securities Co., Ltd.

Hu Tiangao

Hu Tiangao is currently a Non-executive Director of the Company. He holds an EMBA degree. Mr. Hu served as Vice President of Dongyang Sub-branch, Bank of China. He is currently a Director and senior Vice President of Hengdian Group Holdings Limited; Director of Hengdian Group DMEGC Magnetics Co., Ltd., Apelo Pharmaceutical Co., Ltd., Innuovo Technology Co., Ltd., Hengdian Group Tospo Lighting Co., Ltd., Hengdian Entertainment Co., Ltd., Nanhua Futures Co., Ltd. and Zhejiang Xinna Material Technology Co., Ltd.

Ying Yuxiang

Ying Yuxiang is currently a Non-executive Director of the Company. He holds a master degree and is an economist. Mr. Ying served as an officer of the internet finance department and the retail finance department of the head office, the deputy manager of the retail finance department of Huangpu Sub-branch, the account manager and the deputy manager of the business hall of the business department of the head office, and the deputy manager and manager of the financial division II of Changning Sub-branch of the Shanghai Rural Commercial Bank; the assistant general manager and the deputy general manager of the equity investment division of Taiping Asset Management Company Limited. He is currently the deputy general manager (in charge of work) of the equity investment division of Taiping Asset Management Company Limited, and a non-executive director of Inner Mongolia Dian Tou Energy Corp Ltd.

Wang Wei

Wang Wei is currently an Independent Non-executive Director of the Company. He holds a doctoral degree and is a professor and doctoral supervisor. Mr. Wang has been teaching at School of Economics, Zhejiang University for a long time up to now, being a lecturer, associate professor, professor successively. He served as the deputy dean and deputy Director of the Academic Committee of School of Economics, Zhejiang University and the executive dean of Institute of Finance, Zhejiang University. He currently serves as a professor of School of Economics, Zhejiang University, the chief expert of Institute of Finance, Zhejiang University, the executive Vice President of Zhejiang Financial Association, and the Dean of Financial Institute of Zhejiang Province.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Xu Yongbin

Xu Yongbin is currently an Independent Non-executive Director of the Company. He holds a doctor degree and is a Level-2 professor and doctoral instructor. Mr. Xu has been teaching at the Zhejiang Gongshang University for a long time up to now; served as a lecturer, associate professor, professor and deputy dean of the Accounting Department of Hangzhou Business College; professor and dean of the Accounting College of Zhejiang Gongshang University; Vice President of the Accounting Society of Zhejiang Province and Vice President of the Auditing Society of Zhejiang Province. He is currently the Vice President of Zhejiang Association of CFO and the convener of Zhejiang Province Management Postgraduate Degree Teaching Committee.

Fu Tingmei

Fu Tingmei is currently an Independent Non-executive Director of the Company. He holds a doctor degree. Mr. Fu has previously served as the Vice President and deputy managing Director of Peregrine Capital (China) Limited, Hong Kong Branch; a Director of Peregrine Capital Limited; the deputy managing Director and the managing Director of BNP Paribas Peregrine Capital Limited, Hong Kong Branch; he currently serves as an Independent Director of Guotai Junan International Holdings Limited, COFCO Joycome Foods Limited, China Resources Pharmaceutical Group Limited and China Resources Medical Holdings Company Limited.

Shi Hao

Shi Hao is currently an Independent Non-executive Director of the Company. He holds a master degree. Mr. Shi was the head of SWIFT (International Settlement Network) Team of Bank of China; director of IBM Consulting Team of Bank of Montreal; management consultant of Wachovia; operation director of retail banking product of Minsheng Bank; managing director of Barclays Capital (Hong Kong); independent director of Guodian Nanjing Automation Co., Ltd.; deputy general manager of Investment Banking Department and chief representative of Canada Representative Office of Agricultural Bank of China; managing director and general manager of China of Moody's Investors Service, Inc. (China). He is currently a non-independent director of Jinke Property Group Co., Ltd.

Lou Weizhong

Lou Weizhong is currently an Independent Non-executive Director of the Company. He holds a master degree and is a chief senior economist. Mr. Lou once served as the Deputy Director of the Industrial Statistics Department of the Xiaoshan Municipal Bureau of Statistics; Chief of the Comprehensive Department of the Office of the People's Government of Xiaoshan City; Deputy Secretary of the Party Group (in charge of work) and President of the Xiaoshan Sub-branch of CITIC Industrial Bank Hangzhou Branch; Member of the Party Committee and the Assistant to President of CITIC Industrial Bank Hangzhou Branch, as well as the President of Xiaoshan Branch; Member of the Party Committee, Secretary of the Discipline Inspection Commission, and Vice President of CITIC Industrial Bank Hangzhou Branch (studied Political Economy at the Zhejiang Provincial Party School from September 2002 to July 2005); Member of the Party Committee, Vice President, and Risk Director of CITIC Bank Hangzhou Branch; Deputy Secretary of the Party Committee, Executive Vice President, and Risk Director of CITIC Bank Hangzhou Branch; Deputy Secretary of the Party Committee and Vice President of CITIC Bank Ningbo Branch (in charge of work); Secretary of the Party Committee and President of China CITIC Bank Ningbo Branch; Secretary of the Party Committee and President of CITIC Bank Hangzhou Branch, and Chief Specialist of CITIC Bank.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Supervisors

Wu Fanghua

Wu Fanghua serves as an employee supervisor of the Company. Mr. Wu holds a master degree and is a senior economist. Mr. Wu is currently the executive office director of the Supervisory Committee and member of the Disciplinary Committee of the Head Office of the Company. Mr. Wu has previously served as a loan officer of Industrial and Commercial Bank of China, Shaoxing Branch; the deputy manager of the personnel and administration department, the manager of the business department and the manager of the marketing department of Shaoxing Central Sub-branch, a General Manager assistant of Huzhou Central Sub-branch, the Deputy General Manager of Xiaoshan Sub-branch, the General Manager of Huzhou Central Sub-branch, the General Manager of Shaoxing Central Sub-branch and the Deputy General Manager of Zhejiang Branch of Ping An Property & Casualty Insurance Company of China; as well as the Deputy General Manager of Ping An Annuity Insurance Company of China, Ltd., Zhejiang Branch. Mr. Wu successively served as the Deputy General Manager of the Asset Management Department, the Deputy General Manager (headquarters) of the Interbank Business Department, the General Manager of the Interbank Business Department, the Deputy General Manager of the Financial Institutions Department (in charge of work) and the General Manager of the Interbank Business Department of China Zheshang Bank, and the secretary of the Party Committee and the President of Lanzhou Branch of China Zheshang Bank.

Peng Zhiyuan

Peng Zhiyuan is currently an employee supervisor of the Company. He holds a master degree and is an intermediate accountant. He is currently the General Manager of the International Business Development Center (Belt and Road Comprehensive Financial Services Center) of the Company, and a director of CZB Wealth Management. He once served as an accountant of the fund organization department of the business department of Yingtan Branch, a clerk and deputy chief clerk of the financial accounting department, the chief of the financial infrastructure section of Jiangxi Branch, a member of the Party Committee and Vice President of Ganzhou Branch, the Deputy General Manager (in charge of work) and General Manager of the financial accounting department of Jiangxi Branch, the secretary of the Party Committee and President of Ganzhou Branch, a member of Party committee and Vice President of Dalian Branch of the Agricultural Bank of China. He successively served as the General Manager of Nanchang business department, the secretary of Party committee and President of Nanchang Branch of China Zheshang Bank, the General Manager of the Planning and Finance Department and the General Manager of the Asset and Liability Management Department, the General Manager of the Planning and Finance Department and a member of the Party Committee of the headquarters of China Zheshang Bank.

Du Quan

Du Quan, is currently an employee supervisor of the Company. He holds a master degree and is a chief senior economist. He is currently the secretary of the Party Committee, President and compliance officer of the Company's Nanjing Branch. He served as an employee in the Planning and Credit Department and Comprehensive Planning Department of CITIC Bank Hangzhou Branch; the head of the Credit Assessment Office under Business Development Department of CITIC Bank Hangzhou Branch; the deputy manager of the Credit Assessment and Management Department of CITIC Bank Hangzhou Branch; the deputy manager of Business Department II under the Business Department of CITIC Bank Hangzhou Branch; the assistant general manager of Corporate Business Management Department of CITIC Bank Hangzhou Branch; the deputy general manager of the Credit Assessment Department and general manager of Risk Management Department of CITIC Bank Hangzhou Branch; the general manager of International Business Department of CITIC Bank Hangzhou Branch; the general manager

Information on Directors, Supervisors, Senior Management, Employees and Institutions

of Risk Management Department and deputy director of the Credit Assessment Committee of CITIC Bank Hangzhou Branch. He successively served as the deputy general manager of Risk Management Department (Compliance Department) and manager of the Risk Policy Centre (risk monitoring officers contact center) of China Zheshang Bank; a member of the Party Committee, the secretary of the Discipline Inspection Commission, a risk monitoring officer and vice president of the Shenzhen Branch of China Zheshang Bank; a member of the Party Committee, the secretary of the Discipline Inspection Commission, a risk monitoring officer, vice president and general manager of Credit Assessment Department of the Shenzhen Branch of China Zheshang Bank, the general manager of Development and Planning Department of China Zheshang Bank and the General Manager of Internal Control Compliance and Legal Department and member of the Party Committee of the Head Office.

Chen Zhong

Chen Zhong is currently an employee supervisor of the Company. She is an assistant economist with a bachelor degree. She is currently the Deputy Secretary of the Party Committee and vice president of the Company's Shanghai Branch. She served as an employee of Lanzhou Yantan Industrial City Industrial Co, Ltd.; an officer of the People's Bank of China Huining County Branch, Supervisory Division I of Baiyin sub-division of the CBRC and State-owned Bank Supervision Department II in the CBRC Gansu Bureau; an associate chief officer of State-owned Bank Supervision Department II in the CBRC Gansu Bureau; an associate chief officer of On-site Inspection Department II in the CBRC Gansu Bureau; the chief officer of On-site Inspection Department II and City Commercial Banks Regulatory Department in the CBRC Gansu Bureau. She successively served as a second level senior manager of On-site Audit Centre II under Audit Department of China Zheshang Bank; the general manager of On-site Audit Centre II under Audit Department of China Zheshang Bank; the assistant general manager of the Audit Department and general manager of On-site Audit Centre II under Audit Department of China Zheshang Bank; the assistant general manager of Audit Department of China Zheshang Bank; the assistant general manager of Audit Department and general manager of Regulatory Affairs Centre of China Zheshang Bank; the deputy general manager of Audit Department and general manager of Regulatory Affairs Centre of China Zheshang Bank; the deputy general manager of Audit Department and general manager of Audit Department Nanjing Branch, and general manager of the Audit Department and member of the Disciplinary Committee of the Head Office.

Ma Xiaofeng

Mr. Ma Xiaofeng is a shareholder supervisor of the Company. He holds a master degree and is a senior economist. He is currently a member of the Party Committee and Deputy General Manager of Zhejiang China Textile City Group Co., Ltd., and manager and executive Director of Shaoxing China Textile City Financial Holdings Co. Ltd. He was the business manager of Shaoxing Branch of PICC Property and Casualty Company Limited; project research assistant of the investment management department, an assistant to the manager of the corporate management department, a deputy manager of the corporate management department (in charge of work) of Zhejiang China Textile City Group Co., Ltd., a Deputy General Manager of the Beilian market branch (temporary position), an employee supervisor, a manager of the investment securities department and a representative of securities affairs of the company; and Secretary to the Board of Directors and director of Zhejiang China Textile City Group Co., Ltd.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Wang Junbo

Mr. Wang Junbo is a shareholder supervisor of the Company. He holds a master degree and is a senior economist. Currently, he is the Deputy Secretary of the Party Committee, deputy general manager, chief financial officer, and executive director of Xintai Life Insurance Co., Ltd. He served as a staff member of the finance center and a deputy director of the finance department of Zhejiang Wuchan Yuantong Mechanical and Electrical (Group) Co., Ltd., the manager of the investment department and deputy manager of the finance department of Zhejiang Shunda Import and Export Trading Company Limited, the assistant to the director and deputy general manager of the capital operation management center of Zhejiang Wuchan Group Co., Ltd., member of the Party Branch, deputy general manager, chairman of the labor union and employee director of Wuchan Zhongda Group Finance Co., Ltd., general manager of the financial department of Wuchan Zhongda Group Co., Ltd., and chief financial officer of Xintai Life Insurance Co., Ltd.

Zhang Fanquan

Mr. Zhang Fanquan is an external supervisor of the Company. He holds a master degree and is a senior accountant. Mr. Zhang previously served as the deputy Director of the credit card department, the vice division chief of the funds raising division and deposit division and the Deputy General Manager of the market development department of Hangzhou Branch of Agricultural Bank of China; the division chief of the finance division of Hangzhou office and a Party member, Deputy General Manager, secretary of the commission of discipline inspection of Shenzhen office of China Great Wall Asset Management Corporation; the Director and Deputy General Manager of Shenzhen Great Wall Guosheng Investment Holding Co., Ltd.; the secretary of Party Committee and General Manager of Hangzhou office, and the secretary of Party Committee and General Manager of Zhejiang Branch (formerly Hangzhou office) of China Great Wall Asset Management Corporation; the chief operation officer of China Great Wall Asset Management Co., Ltd., and the secretary of Party Committee and Chairman of Great Wall Guofu Real Estate Co., Ltd.

Wang Congcong

Mr. Wang Congcong is an external supervisor of the Company. He is a doctor and Professor. Mr. Wang is currently a professor and doctoral supervisor of the School of Finance, Zhejiang University of Finance & Economics. He is also a member of the 13th Zhejiang Chinese People's Political Consultative Conference, a member of Zhejiang CDL Provincial Committee, the deputy director of the Financial Special Committee of Zhejiang CDL Provincial Committee, the chairman of CDL Committee of Zhejiang University of Finance & Economics, the special supervisor of the Zhejiang High People's Court, a member of the Chinese People's Political Consultative Conference in Qiantang District, Hangzhou, an independent director of Zhejiang Mintai Bank Co. Ltd. and an independent director of Yuyao Rural Commercial Bank. He served as the deputy dean of the School of Finance, the director of International Exchange and Cooperation Office (director of Hong Kong, Macao and Taiwan Work Office), and the dean of School of Finance, Zhejiang University of Finance & Economics.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Chen Sanlian

Mr. Chen Sanlian is an external supervisor of the Company. He holds a master degree. He is currently a Vice Chairman of Zhejiang Lawyers Association, an arbitrator of China International Economic and Trade Arbitration Commission, a standing committee member of Zhejiang Chinese People's Political Consultative Conference, an expert committee member of the Judge and Prosecutor Selection and Disciplinary Committee of Zhejiang Province, etc.; and also Independent Director of Zhejiang Jinggong Science & Technology Co., Ltd. and Wuchan Zhongda Group Co., Ltd. Mr. Chen once served as a cadre of the lawyer administration division of the Ministry of Justice of Zhejiang Province; an associate editor-in-chief of Lawyer and Legality; the general secretary of Zhejiang Lawyers Association; independent director of Hengyi Petrochemical Co., Ltd., and independent director of Zhejiang Weixing Intelligent Instrument Co., Ltd.

Senior Management

Lyu Linhua

Lyu Linhua is currently the Deputy Secretary of the Party Committee, executive Director, President and Chief Compliance Officer¹ of the Company. He holds a master degree and is a senior economist. Mr. Lyu has previously served as the Assistant Director of the Statistical Research Division, Assistant Director, Deputy Director, and Director of the Office (Party Committee Office) of the Zhejiang Regulatory Bureau of the China Insurance Regulatory Commission; Director of the Policy and Regulation Division, Director and First-Level Researcher of the Office (Party Committee Office, Party Committee Inspection Office) of the Zhejiang Regulatory Bureau of the China Banking and Insurance Regulatory Commission; Member of the Party Committee and Vice President of Zhejiang Rural Commercial United Bank.

Jing Feng

Mr. Jing Feng is currently a Party Committee member and Vice President of the Company, and Secretary of the Party Committee and President of Hangzhou Branch. He has a master degree, and is a senior economist, and a certified public accountant in the United States. Mr. Jing worked as the Deputy General Manager and General Manager of planning and finance department of Suzhou Branch, China Minsheng Bank, finance specialist of corporate financial business department of China Minsheng Bank; Deputy General Manager of Jiangsu business department of China Zheshang Bank, member of the Party Committee and Vice President of Nanjing Branch, China Zheshang Bank; Deputy General Manager (in charge of work) and General Manager of Finance and Accounting Department, General Manager of Asset and Liability Management Department of China Zheshang Bank, as well as the CFO of China Zheshang Bank.

Luo Feng

Mr. Luo Feng is currently a Party Committee member, the Vice President, and Secretary to the Board of Directors of the Company. He holds a doctor degree. Mr. Luo worked as manager assistant of financial market research center of treasury department, manager assistant of business management center, deputy manager and manager of business management center (research center) of treasury department, risk monitoring officer and General Manager assistant of treasury department, manager of risk management center, Deputy General Manager and Deputy General Manager (in charge of work) of treasury department of China Zheshang Bank, General Manager of Financial Market Department of China Zheshang Bank, and assistant to President of China Zheshang Bank.

1 On April 10, 2026, the qualification of Mr. Lyu Linhua as a Director and the President had been approved by the National Financial Regulatory Administration, and Mr. Lyu Linhua's appointment as the Chief Compliance Officer of the Company took effect simultaneously.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Zhou Weixin

Mr. Zhou Weixin is currently a Party Committee member and Assistant to President (proposed Vice President) of the Company. He has a bachelor degree, and is an economist and senior certified credit analyst. Mr. Zhou has previously served as the Vice President (in charge of work) and President of Lin'an Sub-branch of Bank of China, the President of Gaoxin Sub-branch, Hangzhou of Bank of China, the Director of Hangzhou corporate business center under the corporate business department of Zhejiang Branch of Bank of China, the President of Qingchun Sub-branch, Hangzhou of Bank of China, the secretary of the Party Committee and the President of Zhoushan Branch of Bank of China, the General Manager of the risk management department, Director of the executive office, and the General Manager of the personal banking department of Zhejiang Branch of Bank of China, as well as a member of the Party Committee and the Vice President of Anhui Branch of Bank of China (during which period he served as Member of the Party Leadership Group and vice mayor of Bengbu City from November 2019 to December 2021 under temporary assignment); President of Zhejiang Business Headquarter of China Zheshang Bank.

Pan Huafeng

Mr. Pan Huafeng is currently a Party Committee member, Assistant to President (proposed Vice President) and Chief Risk Officer of the Company. He has a bachelor degree, and is an economist. Mr. Pan once served as the Deputy Section Chief of the Management Section of the Credit Management Department and the Section Chief of the Management Section of the Risk Management Department of Bank of China Ningbo Branch, the Vice President of Bank of China Yinzhou Sub-branch, and the Deputy Director (in charge of work) and Director of the Risk Management Department of Bank of China Ningbo Branch; Member of the Party Committee, Deputy Secretary of the Discipline Inspection Commission, Risk Monitoring Officer, Assistant to President, Vice President, Secretary of the Discipline Inspection Commission, Party Committee Secretary, and President of China Zheshang Bank Ningbo Branch, Director of the New Capital Office and General Manager of the Risk Management Department of China Zheshang Bank.

6. Profile of new or proposed Directors, Supervisors and Senior Management and information of their positions and concurrent appointments as of the date of this report

Zheng Xingang

Zheng Xingang is a Non-executive Director (proposed) of the Company. He holds a master degree and is a chief senior economist. Mr. Zheng previously served as the deputy manager of the capital operation department, the deputy manager of the investment development department, and the director of the board office of Hengyi Petrochemical Co., Ltd. He is currently the Vice President, Secretary to the Board of Directors, and Chief Financial Officer of Hengyi Petrochemical Co., Ltd., and a Director of Zhejiang Baling Hengyi Caprolactam Co., Ltd.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Yang Zhaohui

Yang Zhaohui is a Non-executive Director (proposed) of the Company. He has a university education level and is an intermediate economist. Mr. Yang previously served as the deputy head of the human resources department of Ningbo Port Company Limited, the Deputy Secretary of the Party Committee, Deputy General Manager, Secretary of the Discipline Inspection Commission, and Chairman of the Labor Union of the Beilun Second Container Terminal Branch of Ningbo Port Company Limited, and the head of the corporate management department of Ningbo Zhoushan Port Company Limited. He is currently the head of the corporate management department of Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. and Ningbo Zhoushan Port Group Company Limited.

Wu Zhijun

Wu Zhijun is a Non-executive Director (proposed) of the Company. He holds a doctor degree and is an economist. Mr. Wu served as a senior staff member of the business department of the Hubei Branch of China Construction Bank; the deputy director and then director of the statutory business department of China Reinsurance Corporation; the deputy party secretary and deputy general manager of Wuhan Branch of China Continent Property & Casualty Insurance Co., Ltd.; the party secretary and general manager of Shenzhen Branch of China Continent Property & Casualty Insurance Co., Ltd.; the deputy general manager of corporate business department and investment banking department of Agricultural Bank of China; the deputy general manager of ABC Life Insurance Co., Ltd.; a director, supervisor and chairman of supervisory committee of Minsheng Tonghui Asset Management Co., Ltd.; a director of Allinpay Network Services Co., Ltd.; the chairman of the board of Tonghui Kangyanglv Company; a supervisor and chairman of supervisory committee of Pu-Xing Energy Limited; the chief operating officer, executive president, compliance officer, financial officer, chief risk officer and interim compliance officer of Minsheng Life Insurance Co., Ltd. He is currently an executive director, general manager and financial officer of Minsheng Life Insurance Co., Ltd.; concurrently serves as a supervisor of Allinpay Network Services Co., Ltd.; and a director and chairman of Minsheng Tonghui Asset Management Co., Ltd.

7. Remuneration policies for Directors, Supervisors and Senior Management

The remuneration of the Directors of the Company is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the Nomination and Remuneration Committee under the Board of Directors and submitted to the Board of Directors for approval, and submitted to the general meeting for approval after being approved by the Board of Directors.

The remuneration of the Supervisors of the Company is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the Nomination Committee under the supervisory committee and submitted to the supervisory committee for approval, and submitted to the general meeting for approval after being approved by the supervisory committee. The Company provides remuneration for external supervisors in accordance with the "Proposal on Adjusting the Allowances of Independent Directors and External Supervisors"; shareholder supervisors of the Company do not receive remuneration from the Company.

The Company's appraisal of the senior management is based on their performance in completing the decisions, strategic targets and plans of the Board of Directors and whether they are actively and effectively protecting the interests of the Company and the Shareholders, and it is implemented by the Board of Directors.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

The incentive and restraint mechanism of the Company is mainly embodied in the distribution mechanism for the senior management. The remuneration of the senior management is linked with the appraisal indicators of the Board of Directors, in order to combine the target incentive with responsibility restraint, ensure the alignment of the remuneration payment with the long-term interests of the Company, and better encourage the senior management to contribute to the steady and sustainable development of the Company. The evaluation and remuneration payment plan for the senior management shall be reviewed by the Nomination and Remuneration Committee under the Board of Directors, and then approved and implemented by the Board of Directors annually, and disclosed according to the relevant requirements. When the Board of Directors reviews resolutions relating to the remuneration of the senior management, all related directors will abstain from voting.

(II) Employees and Remuneration Policies

As of the end of the reporting period, the Group had 25,016 employees (including dispatched employees, outsourced personnel and employees of the subsidiaries of the Company), representing a decrease of 210 as compared with that at the end of last year. Divided by the position types, 10,727 employees of the Group were categorized as marketing personnel, 1,768 employees as counter personnel, and 12,521 employees as mid-office and back-office personnel; divided by the educational levels, 6,658 obtained post-graduate degree or above (including 108 with doctorate degree), 16,945 obtained bachelor degree, and 1,413 obtained college degree or below. All of our employees participate in basic social pension insurance, and as of the end of the reporting period, 466 employees had retired from the Group.

The Company's remuneration policy is guided by its growth strategy and the people-oriented concept with unified and classified management by adhering to the principle of marketization and in accordance with the single-level legal person system. The Company continues to improve the linkage mechanism of remuneration level with performance capabilities of individual positions and personal operational performance, and strives to set up a remuneration management system that reflects internal fairness and external competitiveness, promotes the co-growth of employees and the Company, focuses equally on incentives and restraints, gives attention to both position value, contribution and long-term incentives, and matches the change in remuneration with the market rate and economic benefits.

The Company's remuneration policy coordinates well with the risk management system, and is matched with its size as well as the nature and complexity degree of its business. Specifically, the total amount of remuneration allocated by the Company to its branches is linked with the realization status of overall benefits by such branches and the Company takes into account various kinds of risk factors so that the branch outlets would strive for risk-adjusted value creation as the orientation and that long-term performance would be improved. Furthermore, the remuneration paid to employees is linked with the responsibilities and risk degree associated with the employee's post and different kinds of appraisal and performance allocation methods are applied to different types of employees, which appropriately tilted to the marketing position, and relevant mechanisms for the deferment payment and claw-back of performance-based remuneration have been established in accordance with the internal control principles of prudent operations and strengthened constraints. During the reporting period, the Company implemented 970 claw-backs of performance-based remuneration, recovering a total amount of performance-based remuneration of RMB13.6873 million. For employees in the risk and compliance departments of the Company, their remuneration is determined by taking into account their position value, abilities to perform duties and other factors, and such remuneration is not directly related to the matters under their regulation and remains independent of other business segments.

Information on Directors, Supervisors, Senior Management, Employees and Institutions

(III) Employees Training

In line with its business development strategy, the Company adhered to internal talent cultivation as the main thread and advanced the construction of a hierarchical and categorized whole life cycle training system. Focusing on cutting-edge fields such as artificial intelligence (AI), we innovatively launched training programs and courses; focusing on key talent cultivation, we deepened various training such as cadre leadership, new managers, outstanding young backbones, campus-recruited college students, and general skills; using the “Good Teachers and Good Courses” competition as a platform, we accelerated the building of a professional and tiered internal trainer team; we strengthened the guarantee of digital and intelligent training platforms, optimized training line management, and stimulated training effectiveness in all aspects. During the reporting period, the Bank organized a total of 3,151 training programs with 939,700 attendances.

(IV) Information on Institutions

As at December 31, 2025, the Bank’s institutions were as follows:

Region	Name of institution	Business address	Number of institutions	Number of employees (person)	Total assets (RMB million)
Yangtze River Delta Area	Head Office	No. 1 Minxin Road, Shangcheng District, Hangzhou, Zhejiang	1	5,014	1,082,166
	Small Enterprise Credit Center	No. 76 Huancheng West Road, Gongshu District, Hangzhou, Zhejiang	1	56	–
	Fund Operation Center	Floor 30 and 31, No. 1, Lane 1500, Pudong Avenue, Pudong New District, Shanghai	1	102	886,502
	Hangzhou Branch	No. 288 Qingchun Road, Gongshu District, Hangzhou, Zhejiang	64	3,132	436,170
	Shanghai Branch	Floor 501, 6-10, 23, 27-29, 32-33, 35-36, No. 1 Lane 1500 Pudong Avenue, and Room 101, Floor 1, No. 1558 Pudong Avenue, Pudong New District, Shanghai	16	1,113	205,697
	Nanjing Branch	No. 9 Zhongshan North Road, Nanjing	34	1,580	165,725
	Ningbo Branch	No. 128 Wenkang Road, No. 555 Yangfan Road, Gaoxin District, Ningbo	20	835	96,045
	Suzhou Branch	No. 5 Xingdun Lane, Industrial Park Zone, Suzhou	11	607	68,472
	Hefei Branch	Block A16, Financial Harbour Center, No. 4872, Huizhou Avenue, Binhu New District, Hefei	6	407	37,315
	Shaoxing Branch	No. 1418 Jinkeqiao Avenue, Keqiao District, Shaoxing	10	563	69,943

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Region	Name of institution	Business address	Number of institutions	Number of employees (person)	Total assets (RMB million)
	Wenzhou Branch	Zheyin Building, No. 388 Wanghai Road, Binjiang Street, Lucheng District, Wenzhou, Zhejiang	14	601	61,192
	Jinhua Branch	1-13/F and 21-22/F, Unit 1, Block 9, Jinhua Information Economy Industrial Park, No. 1313 Liyu Road, Xiguan Street, Wucheng District, Jinhua, Zhejiang	11	450	45,091
	Zhoushan Branch	No. 88, Lvdao Road, Qiandao Streets, Dinghai District, Zhoushan, Zhejiang	4	126	13,001
Bohai Rim Region	Beijing Branch	Huajia Jinbao Complex, No. 269, Chaoyangmen South Street, Dongcheng District, Beijing	24	1,238	186,907
	Jinan Branch	No. 801, Caoshanling South Road, Lixia District, Jinan, Shandong	21	1,105	110,042
	Tianjin Branch	Overseas Chinese Building, Extension No. 1, No. 92, Nanjing Road, Heping District, Tianjin	13	496	36,077
	Shenyang Branch	No. 467, Shifu Road, Shenhe District, Shenyang	6	343	26,998
Pearl River Delta and Western Coast of Taiwan Strait	Guangzhou Branch	No. 921 and 933 Guangzhou South Avenue, Haizhu District, Guangzhou	17	1,064	102,995
	Shenzhen Branch	(1-4/F, 6/F) Lianhezongbu Building, Hightech District, Xuefu Road, Nanshan Street, Nanshan District, Shenzhen	16	931	101,209
	Fuzhou Branch	Huawei Building, No. 169, Nanjiang Binxi Avenue, Cangshan District, Fuzhou, Fujian	2	198	18,630
Midwestern Region	Chengdu Branch	Building 1, Jinjiang Spring, No. 299 Yong'an Road, Jinjiang District, Chengdu	14	646	63,992
	Xi'an Branch	Building 3, Taihua Jinmao Guoji, No. 16, Fenghui South Road, Yanta District, Xi'an	15	675	63,230
	Chongqing Branch	Block 3, No. 67, Middle Section of Huangshan Avenue, Yubei District, Chongqing	10	590	56,247
	Wuhan Branch	Zhesang Bank Building (Pacific Finance Plaza), No. 548, 550, 552, 556, Jianshe Avenue, Jiangnan District, Wuhan, Hubei	7	427	37,779

Information on Directors, Supervisors, Senior Management, Employees and Institutions

Region	Name of institution	Business address	Number of institutions	Number of employees (person)	Total assets (RMB million)
	Zhengzhou Branch	No. 8 Middle Ring Road, Finance Island, Zhengzhou Area (Zhengdong), Henan Pilot Free Trade Zone, Zhengzhou, Henan	9	431	38,114
	Changsha Branch	18-23/F of Block C1, G/F of Block C2, Unit 141-142 of 1/F, Unit 248-249 of 2/F, Forte Binjiang Yuefu, No. 751, Section 3, Xiaoxiang North Road, Guanshaling Street, Hunan Xiangjiang New Area, Changsha	7	359	34,090
	Nanchang Branch	1-2/F, 14-20/F, Office Building No. 35, Alpha X, No. 1, Xuefu Road, Honggutan New District, Nanchang, Jiangxi	4	319	30,422
	Lanzhou Branch	No. 1888, Nanchang Road, Chengguan District, Lanzhou	8	373	24,477
	Hohhot Branch	No. 8, Chilechuan Street, Saihan District, Hohhot	3	264	25,145
	Guiyang Branch	No. 88, Yan'an Road Central, Yunyan District, Guiyang	2	137	13,451
	Taiyuan Branch	Part of 1/F and 2-7/F, Block A, No. 163 Jinyang Street, Xiaodian District, Taiyuan, Shanxi	1	142	24,803
	Nanning Branch	20-21/F, Block A, China Resources Building, No. 136-1 Minzu Avenue, and No. B1028-1031, -1/F, 136-6 Xingfu Lane, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region	1	145	13,904
Overseas Institution	Hong Kong Branch	15/F, Three Exchange Square, No. 8 Connaught Place, Central, Hong Kong	1	107	63,293
Subsidiary	Zheyin Financial Leasing	No.368 Yan'an Road, Gongshu District, Hangzhou, Zhejiang	1	283	90,367
	CZB Wealth Management	20-22/F, Block 2, Zhejiang Chamber of Commerce Building, No. 939 Minhe Road, Ningwei Street, Xiaoshan District, Hangzhou, Zhejiang	1	157	2,644
	Offset balance and intra-group elimination				-851,043
Total			376	25,016	3,481,092

Directors' Report

(I) Our Principal Business

The Company's principal business is to provide banking and related financial services.

(II) Business Review

For the business review of our Company, please refer to the relevant sections, among others, "Description of Major Risks and Uncertainties", "Future Development" are set out in the section headed "Management Discussion and Analysis"; "Major Events Occurred after the Reporting Period" is set out in the section headed "Significant Events"; "Key Financial Performance Indicators" is set out in the section headed "Financial Summary" and financial statements; "Compliance with Relevant Laws and Regulations Which Could Materially Affect the Company" is set out in "Compliance with the Laws and Regulations" in this section; and "Explanation on Important Relationship between Employees, Customers and Suppliers" is set out in "Major Customers" in this section and the section headed "Information on Directors, Supervisors, Senior Management, Employees and Institutions". Please refer to "Performance of Social Responsibilities" in this section for the information on "Environmental Policy and Performance".

(III) Profit and Dividend Distribution

1. The Company's profit distribution policy

According to the Articles of Association, our profit distribution policy is:

- (1) The Company shall distribute profits after income tax in the following order:
 - To make up for the losses of previous years;
 - To appropriate 10% as statutory reserve fund;
 - To make provision for general risk reserve;
 - To appropriate discretionary reserve fund; and
 - To pay dividends to shareholders.
- (2) The Company may distribute profits in the form of cash, shares or other forms approved by competent regulatory authorities.
- (3) After the profit distribution plan is adopted at the general meeting of the Company, the Board shall finish distributing profits within two months after the general meeting.

Directors' Report

- (4) Cash dividends and other payments made by the Company to the holders of A Shares shall be denominated, declared and paid in RMB. Cash dividends and other payments made by the Company to the holders of H Shares shall be denominated and declared in RMB and paid in Hong Kong dollars. The formulation and implementation of our policy on cash dividend are in compliance with the requirements of the Articles and Association and the resolutions passed at the general meeting. The standards and proportion of dividends declaration are clear and explicit and the procedures and mechanism of decision making are well-organized, and have been considered and approved by the Independent Non-executive Directors. Minority Shareholders may fully express their opinions and requirements, and their legitimate interests have been fully protected.

2. Profit distribution proposal for the year

The results of the Company for the year ended December 31, 2025 are set out in the section headed "Notes to Consolidated Financial Statement" in this report.

The Board of Directors of the Company has recommended to declare a cash dividend for 2025 at RMB1.31 (tax inclusive) for every 10 shares, which shall be paid in RMB to the holders of A Shares and in Hong Kong dollars to the holders of H Shares. The above dividend distribution proposal is subject to consideration and approval at the 2025 annual general meeting of the Company.

If approved, the final dividend distribution of the Company for 2025 will be denominated and declared in RMB and paid in RMB for A Shares and in equivalent Hong Kong Dollar for H Shares. The exchange rate of Hong Kong Dollar against RMB is calculated based on the average central parity rate of RMB to Hong Kong Dollar as announced by the People's Bank of China on the website for seven business days immediately before the date of the Company's 2025 annual general meeting.

The dividend is expected to be paid before July 31, 2026, subject to the approval of the final dividend payment arrangement by the Shareholders by way of ordinary resolution. Information regarding the record date and book closure date to determine the entitlement to the final dividend and attendance of 2025 annual general meeting of the Company will be announced in due course.

3. Cash dividends for ordinary shares in the past three years

Item	2025	2024	2023
Cash dividend for every 10 shares (tax inclusive, in RMB)	1.31	1.56	1.64
Cash dividend (tax inclusive, in RMB million)	3,598	4,284	4,504
Net profit attributable to ordinary shareholders of the Bank (in RMB million)	11,968	14,223	14,085
Percentage of cash dividend (%)	30.06	30.12	31.98

Directors' Report

4. Dividend tax

(1) Holders of A Shares

In accordance with the Notice on Relevant Issues Regarding the Implementation of the Policy of Differentiated Individual Income Tax for Stock Dividends from Listed Companies issued by the Ministry of Finance, State Administration of Taxation and the CSRC (Cai Shui [2012] No. 85) and the Notice on Relevant Issues Regarding the Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (Cai Shui [2015] No. 101), for the Relevant Individuals who have held the shares, where the holding period is less than one month (inclusive), the full amount of dividends shall be counted as taxable income; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income and where the holding period is more than one year, the dividends is temporarily exempted from individual income tax. The individual income tax rate of 20% shall be applicable for all incomes mentioned above. For the dividends obtained from a listed company by a securities investment fund, individual income tax is also levied in accordance with the requirements above.

According to Article 26.2 of the Enterprise Income Tax Law of the PRC, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises shall be tax-free.

According to Article 83 of the Implementation Rules of Enterprise Income Tax Law of the PRC, dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises as referred in Article 26.2 of the Enterprise Income Tax Law of the PRC refer to those proceeds obtained from direct investment of resident enterprises into other resident enterprises. The term "equity investment income such as equity and dividends" as mentioned in Article 26.2 of the Enterprise Income Tax Law of the People's Republic of China does not include the proceeds from holding the stocks of the resident enterprises that were obtained through public offering or through trading in the stock market for less than 12 months on a continuing basis.

According to the Enterprise Income Tax Law of the PRC and its implementation rules, dividend income obtained by non-resident enterprises shall be levied at a preferential enterprise income tax rate of 10%.

(2) Holders of H Shares

According to the Enterprise Income Tax Law of the PRC and its implementation rules, both effective on January 1, 2008, the Company shall withhold and pay enterprise income tax at the rate of 10% before distributing dividends to non-resident enterprise Shareholders whose names appear on the Bank's register of members for H Shares.

According to the Notice on Collection of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348), the Company shall withhold and pay individual income tax for individual holders of the H Shares.

If the individual holders of the H Shares are Hong Kong or Macau residents or residents of other countries or regions that have a tax rate of 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders.

Directors' Report

If the individual holders of the H Shares are residents of countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. If such Shareholders wish to claim refund of the amount in excess of the individual income tax payable under the tax treaties, the Company can apply on behalf of the Shareholders according to the relevant tax treaties for the relevant agreed preferential tax treatment, provided that the relevant Shareholders submit the relevant documents and information in a timely manner required by the Administrative Rules on Enjoying Treatment under Taxation Treaties by Non-resident Taxpayers (State Administration of Taxation Announcement 2019, No. 35) and the provisions of the relevant tax treaties. The Company will assist with the tax refund subject to the approval of the competent tax authority.

If the individual holders of the H Shares are residents of countries or regions that have a tax rate higher than 10% but lower than 20% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the applicable tax rates stated in such taxation treaties on behalf of such Shareholders.

If the individual holders of the H Shares are residents of countries or regions that have a tax rate of 20% under the tax treaties with the PRC, or that have not entered into any taxation treaties with the PRC, or otherwise, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such Shareholders.

(IV) Donations

During the reporting period, the Group's external donations amounted to RMB51.1018 million.

(V) Major Customers

During the reporting period, the proportion of the Group's total operating income attributable to our five largest customers did not exceed 30% of the total operating income of the Group.

(VI) Purchase and Sale and Redemption of Securities

During the reporting period, the Company and its subsidiary did not purchase, sell or redeem any of the Company's listing securities (including sale of treasury shares).

As of the end of the reporting period, the Company did not hold treasury shares.

(VII) Pre-Emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association and the PRC laws.

(VIII) Public Float

Based on the public information available to the Company and to the knowledge of the Directors, as of the Latest Practicable Date prior to the issue of this report, the Company had met the public float requirement of the Hong Kong Listing Rules.

Directors' Report

(IX) Equity-Linked Agreements

No equity-linked agreements were entered into by the Company during the year ended December 31, 2025.

(X) Material Connected Transactions

Connected Transactions Related to Daily Operations

The Company carried out the connected transactions in accordance with the relevant requirements of regulatory authorities at home and abroad, i.e. the Administrative Measures for Related Party Transactions of Banking and Insurance Institutions, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, Self-regulatory Guidelines for Listed Companies on the Shanghai Stock Exchange No. 5 – Transaction and Related Party Transaction and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The connected transactions were conducted on normal commercial terms. The terms of transactions were fair and reasonable and in the benefits of the Company and the shareholders as a whole.

During the reporting period, at the fourth meeting of the seventh session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Zhejiang Provincial Financial Holdings Group, approving to grant maximum comprehensive credit lines of RMB14.136 billion to the former Zhejiang Provincial Financial Holdings Group, of which RMB7.95 billion was considered and approved at the meeting. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Announcement Number: 2025-014) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the fourth meeting of the seventh session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Zhejiang Energy Group, approving to grant maximum comprehensive credit lines of RMB8.15 billion to Zhejiang Energy Group and its related parties, of which RMB7.6 billion was considered and approved at the meeting. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Announcement Number: 2025-014) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the fourth meeting of the seventh session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Hengdian Group, approving to grant maximum comprehensive credit lines of RMB4.91 billion to Hengdian Group and its related parties. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Announcement Number: 2025-014) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the fourth meeting of the seventh session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Orient Securities Co., Ltd., approving to grant maximum comprehensive credit lines of RMB8 billion to Orient Securities Co., Ltd. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Announcement Number: 2025-014) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

Directors' Report

During the reporting period, at the fourth meeting of the seventh session of the Board, the Company considered and passed the Proposal on the Pre-approval Amount of Deposit-type Related Transactions of China Zheshang Bank Co., Ltd. for the Year 2025, and agreed with the pre-approval amount of non – demand deposits of related parties for the year 2025 as formulated by the Company. For details, please refer to the Announcement of China Zheshang Bank Co., Ltd. on the Pre-approval Amount of Deposit-type Related Transactions for 2025 (Announcement Number: 2025-015) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the sixth meeting of the seventh session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Zhejiang Provincial Innovation Investment Group, approving to grant maximum comprehensive credit lines of RMB15.136 billion to Zhejiang Provincial Innovation Investment Group. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Announcement Number: 2025-050) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the sixth meeting of the seventh session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of China Taiping Insurance Group, approving to grant maximum comprehensive credit lines of RMB13.745 billion to the related parties of China Taiping Insurance Group, of which the maximum comprehensive credit lines of the 5 credit receivers at the meeting was RMB12.785 billion. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Announcement Number: 2025-050) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the sixth meeting of the seventh session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Zhejiang Hengyi Group, approving to grant maximum comprehensive credit lines of RMB5 billion to Zhejiang Hengyi Group. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Announcement Number: 2025-050) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the sixth meeting of the seventh session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Shaoxing Keqiao District State-owned Assets Holding Group, approving to grant maximum comprehensive credit lines of RMB9.9 billion to Shaoxing Keqiao District State-owned Assets Holding Group. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Announcement Number: 2025-050) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the sixth meeting of the seventh session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Zhejiang Zheyin Financial Leasing Co., Ltd., approving to grant maximum comprehensive credit lines of RMB20 billion to Zhejiang Zheyin Financial Leasing Co., Ltd. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Announcement Number: 2025-050) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

Directors' Report

During the reporting period, at the seventh meeting of the seventh session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Zhejiang Seaport Group, approving to grant maximum comprehensive credit lines of RMB6.23 billion to Zhejiang Seaport Group, of which the newly added maximum comprehensive credit lines for the 5 credit receivers at the meeting was RMB3.87 billion. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Announcement Number: 2025-061) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

Details of related party transactions entered into by the Company as of December 31, 2025 are set out in "Notes to Consolidated Financial Statements – Related Party Relationship and Transactions".

Connected Transactions in Acquisition and Disposal of Assets or Equity

During the reporting period, the Company did not conduct any connected transaction involving the acquisition and disposal of assets or equity.

Connected Transactions in relation to Joint External Investment

During the reporting period, at the fifth extraordinary meeting of the seventh session of the Board of Directors of the Company in 2025, the "Proposal on Connected Transaction of Capital Increase by the Bank in Zhejiang Zheyin Financial Leasing Co., Ltd." was considered and passed, whereby the Company and Houshan Marine Comprehensive Development and Investment Co., Ltd. intended to jointly increase the capital of Zhejiang Zheyin Financial Leasing Co., Ltd., and the Company's related party Zhejiang Provincial Innovation Investment Group Co., Ltd. would not participate in this capital increase subscription. The Company intended to make a maximum capital contribution of not more than RMB1.02 billion this time. For further details, please refer to the "Announcement of China Zheshang Bank Co., Ltd. on Proposed Capital Increase in a Controlling Subsidiary and Connected Transaction" (Announcement Number: 2025-036) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn). As of September 1, 2025, the Company has completed the signing of the capital increase subscription agreement with Zheyin Financial Leasing. For further details, please refer to the "Announcement on the Progress of Capital Increase in a Controlling Subsidiary and Connected Transaction of China Zheshang Bank Co., Ltd." (Announcement Number: 2025-044) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

Connected Creditor's Rights and Liabilities

During the reporting period, the Company did not have any non-operational connected creditor's rights and liabilities.

(XI) Transactions, Arrangements or Contractual Interest and Service Contracts of Directors and Supervisors

During the reporting period, the Directors or Supervisors or any entities connected with the Directors or Supervisors had no material interest, directly or indirectly, in any significant transactions, arrangements or contracts entered into by the Company with respect to the Company's business. None of the Directors and Supervisors has entered into any service contract with the Company that is not terminable by the Company within one year without payment of compensation (excluding statutory compensation).

Directors' Report

(XII) Information on Directors, Supervisors and Senior Management

Details of the Directors, Supervisors and senior management of the Company are set out in the section headed "Information on Directors, Supervisors, Senior Management, Employees and Institutions" in this annual report.

(XIII) Interests Owned by the Directors, Chief Executive and Supervisors in the Company

As at December 31, 2025, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (as defined in the SFO), which are required to be notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including the interests or short positions which the Directors, Supervisors and chief executives of the Company are taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code set out in Appendix C3 to the Hong Kong Listing Rules, were as follows:

Name	Position	Class of shares	Long/short position	Capacity	No. of Shares (shares)	Percentage	Percentage
						of the relevant class of issued shares (%)	of the total ordinary shares in issue (%)
Chen Haiqiang	Chairman, Executive Director	A Share	Long position	Beneficial Owner	918,200	0.0043	0.0033
Ma Hong	Executive Director	A Share	Long position	Beneficial Owner	180,970	0.0008	0.0007
Wu Fanghua	Employee Supervisor	A Share	Long position	Beneficial Owner	116,900	0.0005	0.0004
Du Quan	Employee Supervisor	A Share	Long position	Beneficial Owner	66,200	0.0003	0.0002
Chen Zhong	Employee Supervisor	A Share	Long position	Beneficial Owner	16,900	0.0001	0.0001
		H Share	Long position	Beneficial Owner	110,000	0.0019	0.0004

(XIV) Directors' Interests in Businesses Competing with the Company

None of the Directors of the Company hold any interest in any business which, directly or indirectly, competes or may compete with businesses of the Company.

(XV) Directors' and Supervisors' Rights to Acquire Shares or Debentures

As of the end of the reporting period, none of the Directors and Supervisors had the rights to acquire shares or debentures of the Company and its associated corporations (within the meaning of the SFO).

(XVI) Permitted Indemnity Provisions

The Company has purchased appropriate liability insurance to indemnify its Directors, Supervisors and senior management in respect of the liabilities arising from engaging in the activities of the Company. Such arrangements remained effective as at the end of the reporting period.

Directors' Report

(XVII) Management Contracts

Save as the service contracts entered into with the Directors and employees, the Company has not entered into any contract with any person, company or corporation in order to manage or deal with the whole or any material portion of any business of the Company.

(XVIII) Reserves and Distributable Reserves

For details of the changes in the Group's reserves and distributable reserves, please see "Financial Report – Consolidated Statement of Changes in Equity".

(XIX) Fixed Assets (Properties and Equipment)

For details of the changes in the Group's fixed assets (properties and equipment), please see "Note VI to Financial Report – 9 Fixed Assets".

(XX) Employment of Accounting Firms

According to its resolutions passed at the 2024 annual general meeting, the Company engaged KPMG Huazhen LLP and KPMG as the auditors to audit the annual financial statements of the Company for 2025 prepared in accordance with the China Accounting Standards and International Financial Reporting Accounting Standards, respectively. Since 2020, the Company has engaged the above accounting firms as the Company's auditors. Pan Sheng and Jin Rui are the certified public accountants who signed the audit report on the Company's financial statements for 2025 prepared in accordance with the China Accounting Standards. Pan Sheng has been serving as the signing certified public accountant of the Company since 2025, and Jin Rui since 2023.

The financial statements of the Company for 2025 prepared under the China Accounting Standards and the internal control of the Company as at the benchmark date of 2025 were audited by KPMG Huazhen LLP, and the financial statements for 2025 prepared under International Financial Reporting Accounting Standards were audited by KPMG. The total audit fees amounted to approximately RMB6,980,000, including audit service fees for annual financial report, review service fees for half-year financial report and audit service fees for internal control, among which the audit service fees for internal control were approximately RMB1,000,000. For the current year, the Company paid the total non-audit fees of approximately RMB2,060,000 to KPMG Huazhen LLP and KPMG. KPMG Huazhen LLP and KPMG confirmed that the provision of such non-audit services would not compromise their audit independence.

(XXI) Use of Proceeds Raised

No new ordinary shares were issued during the reporting period.

(XXII) Debentures Issued

Please refer to "Changes in Shares and Information on Shareholders – Issue of Bonds" of this Report for details about the debentures issued by the Company.

(XXIII) Compliance with the Laws and Regulations

As of the end of the reporting period, to the best knowledge of the Company, we have complied with all relevant laws and regulations which could materially affect the Company in all major aspects.

Directors' Report

(XXIV) Performance of Social Responsibilities

The Bank actively practices the political responsibility and people-centered nature of financial work, adheres to the vision of a “first-class commercial bank” as its guiding principle, fully integrates the concepts of Environmental, Social and Governance (ESG) into its daily corporate operation and management, practically fulfills its social responsibilities, and continuously promotes high-quality financial development. In 2025, the Bank’s MSCI ESG rating jumped to AAA, and it was awarded the first prize for supporting Zhejiang’s economic and social development for ten consecutive years.

For further details, please refer to the “CZB Annual Sustainability Report 2025” published on the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company’s website.

1. Environmental Information

The Bank actively responds to the national strategic goals of carbon peak and carbon neutrality, deeply practices the concept of green development, guides financial resources into green and low-carbon areas, optimizes the structure of capital supply, effectively makes great efforts in green finance, and assists in the green and low-carbon transformation of the economy and society. During the reporting period, the Bank did not commit any environmental violations.

(1) Green Finance

In 2025, the Bank revised the “CZB Green Finance Development Strategy and Implementation Outline” and issued the “CZB Implementation Plan for High-Quality Development of Green Finance” to further improve the green finance management structure, clarify the green finance development strategy, medium and long-term goals, short-term goals, and key work measures, and deeply promote the high-quality development of green finance; continuously cultivated green finance business, and built a “Green+” diversified product and service system covering green credit, green bonds, green bills, green leasing, green supply chain, and green consumption; strengthened credit guidance, included green and low-carbon basic industries into the “Priority Support Industries” in the basic credit policy, overall allocated resources, and set up assessment and incentive policies to guide branches to actively invest in energy conservation, carbon reduction, environmental protection, and other green and low-carbon areas. As of the end of 2025, the balance of the Bank’s green loans¹ amounted to RMB256.835 billion, representing an increase of RMB19.045 billion or 8.01% over the beginning of the year, which was higher than the growth of all loans; underwrote green bonds of RMB5.575 billion; issued green bonds of RMB5 billion with a AAA bond rating; cumulatively issued 19,000 green and low-carbon credit cards; successfully issued a green finance-themed wealth management product, and the wealth management business invested a total of RMB1.804 billion in green bonds.

Note¹: Since 2025, the Bank’s green loans are measured in accordance with the revised new standards stipulated in the Notice of the Survey and Statistics Department of the People’s Bank of China on Adjusting the Special Statistics for Green Loans (Yin Tiao Fa [2025] No. 7). The relevant comparative data are also based on the new standards.

Directors' Report

(2) Green Operation

The Bank comprehensively promotes green operations. By building a digital and intelligent operations management platform, we have comprehensively advanced the digitalization of seals. In 2025, we completed 81,514 seal applications for the specialized electronic confirmation seal, and the pilot program for electronic voucher accounting data saved 1.93 tons of paper throughout the year; promoted the construction of green branches, and encouraged branches in various regions to carry out “zero-carbon” branch construction. In 2025, Lishui Branch and Jinhua Branch were evaluated as “zero-carbon” branches, and Huzhou Branch was set up as a demonstration bank of green finance reform and innovation; transmitted green concepts and practiced green procurement by setting environmental and social responsibility criteria in procurement documents; adhered to green office practices, advocated saving and recycling; and actively transmitted green and environmental protection concepts to customers, employees, and suppliers. In 2025, our office system operations saved 46.10 tons of paper.

(3) ESG Risk Management

The Bank continues to establish and improve its ESG risk management system, integrates ESG risk management into the comprehensive risk management system, covering due diligence, review and approval, contracting, loan disbursement management, post-lending management and other procedures, to strengthen the identification, assessment, monitoring, and prevention of related risks; clarifies the classification management and dynamic assessment mechanism of ESG risk in the “CZB Environmental, Social and Governance Risk Management Measures” to dynamically adjust the classification level of customers' ESG risks and formulate corresponding mitigation measures.

2. Information on Social Responsibility

The Bank actively fulfills its social responsibilities, solidly makes great efforts in the “Five Finances” of finance, and actively promotes sustainable development practices in various aspects such as serving the real economy, rural revitalization, human capital development, and social feedback, to contribute greater value to the high-quality development of society.

(1) Serving the real economy

The Bank fully promotes the “Five Finances” of technology finance, green finance, inclusive finance, pension finance, and digital finance, and continuously enhances the quality and efficiency of serving key areas and weak links in the real economy. We issued the “Technology Finance Development Action Plan” to provide services for technology-based enterprises through a layered, classified, and phased service strategy; focused on key scenarios for micro and small enterprises, and iteratively upgraded the inclusive micro and small customer acquisition and business development model through “digital empowerment, scenario-based customer acquisition, and comprehensive operations”; paid attention to the multi-level pension finance needs of the silver-haired customer group, enriched the pension finance product system, and promoted the elderly-friendly transformation of business branches; taking digitalization as the main line, we deeply advanced the construction of digital scenarios, and deepened the scenario-based application of digital technologies such as big data, cloud platforms, and artificial intelligence. As of the end of 2025, the Bank had served 35,774 technology-based enterprises with a technology loan balance of RMB270.807 billion; served 4,290 high-level talents; and the balance of loans to key inclusive sectors was RMB358.198 billion.

Directors' Report

(2) Support rural revitalization

The Bank actively responds to the rural revitalization strategy and continuously explores new models of financial services for rural revitalization. We formulate rural revitalization work goals and key tasks year by year, and increase the input of agriculture-supporting resources; continuously strengthen the guidance of credit policies, and include industries related to rural revitalization into priority support industries; strengthen incentive and preferential policies, and establish separate credit plans for agriculture-related and inclusive agriculture-related lending. As of the end of 2025, the balance of agriculture-related loans from the Bank reached RMB175.300 billion, an increase of 3.06%; the balance of inclusive agriculture-related loans was RMB48.169 billion, an increase of 6.47%; both achieving steady growth.

The Bank fully implements the decisions and deployments of the CPC Central Committee, the State Council, as well as the provincial committee and government. Guided by the “Thousand Village Demonstration and Ten Thousand Village Renovation Project,” we systematically advance rural revitalization work. We comprehensively deepened strategic cooperation with Longyou and Suichang counties, and promoted the implementation of assistance measures and projects such as the conclusion of assistance for five villages in Longyou, paired assistance for Linggen Village, and educational public welfare assistance in Suichang; solidly advanced the collaborative paired assistance between the eastern and western regions of Zhejiang and Sichuan, achieving phased results in areas such as industrial cultivation, collective income growth, and livelihood improvement; deeply implemented the “One Bank, One School” educational support initiative, forming partnerships to assist 33 schools in mountainous and island counties of Zhejiang, Guizhou, Sichuan, Gansu, and other places. Combining with the actual situation of rural education, we continuously innovated methods of student assistance, and organized characteristic activities such as employee short-term volunteer teaching and study summer camps. To date, we have cumulatively invested over RMB49 million to comprehensively assist in improving the campus environment and teaching quality, benefiting over 10,000 students.

(3) Protection of consumer rights and interests

The Bank deeply practices the original mission of “finance for the people”, adheres to “financial services for good and consumer protection for the people”, and continuously improves the consumer protection system and optimizes service processes. We have established a sound consumer protection system, building a consumer protection institutional framework comprehensively covering aspects such as “institutional mechanisms, suitability management, marketing behavior management, dispute resolution, financial education, consumer services, and personal information protection”; built a consumer rights protection review mechanism for products and services to shift the consumer rights protection checkpoint to an earlier stage; innovated consumer protection publicity forms, focused on key groups such as teenagers, college students, new citizens, people with disabilities, the elderly, and people in remote areas to actively promote the popularization of financial knowledge, and conducted targeted characteristic financial education activities. Throughout the year, we organized more than 5,600 centralized education and publicity activities, such as “March 15”, “May 15”, “September 15”, “Publicity

Directors' Report

Month for Preventing Illegal Financial Activities”, and “Ten Thousand Miles of Popularizing Financial Knowledge”, reaching consumers over 138.66 million times; established a complete internal training mechanism for financial consumer rights protection, and provided targeted training to all customer-facing employees every year. As of the end of 2025, the whole bank had conducted a total of 1,045 training sessions related to the protection of financial consumer rights and interests, with 114,000 employee attendances in total. The Bank has established a normalized and standardized audit mechanism for consumer protection by incorporating consumer protection audits into its regular and annual audit scope, and has formulated the “CZBank Internal Audit Standards No. 17 - Audit of Consumer Protection Work”. The Bank has conducted a special audit of its consumer protection work in 2025.

The Bank has established and improved a customer complaint management system, strengthened the construction of the complaint management team, handled complaints in a timely and proper manner, and practically protected the legitimate rights and interests of consumers. In 2025, the Bank received a total of 92,462 complaints, with a 100% acceptance and settlement rate of customer complaints.

The following table shows the complaints by geographic region:

Region	No. of complaints case(s)	Region	No. of complaints case(s)
Yangtze River Delta Region ¹	85,486	Bohai Rim Region	2,000
Midwestern China Region	3,788	Pearl River Delta and Economic Zone on the Western Coast of the Taiwan Straits	1,188

By category, complaints about loans and debt collection services accounted for 43.21%, complaints about fee from bank cards accounted for 39.70%, and complaints about other types of services such as payment settlement accounted for 17.09%.

Note¹: Including complaints from departments at the head office.

Directors' Report

(4) Privacy and data security

The Bank strictly implements the relevant requirements for data security management, customer information protection, and consumer financial information protection, establishes a data security governance system and management system adapted to business development goals, and integrates data security into the comprehensive risk management system and internal control evaluation system; regularly carries out data security and risk management audits, strictly determines the scope, quantity, and frequency of data acquisition in accordance with the principle of “minimum necessity”; improves the data security system. During the reporting period, released a series of institutional documents such as the “Detailed Implementation Rules for Classified and Graded Data Management of China Zheshang Bank,” the “Technical Specifications for Data Security Protection of China Zheshang Bank,” and the “Data Security Management Measures of China Zheshang Bank (2025 Edition).”

The Bank has established a business continuity, network security, and data security incident response service system and management system, and regularly carries out emergency drills and training; actively launched the “Cybersecurity Guarantee Training during Important Periods for China Zheshang Bank in 2025” to popularize regulatory requirements, common risks, and risk prevention and control measures regarding data security and personal customer financial information protection to the entire bank; clarified the whole-process disposal flow and mechanism for network security, data security, and information security incidents, and regularly carried out specialized incident emergency drills. The Bank has passed certifications for the ISO20000 Information Technology Service Management System, ISO22301 Business Continuity Management System, ISO27001 Information Security Management System, and ISO27701 Privacy Information Management System.

(5) Human resource development

The Bank adheres to a people-oriented approach, has built a systematic, professional, and diversified talent training system, and focuses on the key enhancement of employees' core skills at different stages. We formulated a full-lifecycle career plan for key talents covering “three five-year” periods, and continuously standardized the training system and mechanism for campus-recruited college students; established and improved the “Double Hundred and Double Thousand” talent pool, and initiated key talent training at all levels; discovered young talents through multiple channels via two-way exchange of positions and internal open competition; carried out the construction of a professional talent team and unblocked the conversion channel between professional and management sequences; continuously strengthened talent training to enhance comprehensive capabilities, regularly conducted employee cohesion surveys every year, and continuously optimized the internal communication platform “Honeycomb Community.”

Focusing on the 1234 full-lifecycle training system, guided by serving the whole bank's strategy and led by Party building, we strengthened AI digital and intelligent empowerment, deepened talent pipeline training, and promoted the construction of the instructor-course system. Throughout the year, we implemented 3,151 training programs, with 939,700 employee attendances in the trainings, and the proportion of employees receiving training reached 100%.

Directors' Report

(XXV) Miscellaneous

- (1) As of the date of this report, the Company was not aware that any Shareholders had waived or agreed to waive any dividend arrangement.
- (2) As of the date of this report, none of the Directors waived or agreed to waive the related remuneration arrangements.
- (3) During the reporting period, there are no collateral and pledges of significant assets of the Company.

Report of the Supervisory Committee

During the reporting period, the supervisory committee has proactively and effectively carried out supervision on the duty performance of the Board of Directors and the senior management of the Company, financial activities, risk management, internal control and lawful operation pursuant to the Company Law of the People's Republic of China, the Articles of Association of the Company and the supervisory duties delegated by relevant supervisory authorities.

(I) Legal Operation

Our Company operated in accordance with law, and our decision-making procedure was compliant with the relevant provisions in the Company Law of the People's Republic of China, the Commercial Banking Law of the People's Republic of China and the Articles of Association of the Company. No evidence was found of any violations of laws or regulations, or of any conduct intentionally detrimental to the Company's interests by the Directors, President or other Senior Management during the performance of their duties.

(II) Truthfulness of Financial Statements

The 2025 annual financial report of our Company truthfully reflected the financial position and the operating results of the Company during the reporting period, and had been audited by KPMG Huazhen LLP and KPMG, who had issued standard unqualified auditing reports.

(III) Use of Proceeds Raised

During the reporting period, the application of funds raised by the Company was consistent with the purposes committed in the prospectus of the Company.

(IV) Acquisition and Sale of Assets

No insider trading or behavior harming the interests of some Shareholders was found in the major acquisitions of the Company.

(V) Connected Transactions

The connected transactions of our Company were conducted in a fair and reasonable way and were in compliance with national laws and regulations and the Articles of Association of the Company, and the supervisory committee was not aware of any behaviors which were not conducted on an arm's length basis or were detrimental to the interests of the Company and Shareholders.

(VI) Internal Control System

The supervisory committee had reviewed the "Internal Control Evaluation Report of China Zheshang Bank for 2025", and concurred with the Board of Directors' representations regarding the completeness, reasonableness, effectiveness and implementation of the internal control system of the Company.

(VII) Implementation of Resolutions Passed at Shareholders' General Meetings

The supervisory committee had no objection to the reports or proposals submitted by the Board of Directors to the Shareholders' general meeting in 2025. It supervised the implementation of resolutions passed at the Shareholders' general meetings and was of the opinion that the Board of Directors had implemented the relevant resolutions earnestly.

Significant Events

(I) Material Litigations and Arbitrations

The Company is involved in a number of legal proceedings/arbitrations in the ordinary course of its operations, most of which are initiated by the Company to recover non-performing loans, including litigation/arbitration arising from customer disputes and other reasons.

As of the end of the reporting period, there were totally 87 pending litigations/arbitrations (excluding cases involving enforcement opposition and the third parties) where the Company was a defendant, and the total value was RMB677.3878 million, which are not expected to have a material adverse impact on the Company's business, financial position or operating results.

(II) Material Contracts and Their Performance

1. Significant Events Relating to Custody, Contracting and Leasing

During the reporting period, the Company did not engage in any significant events concerning the custody, contracting and lease of other companies' assets that is required to be disclosed, nor was there any such matters where other companies' custody, contracting and lease of the Company's assets required to be disclosed.

2. Significant Guarantees

Guarantee business is part of the Company's routine business. During the reporting period, save for the financial guarantee business carried out by the Company within the business scope approved by the regulatory authorities, the Company did not engage in other significant guarantees required to be disclosed.

(III) Misappropriation of Non-Operating Funds of the Company by Controlling Shareholders and Other Related Parties

During the reporting period, the Company did not have any non-operating misappropriation of the Company's funds by the controlling shareholders and other related parties, and KPMG Huazhen LLP (being an auditor of the Company) has issued a special review opinion for this purpose.

(IV) Significant Acquisitions, Sales or Disposals of Assets and Business Combination

There were no material acquisitions, sales or disposals of assets and no business combinations during the reporting period.

Significant Events

(V) Equity Incentive Plan

During the reporting period, the Company did not implement an equity incentive plan.

(VI) Employee Stock Ownership Plan

During the reporting period, the Company did not implement an employee stock ownership plan.

(VII) Disciplinary Actions Imposed on the Company or Its Directors, Supervisors, Senior Management and Shareholders Holding 5% or more Shares in the Company

No significant administrative penalty was imposed and no notice of criticism was circulated by any regulatory authority upon the Company or the Board of Directors and the Directors, supervisory committee, the Supervisors and senior management of the Company and Shareholders holding 5% or more shares during the reporting period.

(VIII) Performance of the Undertakings

No.

(IX) Review of Annual Results

KPMG Huazhen LLP and KPMG have audited the financial statements of the Company prepared in accordance with the China Accounting Standards and the International Financial Reporting Accounting Standards respectively, and issued standard unqualified auditing reports. The Board of Directors and the Audit Committee have reviewed the results and financial report of the Company for the year ended December 31, 2025.

(X) Annual General Meeting

For the convening of its 2025 annual general meeting of the Company, the Company will make further announcement.

(XI) Publishing the Annual Report

The English and Chinese version of the annual report prepared by the Company in accordance with the International Financial Reporting Accounting Standards and Hong Kong Listing Rules will be available on the website of Hong Kong Stock Exchange and the Company's website.

The Chinese version of the annual report prepared by the Company in accordance with the China Accounting Standards and the Rules for the Preparation of Annual Reports will be available on the website of Shanghai Stock Exchange and the Company's website.

Independent Auditor's Report

To the Shareholders of China Zheshang Bank Co., Ltd.

(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of China Zheshang Bank Co., Ltd. (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position at 31 December 2025, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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

Basis for Opinion

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

Independent Auditor's Report

Key Audit Matters

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

<i>Measurement of allowance for expected credit losses for loans and advances to customers and financial investments measured at amortised cost</i>	
Refer to accounting policies in Note IV.6(6) Impairment of financial assets and Note V Significant Accounting Judgements and Estimates and Note VI.17 Loans and Advances to Customers and Note VI.18.2 Financial investments measured at amortised cost.	
Key audit matter	How the matter was addressed in our audit
<p>The Group uses the expected credit loss ("ECL") model to calculate a loss allowance for expected credit losses for loans and advances to customers and financial investments measured at amortised cost.</p> <p>The determination of the loss allowance is subject to the application of a number of key parameters and assumptions, including the identification of loss stages, probability of default, loss given default, exposures at default and discount rate, forward-looking adjustments on economic indicators, economic scenarios and weightings and other adjustment factors. Management judgement is involved in the selection of those parameters and the application of the assumptions.</p> <p>The determination of the ECL model is heavily dependent on the macroeconomic environment and the Group's internal credit risk management strategy. The ECL of corporate loans and advances, financial investments measured at amortised cost in stage one and stage two and all personal loans and advances are derived from estimates including probability of default, loss given default, exposures at default and discount rate. The ECL of corporate loans and advances and financial investments measured at amortised cost in stage three are derived from estimates whereby taken into consideration cash flows expected to be received and discount rate.</p>	<p>Our audit procedures in relation to ECL allowance for loans and advances to customers and financial investments measured at amortised cost included the following:</p> <ul style="list-style-type: none"> • understanding and assessing the key internal controls of financial reporting over the process and the measurement of ECL allowance for loans and advances to customers and financial investments measured at amortised cost. • involving KPMG information technology ("IT") specialists to assess the design, implementation and operating effectiveness of relevant IT systems for ECL allowance for loans and advances to customers and financial investments measured at amortised cost. • involving KPMG financial risk management specialists to assess the appropriateness of the ECL model and the parameters used, evaluate the key management judgements involved.

Independent Auditor’s Report

Measurement of allowance for expected credit losses for loans and advances to customers and financial investments measured at amortised cost (continued)

Refer to accounting policies in Note IV.6(6) Impairment of financial assets and Note V Significant Accounting Judgements and Estimates and Note VI.17 Loans and Advances to Customers and Note VI.18.2 Financial investments measured at amortised cost.

Key audit matter	How the matter was addressed in our audit
<p>Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the feasible collection measures, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third-party valuers and considers the influence of various factors when assessing the value of collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of allowance for ECL at the end of the reporting period.</p> <p>We identified the measurement of allowance for ECL for loans and advances to customers and financial investments measured at amortised cost as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.</p>	<ul style="list-style-type: none"> • assessing the completeness and accuracy of data used for the key parameters in the ECL model. For key parameters derived from internal data relating to original agreements, we compared the total balance of the loans and advances to customers and financial investments measured at amortised cost list used by management with the general ledger to assess the completeness of data. We also selecting items and comparing the information of individual loans and advances to customers and financial investments measured at amortised cost with the underlying agreements and other related documentation to assess the accuracy of data. For key parameters derived from external data, we selected items to inspect the accuracy of such data by comparing them with public resources. • for key parameters used in the ECL model which were derived from system-generated internal data, we involved KPMG IT specialists to assess the system logics and compilation of the overdue information of loans and advances to customers and financial investments measured at amortised cost. • for key parameters involving judgement, seeking evidence from external sources published by statistical institutions and comparing to the Group’s internal records including historical loss experience, to evaluate the consistency of management’s application of key assumptions and key parameters. • for economic and market factors used in the model, assessing whether they were aligned with market expectation and economic development.

Independent Auditor's Report

Measurement of allowance for expected credit losses for loans and advances to customers and financial investments measured at amortised cost (continued)

Refer to accounting policies in Note IV.6(6) Impairment of financial assets and Note V Significant Accounting Judgements and Estimates and Note VI.17 Loans and Advances to Customers and Note VI.18.2 Financial investments measured at amortised cost.

Key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> • evaluating the validity of management's assessment on whether the credit risk of the loans and advances to customers and financial investments measure at amortised cost has, or has not, increased significantly since initial recognition, whether the loan is credit-impaired and evaluate the loss allowance for expected credit losses for credit-impaired loans and advances to customers and financial investments by selecting items to perform credit assessments. We performed the credit assessments by checking the overdue information, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and collaterals' information. • assessing the reasonableness of the disclosures in the financial statements in relation to the loss allowance for expected credit losses for loans and advances to customers and financial investments measured at amortised cost with reference to prevailing accounting standards.

Independent Auditor’s Report

Recognition of interests in and consolidation of structured entities	
Refer to the accounting policies in Note IV.3 Criteria for Control and the Preparation of Consolidated Financial Statements, Note V Significant Accounting Judgements and Estimates and Note VII.2 Interests in Structured Entities.	
Key audit matter	How the matter was addressed in our audit
<p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities.</p> <p>The Group may acquire an ownership interest in, act as a sponsor to, a structured entity, through initiating or investing shares in a wealth management product, a fund, an asset management plan, a trust plan, or an asset-backed security. The Group may also retain partial interests in derecognized assets due to guarantees or securitization structures.</p> <p>In determining whether the Group should retain any partial interests in a structured entity or should consolidate a structured entity, management is required to consider the power the Group is able to exercise over the activities of the entity, and its exposure to and ability to influence the Group’s own returns from the entity. These factors are not purely quantitative and need to be considered collectively in the overall substance of the transactions.</p>	<p>Our audit procedures to assess the recognition of interests in and consolidation of structured entities included the following:</p> <ul style="list-style-type: none"> • understanding and assessing the key controls of financial reporting over the consolidation of structured entities. • selecting items of significant structured entities of key product type and performing the following procedures for selected items: <ul style="list-style-type: none"> – inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management’s judgement over whether the Group has the ability to exercise power over the structured entity. – inspecting the risk and reward structure of the structured entity including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns to assess management’s judgement as to exposure, or rights, to variable returns from the Group’s involvement in such an entity.

Independent Auditor's Report

<i>Recognition of interests in and consolidation of structured entities (continued)</i>	
Refer to the accounting policies in Note IV.3 Criteria for Control and the Preparation of Consolidated Financial Statements, Note V Significant Accounting Judgements and Estimates and Note VII.2 Interests in Structured Entities.	
Key audit matter	How the matter was addressed in our audit
We identified the recognition of interests in and consolidation of structured entities as a key audit matter because of the complex nature of these structured entities and because of the judgement exercised by management in the qualitative assessment of the terms and the nature of each entity.	<ul style="list-style-type: none"> - inspecting management's analysis of the structured entity, including qualitative analysis and the calculation of the magnitude and variability associated with the Group's economic interests in the structured entity, to assess management's judgement over the Group's ability to influence its own returns from the structured entity. - assessing management's judgement over whether the structured entity should be consolidated or not. • assessing the reasonableness of the disclosures in the financial statements in relation to the recognition of interests in and consolidation of structured entities with reference to prevailing accounting standards.

Independent Auditor's Report

Valuation of financial instruments measured at fair value	
Refer to accounting policies in Note V Significant Accounting Judgements and Estimates and Note XV Fair Value of Financial Instruments.	
Key audit matter	How the matter was addressed in our audit
<p>Financial instruments carried at fair value account for a significant part of the Group's assets and liabilities. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income.</p> <p>The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data, in particular for level 1 and level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively. Where one or more significant inputs are unobservable in the valuation techniques, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgement.</p> <p>The Group has applied relevant models to value certain level 2 and level 3 financial instruments, which also involve significant management judgement.</p> <p>We identified the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation models.</p>	<p>Our audit procedures to assess the fair value of financial instruments included the following:</p> <ul style="list-style-type: none"> • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the valuation of financial instruments. • evaluating the fair value of level 1 financial instruments, by comparing the fair values applied by the Group with publicly available market data. • evaluating the fair value of level 2 and level 3 financial instruments on sample basis, by evaluating the Group's valuation models, obtaining inputs independently and verifying inputs, comparing our valuation results with the Group's results, and engaging KPMG valuation specialists to conduct independent revaluation. • assessing the reasonableness of the disclosures in the financial statements in relation to fair value of financial instruments with reference to prevailing accounting standards.

Independent Auditor's Report

Information Other Than the Consolidated Financial Statements and Auditor's Report Thereon

The Directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

Independent Auditor's Report

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Pang, Shing Chor, Eric.

Certified Public Accountants

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

30 March 2026

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025
(In RMB millions, unless otherwise stated)

	Notes	2025	2024
Interest income		101,633	110,697
Interest expense		(57,174)	(65,540)
NET INTEREST INCOME	VI.1	44,459	45,157
Fee and commission income		5,943	5,961
Fee and commission expense		(2,191)	(1,474)
NET FEE AND COMMISSION INCOME	VI.2	3,752	4,487
Net trading gains	VI.3	5,229	10,771
Net gains on financial investments	VI.4	6,952	5,852
Other operating income	VI.5	2,166	1,435
OPERATING INCOME		62,558	67,702
Operating expenses	VI.6	(22,049)	(21,928)
Expected credit losses	VI.7	(24,249)	(28,195)
Impairment losses on other assets		(131)	–
PROFIT BEFORE TAXATION		16,129	17,579
Income tax expense	VI.10	(2,568)	(1,886)
PROFIT FOR THE YEAR		13,561	15,693
Attributable to:			
Shareholders of the Bank		12,931	15,186
Non-controlling interests		630	507

The notes on pages 175 to 317 form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2025
(In RMB millions, unless otherwise stated)

	Notes	2025	2024
Other comprehensive income, net of tax	VI.40		
Item that will not be reclassified to profit or loss:			
Changes in the fair value of financial assets designated to be measured at fair value through other comprehensive income		33	57
Items that may be reclassified to profit or loss:			
Changes in the fair value of financial assets measured at fair value through other comprehensive income		(2,891)	3,011
Allowance for ECLs of financial assets measured at fair value through other comprehensive income		(319)	(496)
Exchange difference from the translation of foreign operations		(545)	368
Other comprehensive income, net of tax		(3,722)	2,940
Total comprehensive income		9,839	18,633
Total comprehensive income attributable to:			
Shareholders of the Bank		9,212	18,125
Non-controlling interests		627	508
Earnings per share attributable to the shareholders of the Bank	VI.11		
Basic (RMB)		0.44	0.52
Diluted (RMB)		0.44	0.52

The notes on pages 175 to 317 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2025
(In RMB millions, unless otherwise stated)

	Notes	31 December 2025	31 December 2024
ASSETS			
Cash and balances with the central bank	VI.12	125,704	129,691
Precious metals		80,929	16,956
Deposits with banks and other financial institutions	VI.13	73,583	51,919
Placements with banks and other financial institutions	VI.14	5,952	17,366
Derivative financial assets	VI.15	27,551	41,692
Financial assets purchased under resale agreements	VI.16	90,599	68,407
Loans and advances to customers	VI.17	1,883,237	1,812,684
Financial investments	VI.18		
– Financial assets measured at fair value through profit or loss		229,795	228,873
– Financial assets measured at amortised cost		454,851	469,159
– Financial assets measured at fair value through other comprehensive income		366,861	357,419
Fixed assets	VI.20	36,604	31,268
Right-of-use assets	VI.21	4,209	4,685
Intangible assets	VI.22	1,021	811
Deferred tax assets	VI.23	21,667	20,482
Other assets	VI.24	78,529	74,127
TOTAL ASSETS		3,481,092	3,325,539
LIABILITIES			
Due to the central bank	VI.26	102,206	77,821
Deposits from banks and other financial institutions	VI.27	344,374	366,940
Placements from banks and other financial institutions	VI.28	117,459	95,841
Financial liabilities at fair value through profit or loss	VI.29	55,960	21,196
Derivative financial liabilities	VI.15	20,769	36,085
Financial assets sold under repurchase agreements	VI.30	53,209	35,287
Customer deposits	VI.31	2,043,466	1,922,289
Employee benefits payable	VI.32	5,996	6,323
Taxes payable	VI.33	1,912	1,091
Provisions	VI.34	884	1,094
Debt securities issued	VI.35	512,953	541,533
Lease liabilities	VI.21	2,691	3,131
Other liabilities	VI.36	11,878	14,165
TOTAL LIABILITIES		3,273,757	3,122,796

The notes on pages 175 to 317 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2025
(In RMB millions, unless otherwise stated)

	Notes	31 December 2025	31 December 2024
EQUITY			
Share capital	VI.37	27,464	27,464
Other equity instruments	VI.38	24,995	24,995
– Perpetual bonds		24,995	24,995
Capital reserve	VI.39	38,570	38,570
Other comprehensive income	VI.40	2,628	6,347
Surplus reserve	VI.41	15,231	14,012
Statutory general reserve	VI.42	37,919	35,119
Retained earnings	VI.43	56,061	52,396
Total equity attributable to shareholders of the Bank		202,868	198,903
Non-controlling interests		4,467	3,840
TOTAL EQUITY		207,335	202,743
TOTAL LIABILITIES AND EQUITY		3,481,092	3,325,539

The consolidated financial statements was approved by the board of directors on 30 March 2026:

Chen Haiqiang
Chairman

Lyu Linhua
President (Acting)

Jing Feng
*Principal in-charge of
Finance*

Zhang Jian
*Director of the
Financial Department*

The notes on pages 175 to 317 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2025
(In RMB millions, unless otherwise stated)

Notes	Attributable to equity holders of the Bank							Subtotal	Non-Controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Statutory general reserve	Retained earnings			
Balance at 1 January 2025	27,464	24,995	38,570	6,347	14,012	35,119	52,396	198,903	3,840	202,743
Changes in equity for the year										
1. Total comprehensive income										
– Profit for the year	-	-	-	-	-	-	12,931	12,931	630	13,561
– Other comprehensive income	-	-	-	(3,719)	-	-	-	(3,719)	(3)	(3,722)
2. Appropriation of profits										
– Appropriation to surplus reserve	VI.41	-	-	-	1,219	-	(1,219)	-	-	-
– Appropriation to statutory general reserve	VI.42	-	-	-	-	2,800	(2,800)	-	-	-
– Distributions to ordinary shareholders	VI.43(1)	-	-	-	-	-	(4,284)	(4,284)	-	(4,284)
– Distributions to perpetual bond holders	VI.43(2)	-	-	-	-	-	(963)	(963)	-	(963)
Balance at 31 December 2025	27,464	24,995	38,570	2,628	15,231	37,919	56,061	202,868	4,467	207,335
Balance at 1 January 2024	27,464	24,995	38,570	3,408	12,546	29,804	49,458	186,245	3,332	189,577
Changes in equity for the year										
1. Total comprehensive income										
– Profit for the year	-	-	-	-	-	-	15,186	15,186	507	15,693
– Other comprehensive income	-	-	-	2,939	-	-	-	2,939	1	2,940
2. Appropriation of profits										
– Appropriation to surplus reserve	VI.41	-	-	-	1,466	-	(1,466)	-	-	-
– Appropriation to statutory general reserve	VI.42	-	-	-	-	5,315	(5,315)	-	-	-
– Distributions to ordinary shareholders	VI.43(1)	-	-	-	-	-	(4,504)	(4,504)	-	(4,504)
– Distributions to perpetual bond holders	VI.43(2)	-	-	-	-	-	(963)	(963)	-	(963)
Balance at 31 December 2024	27,464	24,995	38,570	6,347	14,012	35,119	52,396	198,903	3,840	202,743

The notes on pages 175 to 317 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2025
(In RMB millions, unless otherwise stated)

	2025	2024
Cash flows from operating activities:		
Profit before taxation	16,129	17,579
Adjustments for:		
– Expected credit losses	24,249	28,195
– Other assets impairment losses	131	–
– Depreciation and amortisation	3,085	2,472
– Interest income from financial investments	(21,290)	(21,981)
– Net investment income	(10,333)	(9,954)
– Net losses/(gains) from changes in fair value	1,255	(3,516)
– Net foreign exchange losses	39	150
– Net losses/(gains) on disposal of fixed assets	40	(18)
– Interest expense on debt securities issued	11,519	11,427
– Interest expense on lease liabilities	105	137
– Deferred tax expense	(125)	(155)
Net changes in operating assets and operating liabilities:		
Net decrease in balances with the central bank	1,572	15,747
Net increase in deposits with banks and other financial institutions	(28,543)	(4,755)
Net (increase)/decrease in placements with banks and other financial institutions	(3,113)	4,753
Net decrease/(increase) in financial assets purchased under resale agreements	1,496	(1,399)
Net increase in loans and advances to customers	(91,561)	(165,447)
Net (increase)/decrease in financial assets held for trading	(40,674)	20,321
Net decrease in other operating assets	6,380	3,033
Net increase/(decrease) in due to the central bank	24,362	(41,899)
Net (decrease)/increase in deposits from banks and other financial institutions	(21,949)	9,096
Net increase in placements from banks and other financial institutions	20,189	13,275
Net increase/(decrease) in financial assets sold under repurchase agreements	17,949	(26,789)
Net increase in customer deposits	118,103	47,315
Net decrease in other operating liabilities	(39,317)	(14,332)
Net cash flows used in operating activities before taxation	(10,302)	(116,745)
Income tax paid	(2,441)	(3,733)
Net cash used in operating activities	(12,743)	(120,478)

The notes on pages 175 to 317 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2024
(In RMB millions, unless otherwise stated)

	Note	2025	2024
Cash flows from investing activities:			
Dividends received		6	6
Proceeds from disposal of fixed assets		664	1,326
Payment for acquisition of fixed assets, intangible assets and other long-term assets		(9,138)	(10,703)
Investment returns received		32,037	33,234
Proceeds from disposal of investments		2,691,095	2,169,033
Payment for acquisition of investments		(2,655,240)	(2,237,335)
Net cash generated from/(used in) investing activities		59,424	(44,439)
Cash flows from financing activities:			
Proceeds from issuance of debt securities		489,328	630,284
Repayments of principal on debt securities issued		(518,053)	(485,633)
Repayments of interest on debt securities issued		(11,374)	(10,578)
Payment for dividend distribution		(5,278)	(5,469)
Repayments of principal element of lease liabilities		(727)	(713)
Repayments of interest element of lease liabilities		(105)	(137)
Net cash (used in)/generated from financing activities		(46,209)	127,754
Effect of exchange rate changes on cash and cash equivalents		(644)	337
Net decrease in cash and cash equivalents		(172)	(36,826)
Cash and cash equivalents at the beginning of the year	VI.44 (1)	133,635	170,461
Cash and cash equivalents at the end of the year	VI.44 (1)	133,463	133,635
Net cash flows from operating activities include:			
Interest received		79,691	88,105
Interest paid		(43,383)	(48,593)

The notes on pages 175 to 317 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

I General Information

China Zheshang Bank Co., Ltd. (the “Bank”) is a national joint-stock commercial bank established on the basis of the original Zhejiang Commercial Bank with the approval from the original China Banking Regulatory Commission (hereinafter referred to as “the original CBRC”) and the original Zhejiang Commission of China Banking Regulatory Commission (Zhe Yin Jian Fu [2004] No. 48). The Bank obtained the Finance License (No. B0010H133010001) with the approval from the original CBRC. On 26 July 2004, the Bank completed the change of registration in Zhejiang Administration for Industry and Commerce and obtained the Business License (No. 330000000013295) in Zhejiang Province, the People’s Republic of China (the “PRC”). On 7 November 2016, the Bank obtained the Uniform Social Credit Code (No.91330000761336668H). The registered address is 1788 Hongning Road, Xiaoshan District, Hangzhou, Zhejiang Province.

The Bank was listed on the Hong Kong Stock Exchange on 30 March 2016 with stock code of 2016, the Bank was listed on the Shanghai Stock Exchange on 26 November 2019 with stock code of 601916.

At 31 December 2025, the Bank has established 373 branches in 22 provinces (autonomous regions or municipalities) and Hong Kong in China, including 72 branches (30 of them are tier-one branches), 2 branch-level specialized institution and 299 sub-branches. The principal activities of the Bank include corporate and retail banking, treasury business, and other banking service.

Zhejiang Zheyin Financial Leasing Co., Ltd. (“Zheyin Financial Leasing”) was established on 18 January 2017. At 31 December 2025, the registered capital of Zheyin Financial Leasing is RMB4 billion. Since the Bank has control over Zheyin Financial Leasing, the Bank has included it in the scope of the consolidated financial statements.

Zheyin Wealth Management Co., Ltd. (“Zheyin Wealth Management”) was established on 27 January 2025. At 31 December 2025, the registered capital of Zheyin Wealth Management is RMB2 billion. Since the Bank has control over Zheyin Wealth Management, the Bank has included it in the scope of the consolidated financial statements.

The Bank and its subsidiaries are collectively referred to as “the Group”.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

II Basis of Preparation

1 Statement of Compliance with the IFRS Accounting Standards

The consolidated financial statements have been prepared in accordance with the IFRS Accounting Standards issued by the International Accounting Standards Board (“IASB”), applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622).

2 Basis of Preparation

The consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements have been prepared under the historical cost convention, except for precious metals, derivative financial instruments, lease-in of precious metals in account caption of placements from banks and other financial institutions, financial assets and financial liabilities measured at fair value through profit or loss (“FVTPL”), financial assets measured at fair value through other comprehensive income (“FVOCI”) and financial assets measured at amortised cost (“AC”) designated as hedged items in fair value hedge, as further explained in the respective accounting policies below.

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note V.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

III New Standards or Amendments and Forthcoming Requirements

1 Standards and Amendments that are Effective in the Current Accounting Period

The following IFRS Accounting Standards and amendments issued by the IASB take effect for the current accounting period beginning on or after 1 January 2025:

- Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of these IFRS Accounting Standards and amendments have no material impact on the consolidated financial statements.

2 Standards and Amendments that are not yet Effective in the Current Accounting Period

		Effective date	Notes
Amendments to IFRS 9 and IFRS 7	<i>Classification and Measurement of Financial Instruments</i>	1 January 2026	(1)
Annual Improvements to IFRS Accounting Standards	<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	1 January 2026	(1)
IFRS 18	<i>Presentation and Disclosure in Financial Statements</i>	1 January 2027	(2)
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i>	1 January 2027	(1)

(1) The Group has not early adopted the above new and amendments in the consolidated financial statements. The Group anticipates that the adoption of these standards and amendments will have no material impact on the consolidated financial statements in the foreseeable future.

(2) The Group has not completed its assessment of the impact on the Group's consolidated financial statements of adopting IFRS 18.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Significant Accounting Policies

1 Accounting Year

The accounting year starts on 1 January and ends on 31 December.

2 Functional Currency

The consolidated financial statements are presented in Renminbi (“RMB”), being the functional and presentation currency of the Bank’s operations in the Chinese Mainland. The entity operating outside the Chinese Mainland determines its own functional currency and the financial statements of the entity is presented using that functional currency. The financial statements has been translated in accordance with Note IV.5.

3 Criteria for Control and the Preparation of Consolidated Financial Statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Bank and its subsidiaries (including structured entities). Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests of a subsidiary are presented separately in the consolidated statement of financial position within equity, and net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated statement of profit or loss and other comprehensive income. When the amount of loss for the current period attributable to the non-controlling interest of a subsidiary exceeds the non-controlling interest’s portion of the opening balance of equity holders’ equity of the subsidiary, the excess is allocated against the non-controlling interests.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting period and accounting policies in line with the Bank’s accounting period and accounting policies. Intra-group assets, liabilities, equities, revenue, expense and cash flows arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

4 Determination of Cash and Cash Equivalents

Cash and cash equivalents comprise monetary assets that can be readily drawn on demand, and short-term and highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value, such as cash, surplus reserves with the central bank, deposits or placements with banks and other financial institutions and financial assets purchased under resale agreements with an original tenor of less than 3 months.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Significant Accounting Policies (continued)

5 Foreign Currency Business and Translation of Foreign Currency Statements

Foreign currency transactions are initially recorded in RMB using the spot exchange rates at the dates of the transactions.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognized in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the acquisition or construction of qualifying assets. Non-monetary items that are measured at historical cost in foreign currencies are translated to RMB using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate at the date the fair value is determined. The resulting exchange differences are recognized in profit or loss, except for the differences arising from the re-translation of non-monetary items denominated in foreign currencies at fair value through other comprehensive income, which are recognized in other comprehensive income.

In translating the financial statements of a foreign operation, assets and liabilities of foreign operation are translated to RMB at the spot exchange rate at the balance sheet date. Shareholders' equity items, excluding retained earnings and the translation differences in other comprehensive income, are translated to RMB at the spot exchange rates at the transaction dates. Income and expenses of foreign operation are translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the transaction dates. The resulting translation differences are recognized in other comprehensive income. The translation differences accumulated in other comprehensive income with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed.

6 Financial Instruments

Financial instruments are contracts that form the financial assets of one party and the financial liabilities or equity instruments of other parties.

(1) Initial recognition and measurement of financial assets and financial liabilities

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities measured at FVTPL, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Significant Accounting Policies (continued)

6 Financial Instruments (continued)

(2) Classification and subsequent measurement of financial assets

Classification of financial assets

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

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

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

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

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

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis, and the investment conforms to the definition of equity instrument from the perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group’s business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group’s key management personnel.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Significant Accounting Policies (continued)

6 Financial Instruments (continued)

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

Classification of financial assets (continued)

In assessing whether the contractual cash flows on specific dates are solely payments of principal and interest based on principal unpaid, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition of contractual cash flows.

Subsequent measurement of financial assets

- Financial assets measured at FVTPL

These financial assets are subsequently measured at fair value after initial recognition. Net gains and losses, including any interest or dividend income, are recognized in profit or loss unless the financial assets are part of a hedging relationship.

- Financial assets measured at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method after initial recognition. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognized in profit or loss when the financial asset is derecognized, through the amortisation process in effective interest method or in order to recognize impairment gains or losses.

- Debt instruments measured at FVOCI

These assets are subsequently measured at fair value after initial recognition. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

- Equity instruments measured at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Significant Accounting Policies (continued)

6 Financial Instruments (continued)

(3) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL, measured at amortised cost and financial guarantees.

– Financial liabilities measured at FVTPL

A financial liability is classified as measured at FVTPL if it is classified as held-for-trading (including a derivative financial instrument) or it is designated as such on initial recognition (including lease-in of precious metals in account caption of placements from banks and other financial institutions).

A financial liability is classified as held for trading if: (i) it has been acquired principally for the purpose of repurchasing it in the near term; or (ii) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability may be designated as measured at FVTPL upon initial recognition if: (i) such designation eliminates or significantly reduces accounting mismatches that would otherwise arise; or (ii) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided to key management internally on that basis.

Financial liabilities measured at FVTPL (including derivative financial liability) are subsequently measured at fair value after initial recognition and net gains and losses (including any interest expense) are recognized in profit or loss, unless the financial liabilities are part of a hedging relationship.

– Financial liabilities measured at amortised cost

A financial liability other than a financial liability measured at FVTPL, a financial liability not meeting the criteria for derecognition or arising from continuing involvement, credit commitments or financial guarantees are recognized at fair value and subsequently measured at amortised cost using the effective interest method after initial recognition.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Significant Accounting Policies (continued)

6 Financial Instruments (continued)

(4) Offsetting financial instruments

Financial assets and financial liabilities are generally presented separately in the consolidated statement of financial position and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the consolidated statement of financial position when both of the following conditions are satisfied:

- the Group currently has a legally enforceable right to set off the recognized amounts; and
- the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

(5) Derecognition of financial instruments

A financial asset is derecognized when one of the following conditions is met:

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

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognized in profit and loss:

- the carrying amount of the financial asset transferred;
- the sum of the consideration received from the transfer of financial assets and the amount of the derecognized portion of the cumulative fair value changes previously recognized directly in other comprehensive income, for a transferred debt instrument measured at FVOCI.

Asset securitization

As part of its operational activities, the Group securitizes financial assets, generally through the sale of these assets to structured entities which issue securities to investors. Further details on prerequisites for derecognition of financial assets are set out above. When a securitization of financial assets does not qualify for derecognition, the relevant financial assets are not derecognized, and the consideration paid by third parties are recorded as a financial liability; the Group neither retains nor transfers substantially all of the risks and rewards of ownership of the securitized financial assets, and it retains control over the transferred assets, the Group continues to recognize the transferred assets in the consolidated statement of financial position to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the securitized assets, and recognize the corresponding liabilities.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Significant Accounting Policies (continued)

6 Financial Instruments (continued)

(5) Derecognition of financial instruments (continued)

Sales of financial assets on condition of repurchase

The derecognition of financial assets sold on condition of repurchase is determined by the economic substance of the transaction. If a financial asset is sold under an agreement to repurchase the same or substantially the same asset at a fixed price or at the sale price plus a reasonable return, the Group will not derecognize the asset. If a financial asset is sold together with an option to repurchase the financial asset at its fair value at the time of repurchase (in the case of the transferor selling such a financial asset), the Group will derecognize the financial asset.

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

(6) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (“ECL”) on:

- Financial assets measured at amortised cost;
- Debt instruments measured at FVOCI;
- Lease receivables; and
- Credit commitments and financial guarantee contracts.

Other financial assets measured at fair value, including financial investments measured at FVTPL, equity investments designated as measured at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months) and are parts of lifetime ECLs.

The Group classifies financial instruments into three stages and makes provisions for ECLs in accordance with the accounting policies described in Note XIII.1 Credit Risk.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Significant Accounting Policies (continued)

6 Financial Instruments (continued)

(6) Impairment of financial assets (continued)

Presentation of allowance for ECLs

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss in profit or loss. The Group recognizes an impairment gain or loss for financial instruments measured at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account; for debt instruments that are measured at FVOCI, the ECL allowance is recognized in other comprehensive income. The Group recognizes ECL allowances for credit commitments and financial guarantee contracts through provisions (allowance for ECLs on credit commitments).

(7) Write-off of financial assets

The carrying value of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognized as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(8) Equity Instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting the liabilities. A financial instrument is an equity instrument if, and only if, both conditions below are met: (i) the financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and (ii) if the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

The consideration received from the issuance of equity instruments net of directly attributable transaction costs is recognized in equity.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Significant Accounting Policies (continued)

7 Preference Shares and Perpetual Bonds

At initial recognition, the Group classifies the preference shares and perpetual bonds issued or their components as financial liabilities or equity instruments based on their contractual terms and their economic substance after considering the definition of financial liabilities and equity instruments.

Preference shares and perpetual bonds issued that are classified as equity instruments are recognized in equity based on the actual amount received. Any distribution of dividends or interests during the instruments' duration is treated as profit appropriation. When the preference shares and perpetual bonds are redeemed by the Group according to the contractual terms, the redemption price is charged to equity.

8 Precious Metals

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realizable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value at the balance sheet date recorded in profit or loss.

The Group records the precious metals received as a liability. The precious metals deposited with the Group are measured at fair value both on initial recognition and in subsequent measurement.

9 Derivative Financial Instruments and hedge accounting

Derivative Financial Instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

If the host contract included in a hybrid contract is an asset within the scope of IFRS 9 – Financial Instruments, the embedded derivative is not separated from the host contract of the financial asset, instead the hybrid financial instrument as a whole is classified under IFRS 9. If the host contract included in a hybrid contract is not an asset within the scope of IFRS 9, when their economic characteristics and risks of an embedded derivative is not closely related to those of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid instrument is not measured at FVTPL, then such an embedded derivative is separated from the hybrid contract and accounted for as a derivative. The embedded derivative is measured at fair value with any changes in fair value recognized in profit or loss.

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

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Significant Accounting Policies (continued)

9 Derivative Financial Instruments and hedge accounting (continued)

Hedge Accounting

Hedge accounting is a method which recognises in profit or loss (or other comprehensive income) the gain or loss on the hedging instruments and the hedged items in the same accounting period to represent the effect of risk management.

Hedged items are items that expose the Group to risks of changes in fair value or cash flows and that are designated as being hedged and can be reliably measured. The Group designates certain fixed-rate bond investments, which expose the Group to the risk of fair value changes, as hedged item. A hedging instrument is a designated financial instrument whose changes in fair value or cash flows are expected to offset changes in the fair value or cash flows of the hedged item.

The Group assesses at the inception of a hedging relationship, and on an ongoing basis, whether the hedging relationship meets the hedge effectiveness requirements. A hedging relationship is regarded as having met the hedge effectiveness requirements if all of the following conditions are satisfied:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from the economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of the hedged item.

The hedging relationship does not conform to the requirements of the hedging effectiveness due to hedging ratio, however, the risk management objective of existing hedging relationship has not changed. The Group performs the hedging relationship rebalancing and makes the adjustments to the number of hedged items or hedging instruments in the existing hedging relationship, in order to make the hedging ratio conform to the requirements of the hedging effectiveness.

The Group discontinues applying hedge accounting in any of the following circumstances:

- The hedging relationship no longer meets the risk management objective on the basis of which it qualified for hedge accounting.
- The hedging instrument expires or is sold, terminated or exercised.
- There is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship.
- The hedging relationship no longer meets other criteria for applying hedge accounting.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Significant Accounting Policies (continued)

9 Derivative Financial Instruments and hedge accounting (continued)

Hedge Accounting (continued)

(1) Fair value hedges

Fair value hedges are hedges of the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or a portion of such an asset, liability or firm commitment.

Gains or losses arising from hedging instruments are recognised in profit or loss. The gain or loss on the hedged items attributable to the hedged risk adjusts the carrying amount of the recognised hedged item not measured at fair value and is recognised in profit or loss. Any adjustment to the carrying amount of a hedged item is amortised to profit or loss if the hedged item is a financial instrument (or a component thereof) measured at amortised cost. The amortisation is based on a recalculated effective interest rate at the date that amortisation begins and is recognised in profit or loss.

10 Repurchase and Reverse Purchase Transactions (including securities borrowing and lending)

Assets sold under agreements to repurchase at a specified future date are not derecognized from the consolidated statement of financial position. The corresponding proceed received, including accrued interest, is recognized in the consolidated statement of financial position as “financial assets sold under purchase agreements”. The difference between the selling and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest method.

Conversely, assets purchased under agreements to resell at a specified future date are not recognized in the consolidated statement of financial position. The corresponding cash paid, including accrued interest, is recognized in the consolidated statement of financial position as “financial assets purchased under resale agreements”. The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest method.

Securities borrowing and lending transactions are usually collateralized by securities or cash. The transfer of the securities to counterparties is only reflected in the consolidated statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognized in the consolidated statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a financial liability held for trading purposes and measured at fair value with any gains or losses included in profit or loss.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Significant Accounting Policies (continued)

11 Investment in Subsidiary

In the Bank's statement of financial position, long-term equity investment in subsidiary is accounted for using the cost method for subsequent measurement. Dividends declared by subsidiaries are recognized in profit or loss except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid-in obtaining the investments. In the Bank's statement of financial position, interests in subsidiaries are accounted for using the cost less impairment losses (Note IV.16).

In the Group's consolidated statement of financial position, subsidiaries are accounted for in accordance with policies described in Note IV.3.

12 Fixed Assets and Construction in Progress

Fixed assets are tangible assets held by the Group for operation and administration purposes with useful lives more than one year. Construction-in-progress represents properties and buildings under construction and are transferred to fixed assets when they are ready for their intended use.

Fixed assets are stated at cost less accumulated depreciation and impairment losses (Note IV.16) in the consolidated statement of financial position. Construction-in-progress is stated cost less impairment losses (Note IV.16) in the consolidated statement of financial position.

Costs of a purchased fixed asset comprise purchase price, related taxes, and any directly attributable expenditures for bringing the asset to working condition for its intended use. Costs of a self-constructed fixed asset comprise construction materials, direct labor costs, capitalized borrowing cost and those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Where the individual component parts of an item of fixed assets have different useful lives or provide benefits to the Group in different patterns, each part is depreciated separately. They are accounted for as separate items of fixed assets.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognized as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of fixed assets are recognized in profit or loss as incurred.

The cost of a fixed asset, less its estimated net residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life. The estimated useful lives, estimated residual value and depreciation rate are as follows:

	Estimated useful lives	Estimated residual value	Depreciation rate
Properties and buildings	10 – 30 years	5%	3.17% – 9.50%
Office and electronic equipment	3 – 7 years	5%	13.57% – 31.67%
Motor vehicles	5 years	5%	19.00%

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Significant Accounting Policies (continued)

12 Fixed Assets and Construction in Progress (continued)

Fixed assets in the operating leases are used for the Group's operating lease activities. The Group determines the depreciation period and depreciation method based on actual conditions. The depreciation is accrued on a straight-line basis based on the duration of the lease.

The estimated useful lives, estimated net residual value and depreciation method of fixed assets are reviewed at least at each year-end.

Gains or losses arising from the disposal or retirement of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss on the date of disposal or retirement.

13 Intangible Assets

Intangible assets are stated in consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (Note IV.16). For an intangible asset with finite useful life, its cost less estimated net residual value and accumulated impairment losses is amortised on a straight-line basis over its estimated useful life.

The Group amortizes computer software with a licensed period during the authorized period, otherwise it is amortised over a period of 10 years.

The Group reviews the useful life and amortisation method of intangible assets with limited useful lives at least at the end of each year.

14 Repossessed Assets

In the recovery of assets such as impaired loans and lease receivables, the Group may take possession of assets held as collateral through court proceedings or voluntary delivery of possession by the borrowers. When it is intended to achieve an orderly realization of the impaired assets and the Group is no longer seeking repayment of loans and lease receivables from the borrowers, repossessed assets except the equity instruments are reported in "other assets".

When the Group seizes assets to compensate for the losses of loans, lease receivables and advances and interest receivables, the repossessed assets are initially recognized at fair value and any taxes that are directly attributable to the assets, litigation expenses advanced and other expenses incurred for collecting the repossessed assets. Repossessed assets are recognized at the carrying value in the consolidated statement of financial position, net of allowance for impairment losses (Note IV.16).

15 Long-term Prepaid Expenses

The Group recognises all expenses incurred with a benefit period of more than one year as long-term prepaid expenses. Long-term prepaid expenses are presented on the balance sheet as cost minus accumulated amortization, and long-term prepaid expenses will be recognized in the balance sheet "Other assets".

Leased asset improvement expenses are amortised over the lease term, and other long-term prepaid expenses are amortised over the benefit period.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Significant Accounting Policies (continued)

16 Impairment of Non-financial Assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets and construction in progress
- right-of-use assets
- intangible assets
- investment in subsidiaries
- other assets (finance lease receivables excluded), etc

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (Note IV.17) less costs of disposal and its value in use.

An asset group is composed of assets directly related to cash generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognized in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognized accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of the assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs of disposal (if measurable), its present value of expected future cash flows (if measurable) and zero.

Once the above asset impairment loss is recognized, it will not be reversed in future accounting periods.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Significant Accounting Policies (continued)

17 Fair Value Measurement

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

18 Employee Benefits

(1) Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognized as a liability as the employee provides services, with a corresponding charge to profit or loss.

(2) Post-employment benefits – defined contribution plans

The Group participates in defined contribution plans including basic pension insurance, unemployment insurance and annuity plans in the social insurance system established and managed by government organizations, all of which are defined contribution plans. The Group pays a fixed contribution into the defined contribution plans and has no obligation to make further contributions if the plans does not hold sufficient assets to pay all employee benefits.

Employees also participate in a defined contribution retirement benefit plan established by the Group (the “Annuity Plan”). The Group contributes a certain percentage of the employees’ salaries to the Annuity Plan, which is charged to profit or loss when it is incurred.

19 Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision shall be initially measured at the best estimate of the expenditure required to settle the related present obligation. When the effect of the time value of money is material, a provision shall be determined by discounting the related future cash outflows.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Significant Accounting Policies (continued)

20 Credit Commitments and Financial Guarantee Contracts

The Group issues credit commitments and financial guarantee contracts, including acceptances, letters of credit, letters of guarantee, loan commitments and finance lease commitments, undrawn credit card facility, receivables confirmation and other financial guarantee contracts.

A credit commitment is a commitment provided by the Group to customers to extend loans under agreed contractual terms within a certain period. Expected credit losses relating to credit commitments are provided for using the ECL model and included in provisions.

Financial guarantees are contracts that require the guarantor to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the allowance for ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the debtor or any other third party.

21 Fiduciary Activities

The Group acts in fiduciary activities as a manager, a custodian, or an agent for customers. Assets held by the Group under fiduciary capacity and the related undertakings to return such assets to customers are excluded from the consolidated statement of financial position as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding to the Group, and the Group grants loans to third parties. The Group has been contracted by those customers to manage the administration and collection of these entrusted loans on their behalf. The Group receives fees in return for the services it provides. As the Group does not assume the risks and rewards of the entrusted loans, the entrusted loans are not recognized as the Group's assets or liabilities.

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Group and other institutions and individuals. The Group receives fees in return for its services provided under the custody 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 consolidated statement of financial position.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Significant Accounting Policies (continued)

22 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(1) Interest income

For all financial instruments measured at amortised cost and interest-generating financial instruments classified as financial assets measured at FVOCI, interest income is calculated using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, where appropriate, to the carrying value of the financial asset, or the amortised cost of the financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or transaction costs that are attributable to the instrument and are a part of the effective interest rate, but not ECLs.

Interest income is calculated by applying the effective interest rate to the carrying value of financial assets and is included in “interest income”, except for:

- purchased or originated credit-impaired financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortised cost;
- financial assets that are not purchased or originated credit-impaired but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortised cost.

(2) Fee and commission income

The Group charges fees and commissions by providing various services to customers. The fee and commission income is recognized when its performance obligation in contracts is satisfied and when the customer obtains the control right of relevant services.

If one of the following conditions is met, the Group will perform its performance obligations within a certain period of time; otherwise, it will perform its performance obligations at a certain time point:

- Customers obtain and consume the economic benefits brought by the Group’s performance at the same time as the Group’s performance;
- Customers can control the services performed during the performance of the Group;
- The goods produced by the Group in the process of performance have irreplaceable uses, and the Group has the right to collect payment for the part of performance that has been completed so far during the whole contract period.

(3) Dividend income

Dividend income from equity instruments is recognized in profit or loss when the right to receive payment is established.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Significant Accounting Policies (continued)

23 Government Grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Group at no consideration except for any capital contribution from the government as an investor in the Group. Government grants are recognized when there is reasonable assurance that the grants will be received and that the Group will comply with the conditions attaching to the grants.

Government grants are measured at the amount received or will be received when recognized as monetary assets. Government grants are measured at fair value when recognized as non-monetary assets.

The grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. The grants related to income are government grants other than those related to assets. A government grant related to an asset is recognized initially as deferred income and amortised to profit or loss on a reasonable and systematic method over the useful life of the asset. A grant related to income that compensates the Group for expenses or losses to be incurred in the subsequent periods is recognized initially as deferred income and recognized in profit or loss in the same periods in which the expenses or losses are recognized. A grant that compensates the Group for expenses or losses incurred is recognized in profit or loss immediately.

24 Income Taxes

Current tax and deferred tax are recognized in profit or loss except to the extent that they relate to a business combination or items recognized directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on the taxable income for the year, and any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset if the Group has a legally enforceable right to set off them and the entity intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be used.

If a single transaction is not a business combination, it will not affect accounting profits or taxable income (or deductible losses) when the transaction occurs, and the initially recognized assets and liabilities have not resulted in equal taxable temporary differences and deductible temporary differences, then the temporary differences generated in the transaction will not generate deferred income tax.

At the balance sheet date, the amount of deferred tax recognized is measured based on the expected manner of realization or settlement of the carrying amount of the assets and liabilities using tax rates that are expected to be applied in the period when the asset is realized or the liability is settled in accordance with tax laws.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Significant Accounting Policies (continued)

24 Income Taxes (continued)

The carrying amount of a deferred tax asset is reviewed at the balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and liabilities are offset if all the following conditions are met:

- the taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities;
- they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities, simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

25 Leases

(1) The Group as the lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and the costs to restore the site. The right-of-use asset is depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset and the end of the lease term, whichever is shorter.

The right-of-use assets shall be subject to the provision for impairment according to the accounting policies described in Note IV.16.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used. A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of relevant assets where appropriate as incurred.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IV Significant Accounting Policies (continued)

25 Leases (continued)

(2) The Group as the lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

Under a finance lease, at the commencement date, the Group recognizes the finance lease receivable and derecognizes the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease. The Group calculates and recognizes interest income for each period of the lease term using a fixed periodic interest rate.

Under an operating lease, lease receipts are recognized as income using the straight-line method over the lease term. Variable lease payments not included in lease receipts are recognized in profit or loss as they are earned.

26 Dividends

Dividends proposed in the profit appropriation plan which will be authorized and declared after the balance sheet date are not recognized as a liability at the balance sheet date but disclosed separately in the notes of subsequent events to the consolidated financial statements.

27 Related Parties

If a party has the power to control, jointly control or exercise significant influence over another party, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Bank is under common control only from the State and that have no other related party relationships are not regarded as related parties.

28 Segment Reporting

The Group determines the business segments based on the internal organizational structure, management requirements and internal reporting system. After considering the principle of importance based on the business segments, it determines the reporting segments and discloses segment information.

Inter-segment revenues are measured on the basis of the actual transaction prices for such transactions for segment reporting. Segment accounting policies are consistent with those for the consolidated financial statements.

29 Methodology in Determination of Materiality and Basis for Selection

The Group determines the importance of financial information based on the economic environment, considering both the nature and amount of the matter. When assessing whether a matter is significant from nature perspective, the Group primarily considers whether it is part of the Group's operating activities and whether it significantly impacts the Group's financial position, operating results and cash flows. When assessing whether a matter is significant from amount perspective, the Group considers the proportion of the amount of the matter to the amount of operating income, total assets, total liabilities, total equity, profit for the year and total comprehensive income or to the amount of the account caption.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

V Significant Accounting Judgements and Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of financial statement line items. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, including rational expectation of future matters. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Measurement of the ECL Allowance

The measurement of the ECL allowance for financial assets measured at amortised cost, debt instruments measured at FVOCI, credit commitments and financial guarantees is an area that requires the use of complex models and significant assumptions about future economic conditions and borrower's credit behaviors (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are required in applying the accounting policies for measuring ECLs, such as:

- The segmentation of portfolios sharing similar credit risk characteristics for the purposes of measuring ECLs, choosing appropriate models and key inputs for the measurement of ECLs;
- Criteria for determining whether there was a significant increase in credit risk, or the credit was impaired;
- Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; and
- Discounted cash flows and discount rates applied to corporate loans and advances, and financial assets measured at amortised cost in stage 3.

For details about the measurement of ECLs, please refer to Note XIII.1(3).

(ii) Fair Value of Financial Instruments

If the market for a financial instrument is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable and willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. To the extent practicable, valuation technique makes the maximum use of market inputs. However, where market inputs are not available, management needs to make estimates on such unobservable market inputs. Under such circumstance, management needs to make estimates on such unobservable market inputs, such as counterparty credit risk, market fluctuations and correlations. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

V Significant Accounting Judgements and Estimates (continued)

(iii) Consolidation of Structured Entities

Management applies its judgement to determine whether the Group is acting as agent or principal in relation to the structured entities in which the Group acts as an asset manager or has interests in so as to determine whether the Group has control over the structured entity. In assessing whether the Group is acting as agent or manager, the Group considers various factors such as the scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which the Group is entitled for the services it provides and the Group's exposure to variability of returns of other arrangements (including interests the Group directly holds) in the structured entities. The reassessment of control is made if facts and circumstances indicate changes in any of the factors.

(iv) Income Taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are recognized accordingly. Deferred tax assets are recognized for temporary deductible differences, to the extent that it is probable that future taxable income will be used as deduction which the unused tax credits can be utilized. This requires significant estimation on the tax treatment of certain transactions and also significant assessment on the probability that sufficient taxable income will be available for the deferred tax assets to be deducted.

(v) Classification of Financial Assets

The critical judgements the Group makes in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows, etc. The Group determines the business model for managing financial assets at the level of financial asset portfolio based on relevant factors. In the process of assessing the characteristics of contractual cash flows, the Group needs to make judgement on whether the contractual cash flow of financial assets is consistent with the basic lending arrangement.

(vi) Derecognition of Financial Assets

In the normal course of business, the Group transfers financial assets through various types of transactions including regular sales and transfers, securitization, and selling financial assets under repurchase agreements. The Group applies significant judgement in assessing whether the transfer complies with the conditions for derecognition. Where the Group enters into structured transactions by which it transfers financial asset to special purpose entities, the Group analyzes whether it controls these special purpose entities to determine whether the Group needs to consolidate these special purpose entities.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements

1 Net Interest Income

	2025	2024
Interest income:		
Loans and advances to customers		
– Corporate loans and advances	49,511	52,628
– Personal loans and advances	20,369	25,460
– Discounted bills	2,181	2,367
Financial investments		
– Financial assets measured at amortised cost (“AC”)	11,352	12,460
– Financial assets measured at fair value through other comprehensive income (“FVOCI”)	9,938	9,521
Deposits and placements with banks and other financial institutions and financial assets purchased under resale agreements	3,189	2,975
Balances with the central bank	1,751	1,908
Finance lease receivables	3,342	3,378
Total	101,633	110,697
Interest expense:		
Customer deposits		
– Corporate customers	(27,882)	(31,927)
– Personal customers	(7,192)	(6,997)
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	(9,106)	(13,522)
Debt securities issued	(11,519)	(11,427)
Due to the central bank	(1,475)	(1,530)
Others	–	(137)
Total	(57,174)	(65,540)
Net interest income	44,459	45,157

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

2 Net Fee and Commission Income

	2025	2024
Fee and commission income:		
Agency and entrustment service	2,791	2,265
Commitment and guarantee service	816	1,031
Underwriting and consultation service	616	928
Settlement and clearing business	806	678
Custodian and fiduciary service	662	637
Fees from bank cards	178	197
Others	74	225
Total	5,943	5,961
Fee and commission expense	(2,191)	(1,474)
Net fee and commission income	3,752	4,487

3 Net Trading Gains

	2025	2024
Net gains arising from financial instruments measured at FVTPL	2,948	9,030
Exchange gains and related derivatives	1,677	1,769
Precious metals and related derivatives	1,324	411
Other derivatives and hedged items	(720)	(439)
Total	5,229	10,771

4 Net Gains on Financial Investments

	2025	2024
Net gains arising from financial assets measured at FVOCI	4,217	4,795
Net gains arising from financial assets measured at AC	2,894	1,054
Dividend income from equity instruments designated to be measured at FVOCI	6	6
Other investment losses	(165)	(3)
Total	6,952	5,852

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

5 Other Operating Income

	2025	2024
Operating lease income	1,867	1,166
Government grants	139	46
Other miscellaneous income	160	223
Total	2,166	1,435

6 Operating Expense

	Notes	2025	2024
Staff costs	(1)	13,048	13,737
General and administrative expenses		4,893	4,642
Depreciation and amortisation		2,055	2,022
Taxes and surcharges		755	835
Operating lease expenses		788	512
Donations		51	22
Auditors' remuneration		7	7
Others	(2)	452	151
Total		22,049	21,928

(1) Staff costs

	2025	2024
Salaries, bonuses and allowances	9,346	9,674
Other social insurance and benefit costs	1,203	1,783
Housing funds	720	636
Pension costs – defined contribution plans	1,558	1,417
Labor union fee and staff education fee	221	227
Total	13,048	13,737

(2) During reporting period, the expense relating to short-term leases and leases of low-value assets which were simplified processed by the Group are not significant.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

7 Expected Credit Losses (“ECL”s)

	Note	2025	2024
Deposits with banks and other financial institutions		1	(5)
Placements with banks and other financial institutions		5	(2)
Financial assets purchased under resale agreements		16	(4)
Loans and advances to customers			
– measured at AC		20,770	25,844
– measured at FVOCI		449	(15)
Financial investments			
– measured at AC		2,144	1,746
– measured at FVOCI		118	158
Finance lease receivables		684	697
Others		257	209
Off-balance sheet items		(195)	(433)
Total	VI.25	24,249	28,195

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

8 Director's and Supervisor's Emoluments

(in RMB thousands)	2025					Total
	Fees	Salaries	Allowances and benefits	Discretionary bonuses	Contribution to pension schemes	
Executive Directors						
Chen Haiqiang	-	550	85	-	237	872
Ma Hong	-	495	85	-	237	817
Lu Jianqiang*	-	321	49	-	138	508
Non-Executive Directors						
Hou Xingchuan	-	-	-	-	-	-
Ren Zhixiang	-	-	-	-	-	-
Hu Tiangao	-	-	-	-	-	-
Ying Yuxiang	-	-	-	-	-	-
Independent Non-Executive Directors						
Wang Wei	367	-	-	-	-	367
Xu Yongbin	383	-	-	-	-	383
Fu Tingmei	360	-	-	-	-	360
Shi Hao	367	-	-	-	-	367
Lou Weizhong	350	-	-	-	-	350
Wang Guocai*	63	-	-	-	-	63
Supervisors						
Guo Dingfang*	-	495	85	-	237	817
Wu Fanghua	-	-	-	-	-	-
Peng Zhiyuan	-	-	-	-	-	-
Du Quan	-	-	-	-	-	-
Chen Zhong	-	-	-	-	-	-
Ma Xiaofeng	-	-	-	-	-	-
Wang Junbo	-	-	-	-	-	-
Zhang Fanquan	320	-	-	-	-	320
Wang Congcong	313	-	-	-	-	313
Chen Sanlian	300	-	-	-	-	300
Gao Qiang*	107	-	-	-	-	107
Total	2,930	1,861	304	-	849	5,944

* On 31 December 2025, the aforementioned individuals are no longer serving as directors or supervisors.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

8 Director's and Supervisor's Emoluments (continued)

(in RMB thousands)	2024					Total
	Fees	Salaries	Allowances and benefits	Discretionary bonuses	Contribution to pension schemes	
Executive Directors						
Lu Jianqiang	–	550	83	276	235	1,144
Ma Hong	–	495	83	80	235	893
Chen Haiqiang	–	1,000	84	–	235	1,319
Zhang Rongsen*	–	–	–	–	–	–
Non-Executive Directors						
Hou Xingchuan	–	–	–	–	–	–
Ren Zhixiang	–	–	–	–	–	–
Hu Tiangao	–	–	–	–	–	–
Ying Yuxiang	–	–	–	–	–	–
Gao Qinhong*	–	–	–	–	–	–
Zhu Weiming*	–	–	–	–	–	–
Independent Non-Executive Directors						
Wang Guocai	365	–	–	–	–	365
Wang Wei	355	–	–	–	–	355
Xu Yongbin	385	–	–	–	–	385
Fu Tingmei	360	–	–	–	–	360
Shi Hao	25	–	–	–	–	25
Zhou Zhifang*	285	–	–	–	–	285
Supervisors						
Guo Dingfang	–	495	83	51	235	864
Wu Fanghua	–	–	–	–	–	–
Peng Zhiyuan	–	–	–	–	–	–
Du Quan	–	–	–	–	–	–
Chen Zhong	–	–	–	–	–	–
Ma Xiaofeng	–	–	–	–	–	–
Wang Junbo	–	–	–	–	–	–
Gao Qiang	320	–	–	–	–	320
Zhang Fanquan	320	–	–	–	–	320
Chen Sanlian	300	–	–	–	–	300
Wang Congcong	125	–	–	–	–	125
Chen Zhongwei*	–	–	–	–	–	–
Song Qinghua*	200	–	–	–	–	200
Total	3,040	2,540	333	407	940	7,260

* On 31 December 2024, the aforementioned individuals are no longer serving as directors or supervisors.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

8 Director's and Supervisor's Emoluments (continued)

- (1) The total pre-tax remuneration of some directors and the supervisors of the Bank performing their duties is still in the process of confirmation, and the rest will be disclosed separately after confirmation.
- (2) On 17 January 2025, the National Financial Regulatory Administration has approved Mr. Lou Weizhong's qualification as an independent non-executive director. On 25 September 2025, Mr. Zheng Xingang and Mr. Yang Zhaohui were elected as directors of the seventh Board of Directors, and the qualifications of Mr. Zheng Xingang and Mr. Yang Zhaohui are pending approval by the National Financial Regulatory Administration. On 5 December 2025, Mr. Chen Haiqiang was elected as Chairman of the seventh Board of Directors, and the qualification was approved by the National Financial Regulatory Administration on 13 February 2026; On 25 January 2026, Mr. Lyu Linhua was elected as a director of the seventh Board of Directors, and the qualification is pending approval by the National Financial Regulatory Administration; Administration (On 14 May 2024, the National Financial Regulatory Administration has approved Mr. Ying Yuxiang's qualifications as a non-executive director; On 12 June 2024, Mr. Shi Hao was elected as an independent non-executive director of the sixth term of the Board of Directors; On 12 June 2024, Mr. Wang Junbo was elected as the shareholder supervisor of the sixth Board of Supervisors; On 21 June 2024, Mr. Du Quan and Ms. Chen Zhong were by-elected as the staff supervisors of the sixth Board of Supervisors; On 2 August 2024, Mr. Guo Dingfang, Mr. Wu Fanghua, Mr. Peng Zhiyuan, Mr. Du Quan and Ms. Chen Zhong were elected as the employee supervisors of the seventh Board of Supervisors; On 9 August 2024, Mr. Lu Jianqiang, Mr. Zhang Rongsen, Ms. Ma Hong and Mr. Chen Haiqiang were elected as the executive directors of the seventh Board of Directors; Mr. Hou Xingchuan, Mr. Ren Zhixiang, Mr. Ni Defeng, Mr. Hu Tiangao, Ms. Jin Guorui, Mr. Ying Yuxiang and Mr. Wu Zhijun were elected as the non-executive directors of the seventh Board of Directors; Mr. Zhou Zhifang, Mr. Wang Guocai, Mr. Wang Wei, Mr. Xu Yongbin, Mr. Fu Tingmei, Mr. Shi Hao and Mr. Lou Weizhong were elected as the non-executive directors of the seventh Board of Directors; Mr. Ma Xiaofeng and Mr. Wang Junbo were elected as the shareholder supervisors of the seventh Board of Supervisors; Mr. Gao Qiang, Mr. Zhang Fanquan, Mr. Chen Sanlian and Mr. Wang Congcong were elected as the external supervisors of the seventh Board of Supervisors; Among the newly appointed directors, the qualifications of Mr. Shi Hao and Mr. Lou Weizhong have been approved by the National Financial Regulatory Administration, and the qualifications of Mr. Ni Defeng, Ms. Jin Guorui and Mr. Wu Zhijun are pending approval by the National Financial Regulatory Administration; On 18 December 2024, the National Financial Regulatory Administration has approved Mr. Shi Hao's qualifications as an independent non-executive director).
- (3) On 24 February 2025, Mr. Wang Guocai ceased to be an independent non-executive director of the Bank; On 13 June 2025, Mr. Gao Qiang was removed as an external supervisor; On 9 July 2025, Mr. Lu Jianqiang resigned as Chairman and executive director of the Bank; On 24 December 2025, Mr. Guo Dingfang resigned as Chairman of the Board of Supervisors and employee supervisor (On 27 February 2024, Mr. Chen Zhongwei resigned as the Bank's staff supervisor; On 9 August 2024, Ms. Gao Qinhong and Mr. Zhu Weiming ceased to be non-executive directors of the Board of the Bank, Mr. Song Qinghua ceased to be a supervisor of the Bank; On 18 August 2024, Mr. Zhang Rongsen resigned as the executive director of the Bank; On 24 September 2024, Mr. Zhou Zhifang and Mr. Wang Guocai resigned as the Bank's independent director, Mr. Wang Guocai will continue to perform his duties as required until the new independent director is qualified for appointment).
- (4) Employee supervisors of the Bank receive remuneration as staff, and receive no remuneration as supervisors.
- (5) Supervisors of the Bank receive only remuneration in respect of their services as supervisors. No emoluments were paid to or receivable by supervisors.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

9 Highest Paid Individuals

During the year ended 31 December 2025, the five highest paid individuals in the Group include neither director nor supervisor (2024: five). The five (2024: five) highest paid individuals for the year are as follows:

	2025	2024
Salaries and allowances and other benefits	5	1
Discretionary bonuses	18	25
Total	23	26

The emoluments fell within the following bands:

	Number of Individuals	
	2025	2024
RMB4,000,001 – RMB4,500,000	1	–
RMB4,500,001 – RMB5,000,000	4	3
RMB5,000,001 – RMB5,500,000	–	1
RMB5,500,001 – RMB6,000,000	–	1

- (1) No emoluments had been paid or payable by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.
- (2) During the year ended 31 December 2025, no non-cash benefits (share options, cars, insurance premium, club membership, etc.) were paid to the directors or supervisors (2024: Nil).
- (3) During the year ended 31 December 2025, no retirement benefits were paid to the directors or supervisors by a defined benefit pension plan operated by the Group (2024: Nil).
- (4) During the year ended 31 December 2025, no termination benefits were paid to the directors or supervisors by the Group (2024: Nil).
- (5) During the year ended 31 December 2025, no consideration was provided by the Group to former employers for making available directors' and supervisors' services (2024: Nil).
- (6) During the year ended 31 December 2025, no loans, quasi-loans or other dealings were provided in favour of directors or their connected entities (2024: Nil).
- (7) During the year ended 31 December 2025, no significant transactions, arrangements and contracts were in relation to the corporate in which a director of the Group had a material interest, whether directly or indirectly subsisted (2024: Nil).

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

10 Income Tax Expense

	Note	2025	2024
Current income tax expense		2,693	2,041
Deferred tax expense	VI.23(2)	(125)	(155)
Total		2,568	1,886

Current income tax is calculated based on the statutory rate of 25% of the taxable income of the Group in accordance with the PRC income tax regulations.

The difference between the actual income tax charged in the profit or loss and the amounts which would result from applying the statutory tax rate to profit before taxation can be reconciled as follows:

	Notes	2025	2024
Profit before taxation		16,129	17,579
Tax calculated at statutory tax rate of 25%		4,032	4,395
Effects of non-taxable income	(1)	(3,038)	(3,287)
Effects of non-deductible expenses	(2)	1,815	1,019
Effects of perpetual bond interest expense		(241)	(241)
Income tax expense		2,568	1,886

(1) The non-taxable income mainly represents interest income arising from treasury bonds and municipal government bonds, and dividend income arising from fund investments, which are income tax free in accordance with the PRC tax regulations.

(2) The non-deductible expenses mainly include the non-deductible write-off losses assessed and confirmed item by item, and certain expenses, which are not deductible before taxation according to the PRC tax regulations.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

11 Basic and Diluted Earnings Per Share

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding. At 31 December 2025, the Group possesses no share with potential dilution effect hence there's no difference between basic and diluted earnings per share.

	2025	2024
Consolidated net profit attributable to shareholders of the Bank	12,931	15,186
Less: Net profit attributable to other equity instruments holders of the Bank	(963)	(963)
Consolidated net profit attributable to ordinary shareholders of the Bank	11,968	14,223
Weighted average number of ordinary shares (in millions of shares)	27,464	27,464
Basic and diluted earnings per share (RMB yuan/share)	0.44	0.52

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

12 Cash and Balances with the Central Bank

	Notes	31 December 2025	31 December 2024
Cash		869	996
Balances with the central bank			
– Statutory deposit reserves	(1)	108,579	108,572
– Surplus deposit reserves	(2)	12,790	15,077
– Foreign exchange risk reserves	(3)	3,410	4,946
– Fiscal deposits	(4)	2	45
Subtotal		124,781	128,640
Interest accrued		54	55
Total		125,704	129,691

- (1) The Group is required to place statutory deposit reserves with the People's Bank of China. These statutory deposit reserves cannot be used for the daily business operation of the Group. At the balance sheet date, rates for statutory deposit reserves were as follows:

	31 December 2025	31 December 2024
Statutory deposit reserves rate for deposits denominated in RMB	5.50%	6.00%
Statutory deposit reserves rate for deposits denominated in foreign currencies	4.00%	4.00%

The statutory deposit reserves ratios of the subsidiaries of the Bank complied with the requirement of the People's Bank of China.

- (2) Surplus deposit reserves includes the funds deposited in the People's Bank of China for the purpose of capital settlement and other non restrictive funds.
- (3) At 31 December 2025, the foreign exchange risk reserve ratio of the Bank is 20% (31 December 2024: 20%).
- (4) Financial deposits refer to the funds originated from financial institutions and deposited in the People's Bank of China according to regulations, which cannot be used for the daily business operation of the Group.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

13 Deposits with Banks and Other Financial Institutions

Analyzed by type and location of counterparties

	31 December 2025	31 December 2024
In Chinese Mainland		
– Banks	44,043	38,297
– Other financial institutions	26,766	8,710
Outside Chinese Mainland		
– Banks	2,550	4,740
– Other financial institutions	122	83
Interest accrued	105	91
Gross amount	73,586	51,921
Less: Allowance for ECLs (Note VI.25)	(3)	(2)
Carrying amount	73,583	51,919

At 31 December 2025, the Group and the Bank deposited RMB26,848 million and RMB26,767 million respectively with banks in the PRC with restriction in use, respectively (At 31 December 2024, amounting to RMB8,283 million and RMB7,973 million, respectively).

14 Placements with Banks and Other Financial Institutions

Analyzed by type and location of counterparties

	31 December 2025	31 December 2024
In Chinese Mainland		
– Other financial institutions	877	13,795
Outside Chinese Mainland		
– Banks	1,572	3,548
– Other financial institutions	3,459	–
Interest accrued	53	27
Gross amount	5,961	17,370
Less: Allowance for ECLs (Note VI.25)	(9)	(4)
Carrying amount	5,952	17,366

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

15 Derivative Financial Instruments and hedge accounting

The Group's derivative financial instruments include interest rate derivatives, currency derivatives, precious metal and other derivatives. At the balance sheet date, the derivative financial instruments held by the Group are set out below:

At 31 December 2025

	Notional amount	Fair value	
		Derivative financial assets	Derivative financial liabilities
Interest rate derivatives	1,506,310	4,477	(4,525)
Currency derivatives	1,767,804	11,788	(12,017)
Precious metal and other derivatives	274,088	11,286	(4,227)
Total	3,548,202	27,551	(20,769)
Derivatives designated as hedging Instruments:			
– Interest rate derivatives	7,950	35	–

At 31 December 2024

	Notional amount	Fair value	
		Derivative financial assets	Derivative financial liabilities
Interest rate derivatives	1,742,708	10,348	(10,634)
Currency derivatives	1,757,665	24,372	(21,962)
Precious metal and other derivatives	285,614	6,972	(3,489)
Total	3,785,987	41,692	(36,085)
Derivatives designated as hedging Instruments:			
– Interest rate derivatives	7,950	–	(10)

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap contracts settled in the Shanghai Clearing House, precious metals futures, precious metals (T+D) and standard bond forward were settled daily and the corresponding receipts and payments were included in the guaranteed deposits.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

15 Derivative Financial Instruments and hedge accounting (continued)

(1) Fair value hedges

The Group uses interest rate swap instruments to hedge against changes in the fair value of fixed-rate RMB bonds measured at AC.

By hedging its exposure to interest rate changes using derivative financial instruments, the Group also faces credit risk from derivative counterparties, which is not offset by the hedged items. The Group effectively controls the credit risk of derivative counterparties by transacting with counterparties with higher credit ratings.

Prior to adopting fair value hedge accounting, the Group assesses, through qualitative or quantitative analysis, whether there is an economic relationship between the hedged items and the hedging instruments. In evaluating the existence of an economic relationship, the Group assesses whether the changes in the fair value of the hedged items and the hedging instruments, resulting from the hedged risks, are similar. Further, the Group uses sensitivity analysis to assess the correlation between the changes in the values of the hedging instruments and the hedged items to support this qualitative assessment.

In these hedging relationships, the primary sources of hedge ineffectiveness are:

- The impact of counterparties on the fair value of interest rate swaps, including the influence of counterparties' credit risk and the Group's own credit risks on the fair value of interest rate swaps, which is not reflected in the fair value of the hedged items due to interest rate changes.
- The difference in maturity dates between the interest rate swaps and the bonds.

During the reporting period, gains and losses arising from the hedge ineffectiveness recognized in the net income from trading activities were not significant.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

16 Financial Assets Purchased Under Resale Agreements

(1) Analyzed by type and location of counterparties

	31 December 2025	31 December 2024
In Chinese Mainland		
– Banks	3,879	23,177
– Other financial institutions	86,714	45,230
Interest accrued	44	22
Gross amount	90,637	68,429
Less: Allowance for ECLs (Note VI.25)	(38)	(22)
Carrying amount	90,599	68,407

(2) Analyzed by type of collateral

	31 December 2025	31 December 2024
Bills	626	–
Bonds		
– Financial bonds	66,949	38,301
– Government bonds	23,018	30,106
Interest accrued	44	22
Gross amount	90,637	68,429
Less: Allowance for ECLs (Note VI.25)	(38)	(22)
Carrying amount	90,599	68,407

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers

	31 December 2025	31 December 2024
Loans and advances to customers measured at AC	1,575,832	1,487,701
Loans and advances to customers measured at FVOCI	307,405	324,983
Total	1,883,237	1,812,684

(1) Analyzed by classification and nature

	Note	31 December 2025	31 December 2024
Loans and advances to customers measured at AC			
Corporate loans and advances		1,143,579	1,054,519
Personal loans and advances			
– Residential mortgage loans		186,339	168,136
– Personal business loans		157,823	183,641
– Personal consumer loans		118,357	117,405
Personal loans and advances		462,519	469,182
Loans and advances to customers measured at FVOCI			
Corporate loans and advances		187,880	195,047
Discounted bills	(a)	116,916	119,200
Personal loans and advances			
– Personal business loans		1,889	9,449
Subtotal		1,912,783	1,847,397
Fair value changes		706	1,224
Interest accrued		9,222	8,495
Gross amount		1,922,711	1,857,116
Less: Allowance for ECLs (Note VI.25)		(39,474)	(44,432)
Carrying amount		1,883,237	1,812,684

(a) At the balance sheet date, part of discounted bills are pledged for secured liabilities, please refer to Note XI 1.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(2) Analyzed by type of collateral

	31 December 2025		31 December 2024	
	Amount	Proportion	Amount	Proportion
Unsecured loans	432,182	22.59%	468,309	25.35%
Guaranteed loans	490,627	25.65%	377,355	20.43%
Collateralized loans				
– Mortgage loans	800,607	41.86%	813,467	44.03%
– Pledged loans	72,451	3.79%	69,066	3.74%
Discounted bills	116,916	6.11%	119,200	6.45%
Subtotal	1,912,783	100.00%	1,847,397	100.00%
Fair value changes	706		1,224	
Interest accrued	9,222		8,495	
Gross amount	1,922,711		1,857,116	
Less: Allowance for ECLs (Note VI.25)	(39,474)		(44,432)	
Carrying amount	1,883,237		1,812,684	

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

- (3) Overdue loans and advances to customers analyzed by overdue period (fair value changes and interest accrued excluded)

	31 December 2025				Total
	Overdue within 3 months (inclusive)	Overdue between 3 months and 1 year (inclusive)	Overdue between 1 year and 3 years (inclusive)	Overdue more than 3 years	
Unsecured loans	2,527	5,016	1,487	322	9,352
Guaranteed loans	850	1,188	1,595	370	4,003
Collateralized loans					
– Mortgage loans	6,912	8,269	3,991	453	19,625
– Pledged loans	95	1,396	92	150	1,733
Total overdue loans	10,384	15,869	7,165	1,295	34,713

	31 December 2024				Total
	Overdue within 3 months (inclusive)	Overdue between 3 months and 1 year (inclusive)	Overdue between 1 year and 3 years (inclusive)	Overdue more than 3 years	
Unsecured loans	2,562	3,300	937	190	6,989
Guaranteed loans	1,696	1,287	1,125	516	4,624
Collateralized loans					
– Mortgage loans	8,121	7,613	5,404	43	21,181
– Pledged loans	20	415	88	194	717
Total overdue loans	12,399	12,615	7,554	943	33,511

Overdue loans represent loans of which the whole or part of the principal or interest has been overdue for one day or more.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(4) Analyzed by assessment of allowance for ECLs

(a) Allowance for ECLs of loans and advances to customers measured at AC (interest accrued excluded)

	31 December 2025			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at AC				
– Corporate loans and advances	1,074,622	50,620	18,337	1,143,579
– Personal loans and advances	439,780	11,718	11,021	462,519
Gross amount	1,514,402	62,338	29,358	1,606,098
Less: Allowance for ECLs (Note VI.25)	(10,430)	(11,601)	(17,443)	(39,474)
Carrying amount	1,503,972	50,737	11,915	1,566,624
	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers measured at AC				
– Corporate loans and advances	979,805	55,953	18,761	1,054,519
– Personal loans and advances	451,848	9,208	8,126	469,182
Gross amount	1,431,653	65,161	26,887	1,523,701
Less: Allowance for ECLs (Note VI.25)	(12,076)	(14,972)	(17,384)	(44,432)
Carrying amount	1,419,577	50,189	9,503	1,479,269

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(4) Analyzed by assessment of allowance for ECLs (continued)

(b) Allowance for ECLs of loans and advances to customers measured at FVOCI (fair value changes and interest accrued excluded)

	31 December 2025			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at FVOCI				
– Corporate loans and advances	187,537	113	230	187,880
– Discounted bills	116,886	17	13	116,916
– Personal loans and advances	1,195	335	359	1,889
Total	305,618	465	602	306,685
Allowance for ECLs (Note VI.25)	(590)	(71)	(319)	(980)
	31 December 2024			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at FVOCI				
– Corporate loans and advances	194,602	153	292	195,047
– Discounted bills	119,187	–	13	119,200
– Personal loans and advances	8,645	431	373	9,449
Total	322,434	584	678	323,696
Allowance for ECLs (Note VI.25)	(689)	(117)	(313)	(1,119)

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(5) Movements of the allowance for ECLs of loans and advances to customers

(a) Movements of the allowance for ECLs of loans and advances to customers measured at AC

	2025			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2025	12,076	14,972	17,384	44,432
Transfer				
– to Stage 1	468	(444)	(24)	–
– to Stage 2	(476)	880	(404)	–
– to Stage 3	(351)	(5,028)	5,379	–
(Reversal)/charge (Note VI.7)	(1,256)	1,221	20,805	20,770
Write-off and transfer out	–	–	(27,812)	(27,812)
Recoveries of loans and advances previously written off	–	–	2,235	2,235
Other movements	(31)	–	(120)	(151)
Balance at 31 December 2025	10,430	11,601	17,443	39,474
	2024			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2024	11,404	14,776	16,788	42,968
Transfer				
– to Stage 1	1,375	(1,338)	(37)	–
– to Stage 2	(473)	532	(59)	–
– to Stage 3	(191)	(2,422)	2,613	–
(Reversal)/charge (Note VI.7)	(52)	3,424	22,472	25,844
Write-off and transfer out	–	–	(26,688)	(26,688)
Recoveries of loans and advances previously written off	–	–	2,389	2,389
Other movements	13	–	(94)	(81)
Balance at 31 December 2024	12,076	14,972	17,384	44,432

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

17 Loans and Advances to Customers (continued)

(5) Movements of the allowance for ECLs of loans and advances to customers (continued)

(b) Movements of the allowance for ECLs on loans and advances to customers measured at FVOCI

	2025			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2025	689	117	313	1,119
Transfer				
– to Stage 1	10	(9)	(1)	–
– to Stage 2	(5)	8	(3)	–
– to Stage 3	(12)	(77)	89	–
(Reversal)/charge (Note VI.7)	(92)	32	509	449
Write-off and transfer out	–	–	(627)	(627)
Recoveries of loans and advances previously written off	–	–	39	39
Balance at 31 December 2025	590	71	319	980

	2024			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2024	1,351	101	490	1,942
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	(11)	14	(3)	–
– to Stage 3	(12)	(6)	18	–
(Reversal)/charge (Note VI.7)	(639)	8	616	(15)
Write-off and transfer out	–	–	(808)	(808)
Balance at 31 December 2024	689	117	313	1,119

18 Financial Investments

	Notes	31 December 2025	31 December 2024
Financial investments measured at FVTPL	18.1	229,795	228,873
Financial investments measured at AC	18.2	454,851	469,159
Financial investments measured at FVOCI	18.3	366,861	357,419
Total		1,051,507	1,055,451

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investments (continued)

18.1 Financial investments measured at FVTPL

	Note	31 December 2025	31 December 2024
Fund investments	(1)	136,837	175,096
Bond and ABS investments			
– Government bonds		4,837	2,343
– Financial bonds		20,129	21,862
– Interbank certificates of deposit		21,432	2,692
– Asset-backed securities (“ABS”)	(1)	41,571	13,365
– Other bonds		1,123	8,020
Equity investments		2,032	3,559
Trust schemes and asset management plans	(1)	1,477	1,815
Wealth management products		357	121
Total		229,795	228,873

(1) Including investments that are included in the scope of consolidation in accordance with the definition of control set out in Note VII.2.

Analyzed by listing location:

	31 December 2025	31 December 2024
Fund investments		
– Listed outside Hong Kong	136,837	175,096
Bond and ABS investments		
– Listed in Hong Kong	978	2,417
– Listed outside Hong Kong	88,114	45,865
Trust schemes and asset management plans		
– Unlisted	1,477	1,815
Equity investments		
– Listed outside Hong Kong	1,778	1,976
– Unlisted	254	1,583
Wealth management products		
– Unlisted	357	121
Total	229,795	228,873

Bond investments traded on the Mainland interbank bond market are included in the listed outside Hong Kong category.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investments (continued)

18.1 Financial investments measured at FVTPL (continued)

Analyzed by type of issuers:

	31 December 2025	31 December 2024
Chinese Mainland issuers		
– Government	4,837	2,343
– Banking and other financial institutions	218,163	210,460
– Corporate entities	6,793	12,754
Issuers outside Chinese Mainland		
– Banking and other financial institutions	–	2,123
– Corporate entities	2	1,193
Total	229,795	228,873

18.2 Financial investments measured at AC

	Notes	31 December 2025	31 December 2024
Bond and ABS investments	(1)		
– Government bonds		240,356	234,495
– Financial bonds		134,199	127,331
– Debt financing plans		1,219	3,080
– Asset-backed securities (“ABS”)		164	696
– Other bonds		6,367	24,457
Trust schemes and asset management plans	(2)	89,972	97,784
Interest accrued		7,600	6,713
Gross amount		479,877	494,556
Less: Allowance for ECLs (Note VI.25)		(25,026)	(25,397)
Carrying amount		454,851	469,159

(1) At the balance sheet date, part of bond investments measured at amortised cost are pledged for secured liabilities, please refer to Note XI 1.

(2) Including investments that are included in the scope of consolidation in accordance with the definition of control set out in Note VII.2. Trust schemes and asset management plans, mainly invested in credit assets, ABS and equity investments under repurchase agreements, are managed and operated by third-party trustees or asset managers.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investments (continued)

18.2 Financial investments measured at AC (continued)

Analyzed by listing location:

	31 December 2025	31 December 2024
Bond and ABS investments		
– Listed in Hong Kong	2,538	13,494
– Listed outside Hong Kong	378,047	370,815
– Unlisted	1,720	5,750
Trust schemes and asset management plans		
– Unlisted	89,972	97,784
Interest accrued	7,600	6,713
Total	479,877	494,556

Analyzed by type of issuers:

	31 December 2025	31 December 2024
Chinese Mainland issuers		
– Government	230,468	223,819
– Banking and other financial institutions	134,801	127,708
– Corporate entities	95,324	119,717
Issuers outside Chinese Mainland		
– Government	9,888	8,275
– Corporate entities	1,796	8,324
Interest accrued	7,600	6,713
Total	479,877	494,556

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investments (continued)

18.2 Financial investments measured at AC (continued)

The gross amount and allowance for ECLs of financial investments measured at AC are analyzed as follows (interest accrued excluded):

	31 December 2025			Total
	Stage 1	Stage 2	Stage 3	
Financial investments measured at AC	419,076	3,253	49,948	472,277
Less: Allowance for ECLs (Note VI.25)	(413)	(612)	(24,001)	(25,026)
Carrying amount	418,663	2,641	25,947	447,251
	31 December 2024			Total
	Stage 1	Stage 2	Stage 3	
Financial investments measured at AC	429,470	6,171	52,202	487,843
Less: Allowance for ECLs (Note VI.25)	(651)	(1,058)	(23,688)	(25,397)
Carrying amount	428,819	5,113	28,514	462,446

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investments (continued)

18.2 Financial investments measured at AC (continued)

Movement of allowance for ECLs of financial investments measured at AC

	2025			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2025	651	1,058	23,688	25,397
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	–	420	(420)	–
– to Stage 3	–	(626)	626	–
(Reversal)/charge (Note VI.7)	(237)	(240)	2,621	2,144
Write-off	–	–	(2,471)	(2,471)
Recoveries of financial investments previously written off	–	–	437	437
Other movements	(1)	–	(480)	(481)
Balance at 31 December 2025	413	612	24,001	25,026

	2024			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2024	1,020	3,434	23,264	27,718
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	(38)	38	–	–
– to Stage 3	–	(1,953)	1,953	–
(Reversal)/charge (Note VI.7)	(334)	(461)	2,541	1,746
Write-off	–	–	(3,781)	(3,781)
Recoveries of financial investments previously written off	–	–	165	165
Other movements	3	–	(454)	(451)
Balance at 31 December 2024	651	1,058	23,688	25,397

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investments (continued)

18.3 Financial investments measured at FVOCI

	Note	31 December 2025	31 December 2024
Bond and ABS investments			
– Government bonds		81,664	96,352
– Financial bonds		159,389	82,495
– Interbank certificates of deposit		17,118	67,398
– Asset-backed securities (“ABS”)		14,228	44,845
– Other bonds		88,840	61,947
Other debt instruments		–	50
Interest accrued		4,158	2,912
Subtotal		365,397	355,999
Financial investments designated to be measured at FVOCI			
Equity investments	(1)	1,464	1,420
Total		366,861	357,419

(1) Certain non-trading equity investments are designated by the Group as financial investments measured at FVOCI. For the year ended 31 December 2025, dividend income recognized on such equity investments amounted to RMB6 million (For the year ended 31 December 2024: RMB6 million).

Analyzed by listing location:

	31 December 2025	31 December 2024
Bond and ABS investments and other debt instruments		
– Listed in Hong Kong	33,225	28,802
– Listed outside Hong Kong	299,912	269,879
– Unlisted	28,102	54,406
Equity investments		
– Unlisted	1,464	1,420
Interest accrued	4,158	2,912
Total	366,861	357,419

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investments (continued)

18.3 Financial investments measured at FVOCI (continued)

Analyzed by type of issuers:

	31 December 2025	31 December 2024
Chinese Mainland issuers		
– Government	67,068	74,724
– Banking and other financial institutions	143,598	123,187
– Corporate entities	68,337	62,115
Issuers outside Chinese Mainland		
– Government	18,694	21,644
– Banking and other financial institutions	37,260	54,656
– Corporate entities	26,282	16,761
Interest accrued	4,158	2,912
Subtotal	365,397	355,999
Equity investments	1,464	1,420
Total	366,861	357,419

The gross amount and allowance for ECLs of debt instruments measured at FVOCI are analyzed as follows (fair value changes and interest accrued excluded):

	31 December 2025			Total
	Stage 1	Stage 2	Stage 3	
Debt instruments measured at FVOCI	360,637	–	79	360,716
Allowance for ECLs (Note VI.25)	(367)	–	(26)	(393)
	31 December 2024			Total
	Stage 1	Stage 2	Stage 3	
Debt instruments measured at FVOCI	348,711	80	436	349,227
Allowance for ECLs (Note VI.25)	(345)	(8)	(325)	(678)

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

18 Financial Investments (continued)

18.3 Financial investments measured at FVOCI (continued)

Movement of the allowance for ECLs of debt instruments measured at FVOCI

	2025			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2025	345	8	325	678
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	–	–	–	–
– to Stage 3	–	(8)	8	–
Charge (Note VI.7)	22	–	96	118
Write-off	–	–	(404)	(404)
Recoveries of financial investments	–	–	16	16
Other movements	–	–	(15)	(15)
Balance at 31 December 2025	367	–	26	393

	2024			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2024	224	106	187	517
Transfer				
– to Stage 1	101	(101)	–	–
– to Stage 2	–	–	–	–
– to Stage 3	–	–	–	–
Charge (Note VI.7)	17	3	138	158
Other movements	3	–	–	3
Balance at 31 December 2024	345	8	325	678

19 Investment in Subsidiaries

The Bank

	31 December 2025	31 December 2024
Zheyin Financial Leasing	2,040	2,040
Zheyin Wealth Management	2,393	–
Total	4,433	2,040

For details of the subsidiaries, please refer to Note VII.1.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

20 Fixed Assets

	Notes	31 December 2025	31 December 2024
Fixed assets	(1)	32,654	28,078
Construction in progress	(2)	3,950	3,190
Total		36,604	31,268

(1) Fixed assets

	Properties and buildings	Office and electronic equipment	Motor vehicles	Fixed assets leased out under operating leases	Total
Cost					
At 1 January 2025	18,764	2,401	198	13,191	34,554
Additions	6	138	13	6,184	6,341
Transfers from construction in progress	617	-	-	-	617
Disposals and other changes	-	(60)	(22)	(808)	(890)
At 31 December 2025	19,387	2,479	189	18,567	40,622
Less: Accumulated depreciation					
At 1 January 2025	(3,681)	(1,846)	(140)	(809)	(6,476)
Charge	(736)	(176)	(19)	(690)	(1,621)
Disposals and other changes	-	58	20	111	189
At 31 December 2025	(4,417)	(1,964)	(139)	(1,388)	(7,908)
Less: Depreciation reserves					
At 1 January 2025	-	-	-	-	-
Charge	-	-	-	(60)	(60)
At 31 December 2025	-	-	-	(60)	(60)
Carrying amount					
Balance at 31 December 2025	14,970	515	50	17,119	32,654
Balance at 1 January 2025	15,083	555	58	12,382	28,078

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

20 Fixed Assets (continued)

(1) Fixed assets (continued)

	Properties and buildings	Office and electronic equipment	Motor vehicles	Fixed assets leased out under operating leases	Total
Cost					
At 1 January 2024	18,537	2,267	188	6,627	27,619
Additions	36	175	20	7,838	8,069
Transfers from construction in progress	202	–	–	–	202
Disposals and other changes	(11)	(41)	(10)	(1,274)	(1,336)
At 31 December 2024	18,764	2,401	198	13,191	34,554
Less: Accumulated depreciation					
At 1 January 2024	(2,980)	(1,699)	(135)	(460)	(5,274)
Charge	(707)	(185)	(15)	(449)	(1,356)
Disposals and other changes	6	38	10	100	154
At 31 December 2024	(3,681)	(1,846)	(140)	(809)	(6,476)
Carrying amount					
Balance at 31 December 2024	15,083	555	58	12,382	28,078
Balance at 1 January 2024	15,557	568	53	6,167	22,345

At the balance sheet date, there is no significant idle assets held by the Group.

At 31 December 2025, the Group's properties and buildings with carrying amount of RMB471 million (31 December 2024: RMB910 million) were still in progress of obtaining the legal titles.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

20 Fixed Assets (continued)

(2) Construction in progress

	Construction in progress
Balance at 1 January 2025	3,190
Additions for the year	1,520
Transfers to fixed assets	(617)
Transfers to long-term prepaid expenses	(143)
Balance at 31 December 2025	3,950
	Construction in progress
Balance at 1 January 2024	2,396
Additions for the year	1,111
Transfers to fixed assets	(202)
Transfers to long-term prepaid expenses	(115)
Balance at 31 December 2024	3,190

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

21 Lease

(1) Right-of-use assets

	Land use rights	Properties and buildings	Others	Total
Cost				
At 1 January 2025	1,950	6,056	65	8,071
Additions	–	422	6	428
Reductions	–	(410)	(2)	(412)
At 31 December 2025	1,950	6,068	69	8,087
Less: Accumulated depreciation				
At 1 January 2025	(370)	(2,984)	(32)	(3,386)
Charge	(49)	(722)	(8)	(779)
Reductions	–	287	–	287
At 31 December 2025	(419)	(3,419)	(40)	(3,878)
Carrying amount				
Balance at 31 December 2025	1,531	2,649	29	4,209
Balance at 1 January 2025	1,580	3,072	33	4,685

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

21 Lease (continued)

(1) Right-of-use assets (continued)

	Land use rights	Properties and buildings	Others	Total
Cost				
At 1 January 2024	1,950	5,910	53	7,913
Additions	–	610	16	626
Reductions	–	(464)	(4)	(468)
At 31 December 2024	1,950	6,056	65	8,071
Less: Accumulated depreciation				
At 1 January 2024	(321)	(2,663)	(25)	(3,009)
Charge	(49)	(747)	(10)	(806)
Reductions	–	426	3	429
At 31 December 2024	(370)	(2,984)	(32)	(3,386)
Carrying amount				
Balance at 31 December 2024	1,580	3,072	33	4,685
Balance at 1 January 2024	1,629	3,247	28	4,904

At the balance sheet date, there is no land use rights held by the Group for which the title certificate has not been issued.

(2) Lease liabilities

Analysis of undiscounted lease payments on the maturity date of lease liabilities:

	31 December 2025	31 December 2024
Within 1 year (inclusive)	771	837
1 – 2 years (inclusive)	561	711
2 – 3 years (inclusive)	445	534
3 – 4 years (inclusive)	385	414
4 – 5 years (inclusive)	319	343
Above 5 years	471	640
The total amount of undiscounted lease payments	2,952	3,479
Carrying amount of lease liabilities at 31 December	2,691	3,131

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

22 Intangible Assets

	Computer software
Cost	
At 1 January 2025	1,451
Additions	344
At 31 December 2025	1,795
Less: Accumulated amortisation	
At 1 January 2025	(640)
Charge	(134)
At 31 December 2025	(774)
Carrying amount	
Balance at 31 December 2025	1,021
Balance at 1 January 2025	811
	Computer software
Cost	
At 1 January 2024	1,197
Additions	254
At 31 December 2024	1,451
Less: Accumulated amortisation	
At 1 January 2024	(527)
Charge	(113)
At 31 December 2024	(640)
Carrying amount	
Balance at 31 December 2024	811
Balance at 1 January 2024	670

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

23 Deferred Tax Assets and Liabilities

(1) Deferred tax assets and liabilities before offsetting

	31 December 2025		31 December 2024	
	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)
Allowance for ECLs and provisions	92,399	23,100	89,800	22,450
Employee benefits payable	2,883	721	2,280	570
Unrealized losses of financial instruments measured at FVTPL and precious metals	58	15	47	12
Others	3,699	924	3,780	945
Deferred tax assets before offsetting	99,039	24,760	95,907	23,977
Depreciation of fixed assets	(468)	(117)	(559)	(140)
Unrealized gains of financial instruments measured at FVTPL and precious metals	(110)	(27)	(1,203)	(301)
Unrealized gains of financial investments measured at FVOCI	(1,668)	(417)	(5,480)	(1,370)
Unrealized gains of derivative financial instruments	(7,451)	(1,863)	(3,611)	(903)
Others	(2,674)	(669)	(3,126)	(781)
Deferred tax liabilities before offsetting	(12,371)	(3,093)	(13,979)	(3,495)
Net amount after offsetting	86,668	21,667	81,928	20,482

(2) Changes in deferred tax

	31 December 2025	31 December 2024
Balance at the beginning of the year	20,482	21,184
Charge to profit or loss for the year	125	155
Charge to other comprehensive income	1,060	(857)
Balance at the end of the year	21,667	20,482

At the balance sheet date, the Group has no significant unrecognized deferred tax assets and liabilities.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

24 Other Assets

	Notes	31 December 2025	31 December 2024
Finance lease receivables	(1)	64,605	61,096
Long-term prepaid expenses	(2)	2,446	1,435
Guaranteed deposits		2,182	2,620
Deductible input Value Added Tax (“VAT”)		1,789	1,459
Settlement and clearing accounts		1,171	1,704
Interest receivable		958	1,260
Non-financial repossessed assets	(3)	745	604
Prepayment		640	729
Continuing involvement assets (Note VI.45 (1))		568	1,212
Fee receivables		538	709
Others		2,887	1,299
Total		78,529	74,127

(1) Finance lease receivables

	Note	31 December 2025	31 December 2024
Finance lease receivables	(a)	9,164	6,782
Less: Unrecognized finance income		(1,584)	(1,223)
Balance of finance lease receivables		7,580	5,559
Finance leaseback receivables		58,776	57,180
Subtotal		66,356	62,739
Interest accrued		487	485
Less: Allowance for ECLs (Note VI.25)		(2,238)	(2,128)
Carrying amount		64,605	61,096

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

24 Other Assets (continued)

(1) Finance lease receivables (continued)

The minimum undiscounted finance lease receivables to be received by the Group in each of the five consecutive accounting years after the balance sheet date are as follows (interest accrued excluded):

	31 December 2025		31 December 2024	
	Amount	Proportion	Amount	Proportion
Within 1 year (inclusive)	2,691	29.36%	1,742	25.69%
1 – 2 years (inclusive)	1,657	18.09%	1,778	26.22%
2 – 3 years (inclusive)	1,057	11.53%	691	10.18%
3 – 4 years (inclusive)	584	6.37%	447	6.59%
4 – 5 years (inclusive)	503	5.49%	272	4.01%
Above 5 years	2,672	29.16%	1,852	27.31%
Total	9,164	100.00%	6,782	100.00%

Analyzed by assessment of allowance for ECLs of finance lease receivables (interest accrued excluded)

	31 December 2025			Total
	Stage 1	Stage 2	Stage 3	
Finance lease receivables	63,090	2,435	831	66,356
Less: Allowance for ECLs (Note VI.25)	(1,054)	(576)	(608)	(2,238)
Carrying amount	62,036	1,859	223	64,118

	31 December 2024			Total
	Stage 1	Stage 2	Stage 3	
Finance lease receivables	59,320	2,622	797	62,739
Less: Allowance for ECLs (Note VI.25)	(1,138)	(457)	(533)	(2,128)
Carrying amount	58,182	2,165	264	60,611

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

24 Other Assets (continued)

(1) Finance lease receivables (continued)

Movements of the allowance for ECLs of finance lease receivables

	2025			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2025	1,138	457	533	2,128
Transfer				
– to Stage 1	2	–	(2)	–
– to Stage 2	(37)	89	(52)	–
– to Stage 3	(7)	(99)	106	–
(Reversal)/charge (Note VI.7)	(42)	129	597	684
Write-off	–	–	(663)	(663)
Recoveries of finance lease receivables previously written off	–	–	89	89
Balance at 31 December 2025	1,054	576	608	2,238
	2024			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2024	1,230	192	472	1,894
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	(38)	60	(22)	–
– to Stage 3	(21)	(18)	39	–
(Reversal)/charge (Note VI.7)	(33)	223	507	697
Write-off	–	–	(585)	(585)
Recoveries of finance lease receivables previously written off	–	–	122	122
Balance at 31 December 2024	1,138	457	533	2,128

- (a) At the balance sheet date, part of finance lease receivables are pledged for secured liabilities, please refer to Note XI 1.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

24 Other Assets (continued)

(2) Long-term prepaid expense

	2025	2024
Balance at 1 January	1,435	1,014
Additions	1,419	502
Transfers from construction in progress	143	115
Less: Accumulated amortisation	(551)	(196)
Balance at 31 December	2,446	1,435

(3) Non-financial repossessed assets

	31 December 2025	31 December 2024
Properties and buildings	884	801
Others	122	–
Less: Impairment losses	(261)	(197)
Carrying amount	745	604

The Group plans to dispose of non-financial repossessed assets through auction, bidding and transfer in a certain coming period.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

25 Impairment Allowance

	Notes	1 January 2025	Charge/ (Reversal) for the year	Write-off and transfer out	Others (Note (1))	31 December 2025
Deposits with banks and other financial institutions	VI.13	2	1	-	-	3
Placements with banks and other financial institutions	VI.14	4	5	-	-	9
Financial assets purchased under resale agreements	VI.16	22	16	-	-	38
Loans and advances to customers	VI.17					
– measured at AC		44,432	20,770	(27,812)	2,084	39,474
– measured at FVOCI		1,119	449	(627)	39	980
Financial investments	VI.18					
– measured at AC		25,397	2,144	(2,471)	(44)	25,026
– measured at FVOCI		678	118	(404)	1	393
Finance lease receivables	VI.24(1)	2,128	684	(663)	89	2,238
Fixed assets	VI.20	-	60	-	-	60
Other assets		607	328	(239)	20	716
Off-balance sheet items	VI.34	1,094	(195)	(10)	(5)	884
Total		75,483	24,380	(32,226)	2,184	69,821

	Notes	1 January 2024	(Reversal)/ charge for the year	Write-off and transfer out	Others (Note (1))	31 December 2024
Deposits with banks and other financial institutions	VI.13	7	(5)	-	-	2
Placements with banks and other financial institutions	VI.14	6	(2)	-	-	4
Financial assets purchased under resale agreements	VI.16	26	(4)	-	-	22
Loans and advances to customers	VI.17					
– measured at AC		42,968	25,844	(26,688)	2,308	44,432
– measured at FVOCI		1,942	(15)	(808)	-	1,119
Financial investments	VI.18					
– measured at AC		27,718	1,746	(3,781)	(286)	25,397
– measured at FVOCI		517	158	-	3	678
Finance lease receivables	VI.24(1)	1,894	697	(585)	122	2,128
Other assets		624	209	(245)	19	607
Off-balance sheet items	VI.34	1,523	(433)	-	4	1,094
Total		77,225	28,195	(32,107)	2,170	75,483

(1) Others include the recoveries of financial assets previously written off and the effect of changes in exchange rates.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

26 Due to the Central Bank

	31 December 2025	31 December 2024
Bonds sold under repurchase agreements with the Central Bank	98,668	63,328
Bills sold under repurchase agreements with the Central Bank	3,244	14,222
Interest accrued	294	271
Total	102,206	77,821

27 Deposits from Banks and Other Financial Institutions

Analyzed by type and location of counterparties

	31 December 2025	31 December 2024
In Chinese Mainland		
– Banks	18,311	50,864
– Other financial institutions	311,983	294,020
Outside Chinese Mainland		
– Banks	27	354
– Other financial institutions	12,667	19,699
Interest accrued	1,386	2,003
Total	344,374	366,940

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

28 Placements from Banks and Other Financial Institutions

Analyzed by accounting treatment, type and location of counterparties

	Note	31 December 2025	31 December 2024
Measured at amortised cost:			
In Chinese Mainland			
– Banks		89,042	63,648
– Other financial institutions		1,205	867
Outside Chinese Mainland			
– Banks		2,560	8,103
Interest accrued		536	645
Subtotal		93,343	73,263
Designated as at fair value through profit or loss:	(1)		
In Chinese Mainland			
– Banks		24,116	22,578
Subtotal		24,116	22,578
Total		117,459	95,841

- (1) There were no significant changes in the credit spread of the Group during the year and therefore the amounts of changes in fair value of the financial liabilities designated as at fair value through profit or loss arising from changes in credit risk were not considered significant. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

29 Financial Liabilities at Fair Value through Profit or Loss

	Notes	31 December 2025	31 December 2024
Financial liabilities designated as at fair value through profit or loss	(1)		
– Financial liabilities related to precious metals		40,422	4,180
– Others	(2)	13,823	17,016
Financial liabilities at fair value through profit or loss			
– Short positions of trading bonds		1,715	–
Total		55,960	21,196

- (1) The Group manages and evaluates the financial liability portfolio or financial assets and financial liability portfolio on the basis of fair value according to the enterprise risk management or investment strategy stated in the official written documents, and reports to key management personnel within the enterprise on this basis. There were no significant changes in the credit spread of the Group during the year and therefore the amounts of changes in fair value of the financial liabilities designated as at fair value through profit or loss arising from changes in credit risk were not considered significant. The changes in fair value of the financial liabilities were mainly attributable to changes in other market factors.
- (2) Others mainly represent shares held by other parties rather than the Group and liabilities of consolidated structured entities.

30 Financial Assets Sold Under Repurchase Agreements

Analyzed by type of collateral

	31 December 2025	31 December 2024
Bonds sold under repurchase agreements	53,202	35,253
Interest accrued	7	34
Total	53,209	35,287

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

31 Customer Deposits

	31 December 2025	31 December 2024
Demand deposits		
– Corporate customers	417,299	434,291
– Personal customers	74,934	64,951
Subtotal	492,233	499,242
Time deposits		
– Corporate customers	1,191,219	1,148,911
– Personal customers	320,838	239,681
Subtotal	1,512,057	1,388,592
Other deposits	2,019	372
Interest accrued	37,157	34,083
Total	2,043,466	1,922,289

Pledged deposits of customer deposits are listed as follows:

	31 December 2025	31 December 2024
Letters of credit and guarantee deposits	40,398	36,114
Acceptances deposits	39,389	25,562
Other pledged deposits	46,985	40,657
Total	126,772	102,333

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

32 Employee Benefits Payable

	1 January 2025	Accrual during the year	Payments during the year	31 December 2025
Salaries, bonuses and allowances	6,162	9,346	(9,669)	5,839
Staff welfare	-	629	(629)	-
Housing fund	-	720	(720)	-
Social insurance				
- Medical insurance	-	393	(393)	-
- Work-related injury insurance	-	12	(12)	-
- Maternity insurance	-	14	(14)	-
Commercial insurance	-	155	(155)	-
Labour union fee and staff education fee	161	221	(225)	157
Basic pension insurance	-	786	(786)	-
Unemployment insurance	-	27	(27)	-
Annuity	-	745	(745)	-
Total	6,323	13,048	(13,375)	5,996

	1 January 2024	Accrual during the year	Payments during the year	31 December 2024
Salaries, bonuses and allowances	5,824	9,674	(9,336)	6,162
Staff welfare	-	1,217	(1,217)	-
Housing fund	-	636	(636)	-
Social insurance				
- Medical insurance	-	356	(356)	-
- Work-related injury insurance	-	10	(10)	-
- Maternity insurance	-	8	(8)	-
Commercial insurance	-	192	(192)	-
Labour union fee and staff education fee	161	227	(227)	161
Basic pension insurance	-	697	(697)	-
Unemployment insurance	-	26	(26)	-
Annuity	-	694	(694)	-
Total	5,985	13,737	(13,399)	6,323

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

33 Taxes Payable

	31 December 2025	31 December 2024
Income tax payable	439	187
Value added tax (“VAT”) payable	1,252	654
Others	221	250
Total	1,912	1,091

34 Provisions

	31 December 2025	31 December 2024
Allowance for ECLs of off-balance sheet items (Note VI.25)	884	1,094

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

35 Debt Securities Issued

	Notes	31 December 2025	31 December 2024
Fixed-rate small and micro businesses financial bonds – 2025	(1)	–	10,000
Fixed-rate small and micro businesses financial bonds – 2025	(2)	–	10,000
Fixed-rate small and micro businesses financial bonds – 2025	(3)	–	5,000
Fixed-rate small and micro businesses financial bonds – 2026	(4)	10,000	10,000
Fixed-rate small and micro businesses financial bonds – 2026	(5)	15,000	15,000
Fixed-rate small and micro businesses financial bonds – 2027	(6)	5,000	5,000
Fixed-rate small and micro businesses financial bonds – 2027	(7)	15,000	15,000
Fixed-rate small and micro businesses financial bonds – 2027	(8)	20,000	20,000
Fixed-rate small and micro businesses financial bonds – 2028	(9)	20,000	–
Fixed-rate small and micro businesses financial bonds – 2029	(10)	5,000	5,000
Fixed-rate financial bonds – 2026	(11)	30,000	30,000
Fixed-rate financial bonds – 2027	(12)	13,000	13,000
Fixed-rate financial bonds – 2028	(13)	15,000	–
Fixed-rate financial bonds – 2030	(14)	5,000	–
Fixed-rate green financial bonds – 2025	(15)	–	10,000
Fixed-rate green financial bonds – 2028	(16)	5,000	–
Fixed-rate science and technology innovation bonds – 2028	(17)	5,000	–
Fixed-rate special financial bonds for “agriculture, rural areas and farmers” - 2025	(18)	–	5,000
Fixed-rate asset-backed securities – 2025	(19)	–	3,369
Fixed-rate offering – tier 2 capital bond – 2033	(20)	20,000	20,000
Fixed-rate offering – tier 2 capital bond – 2033	(21)	10,000	10,000
Fixed-rate offering – tier 2 capital bond – 2034	(22)	10,000	10,000
Fixed-rate financial bonds – 2025	(23)	–	1,400
Fixed-rate financial bonds – 2027	(24)	1,500	1,500
Fixed-rate asset-backed plan – 2045	(25)	500	–
Interbank certificates of deposit	(26)	305,274	339,739
Subtotal		510,274	539,008
Interest accrued		2,679	2,525
Total		512,953	541,533

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

35 Debt Securities Issued (continued)

- (1) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 23 February 2022, with a maturity of 3 years and a fixed coupon rate of 2.83%. The bond matured on 25 February 2025.
- (2) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 7 April 2022, with a maturity of 3 years and a fixed coupon rate of 2.93%. The bond matured on 11 April 2025.
- (3) Fixed-rate small and micro businesses financial bonds of RMB5 billion was issued on 18 October 2022, with a maturity of 3 years and a fixed coupon rate of 2.47%. The bond matured on 20 October 2025.
- (4) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 24 April 2023, with a maturity of 3 years and a fixed coupon rate of 2.80%.
- (5) Fixed-rate small and micro businesses financial bonds of RMB15 billion was issued on 3 November 2023, with a maturity of 3 years and a fixed coupon rate of 2.82%.
- (6) Fixed-rate small and micro businesses financial bonds of RMB5 billion was issued on 18 October 2022, with a maturity of 5 years and a fixed coupon rate of 2.85%.
- (7) Fixed-rate small and micro businesses financial bonds of RMB15 billion was issued on 15 March 2024, with a maturity of 3 years and a fixed coupon rate of 2.43%.
- (8) Fixed-rate small and micro businesses financial bonds of RMB20 billion was issued on 15 May 2024, with a maturity of 3 years and a fixed coupon rate of 2.23%.
- (9) Fixed-rate small and micro businesses financial bonds of RMB20 billion was issued on 3 April 2025, with a maturity of 3 years and a fixed coupon rate of 1.86%.
- (10) Fixed-rate small and micro businesses financial bonds of RMB5 billion was issued on 15 March 2024, with a maturity of 5 years and a fixed coupon rate of 2.53%.
- (11) Fixed-rate financial bonds of RMB30 billion was issued on 24 July 2023, with a maturity of 3 years and a fixed coupon rate of 2.62%.
- (12) Fixed-rate financial bonds of RMB13 billion was issued on 5 September 2024, with a maturity of 3 years and a fixed coupon rate of 2.01%.
- (13) Fixed-rate financial bonds of RMB15 billion was issued on 13 February 2025, with a maturity of 3 years and a fixed coupon rate of 1.75%.
- (14) Fixed-rate financial bonds of RMB5 billion was issued on 13 February 2025, with a maturity of 5 years and a fixed coupon rate of 1.81%.
- (15) Fixed-rate green financial bonds of RMB10 billion was issued on 13 December 2022, with a maturity of 3 years and a fixed coupon rate of 3.05%. The bond matured on 15 December 2025.
- (16) Fixed-rate green financial bonds of RMB5 billion was issued on 8 May 2025, with a maturity of 3 years and a fixed coupon rate of 1.69%.
- (17) Fixed-rate science and technology innovation bonds of RMB5 billion was issued on 19 May 2025, with a maturity of 3 years and a fixed coupon rate of 1.66%.
- (18) Fixed-rate special financial bonds for “agriculture, rural areas and farmers” of RMB5 billion was issued on 13 December 2022, with a maturity of 3 years and a fixed coupon rate of 3.05%. The bond matured on 15 December 2025.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

35 Debt Securities Issued (continued)

- (19) Fixed-rate asset-backed securities of RMB5,554 million was issued on 15 October 2024. According to the terms of the contract related to the securitization transactions, the Bank has retained substantially almost all the risks and rewards of these financial assets, thus continuing to recognize, instead of derecognizing, the transferred financial assets. The liabilities are recognized as debt securities issued. The bond matured on 26 November 2025.
- (20) Fixed-rate offering – tier 2 capital bonds of RMB20 billion were issued on 25 May 2023, with a maturity of 10 years and a fixed coupon rate of 3.47%. The Bank has an option to redeem the bond at its par value in 2028.
- (21) Fixed-rate offering – tier 2 capital bonds of RMB10 billion were issued on 23 November 2023, with a maturity of 10 years and a fixed coupon rate of 3.50%. The Bank has an option to redeem the bond at its par value in 2028.
- (22) Fixed-rate offering – tier 2 capital bonds of RMB10 billion were issued on 17 April 2024, with a maturity of 10 years and a fixed coupon rate of 2.54%. The Bank has an option to redeem the bond at its par value in 2029.
- (23) Zheyin Financial Leasing issued freight logistics thematic financial bonds of RMB1.4 billion on 2 June 2022, with a maturity of 3 years and a fixed coupon rate of 2.97%. The bond matured on 7 June 2025.
- (24) Zheyin Financial Leasing issued fixed-rate financial bonds of RMB1.5 billion on 15 August 2024, with a maturity of 3 years and a fixed coupon rate of 2.09%.
- (25) Zheyin Financial Leasing established fixed rate asset-backed plan with lease receivables as the underlying assets on 26 December 2025. The plan was registered and custodied with China Insurance Asset Registration and trading System Co., Ltd. The asset-backed plan has a total issue size of RMB500 million, with interest paid quarterly and principal amortised on a pass-through basis. Zheyin Financial Leasing have the option to repurchase underlying assets in the asset pool in full upon the dates falling 3, 6, 9, 12, 15, 18 and 20 years from the establishment date of the asset-backed plan.
- (26) At 31 December 2025, the Bank has issued a total of 115 interbank certificates of deposit in the interbank market but not yet due, with maximum maturity of one year (At 31 December 2024, the Bank has issued a total of 106 interbank certificates of deposit in the interbank market but not yet due, with maximum maturity of one year).

36 Other Liabilities

	31 December 2025	31 December 2024
Deposits related to finance lease	3,908	4,194
Settlement and clearing accounts	3,563	4,310
Deferred income	870	728
Continuing involvement liabilities (Note VI.45 (1))	568	1,212
Account payable	355	1,869
Dividends payable	18	49
Others	2,596	1,803
Total	11,878	14,165

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

37 Share Capital

	31 December 2025	31 December 2024
Ordinary shares listed in Chinese Mainland (A share)	21,544	21,544
Ordinary shares listed outside Chinese Mainland (H share)	5,920	5,920
Total	27,464	27,464

38 Other Equity Instruments

	Note	31 December 2025	31 December 2024
Perpetual bonds	(1)	24,995	24,995

(1) Perpetual bonds

(a) List of perpetual bonds issued at the end of the year

Equity instruments in issue	Perpetual bond
Issue date	25 November 2021
Accounting treatment	Equity instrument
Initial interest rate	3.85%
Issuance price per share (RMB/share)	100
Number (In millions)	250
Amount	25,000
Issuance fee	5
Maturity date	No maturity date
Conversion condition	None
Conversion status	None

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

38 Other Equity Instruments (continued)

(1) Perpetual bonds (continued)

(b) Main terms of perpetual bonds

The duration of the perpetual bonds is the same as the continuing operation of the Bank. The perpetual bonds issuance sets conditional redemption rights for the issuer. The Bank shall have the right to redeem all or part of the perpetual bonds on each annual interest payment date (including the fifth interest payment date since the date of issuance) five years after the date of issuance. If, after the issuance of the perpetual bonds, unpredictable changes in regulations result in that the perpetual bonds is no longer classified in other tier-one capital, the Bank shall have the right to redeem all, but not part, of the perpetual bonds.

The Bank shall exercise the right of redemption subject to the approval of the original China Banking and Insurance Regulatory Commission (hereinafter referred to as “the original CBIRC”) and on the condition that the following conditions are satisfied: (1) replacing the redeemed instrument with a capital instrument of equal or higher quality, and such replacement shall only be carried out at conditions which are sustainable for the income capacity; (2) or the capital position of the Bank after the redemption right is exercised will remain significantly higher than the regulatory capital requirements stipulated by the original CBIRC.

The claims in respect of the perpetual bonds will be subordinated to the claims of depositors, general creditors, and subordinated debts that rank senior to the perpetual bonds, and will rank in priority to all classes of shares held by the Bank’s shareholders and rank *pari passu* with the claims in respect of any other additional tier-one capital instruments of the Bank that rank *pari passu* with the bonds. If subsequent amendments to the *PRC Enterprise Bankruptcy Law* or relevant regulations are applicable, such relevant laws and regulations shall prevail.

Upon the occurrence of a Non-Viability Trigger Event, the Bank has the right to write-down/write-off part or all of the principal of the perpetual bonds without the consent of the bondholders. The amount of the write-down/write-off shall be determined by the ratio of the outstanding principal amount of the Bonds to the aggregate principal amount of all additional tier 1 capital instruments with the identical Trigger Event. A Non-Viability Trigger Event refers to the earlier occurrence under the following circumstances: (1) the original CBIRC deems that the Bank would become non-viable without a write-down/write-off; (2) the relevant authorities deem that the Bank would become non-viable without a public sector injection of capital or equivalent support. The write-down/write-off will not be restored.

The coupon rate of the perpetual bonds will be adjusted at defined intervals with a coupon rate adjustment period which is every 5 years since the payment settlement date. In any coupon rate adjusted period, the interest payments on the perpetual bonds will be made at a prescribed fixed coupon rate. The coupon rate at the time of issuance will be determined by book running and centralised allocation.

The coupon rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of the 5-year bond yield curve published on www.ChinaBond.com.cn (or other websites recognized by the China Central Depository & Clearing Co., Ltd.) 5 trading days prior to the Announcement Date of the Subscription Agreement or the adjustment date of the benchmark interest rate (excluding the current day) (rounded up to 0.01%). The fixed spread is the difference between the coupon rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

38 Other Equity Instruments (continued)

(1) Perpetual bonds (continued)

(b) Main terms of perpetual bonds (continued)

The Bank shall have the right to cancel all or part of the interest distribution of the perpetual bonds and any such cancellation shall not constitute an event of default. When exercising such right, the Bank will take into full consideration the interest of the bondholders. The Bank may, at its sole discretion, use the proceeds from the cancelled distribution to meet other obligations as they fall due. The cancellation of all or part of interest distribution on the perpetual bonds will not impose any other restriction on the Bank, except in relation to dividend distributions to ordinary shareholders. Any cancellation of any all or part or interest distribution on the perpetual bonds will require the deliberation and approval of the general shareholders meeting. The Bank shall give notice to the investors on such cancellation in a timely manner.

In the case of cancelling all or part of interest distributions on the perpetual bonds, the Bank shall not make any distribution to the ordinary shareholders from the next day following the resolution being approved by the general shareholders meeting, until its decision to resume the interest distribution in whole to the holders of the perpetual bonds. The Dividend Stopper on ordinary shares will not compromise the Bank's discretion to cancel distributions, and will not impede the Bank from replenishing its capital.

The interest distributions on the perpetual bonds must come from distributable items, and will not be affected by the rating of the Bank, nor will be reset based on any change to such rating. The interest distribution on the perpetual bonds are non-cumulative, namely, upon cancellation, any amount of distribution unpaid to the bondholders in the applicable period will not accumulate or compound to the subsequent distribution period thereafter. The perpetual bonds do not have any step-up mechanism or any other incentive to redeem. Investors are not allowed to sell the perpetual bonds.

(c) Changes in perpetual bonds outstanding at the end of the year

There was no change in the perpetual bonds outstanding at the end of the year during the year.

(2) Information related to the holders of the equity instruments

	31 December 2025	31 December 2024
Equity attributable to shareholders of the Bank		
– Ordinary shareholders of the Bank	177,873	173,908
– Other equity instruments holders of the Bank	24,995	24,995
Non-controlling interests		
– Ordinary shareholders of non-controlling interests	4,467	3,840
Total	207,335	202,743

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

38 Other Equity Instruments (continued)

(3) Changes in other equity instruments outstanding at the end of the year

	31 December 2024	Increase	Decrease	31 December 2025
Perpetual Bond				
Number (In millions)	250	–	–	250
Amount	24,995	–	–	24,995

39 Capital Reserve

	1 January 2025	Increase	Decrease	31 December 2025
Share premium	38,570	–	–	38,570

	1 January 2024	Increase	Decrease	31 December 2024
Share premium	38,570	–	–	38,570

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

40 Other Comprehensive Income

	Other comprehensive income in the consolidated statement of financial position			Other comprehensive income in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2025					Net-of-tax amount attributable to shareholders of the Non-Controlling interests
	1 January 2025	Net-of-tax amount attributable to shareholders of the Bank	31 December 2025	Before-tax amount of the year	Previously recognized amount transferred to profit or loss	Income tax expense	After-tax amount of the year	Net-of-tax amount attributable to shareholders of the Bank	
Items that will not be reclassified to profit or loss									
- Changes in fair value of financial investments designated to be measured at FVOCI	297	33	330	44	-	(11)	33	33	-
Items that may be reclassified to profit or loss									
- Changes in fair value of financial assets measured at FVOCI	3,814	(2,891)	923	368	(4,223)	964	(2,891)	(2,891)	-
- Allowance for ECLs of financial assets measured at FVOCI	1,349	(319)	1,030	(426)	-	107	(319)	(319)	-
- Exchange differences from the translation of foreign operations	887	(542)	345	(545)	-	-	(545)	(542)	(3)
Total	6,347	(3,719)	2,628	(559)	(4,223)	1,060	(3,722)	(3,719)	(3)

	Other comprehensive income in the consolidated statement of financial position			Other comprehensive income in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024					Net-of-tax amount attributable to shareholders of the Non-Controlling interests
	1 January 2024	Net-of-tax amount attributable to shareholders of the Bank	31 December 2024	Before-tax amount of the year	Previously recognized amount transferred to profit or loss	Income tax expense	After-tax amount of the year	Net-of-tax amount attributable to shareholders of the Bank	
Items that will not be reclassified to profit or loss									
- Changes in fair value of financial investments designated to be measured at FVOCI	240	57	297	76	-	(19)	57	57	-
Items that may be reclassified to profit or loss									
- Changes in fair value of financial assets measured at FVOCI	803	3,011	3,814	8,815	(4,801)	(1,003)	3,011	3,011	-
- Allowance for ECLs of financial assets measured at FVOCI	1,845	(496)	1,349	(661)	-	165	(496)	(496)	-
- Exchange differences from the translation of foreign operations	520	367	887	368	-	-	368	367	1
Total	3,408	2,939	6,347	8,598	(4,801)	(857)	2,940	2,939	1

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

41 Surplus Reserve

	Statutory surplus reserve
Balance at 1 January 2024	12,546
Appropriation (Note VI.43)	1,466
Balance at 31 December 2024	14,012
Appropriation (Note VI.43)	1,219
Balance at 31 December 2025	15,231

Pursuant to the Company Law of the PRC and the Articles, the Bank is required to appropriate 10% of its net profit to the statutory surplus reserve.

42 Statutory General Reserve

	Statutory general reserve
Balance at 1 January 2024	29,804
Appropriation (Note VI.43)	5,315
Balance at 31 December 2024	35,119
Appropriation (Note VI.43)	2,800
Balance at 31 December 2025	37,919

Pursuant to *the Administrative Measures on Accrual of Provisions by Financial Enterprises* (Caijin [2012] No. 20), financial enterprises establish a statutory general reserve within equity through the appropriation of profit to address unidentified potential impairment risks. The statutory general reserve of the Group and the Bank should not be less than 1.5% of the year-end balance of its risk assets. The Bank's subsidiaries, if required by local regulation requirements, also need to make such general reserve.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

43 Profit Appropriations

	Notes	2025	2024
Balance at the beginning of the year		52,396	49,458
Add: Net profit attributable to shareholders of the Bank		12,931	15,186
Less: Appropriation to surplus reserve		(1,219)	(1,466)
Appropriation to statutory general reserve		(2,800)	(5,315)
Distribution to ordinary shareholders	(1)	(4,284)	(4,504)
Distribution to perpetual bonds holders	(2)	(963)	(963)
Balance at the end of the year		56,061	52,396

(1) **Approved and distributed dividends of ordinary shareholders**

As approved by shareholders in 2024 Annual General Meeting on 13 June 2025, based on the Bank's total ordinary shares amounting to 27,465 million shares on the record date of profit distribution, the Bank declared a cash dividend of RMB1.56 for each 10 ordinary shares, with total amount of RMB4,284 million.

As approved by shareholders in 2023 Annual General Meeting on 12 June 2024, based on the Bank's total ordinary shares amounting to 27,465 million shares on the record date of profit distribution, the Bank declared a cash dividend of RMB1.64 for each 10 ordinary shares, with total amount of RMB4,504 million.

(2) **Announcement and distribution to perpetual bonds holders**

On 20 November 2025, the Bank announced the interest of perpetual bonds issued amounting to RMB963 million at the initial annual interest rate of 3.85% prior to the interest rate reset date determined by the terms of the bond. The distribution date was 26 November 2025.

On 21 November 2024, the Bank announced the interest of perpetual bonds issued amounting to RMB963 million at the initial annual interest rate of 3.85% prior to the interest rate reset date determined by the terms of the bond. The distribution date was 26 November 2024.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

44 Notes to Consolidated Cash Flow Statements

(1) Cash and cash equivalents

	31 December 2025	31 December 2024
Cash	869	996
Surplus deposit reserves with the central bank	12,790	15,077
Deposits with banks and other financial institutions with original maturities of less than three months	29,211	36,103
Placements with banks and other financial institutions with original maturities of less than three months	–	14,548
Financial assets purchased under resale agreements with original maturities of less than three months	90,593	66,911
Total	133,463	133,635

(2) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Debt securities issued	Lease liabilities	Dividend payable	Total
At 1 January 2025	541,533	3,131	49	544,713
Cash changes:				
Proceeds from issuance of debt securities	489,328	–	–	489,328
Repayments of principal on debt securities issued	(518,053)	–	–	(518,053)
Repayments of interest on debt securities issued	(11,374)	–	–	(11,374)
Payment for dividend distribution	–	–	(5,278)	(5,278)
Payment for principal element of lease liabilities	–	(727)	–	(727)
Payment for interest element of lease liabilities	–	(105)	–	(105)
Non-cash changes:				
Interest expense	11,519	105	–	11,624
Dividends declared (Note VI.43(1))	–	–	5,247	5,247
Net increase of lease liabilities	–	287	–	287
At 31 December 2025	512,953	2,691	18	515,662

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

44 Notes to Consolidated Cash Flow Statements (continued)

(2) Reconciliation of liabilities arising from financing activities (continued)

	Debt securities issued	Lease liabilities	Dividend payable	Total
At 1 January 2024	395,938	3,257	51	399,246
Cash changes:				
Proceeds from issuance of debt securities	630,284	–	–	630,284
Repayments of principal on debt securities issued	(485,633)	–	–	(485,633)
Repayments of interest on debt securities issued	(10,578)	–	–	(10,578)
Payment for dividend distribution	–	–	(5,469)	(5,469)
Payment for principal element of lease liabilities	–	(713)	–	(713)
Payment for interest element of lease liabilities	–	(137)	–	(137)
Non-cash changes:				
Interest expense (Note VI.1)	11,427	137	–	11,564
Dividends declared (Note VI.43(1))	–	–	5,467	5,467
Net increase of lease liabilities	–	587	–	587
Exchange difference	95	–	–	95
At 31 December 2024	541,533	3,131	49	544,713

45 Transfer of Financial Assets

The Group enters into transactions in the normal course of business by which it transfers recognized financial assets to third parties or to special purpose vehicles. In some cases where these transfers may give rise to full or partial derecognition of the financial assets concerned, the Group fully or partially derecognize the transferred financial assets. In other cases where these transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these financial assets, the Group continued to recognize the transferred financial assets.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

45 Transfer of Financial Assets (continued)

(1) Securitization transactions

In the process of securitization of credit assets, the Group transfers credit assets to structured entities and issues asset-backed securities as issuers. The Group would determine whether or not to derecognize the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that were securitised and qualified for derecognition, the Group derecognised the transferred credit assets in their entirety. For the year ended 31 December 2025, the Group has transferred the ownership of the loans, the principal of which amounted to RMB12,004 million (2024: RMB6,160 million), as well as substantially all the risks and rewards of the loans have been transferred, the full amount of such securitised loans were derecognised.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the Group recognised the assets on the statement of financial position in accordance with the Group's continuing involvement and the rest is derecognised. The extent of the Group's continuing involvement is the extent of risks and rewards undertaken by the Group with value changes of the transferred financial assets. For the year ended 31 December 2025, there were no as of new securitised credit assets in which the Group retained the continuing involvement (2024: Nil). At 31 December 2025, the carrying amount of the assets and liabilities that the Group continues to recognise on the statement of financial position was RMB568 million (31 December 2024: RMB1,212 million). The Group also recognised other assets and other liabilities of the same amount arising from such continuing involvement.

(2) Non-performing assets transfer

For the year ended 31 December 2025, the Group transferred non-performing loans and restructured loans principal amounting to RMB19,891 million (2024: RMB20,144 million), non-performing financial investments principal amounting to RMB297 million (2024: RMB1,366 million) to the asset management companies. No transfers of non-performing finance lease receivables occurred during the year (2024: RMB48 million). For the year ended 31 December 2025, the Group has transferred the ownership of non-performing loans, the principal of which amounted to RMB6,449 million (2024: RMB6,160 million) through securitization transactions. For the year ended 31 December 2025, the Group has transferred the ownership of non-performing loans, the principal of which amounted to RMB1,869 million (2024: RMB1,914 million) through divestiture of beneficial interest. As the Group transferred substantially all the risks and rewards of these non-performing loans and financial investments, the Group derecognized these non-performing loans and financial investments.

(3) Repurchase and securities lending transactions

Transferred financial assets that do not qualify for derecognition mainly include securities delivered as collateral in a repurchase transaction to a counterparty and debt securities lent to counterparties under securities lending agreements. The counterparties are allowed to sell or repledge those securities lent under agreements to repurchase in the absence of default by the Group, but have obligations to return the securities at the maturity of the contracts. In some cases, if the value of the relevant securities rises or falls, the Group may require the counterparty to pay additional cash as collateral or need to return part of the cash collateral to the counterparty. The Group determined that it retained substantially all the risks and rewards of these securities and therefore had not derecognized them. At 31 December 2025, there is no Group's debt securities lent to counterparties (31 December 2024: Nil).

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VII Interests in Other Entities

1 Interests in Subsidiaries

(1) Composition of the Group

At the balance sheet date, details of the subsidiaries included in the consolidated financial statements are as follows:

Name	Place of incorporation	Registered address	Business nature	Registered capital	Proportion of equity/voting rights
Zheyin Financial Leasing	Zhejiang Province	Zhoushan	Financial institution	RMB 4 billion	51%
Zheyin Wealth Management	Zhejiang Province	Hangzhou	Financial institution	RMB 2 billion	100%

(2) Important non wholly-owned subsidiary and main financial information

An important non wholly-owned subsidiary of the Group is Zheyin Financial Leasing. The following table lists the main financial information of Zheyin Financial Leasing. The main financial information of the subsidiary is the amount before the Group's internal transactions are offset, but it has been adjusted by the unified accounting policy:

	31 December 2025	31 December 2024
Total assets	90,395	78,327
Total liabilities	81,276	70,490
	2025	2024
Operating income	3,635	2,872
Profit for the year	1,287	1,034
Total comprehensive income	1,282	1,037
Net cash generated from operating activities	9,265	4,694

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VII Interests in Other Entities (continued)

2 Interests in Structured Entities

The Group manages or invests in multiple structured entities, which include fund investments, trust schemes and asset management plans, asset-backed securities and wealth management products. To determine whether the Group controls such structured entities, the Group assesses the overall interests (including direct income and expected management fees) in the structured entities through its participation in the decisions on the establishment of the structured entities, the extent of its participation and related contractual arrangements, as well as its decision-making power over the structured entities.

(1) Consolidated structured entities directly held by the Group

If the Group has power over structured entities through investment contracts and other arrangements, has variable interests through its involvement in the structured entities and has the ability to affect those interests through its power over the structured entities, the Group considers that it controls the structured entities and then consolidates them in the consolidated financial statements.

(2) Unconsolidated structured entities sponsored by third-party institutions and directly held by the Group

If the Group does not have substantive rights to the primary activities of the structured entities, or the Group only has insignificant proportion of the overall interests in the structured entities over which the Group has power, the Group does not consolidate the structured entities in the consolidated financial statements.

The unconsolidated structured entities sponsored by third-party institutions and directly held by the Group include investment funds, trust schemes and asset management plans, asset-backed securities and wealth management products initiated and established by third-party institutions.

Considering the relevant agreements and the Group's investments in the structured entities, the Group does not consolidate the above structured entities in the consolidated financial statements.

On the balance sheet date, the relevant balance sheet items, book value and maximum loss exposure of the Group's equity in the structured entity initiated and established by a third party institution through direct holding of investment in the Group's consolidated statement of financial position are listed as follows:

	31 December 2025			Total
	Financial investments measured at FVTPL	Financial investments measured at AC	Financial investments measured at FVOCI	
Fund investments	60,565	–	–	60,565
Trust schemes and asset management plans	111	1,498	–	1,609
Asset-backed securities	40,261	165	14,291	54,717
Wealth management products	162	–	–	162
Total	101,099	1,663	14,291	117,053

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VII Interests in Other Entities (continued)

2 Interests in Structured Entities (continued)

- (2) Unconsolidated structured entities sponsored by third-party institutions and directly held by the Group (continued)

	31 December 2024			Total
	Financial investments measured at FVTPL	Financial investments measured at AC	Financial investments measured at FVOCI	
Fund investments	88,154	–	–	88,154
Trust schemes and asset management plans	1,815	75,456	–	77,271
Asset-backed securities	10,939	695	45,100	56,734
Wealth management products	121	–	–	121
Total	101,029	76,151	45,100	222,280

The maximum exposures to loss in the above unconsolidated structured entities directly held by the Group are the fair value or amortised cost of the assets held by the Group in the consolidated statement of financial position.

- (3) Structured entities which the Group is the sponsor, but which are not included in the consolidated financial statements

The types of unconsolidated structured entities sponsored by the Group include non-principal-guarantee wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of wealth management products to investors. Interest held by the Group are fees charged by direct holding of investment or providing management services.

At 31 December 2025, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group was RMB182,458 million (31 December 2024: RMB144,574 million). For the year ended 31 December 2025, the commission income recognised by the Group for providing asset management services for such financial products was RMB510 million (2024: RMB518 million). At the balance sheet date, the balance of service charges receivable for direct holding of investment and asset management services of the Group was not material.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VIII Segment Reporting

1 Business Segment

For management purposes, the Group is organized into different operating segments, namely corporate banking, retail banking and treasury operations, based on internal organizational structure, management requirement and internal reporting system.

Corporate banking

The corporate banking segment covers the provision of financial products and services to corporations, government agencies and other institutions. The products and services include corporate loans and advances, trade financing, corporate deposits, credit commitments and financial guarantee, underwriting of debt instruments and various types of corporate intermediary services, etc.

Retail banking

The retail banking segment covers the provision of financial products and services to individual customers. The products and services include personal loans and advances, personal deposits, wealth management businesses, card businesses and various types of retail banking services, etc.

Treasury operations

The treasury operations segment covers the Group's treasury operations which include money market transactions, repurchase transactions, debt instruments investments, equity instruments investments, financial derivatives businesses for proprietary trading or on behalf of customers, as well as financial products and services provided to other financial institutions. The division also manages the liquidity level of the Group, including the issuance of debt securities, etc.

Other business

Other business segments refer to other businesses not included in the above reporting segments and related businesses of the subsidiaries.

The accounting policies adopted in the preparation of segment reports are consistent with those adopted in the preparation of the Group's consolidated financial statements.

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as internal net interest income/expense. Net interest income and expense relating to third parties are referred to as external net interest income/expense.

Segment revenues, expenses, profits, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure refers to the total cash outflow of purchasing fixed assets, intangible assets and other long-term assets in the accounting period.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VIII Segment Reporting (continued)

1 Business Segment (continued)

Other business (continued)

Business segment

	Corporate banking	Retail banking	2025 Treasury operations	Others	Total
External net interest income	18,957	11,123	12,542	1,837	44,459
Inter-segment net interest income/(expenses)	12,745	(1,903)	(10,842)	-	-
Net interest income	31,702	9,220	1,700	1,837	44,459
Net fee and commission income/(expense)	2,580	1,123	(64)	113	3,752
Net trading gains	-	-	5,229	-	5,229
Net gains on financial investments	899	-	6,053	-	6,952
Other operating income	-	17	78	2,071	2,166
Operating income	35,181	10,360	12,996	4,021	62,558
Operating expenses	(10,562)	(4,937)	(4,264)	(2,286)	(22,049)
Expected credit losses	(10,673)	(10,609)	(2,283)	(684)	(24,249)
Impairment losses on other assets	(71)	-	-	(60)	(131)
Total operating expenses	(21,306)	(15,546)	(6,547)	(3,030)	(46,429)
Profit/(losses) before taxation	13,875	(5,186)	6,449	991	16,129
Segment assets	1,532,618	483,211	1,324,188	119,408	3,459,425
Unallocated assets					21,667
Total assets					3,481,092
Segment liabilities	(1,634,989)	(404,769)	(1,215,820)	(18,179)	(3,273,757)
Other segment information:					
Credit commitments and financial guarantee	813,011	19,676	-	-	832,687
Depreciation and amortisation	1,098	518	381	58	2,055
Capital expenditure	667	210	577	7,684	9,138

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VIII Segment Reporting (continued)

1 Business Segment (continued)

Other business (continued)

Business segment (continued)

	Corporate banking	Retail banking	2024 Treasury operations	Others	Total
External net interest income	17,704	16,414	9,327	1,712	45,157
Inter-segment net interest income/(expenses)	16,492	(4,699)	(11,793)	–	–
Net interest income/(expenses)	34,196	11,715	(2,466)	1,712	45,157
Net fee and commission income/(expenses)	2,894	835	785	(27)	4,487
Net trading gains	–	–	10,771	–	10,771
Net gains on financial investments	1,034	–	4,818	–	5,852
Other operating income	–	18	93	1,324	1,435
Operating income	38,124	12,568	14,001	3,009	67,702
Operating expenses	(10,880)	(5,448)	(4,121)	(1,479)	(21,928)
Expected credit losses	(15,822)	(9,783)	(1,893)	(697)	(28,195)
Total operating expenses	(26,702)	(15,231)	(6,014)	(2,176)	(50,123)
Profit/(losses) before taxation	11,422	(2,663)	7,987	833	17,579
Segment assets	1,465,252	494,796	1,256,099	88,910	3,305,057
Unallocated assets					20,482
Total assets					3,325,539
Segment liabilities	(1,608,640)	(312,390)	(1,190,093)	(11,673)	(3,122,796)
Other segment information:					
Credit commitments and financial guarantee	818,817	17,958	–	–	836,775
Depreciation and amortisation	841	396	292	493	2,022
Capital expenditure	910	308	781	8,704	10,703

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VIII Segment Reporting (continued)

2 Regional Division

The Group operates principally in Chinese Mainland, and also has a branch in Hong Kong, China. Geographically, the Group mainly conducts its business in the four areas listed below in Chinese Mainland.

“Yangtze River Delta Region” refers to the head office, Zheyin Financial Leasing, Zheyin Wealth Management and the following areas serviced by the tier-one branches of the Group: Hangzhou, Ningbo, Wenzhou, Shaoxing, Zhoushan, Shanghai, Nanjing, Suzhou, Hefei, Jinhua;

“Bohai Rim Region” refers to the following areas serviced by the tier-one branches of the Group: Beijing, Tianjin, Jinan, Shenyang;

“Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits” refers to the following areas serviced by the tier-one branches of the Group: Shenzhen, Guangzhou, Hong Kong, Fuzhou; and

“Midwestern China Region” refers to the following areas serviced by the tier-one branches of the Group: Chengdu, Guiyang, Xi’an, Lanzhou, Chongqing, Wuhan, Zhengzhou, Changsha, Hohhot, Nanchang, Nanning, Taiyuan.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VIII Segment Reporting (continued)

2 Regional Division (continued)

Regional division

	2025					Total
	Yangtze River Delta Region	Bohai Rim Region	Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits	Midwestern China	Elimination	
External net interest income	29,294	3,344	3,158	8,663	-	44,459
Inter-segment net interest (expenses)/income	(4,600)	3,246	1,264	90	-	-
Net interest income	24,694	6,590	4,422	8,753	-	44,459
Net fee and commission income	1,575	710	634	833	-	3,752
Net trading gains	4,427	330	327	145	-	5,229
Net gains on financial investments	6,210	159	164	419	-	6,952
Other operating income	2,005	55	16	90	-	2,166
Operating income	38,911	7,844	5,563	10,240	-	62,558
Operating expenses	(13,812)	(2,835)	(1,851)	(3,551)	-	(22,049)
Expected credit losses	(17,285)	(3,740)	(1,868)	(1,356)	-	(24,249)
Impairment losses on other assets	(131)	-	-	-	-	(131)
Total operating expenses	(31,228)	(6,575)	(3,719)	(4,907)	-	(46,429)
Profit before taxation	7,683	1,269	1,844	5,333	-	16,129
Segment assets	3,260,330	360,024	286,127	425,654	(872,710)	3,459,425
Unallocated assets						21,667
Total assets						3,481,092
Segment liabilities	(3,086,578)	(357,661)	(282,697)	(419,531)	872,710	(3,273,757)
Other segment information:						
Credit commitments and financial guarantee	389,700	145,139	107,700	190,148	-	832,687
Depreciation and amortisation	1,160	327	204	364	-	2,055
Capital expenditure	8,887	43	108	100	-	9,138

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VIII Segment Reporting (continued)

2 Regional Division (continued)

Regional division (continued)

	2024					Total
	Yangtze River Delta Region	Bohai Rim Region	Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits	Midwestern China	Elimination	
External net interest income	29,834	3,812	3,151	8,360	-	45,157
Inter-segment net interest (expenses)/income	(7,441)	4,478	1,785	1,178	-	-
Net interest income	22,393	8,290	4,936	9,538	-	45,157
Net fee and commission income	1,325	954	972	1,236	-	4,487
Net trading gains	9,488	550	451	282	-	10,771
Net gains on financial investments	4,547	390	227	688	-	5,852
Other operating income	1,301	44	18	72	-	1,435
Operating income	39,054	10,228	6,604	11,816	-	67,702
Operating expenses	(13,246)	(3,036)	(1,950)	(3,696)	-	(21,928)
Expected credit losses	(18,778)	(1,423)	(4,074)	(3,920)	-	(28,195)
Total operating expenses	(32,024)	(4,459)	(6,024)	(7,616)	-	(50,123)
Profit before taxation	7,030	5,769	580	4,200	-	17,579
Segment assets	2,982,840	341,511	289,376	414,808	(723,478)	3,305,057
Unallocated assets						20,482
Total assets						3,325,539
Segment liabilities	(2,811,553)	(336,345)	(289,760)	(408,616)	723,478	(3,122,796)
Other segment information:						
Credit commitments and financial guarantee	380,044	147,460	93,131	216,140	-	836,775
Depreciation and amortisation	1,129	328	198	367	-	2,022
Capital expenditure	9,658	195	76	774	-	10,703

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IX Commitments and Contingencies

1 Credit Commitments and Financial Guarantee

Bank acceptances refer to the Group's commitment to honor bills issued by customers. Letter of credit and financial guarantee refer to guarantee of customers' performance the Group provides to third parties. Approved loan commitments, finance lease commitments and undrawn credit card limit refer to the Group's credit commitments. Receivables confirmation refer to the Group's commitment to receivables confirmation issued by customers.

The amount of bank acceptances, letter of credit, letter of guarantee, receivables confirmation and other financial guarantee contracts disclosed is the maximum potential loss amount that the Group will recognize at the balance sheet date if the counterparties fail to oblige. The amount of Irrevocable loan commitments, finance lease commitment and undrawn credit line of credit card are the maximum cash flow assuming fully issued. The Group expects that bank acceptances, letter of credit, letter of guarantee and receivables confirmation will be settled at the same time as the payment of customers. Irrevocable loan commitments, finance lease commitments and undrawn credit card facility may not be used before maturity. Therefore, the contract amount mentioned below does not represent the expected cash outflow in the future.

	31 December 2025	31 December 2024
Bank acceptances issued	405,624	386,023
Letters of credit issued	279,238	276,350
Letters of guarantee issued		
– Financing letters of guarantee	23,834	35,451
– Non-financing letters of guarantee	19,459	17,575
Undrawn credit card facility	19,676	17,958
Loan commitments and finance lease commitments	5,641	2,616
Receivables confirmation and other financial guarantee contracts	79,215	100,802
Total	832,687	836,775

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

IX Commitments and Contingencies (continued)

2 Capital Expenditure Commitments

At the balance sheet date, the Group's capital expenditure commitments are as follows:

	31 December 2025	31 December 2024
Contracted but not yet incurred	5,504	4,177
Authorized but not contracted	493	2,003
Total	5,997	6,180

3 Bond Underwriting and Redemption Commitments

(1) At 31 December 2025, the Group has outstanding bond underwriting commitments with an accumulated amount of RMB1,000 million (31 December 2024: Nil).

(2) As a member of the saving bonds underwriting syndicate of the Central Government, the Group is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds deducting commissions for early redeemed, plus any interest accrued up to the redemption date. The interest accrued shall be calculated in accordance with the relevant rules of the Ministry of Finance and the People's Bank of China.

At 31 December 2025, the Group had underwritten bonds with an accumulated amount of RMB925 million (31 December 2024: RMB949 million) to the general public, and these government bonds have not yet matured nor been redeemed. The Group expects that the amount of redemption of these government bonds through the Group prior to maturity will not be material.

4 Outstanding Litigations and Arbitrations

At the balance sheet date, the Group was involved in certain legal proceedings in the ordinary course of business. Management expects that such pending litigations will not materially affect the Group's financial position.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

X Fiduciary Business

1 Entrusted Loan Business

Entrusted loan business means that under the entrusted loan arrangement, the Group acts as an intermediary to provide loans to borrowers based on the instructions of the principal. The Group is responsible for assisting in supervising the use and the recovery of the loan, and charging commissions for the services provided. As the Group does not assume the economic risks and rewards arising from the entrusted loans, the entrusted loans will not be recognized as assets and liabilities of the Group.

At the balance sheet dates, the entrusted business assets and liabilities of the Group are as follows:

	31 December 2025	31 December 2024
Entrusted loans	13,172	15,482
Entrusted loan funds	13,172	15,482

2 Entrusted Investments Business

Entrusted investment refers to the fact that the Group accepts the entrustment of a single or multiple clients based on the principal-agent relationship to engage in investment services such as asset operation, investment management, investment consultancy and so on. The investment risk of entrusted investment shall be borne by the client.

At the balance sheet dates, the entrusted business assets of the Group are as follows:

	31 December 2025	31 December 2024
Entrusted investments	436	401

3 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 VII.2 (3) for information about wealth management services.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XI Collateral Information

1 Assets Pledged as Security

The book value of the Group's secured liabilities related to the assets as collateral on the balance sheet dates are presented as due to the central bank, placements from banks and other financial institutions, financial assets sold under repurchase agreements and customer deposits. At the balance sheet date, the secured liabilities of the Group analyzed by collateral type were as follows:

	31 December 2025	31 December 2024
Bond investments	259,327	192,616
Bills	3,244	14,222
Fixed assets leased out under operating leases	438	–
Finance lease receivables	435	269
Bank deposit certificate	–	156
Total	263,444	207,263

In addition, the Group provided collateral for the securities borrowed through the security lending and swap business. At 31 December 2025, the assets as collateral under the security lending and swap business of the Group were RMB1,671 million (31 December 2024: RMB100 million).

2 Assets Received as Collateral

At 31 December 2025, the Group did not hold any collateral that could be sold or repledged if the counterparty did not default (31 December 2024: RMB100 million) as collateral for financial assets purchased under resale agreements, the Group could sell or repledge the collateral in the absence of default by the owner of the collateral. The Group has an obligation to return the collateral to the owner on the date of resale, at the balance sheet date, none of the collateral is re-sold or re-pledged. Details of collateral related information in loans and advances to customers and financial investments that are credit-impaired could be referred to in Note XIII.1(9).

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XII Related Parties and Related Party Transactions

1 Major Shareholders

At 31 December 2025, the shareholding of major shareholder units directly or indirectly holding more than 5% of the Bank's shares are as follows:

	Number of shares held (In million shares)	Shareholding Percentage
Zhejiang Provincial Innovation Investment Group Co., Ltd. (formerly known as Zhejiang Provincial Financial Holdings Co., Ltd.)	3,452	12.57%
Zhejiang Provincial Energy Group Co., Ltd. and its group members, Zheneng Capital Investment (Hong Kong) Limited and Zhejiang Energy International Co., Ltd.	1,849	6.73%
Zhejiang Hengyi Group Co., Ltd. and its group members Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Petrochemical Co., Ltd.	1,616	5.88%
Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. and its group members, Zhejiang Seaport (Hong Kong) Co., Ltd.	1,379	5.02%

At 31 December 2024, the shareholding of major shareholder units directly or indirectly holding more than 5% of the Bank's shares are as follows:

	Number of shares held (In million shares)	Shareholding Percentage
Zhejiang Provincial Innovation Investment Group Co., Ltd. (formerly known as Zhejiang Provincial Financial Holdings Co., Ltd.)	3,452	12.57%
Zhejiang Provincial Energy Group Co., Ltd. and its group members, Zheneng Capital Investment (Hong Kong) Limited and Zhejiang Energy International Co., Ltd.	1,849	6.73%
Zhejiang Hengyi Group Co., Ltd. and its group members Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Petrochemical Co., Ltd.	1,616	5.88%
Hengdian Group Holdings Limited	1,616	5.88%
Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. and its group members, Zhejiang Seaport (Hong Kong) Co., Ltd.	1,379	5.02%

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XII Related Parties and Related Party Transactions (continued)

2 Related Party Transactions

The amount of major transactions between the Group and related parties and the balance of major current accounts at the balance sheet date are as follows:

	Zhejiang Provincial Innovation Investment Group Co., Ltd. and its subsidiaries	Zhejiang Provincial Energy Group Co., Ltd. and its subsidiaries	Zhejiang Hengyi Group Co., Ltd. and its subsidiaries	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. and its subsidiaries	Others	Total	Proportion in the amount/ balance of related similar transactions
The amount of significant transactions in 2025 is as follows:							
Interest income	1	9	76	16	328	430	0.42%
Interest expense	(66)	(1)	-	(10)	(102)	(179)	0.31%
Fee and commission income	-	3	1	-	7	11	0.19%
Net trading gains	57	(2)	-	-	70	125	2.39%
Operating expenses	-	-	-	(1)	(6)	(7)	0.03%
At 31 December 2025, the balance of major current accounts is as follows:							
Derivative financial assets	-	-	-	-	280	280	1.02%
Financial assets purchased under resale agreements	597	-	-	-	-	597	0.66%
Loans and advances to customers	-	356	1,998	340	5,955	8,649	0.45%
Financial investments measured at FVTPL	7,669	-	-	-	8,773	16,442	7.16%
Financial investments measured at FVOCI	-	20	-	-	30	50	0.01%
Customer deposits	(4,151)	(58)	(100)	(1,381)	(5,438)	(11,128)	0.55%
Derivative financial liabilities	-	-	-	-	(203)	(203)	0.98%
The major off-balance sheet items at 31 December 2025 are as follows:							
Credit commitments and financial guarantee	17	927	2,350	1	123	3,418	0.41%
Loan balance guaranteed by related parties	6,689	239	5,666	261	5,782	18,637	0.68%

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XII Related Parties and Related Party Transactions (continued)

2 Related Party Transactions (continued)

	Zhejiang Provincial Innovation Investment Group Co., Ltd. and its subsidiaries	Zhejiang Provincial Energy Group Co., Ltd. and its subsidiaries	Zhejiang Hengyi Group Co., Ltd. and its subsidiaries	Hengdian Group Holdings Limited and its subsidiaries	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. and its subsidiaries	Others	Total	Proportion in the amount/ balance of related similar transactions
The amount of significant transactions in 2024 is as follows:								
Interest income	2	9	31	1	15	215	273	0.25%
Interest expense	(11)	(3)	-	(8)	(10)	(95)	(127)	0.19%
Fee and commission income	-	-	1	-	-	3	4	0.07%
Net trading gains	272	-	-	206	-	47	525	4.87%
Other operating income	-	-	-	-	-	1	1	0.07%
Operating expenses	-	-	-	-	(1)	(3)	(4)	0.02%
At 31 December 2024, the balance of major balance sheet items is as follows:								
Derivative financial assets	-	-	-	-	-	264	264	0.63%
Financial Assets Purchased Under Resale Agreements	210	-	-	-	-	200	410	0.60%
Loans and advances to customers	-	265	1,794	78	367	5,233	7,737	0.42%
Financial investments measured at FVTPL	6,855	-	-	3,952	-	2,321	13,128	5.74%
Financial investments measured at FVOCI	-	31	-	-	-	-	31	0.01%
Customer deposits	(3,375)	(69)	(400)	(541)	(842)	(5,601)	(10,828)	0.57%
The major off balance sheet items at 31 December 2024 are as follows:								
Credit commitments and financial guarantee	-	218	2,500	30	1	149	2,898	0.35%
Other off balance sheet items	-	100	-	-	-	-	100	0.13%
Loan balance guaranteed by related parties	8,235	300	4,488	30	368	4,324	17,745	0.66%

The Bank disclosed related party transactions in accordance with *Measures for the Administration of Affiliated Transactions of Banking and Insurance Institutions* (Decree No.1 in the year of 2022 of the original CBIRC). For major related party transactions, please refer to the Bank's announcement on the Shanghai Stock Exchange, and for general related party transactions, please refer to the Investor Services column on the Bank's website.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XII Related Parties and Related Party Transactions (continued)

3 Key Management Personnel

Key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group. The Group enters into banking transactions with key management personnel in the normal course of business. For the reporting period, the Group had no material banking transactions and balances with key management personnel.

The remuneration of directors and other members of key management during the period were as follows:

	2025	2024
Fees	2	2
Salaries and allowances and benefits	6	7
Discretionary bonuses	–	1
Contribution to pension	2	2
Total	10	12

The total compensation packages (before tax) for directors and key management personnel have not been finalised. The total compensation packages will be further disclosed when determined.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XII Related Parties and Related Party Transactions (continued)

4 Transactions Between the Bank and the Subsidiaries

The transactions between the Bank and its subsidiaries are mainly subject to general business terms and carried out in accordance with normal business procedures or in accordance with the contractual agreements of the Bank, and shall be approved by the corresponding decision-making authority depending on the nature and the amount of the transaction. The amount of major transactions between the Bank and its subsidiaries (consolidated structured entities directly held by the Group excluded) and the balance of major current accounts at the balance sheet date are as follows:

	2025	2024
Interest income	32	66
Interest expense	(44)	(6)
Fee and commission income	14	15
Fee and commission expense	(153)	–
Other operating income	10	16
Lease payment to subsidiaries	4	13
	31 December 2025	31 December 2024
Placements with banks and other financial institutions	–	3,002
Other assets	1,019	20
Deposits from banks and other financial institutions	(3,937)	(348)
Other liabilities	(9)	(8)

5 Plan and Transaction of Annuity

Except for normal contributions, other related party transactions in the annuity funds established by the Group and the Bank during the reporting period are as follows:

	2025	2024
Interest expense	9	25
	31 December 2025	31 December 2024
Customer deposits	197	447

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management

The Group is exposed to a variety of financial risks arising from its operating activities. The Group analyzes, evaluates, accepts and manages those risks or risk portfolios of a certain degree. Managing those risks is critical to the financial industry, and risks are an inevitable consequence of being in business operation. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and control programs, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The board of directors takes the ultimate responsibility for comprehensive risk management, and the senior management is responsible for implementing comprehensive risk management. The position of chief risk officer has been established in place, the senior management has established special committees including risk management and asset and liability management committee, information technology management committee, data governance committee and innovation management committee.

The risk management department at the head office is the coordination department for comprehensive risk management and the leading executive department for management of credit risk, market risk (excluding interest rate risk of banking book), country risk, information technology risk and ESG risk management. The asset and liability management department at the head office is the leading executive department for management of the interest rate risk of banking book and liquidity risk. The internal control, compliance and legal department at the head office is the leading executive department for operational risk, compliance risk management and outsourcing risk management. The work department of the party committee (the publicity department of the party committee) at the head office is the leading executive department for reputational risk management. The development and planning department at the head office is the leading executive department for strategic risk management. The social responsibility and consumer rights protection department at the head office is the leading executive department for consumer rights protection.

The primary financial risks to which the Group is exposed to when using financial instruments are credit risk, market risk (including interest rate risk, foreign exchange risk) and liquidity risk.

1 Credit Risk

The Group is exposed to credit risk, which is the risk of loss arising from a client or counterparty's failure to discharge its contractual obligations. Exposure to credit risk mainly arises from interbank transactions, corporate and retail loans, as well as loan commitments from lending activities. It can also be derived from credit enhancement provided by the Group, such as credit derivatives (credit default swaps), letters of credit, financial guarantees and acceptances. Management carefully manages its exposure to credit risks. The daily credit risk management and control are centralized in the risk management department at the head office and reported to the Bank's senior management in a timely manner.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(1) Credit risk measurement

Loans and advances to customers, credit commitments and financial guarantee

Based on changes in external business environment, internal business conditions and risk profile, the Group has formulated basic credit policies, and specified the policy orientation in respect of customer structure, industry structure, regional structure and key business areas of the Group's credit business. In addition, the Group regularly adjusts its credit policy on the basis of continuous tracking of macro and industry economic development trends. The Group shall continue to improve the credit system construction, the unified credit extension management system for corporate and institutional customers, group customer identification and unified credit extension management, the overall management and unified control of the total credits of corporate and institutional customers, and the standardized credit approval process, group customer management. The Bank shall also establish a differentiated authorization system, and timely adjust the credit policy and take effective measures to guard against credit risks.

The Group has established the credit risk limit framework system, credit risk limit management plans and methods, and specified management mechanisms in respect of setting, adjusting, monitoring and processing quota indicators to effectively transmit risk preferences. Financial assets are written off when the Group is unable to recover the whole or a part of them even after taking necessary measures and implementing necessary procedures, and when the write-off conditions set by the Ministry of Finance and the Group are met.

Bond investment

The Group manages investment in bonds and other instruments based on the internal credit rating and credit rating of external rating agencies. Except for immediate approval to government bonds, local government debts, central bank bills and policy bank financial bonds, all other bonds are subject to credit approval processes and credit rating requirements. At the same time, the Group continues to focus on the credit rating, business development and industry changes, to perform continuous evaluation and management of credit risk.

Non-bond debt investment

Non-bond debt investment includes trust schemes and asset management plans and debt financing plans. The Group implements rating assessment system for cooperative trust companies and securities companies, and sets credit lines for the ultimate financing party of the trust income and targeted asset management plans and debt financing plans, and conducts follow-up review of risk management on a regular basis.

Interbank business

Credit risk of financial institutions is reviewed and managed on a regularly basis. Credit lines are set for banks or other financial institutions that engage in financial transactions with the Group.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(2) Risk limits and mitigation measures

The Group has established policies and procedures for credit risk limits management. Credit risk limits are set based on specific customers, industries and the quality of assets, and a working mechanism is established regarding credit risk limits management, including limits setting, adjustment, monitoring, reporting and processing.

The Group transfers or mitigates its credit risk exposure by way of guarantee, collateral (pledge), net settlement and credit derivatives. Other specific management and mitigation measures include:

Collaterals and pledged assets

The Group has formulated a series of policies to mitigate credit risks through various measures. The acquisition of collateral and margins and obtaining corporate or individual guarantees is an important means for the Group to control credit risk. The Group implements guidelines on the acceptability of specific classes of collateral. The principal types of collateral are as follows:

- Residential properties
- Business assets such as commercial properties, inventories and accounts receivables
- Financial instruments such as debt securities and stocks

The fair value of collaterals and pledges are assessed by professional valuation firms appointed by the Group. To reduce credit risk, the Group has set maximum loan-to-value ratio (ratio of loan amount to fair value of collateral and pledge) for different collaterals and pledges. The principal types of collateral and pledge and the maximum loan-to-value ratio for corporate and retail loans are as follows:

<u>Type of collaterals and pledged assets</u>	<u>Maximum loan to value ratio</u>
Time deposits, PRC treasury bonds	100%
Financial bonds	80%
Residential properties and commercial properties	70%
Land use rights	70%
Vehicles	60%
General equipment	50%

For loans guaranteed by a third-party, the Group will assess the guarantor's financial condition, credit history and ability to meet obligations.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(2) Risk limits and mitigation measures (continued)

Derivative financial instruments

The Group imposes strict restrictions on the trading of derivative financial instruments. The Group controls the credit risks associated with derivative financial instruments by collecting margins or grant credits from/to counterparties.

Deposits of credit commitments and financial guarantee

The main purpose of credit commitments and financial guarantee is to ensure that customers can receive the funds needed. The letter of guarantee and the letter of credit represent the Group's irrevocable undertaking, that is, the Group will perform the payment obligations on behalf of its customers who fail to meet their payment obligations to third parties, and the Group bears the same credit risk as the case of loans. In the event that the amount of credit commitments and financial guarantee requested by the customer exceeds its original credit limit, the Group will collect deposit to reduce the credit risk involved in providing the service.

(3) Measurement of ECLs

The ECL model is used for the measurement of the allowance for ECLs for financial assets measured at AC, financial assets measured at FVOCI and credit commitments and financial guarantee.

The ECL model is developed in accordance with the accounting standards. Based on credit risk characteristics such as product type, customer type, customer industry, the Group has conducted a risk subgroup on financial assets and established different models for non-retail business, retail business, credit card business, etc. The Group has established a regression model of risk parameters and macroeconomic indicators such as GDP, etc. The Group applies the ECL model to calculate credit losses under multiple scenarios to regularly predict three macro scenarios, including optimistic, neutral and pessimistic. The Group uses judgements, assumptions and estimates in measuring the ECLs in accordance with the accounting standards, including:

- Grouping of risks
- Classification of stages
- Models and parameters
- Forward-looking information, other adjustments and sensitivity analysis

Grouping of risks

Credit exposures are grouped based on credit risk characteristics including type of product, type of customer, industry where the client operates and markets. The non-retail business exposure risk group covers manufacturing loans, real estate loans and wholesale and retail loans, etc. The retail business exposure risk group covers business loans, consumer loans, mortgage loans and credit card, etc.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(3) Measurement of ECLs (continued)

Classification of stages

The Group classifies financial instruments into three stages and makes provisions for ECLs accordingly, depending on whether the credit risk of a financial instrument has increased significantly or whether the financial instrument is credit-impaired since initial recognition. The three risk stages are defined as follows:

Stage 1: Credit risk has not increased significantly since initial recognition. A 12-month ECL is recognized.

Stage 2: Credit risk has increased significantly since initial recognition but there is no objective evidence of impairment of the financial instrument. A lifetime ECL is recognized.

Stage 3: When there is objective evidence of impairment of the financial assets at the balance sheet date. A lifetime ECL is recognized.

The Group's staging criteria has taken into consideration the internal credit rating, probability of default, overdue days, credit risk rating, etc.

Definition of significant increase in credit risk

At each balance sheet date, the Group assesses whether the credit risk of the relevant financial instruments has increased significantly since initial recognition. The Group fully considers all reasonable information with solid evidence, including forward-looking information that reflects significant changes in its credit risk. The main considerations are regulatory and operating environment, internal and external credit rating, solvency, operating capacity, loan contract terms, and repayment behavior. The Group determines the changes in credit risk over the expected lifetime of the financial instruments by comparing the credit risk of the financial instruments at the balance sheet date with that at the date of initial recognition.

The Group determines whether the credit risk of financial instruments has changed significantly since initial recognition by setting quantitative and qualitative criteria. The judgement criteria mainly include more than 30 days overdue, changes in probability of default and other cases that indicate a significant change in credit risk.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(3) Measurement of ECLs (continued)

Definition of credit-impaired financial assets

Generally, financial assets are considered to be credit-impaired if:

- The borrower is more than 90 days overdue after the contractual payment date;
- The internal credit rating of the borrower is default level;
- For economic or contractual reasons related to the financial difficulties of the borrower, concessions which normally are not available are being made to the borrower;
- The borrower is experiencing significant financial difficulties;
- The borrower is likely to enter bankruptcy or other financial restructuring; and
- The active market for the financial assets disappears as a result of the financial difficulties of the issuer or debtor.

An impairment of financial assets may be caused by the combined effect of multiple events, and may not be the result of a separately identifiable events.

The above criteria apply to all financial assets and credit commitments and financial guarantee of the Group. The definition of credit-impaired financial assets is consistently applied to the calculation of ECLs of the Group and when considering about historical statistics and forward-looking information.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(3) Measurement of ECLs (continued)

Models and parameters

Except for the credit-impaired financial instruments, depending on whether there is a significant increase in credit risk and whether the assets are credit-impaired, the Group recognizes allowance for different financial instruments with expected credit losses over 12 months or the lifetime of the instrument, respectively. Allowance for ECLs is the result of multiplication of probability of default (PD), loss given default (LGD) and exposure at default (EAD) and discount factor. Related definitions are as follows:

- Probability of default (PD) refers to the possibility that the debtor will not be able to fulfil its obligations in the next 12 months or throughout the life of the asset. The Group's PD is calculated based on the results of the Internal Rating-Based Approach. The PD of the entire duration is calculated based on the 12-month probability of default;
- Loss given default (LGD) is the percentage of risk exposure loss at the time of default. The default loss rate varies depending on the type of counterparty, the way of recourse and priority and the availability of collateral or other credit support. The LGD varies by financial assets; and
- Exposure at default (EAD) refers to the amount that the Group should pay when the default occurs in the next 12 months or throughout the life of the asset. The Group's exposure at default is determined by the expected repayment arrangements, and it varies depending on the types of products. For installments payment and lump sum repayment, the Group determines the exposure at default according to the repayment plan stipulated in the contract.

The Group determines the ECLs by forecasting the probability of default, loss given default and exposure at default of future individual debt. The Group multiplies the three parameters to calculate the ECLs for future periods, and then discount the results of each period to the report date in lump sum. The discount rate used in the calculation of expected credit loss is the initial effective interest rate or its approximate value.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(3) Measurement of ECLs (continued)

Models and parameters (continued)

The measurement of ECLs for credit-impaired corporate loans and advances to customers and investments applied cash flow discount method, if there is objective evidence that an financial asset is credit-impaired, the amount of the ECLs is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. In determining ECLs on an individual basis, the following factors are considered:

- The sustainability of the borrower's business plan;
- The ability to improve performance once a financial difficulty has arisen;
- The estimated recoverable cash flows from disposal of assets and liquidation;
- The availability of other financial support and the realizable value of collaterals; and
- The timing of the expected cash flows.

Forward-looking information, other adjustments and sensitivity analysis

The Group has established a forward-looking model and developed regression models for different macro-economic indicators such as Gross Domestic Product growth rate year-on-year (GDP). The Group uses forecasting results of macro-indicators to achieve "forward-looking" calculation of ECLs.

The Group forecasts multiple macro indicators under three domestic macro scenarios: optimistic, neutral and pessimistic. The Group uses the weight scorecard model to determine the weight of the macroeconomic multi scenario indicator forecast value through quantitative analysis of the macroeconomic multi scenario forecast value. Neutral scenario is defined as the most probable situation, which will become benchmark for other scenarios. Optimistic and pessimistic scenarios are possible scenarios which are better and worse than neutral scenario respectively. It can also be used as one of the sources of sensitivity analysis.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(3) Measurement of ECLs (continued)

Forward-looking information, other adjustments and sensitivity analysis (continued)

At 31 December 2025, the key macro-indicators the Group has applied include the GDP growth rate on year-on-year basis, the Per Capita Disposable Income of Urban Residents growth rate on year-on-year basis, M0 currency in circulation growth rate on year-on-year basis, etc. Among all, the forecasts of height weights macro-indicators are listed as follows:

Indicators	Predictive range
GDP growth rate on year-on-year basis	From 4.41% to 5.78%
Per Capita Disposable Income of Urban Residents growth rate on year-on-year basis	From 3.60% to 4.46%
M0 currency in circulation growth rate on year-on-year basis	From 11.43% to 12.37%

Through sensitivity analysis, when the weight of optimistic scenario increases by 10% and the weight of neutral scenario decreases by 10%, the allowance for ECLs will decrease by no more than 0.65%. When the weight of pessimistic scenario increases by 10% and the weight of neutral scenario decreases by 10%, the allowance for ECLs will increase by no more than 0.77%.

When managing ECL model, the Bank fully considered the impact of the potential factors of local government debt on credit risk exposure and makes allowance for ECLs prudently, thereby enhancing the Group's risk compensation capability.

(4) Maximum exposure to credit risk

The following table provides an analysis of the exposure to credit risk of financial instruments applicable to the measurement of ECLs. The carrying amount of the following financial assets is the maximum exposure to credit risk of the Group:

	31 December 2025	31 December 2024
Cash and balances with the central bank	125,704	129,691
Deposits with banks and other financial institutions	73,583	51,919
Placements with banks and other financial institutions	5,952	17,366
Financial assets purchased under resale agreements	90,599	68,407
Loans and advances to customers		
– measured at AC	1,575,832	1,487,701
– measured at FVOCI	307,405	324,983
Financial investments		
– measured at AC	454,851	469,159
– measured at FVOCI	365,397	355,999
Other financial assets	72,556	67,941
Total	3,071,879	2,973,166
Credit Commitments and Financial Guarantee	831,809	835,689

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(5) Risk concentration

The credit risk usually increases if the counterparties are concentrated in a certain industry, region or based on certain economic characteristics. Meanwhile, the economic development is differentiated by the unique characteristics of industries and regions, so the credit risk varies from industry to industry and region to region.

Geographical segments

The gross amount of loans and advances to customers granted by the Group are listed as follows by region (fair value changes and interest accrued excluded):

	31 December 2025		31 December 2024	
	Gross amount	Proportion	Gross amount	Proportion
Yangtze River Delta Region	1,067,571	55.81%	991,127	53.65%
Midwestern China Region	380,390	19.89%	367,401	19.89%
Bohai Rim Region	245,388	12.83%	257,185	13.92%
Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits	219,434	11.47%	231,684	12.54%
Total	1,912,783	100.00%	1,847,397	100.00%

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(5) Risk concentration (continued)

Industry segments

The gross amount of loans and advances to customers granted by the Group are listed as follows by industry (fair value changes and interest accrued excluded):

	31 December 2025		31 December 2024	
	Gross amount	Proportion	Gross amount	Proportion
Corporate loans and advances				
Leasing and commercial services	339,725	17.76%	267,267	14.47%
Manufacturing	286,725	14.99%	273,221	14.79%
Wholesale and retail trade	185,808	9.72%	191,741	10.38%
Real estate	161,815	8.46%	186,133	10.07%
Administration of water conservancy, environment and public facilities	87,829	4.59%	68,991	3.73%
Construction	80,505	4.21%	74,814	4.05%
Financing	40,338	2.11%	42,009	2.27%
Scientific research, technology services and geological exploration	28,695	1.50%	23,689	1.28%
Information transmission, computer services and software industry	25,114	1.31%	28,245	1.53%
Transportation, storage and postal service	18,930	0.99%	17,314	0.94%
Accommodation and catering	17,947	0.94%	18,460	1.00%
Production and supply of electricity, heat, gas and water	17,525	0.92%	14,403	0.78%
Agriculture, forestry, animal husbandry and fishery	13,825	0.72%	13,054	0.71%
Mining	12,832	0.67%	16,611	0.90%
Culture, sports and entertainment	6,422	0.34%	6,194	0.33%
Education	3,292	0.17%	3,503	0.19%
Health, social security and social welfare	2,163	0.11%	1,768	0.10%
Household services and other services	1,969	0.10%	2,149	0.12%
Corporate loans and advances	1,331,459	69.61%	1,249,566	67.64%
Personal loans and advances	464,408	24.28%	478,631	25.91%
Discounted bills	116,916	6.11%	119,200	6.45%
Total	1,912,783	100.00%	1,847,397	100.00%

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(6) Credit risk analysis of loans and advances to customers

At the balance sheet date, the stage, overdue information and allowance for ECLs of loans and advances to customers (fair value changes and interest accrued excluded) of the Group are listed as follows:

	Notes	31 December 2025	31 December 2024
Credit-impaired		29,960	27,565
Less: Allowance for ECLs	(a)	(17,443)	(17,384)
Subtotal		12,517	10,181
Overdue but not credit-impaired		8,963	9,979
Less: Allowance for ECLs	(b)	(2,666)	(2,861)
Subtotal		6,297	7,118
Neither overdue nor credit-impaired		1,873,860	1,809,853
Less: Allowance for ECLs	(c)	(19,365)	(24,187)
Subtotal		1,854,495	1,785,666
Total		1,873,309	1,802,965

(a) At 31 December 2025, the allowance for ECLs of the loans and advances to customers measured at FVOCI which were credit-impaired were RMB319 million (31 December 2024: RMB313 million). The allowance for ECLs are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

(b) At 31 December 2025, the allowance for ECLs of the loans and advances to customers measured at FVOCI which were overdue but not credit-impaired were RMB21 million (31 December 2024: RMB86 million). The allowance for ECLs are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

(c) At 31 December 2025, the allowance for ECLs of the loans and advances to customers measured at FVOCI which were neither overdue nor credit-impaired were RMB640 million (31 December 2024: RMB720 million). The allowance for ECLs are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(7) Credit risk analysis of the amounts due from banks and other financial institutions

Amounts due from banks and other financial institutions include deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets purchased under resale agreements. At the balance sheet date, the book balance (interest accrued excluded) of the Group's due from banks and other financial institutions classified by stage, overdue information and counterparties are analyzed as follows:

	31 December 2025	31 December 2024
Neither overdue nor credit-impaired		
– AAA1 to AAA6	54,628	55,427
– AA1 to AA6	31,305	33,593
– A1 to A3	72,892	45,331
– No rating	11,157	3,229
Less: Allowance for ECLs	(50)	(28)
Total	169,932	137,552

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(8) Credit risk analysis of debt instrument investments

The Group continuously monitors the credit risk profile of the debt instrument portfolios held. At the balance sheet date, the carrying amount (fair value changes and interest accrued excluded) of the debt instruments which are subjected to the measurement of ECLs is listed as follows:

	Notes	31 December 2025	31 December 2024
Credit-impaired		50,027	52,638
Less: Allowance for ECLs	(a)	(24,001)	(23,688)
Subtotal		26,026	28,950
Overdue but not credit-impaired		123	–
Less: Allowance for ECLs		(2)	–
Subtotal		121	–
Neither overdue nor credit-impaired			
– Government		326,267	326,387
– Policy banks		254,930	177,672
– Commercial banks		46,337	89,384
– Other financial institutions		13,973	36,865
– Others		141,336	154,124
Less: Allowance for ECLs	(b)	(1,023)	(1,709)
Subtotal		781,820	782,723
Total		807,967	811,673

(a) At 31 December 2025, the total allowance for ECLs of the debt investments measured at FVOCI which were credit-impaired, were RMB26 million (31 December 2024: 325 million). The ECL allowance are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

(b) At 31 December 2025, the total allowance for ECLs of the debt investments measured at FVOCI which were neither overdue nor credit-impaired, were RMB367 million (31 December 2024: RMB353 million). The ECL allowance are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

1 Credit Risk (continued)

(9) Collaterals and other credit enhancement

The Group closely monitors the collaterals corresponding to credit-impaired financial assets, as compared with other collaterals, the Group is more likely to confiscate these collaterals to reduce potential credit losses. At the balance sheet date, the Group's credit-impaired loans and advances to customers and financial investments (fair value changes and interest accrued excluded) and the corresponding exposures covered by collateral are listed as follows:

	31 December 2025			Exposures covered by collateral
	Gross amount	Allowance for ECLs	Subtotal	
Credit-impaired financial assets				
Loans and advances to customers				
– measured at AC	29,358	(17,443)	11,915	20,667
– measured at FVOCI	602	(319)	283	413
Financial investments				
– measured at AC	49,948	(24,001)	25,947	43,471
– measured at FVOCI	79	(26)	53	–
Total	79,987	(41,789)	38,198	64,551
	31 December 2024			Exposures covered by collateral
	Gross amount	Allowance for ECLs	Subtotal	
Credit-impaired financial assets				
Loans and advances to customers				
– measured at AC	26,887	(17,384)	9,503	18,195
– measured at FVOCI	678	(313)	365	444
Financial investments				
– measured at AC	52,202	(23,688)	28,514	43,192
– measured at FVOCI	436	(325)	111	–
Total	80,203	(41,710)	38,493	61,831

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk

Market risk refers to the risk of losses of on-balance sheet and off-balance sheet business arising from unfavorable changes in market prices including interest rates, exchange rates, stock prices and commodity prices. The Group's exposures to market risk arise from the trading and non-trading businesses.

The Group's market risk management system consists of the board of directors, senior management, risk management department, capital operation center, technology management department, audit department, other departments, as well as branches, subbranches and the subsidiaries. Senior management is responsible for implementing and organizing the market risk management, overseeing the implementation of market risk appetite, as well as formulating, periodically evaluating and carrying out relevant policies and procedures for market risk management, so as to ensure the Group can effectively identify, measure, monitor and control a series of market risks assumed by various businesses.

The market risk measurement methods adopted by the Group include duration analysis, foreign exchange exposure analysis, scenario analysis, sensitivity analysis, Value at Risk (VaR) measurement etc., and the measures taken by the Group to control market risks include, among others, limit management, hedging, reducing risk exposures etc. The Group has established a market risk management system in accordance with *the Administrative Measures for Market Risk Management of Commercial Banks* (Decree No.15 in the year of 2025 of the National Financial Regulatory Administration). The Group has formulated market risk management policies and procedures applicable to the nature, scale, complexity and risk features of its business and aligned such policies and procedures with its overall business development strategy, management capabilities, capital strength and overall risk level that can be assumed by the Group.

The Group updates its market risk appetite and limit management system on a regular basis, further improves the market risk management systems and market risk measurement systems. The Group conducts market risk measurement, monitoring and routine management by using the independent market risk management system. The Group performs daily valuation of trading book positions, continuously monitors non-stop-loss limits and stop-loss limits, and regularly evaluates market risks through stress testing and other methods.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(1) Interest rate risk

Interest rate risk in the banking book refers to the risk of losses in the economic value and overall gains of the banking book arising from adverse changes in interest rate levels and term structure, mainly including gap risk, benchmark risk and optional risk.

The objective of the Group's interest rate risk management is to control the interest rate risk of banking book within an acceptable and reasonable range and reduce the fluctuation of net interest income of banking book as well as economic value thereby maximizing the comprehensive income bank-wide.

The Group's interest rate risk management system of banking book consists of the board of directors, the board of supervisors, senior management, risk management and internal control committee, asset and liability management committee, risk management department, asset and liability management department, capital operation center, audit department and other operation and management departments at the head office, as well as branches, sub-branches and subsidiaries. Senior management is responsible for implementing the interest rate risk management of banking book, establishing the framework for interest rate risk management and the system for measurement of interest rate risk of banking book, and promoting the effective implementation of relevant systems and policies for interest rate risk management of banking book.

The Group measures and evaluates the interest rate risk of banking book mainly through price resetting gap analysis, sensitivity analysis, scenario simulation analysis, stress test etc. During the reporting period, the Group paid close attention to macroeconomic environment, monetary policy adjustments, aligned with the Group's strategic direction and business development needs, dynamically adjusting repricing gaps, optimizing asset-liability structures, and proactively employing hedging instruments to manage interest rate risks. At the balance sheet date, the interest rate risk of banking book of the Group is within the target limit and the risk is under control as a whole.

Due to fluctuations in market interest rates, the Group's interest margin may increase, or may decrease or even incur losses due to unexpected changes. The Group operates its business in accordance with the deposit and loan interest rate policies of the People's Bank of China.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(1) Interest rate risk (continued)

The following tables indicate the financial assets and financial liabilities of the Group at the balance sheet date by the expected next repricing date or by contract expiration date, whichever is earlier.

	31 December 2025						Total
	Non-interest bearing	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Financial assets							
Cash and balances with the central bank	923	124,781	-	-	-	-	125,704
Deposits with banks and other financial institutions	105	55,531	14,414	3,500	17	16	73,583
Placements with banks and other financial institutions	53	4,949	174	676	100	-	5,952
Derivative financial assets	27,551	-	-	-	-	-	27,551
Financial assets purchased under resale agreements	44	90,555	-	-	-	-	90,599
Loans and advances to customers	9,222	536,450	185,870	758,099	325,768	67,828	1,883,237
Financial investments							
- measured at FVTPL	140,703	18,465	4,335	28,933	28,715	8,644	229,795
- measured at AC	7,600	23,502	20,144	55,768	196,043	151,794	454,851
- measured at FVOCI	5,622	3,114	6,846	40,312	206,660	104,307	366,861
Other financial assets	8,427	1,995	9,851	28,074	21,856	2,353	72,556
Total financial assets	200,250	859,342	241,634	915,362	779,159	334,942	3,330,689
Financial liabilities							
Due to the central bank	(294)	(41,578)	(25,478)	(34,856)	-	-	(102,206)
Deposits from banks and other financial institutions	(1,386)	(103,909)	(56,154)	(182,925)	-	-	(344,374)
Placements from banks and other financial institutions	(536)	(27,110)	(19,335)	(69,367)	(904)	(207)	(117,459)
Financial liabilities at fair value through profit or loss	(42,204)	(13,307)	-	(449)	-	-	(55,960)
Derivative financial liabilities	(20,769)	-	-	-	-	-	(20,769)
Financial assets sold under repurchase agreements	(7)	(53,202)	-	-	-	-	(53,209)
Customer deposits	(37,454)	(736,467)	(217,614)	(579,273)	(472,658)	-	(2,043,466)
Debt securities issued	(2,679)	(35,912)	(38,760)	(285,602)	(120,000)	(30,000)	(512,953)
Lease liabilities	-	(94)	(127)	(535)	(1,547)	(388)	(2,691)
Other financial liabilities	(10,457)	(59)	(258)	(38)	-	-	(10,812)
Total financial liabilities	(115,786)	(1,011,638)	(357,726)	(1,153,045)	(595,109)	(30,595)	(3,263,899)
Interest rate exposure	84,464	(152,296)	(116,092)	(237,683)	184,050	304,347	66,790

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(1) Interest rate risk (continued)

	31 December 2024						Total
	Non-interest bearing	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Financial assets							
Cash and balances with the central bank	1,051	128,640	-	-	-	-	129,691
Deposits with banks and other financial institutions	91	45,010	6,374	444	-	-	51,919
Placements with banks and other financial institutions	27	14,747	930	1,562	100	-	17,366
Derivative financial assets	41,692	-	-	-	-	-	41,692
Financial assets purchased under resale agreements	22	65,039	1,948	1,398	-	-	68,407
Loans and advances to customers	8,495	430,000	195,706	703,634	368,002	106,847	1,812,684
Financial investments							
- measured at FVTPL	180,591	416	4,085	13,439	12,069	18,273	228,873
- measured at AC	6,713	9,535	17,858	84,849	185,349	164,855	469,159
- measured at FVOCI	4,332	1,812	16,042	91,886	152,833	90,514	357,419
Other financial assets	7,293	4,762	5,971	26,956	21,146	1,813	67,941
Total financial assets	250,307	699,961	248,914	924,168	739,499	382,302	3,245,151
Financial liabilities							
Due to the central bank	(271)	(6,430)	(29,533)	(41,587)	-	-	(77,821)
Deposits from banks and other financial institutions	(2,003)	(100,908)	(84,966)	(179,063)	-	-	(366,940)
Placements from banks and other financial institutions	(645)	(23,312)	(16,629)	(52,235)	(3,020)	-	(95,841)
Financial liabilities at fair value through profit or loss	(5,932)	(15,264)	-	-	-	-	(21,196)
Derivative financial liabilities	(36,085)	-	-	-	-	-	(36,085)
Financial assets sold under repurchase agreements	(34)	(33,185)	(1,667)	(401)	-	-	(35,287)
Customer deposits	(34,425)	(695,963)	(182,680)	(506,589)	(502,632)	-	(1,922,289)
Debt securities issued	(2,525)	(12,458)	(88,956)	(283,094)	(124,500)	(30,000)	(541,533)
Lease liabilities	-	(101)	(135)	(604)	(1,780)	(511)	(3,131)
Other financial liabilities	(10,169)	(49)	(782)	(1,038)	-	-	(12,038)
Total financial liabilities	(92,089)	(887,670)	(405,348)	(1,064,611)	(631,932)	(30,511)	(3,112,161)
Interest rate exposure	158,218	(187,709)	(156,434)	(140,443)	107,567	351,791	132,990

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(1) Interest rate risk (continued)

The Group measures the potential effect of change in interest rates on the Group's net interest income and other comprehensive income by the sensitivity analysis method. The following table sets forth the effect on the Group's net interest income and other comprehensive income 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 year and whose interest rate are expected to be repriced within one year. The effect on other comprehensive income 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 year. The following table sets forth the effect on the Group's net interest income and other comprehensive income from interest rate fluctuations with other variables held constant (income tax expense included):

	2025		2024	
	Net interest income (Decrease)/ Increase	Other comprehensive income (Decrease)/ Increase	Net interest income (Decrease)/ Increase	Other comprehensive income (Decrease)/ Increase
Changes in interest rate				
Increase by 25 basis points	(622)	(2,590)	(680)	(2,651)
Decrease by 25 basis points	622	2,610	680	2,679

For the purpose of the sensitivity analysis, the Group adopts the following assumptions in determining commercial conditions and financial parameters:

- (i) the analysis is based on the static gap at the balance sheet date, regardless of subsequent changes;
- (ii) all assets and liabilities that are repriced or due within one year are assumed to be repriced or due at the beginning of the respective periods;
- (iii) same fluctuations in interest rates of different interest-bearing assets and interest-bearing liabilities are the same;
- (iv) yield curves move in parallel with change in interest rates;
- (v) there are no other changes in the assets or liabilities portfolio;
- (vi) no consideration of impact on customer behavior, market price and off-balance sheet business resulting from interest rate changes; and
- (vii) no consideration of actions taken by the Group in response to interest rate changes.

Therefore, the actual results on net interest income and other comprehensive income due to the increase or decrease in interest rates may differ from the analysis based on such assumptions.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(2) Foreign exchange risk

The Group's business mainly operates in China and settles in RMB. The tables below show the Group's exposure to currency risk at the balance sheet date with the book values of various financial assets and liabilities converted into RMB.

	31 December 2025				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Financial assets					
Cash and balances with the central bank	117,638	7,763	55	248	125,704
Deposits with banks and other financial institutions	66,969	4,938	313	1,363	73,583
Placement with banks and other financial institutions	888	5,064	-	-	5,952
Derivative financial assets	22,717	4,703	114	17	27,551
Financial assets purchased under resale agreements	90,599	-	-	-	90,599
Loans and advances to customers	1,844,694	14,319	10,464	13,760	1,883,237
Financial investments					
– measured at FVTPL	228,744	1,051	-	-	229,795
– measured at AC	442,550	11,836	-	465	454,851
– measured at FVOCI	284,118	62,100	1,964	18,679	366,861
Other financial assets	68,441	3,525	140	450	72,556
Total financial assets	3,167,358	115,299	13,050	34,982	3,330,689
Financial liabilities					
Due to the central bank	(102,206)	-	-	-	(102,206)
Deposits from banks and other financial institutions	(318,462)	(10,433)	(4,828)	(10,651)	(344,374)
Placements from banks and other financial institutions	(103,942)	(13,337)	(180)	-	(117,459)
Financial liabilities at fair value through profit or loss	(55,960)	-	-	-	(55,960)
Derivative financial liabilities	(16,411)	(4,237)	(99)	(22)	(20,769)
Financial assets sold under repurchase agreements	(53,066)	(143)	-	-	(53,209)
Customer deposits	(1,915,353)	(100,543)	(1,853)	(25,717)	(2,043,466)
Debt securities issued	(512,953)	-	-	-	(512,953)
Lease liabilities	(2,683)	-	(8)	-	(2,691)
Other financial liabilities	(10,664)	(128)	(12)	(8)	(10,812)
Total financial liabilities	(3,091,700)	(128,821)	(6,980)	(36,398)	(3,263,899)
Net amount	75,658	(13,522)	6,070	(1,416)	66,790
Credit commitments and financial guarantee	804,826	16,160	1,396	9,427	831,809

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(2) Foreign exchange risk (continued)

	31 December 2024				Total
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Financial assets					
Cash and balances with the central bank	120,573	9,047	38	33	129,691
Deposits with banks and other financial institutions	43,943	5,671	339	1,966	51,919
Placement with banks and other financial institutions	14,118	3,248	–	–	17,366
Derivative financial assets	35,609	5,836	243	4	41,692
Financial assets purchased under resale agreements	68,407	–	–	–	68,407
Loans and advances to customers	1,756,212	27,520	13,541	15,411	1,812,684
Financial investments					
– measured at FVTPL	226,246	2,627	–	–	228,873
– measured at AC	441,599	26,324	–	1,236	469,159
– measured at FVOCI	300,321	52,029	455	4,614	357,419
Other financial assets	65,103	2,791	31	16	67,941
Total financial assets	3,072,131	135,093	14,647	23,280	3,245,151
Financial liabilities					
Due to the central bank	(77,821)	–	–	–	(77,821)
Deposits from banks and other financial institutions	(334,619)	(26,885)	(3,141)	(2,295)	(366,940)
Placements from banks and other financial institutions	(77,260)	(18,538)	–	(43)	(95,841)
Financial liabilities at fair value through profit or loss	(21,196)	–	–	–	(21,196)
Derivative financial liabilities	(31,677)	(4,283)	–	(125)	(36,085)
Financial assets sold under repurchase agreements	(29,736)	(5,551)	–	–	(35,287)
Customer deposits	(1,808,040)	(88,787)	(1,698)	(23,764)	(1,922,289)
Debt securities issued	(541,533)	–	–	–	(541,533)
Lease liabilities	(3,102)	–	(29)	–	(3,131)
Other financial liabilities	(11,972)	(56)	(6)	(4)	(12,038)
Total financial liabilities	(2,936,956)	(144,100)	(4,874)	(26,231)	(3,112,161)
Net amount	135,175	(9,007)	9,773	(2,951)	132,990
Credit commitments and financial guarantee	796,207	24,949	2,783	11,750	835,689

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

2 Market Risk (continued)

(2) Foreign exchange risk (continued)

The Group measures the potential effect of changes in foreign exchange rates on the Group's net profit and equity by the sensitivity analysis method. The following table sets forth the effect on the Group's net profit and equity from possible foreign exchange rate fluctuations with other variables held constant (income tax expense included):

	Sensitivity of net profit and equity	
	31 December 2025 (Decrease)/ Increase	31 December 2024 (Decrease)/ Increase
Changes in USD exchange rate		
Appreciation against RMB by 100 bps	(101)	(68)
Depreciation against RMB by 100 bps	101	68
Changes in HKD exchange rate		
Appreciation against RMB by 100 bps	(14)	(31)
Depreciation against RMB by 100 bps	14	31

The sensitivity analysis is based on the following assumptions:

- (i) the analysis is based on the static gap at the balance sheet date, regardless of subsequent changes;
- (ii) the foreign exchange rate sensitivity is the gains or losses recognized as a result of a 100-basis point fluctuation in the absolute value of foreign exchange rates against the closing price (middle price) of RMB at the balance sheet date;
- (iii) the fluctuation of exchange rates by 100 basis points at the balance sheet date is based on the assumption of exchange rates movement over the next 12 months;
- (iv) when calculating the foreign exchange exposure, spot and forward from foreign exchange exposure and swaps are included;
- (v) other variables (including interest rates) remain unchanged;
- (vi) no consideration of impact on customers' behavior and market price resulting from exchange rate changes; and
- (vii) the assets and liabilities have a static exchange rate risk structure and no consideration is given to the measures that the Group may take to eliminate the adverse impact of foreign exchange exposure on net profit and equity.

Therefore, the actual results of net profit and equity due to changes in foreign currency exchange rates may differ from the analysis based on such assumptions.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

3 Liquidity Risk

Liquidity risk refers to the risk of failure to obtain adequate funds in time at reasonable costs to repay debts when they are due, perform other payment obligations and meet other capital needs in the ordinary course of business. Factors affecting liquidity risks are divided into external factors and internal factors. External factors include domestic and foreign financial situation, macroeconomic regulation policies, depth and width of developments of financial markets and the competition status of the banking industry. Internal factors include maturities of assets and liabilities, business structures, stability of deposits, and market financing capacity and various unexpected events, etc.

The objective of the Group's liquidity management is to ensure that the Group's liquidity needs can be met in a timely manner and at a reasonable cost thereby controlling the liquidity risk within an acceptable and reasonable range.

The Group's liquidity risk management system consists of the board of directors, the board of supervisors, senior management, risk management and internal control committee, asset and liability management committee, risk management department, asset and liability management department, capital operation center, audit department, other operation and management departments of the head office, as well as branches, subbranches and subsidiaries. Senior management is responsible for implementing and organizing the liquidity risk management as well as the formulation and implementation of relevant systems and policies for liquidity risk management.

The Group manages the liquidity risk in a centralized manner. By establishing a scientific and completed liquidity risk management system, the Group can effectively identify, measure, monitor, control and report its liquidity risk. The Group strengthens its liquidity risk management ability by continuously improving the perspectiveness and initiative of liquidity risk management. Specific measures for liquidity risk management include: paying close attention to both domestic and foreign macroeconomic situations and market liquidity changes, as well as adjusting the asset and liability management strategies in a timely manner; strengthening debt management, making flexible use of active debt instruments, broadening long-term sources of fund, and continuously increasing the proportion of stable liabilities; promoting the construction of diversified of financing channels and actively expanding financing channels while maintaining good relationships with major financing counterparties; strengthening the management of high-quality liquid assets, ensuring the fitness of the retention scale of high-quality liquid assets and the potential financing needs to enhance the liquidity risk mitigation capability; strengthening the early-warning monitoring and management of liquidity, optimizing the emergency response program for liquidity risk and conducting emergency drills on a regular basis; conducting stress tests for liquidity risk on a quarterly basis, identifying weak points in respect of the Group's liquidity risk management based on results of such tests, adjusting liquidity risk management strategies if necessary, and modifying the liquidity risk management measures in a timely manner to improve liquidity risk management mechanism. The results of stress tests indicate that under various stress scenarios, the liquidity risk of the Group is within a controllable range.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

(1) Analysis of contractual undiscounted cash flows of non derivative financial assets and financial liabilities

The tables below present the contractual undiscounted cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows:

	Overdue	On demand/ indefinite	31 December 2025				After 5 years	After 5 years	Total
			Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years			
Financial assets									
Cash and balances with the central bank	-	125,704	-	-	-	-	-	-	125,704
Deposits with banks and other financial institutions	-	50,279	5,273	14,500	3,562	19	19	73,652	
Placements with banks and other financial institutions	-	-	109	18	887	5,555	-	6,569	
Financial assets purchased under resale agreements	-	-	90,617	-	-	-	-	90,617	
Loans and advances to customers	11,575	-	121,646	181,593	780,110	517,395	388,785	2,001,104	
Financial investments									
- measured at FVTPL	2	140,702	18,473	2,935	23,814	37,932	9,271	233,129	
- measured at AC	19,885	-	4,160	21,230	57,357	224,647	183,000	510,279	
- measured at FVOCI	-	1,464	2,249	5,759	36,915	241,908	124,916	413,211	
Other financial assets	1,805	6,993	2,454	4,386	18,420	39,937	5,109	79,104	
Total financial assets	33,267	325,142	244,981	230,421	921,065	1,067,393	711,100	3,533,369	
Financial liabilities									
Due to the central bank	-	-	(41,596)	(25,720)	(35,381)	-	-	(102,697)	
Deposits from banks and other financial institutions	-	(88,508)	(15,597)	(56,785)	(185,509)	-	-	(346,399)	
Placements from banks and other financial institutions	-	(12,007)	(28,082)	(19,921)	(64,392)	(1,069)	(208)	(125,679)	
Financial liabilities at fair value through profit or loss	-	(42,204)	(13,307)	-	(449)	-	-	(55,960)	
Financial assets sold under repurchase agreements	-	-	(53,212)	-	-	-	-	(53,212)	
Customer deposits	-	(578,633)	(172,310)	(230,648)	(604,875)	(489,898)	-	(2,076,364)	
Debt securities issued	-	-	(36,200)	(39,914)	(291,666)	(128,555)	(33,132)	(529,467)	
Lease liabilities	-	-	(94)	(128)	(549)	(1,710)	(471)	(2,952)	
Other financial liabilities	-	(10,289)	(66)	(271)	(186)	-	-	(10,812)	
Total financial liabilities	-	(731,641)	(360,464)	(373,387)	(1,183,007)	(621,232)	(33,811)	(3,303,542)	
Net amount	33,267	(406,499)	(115,483)	(142,966)	(261,942)	446,161	677,289	229,827	

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

(1) Analysis of contractual undiscounted cash flows of non derivative financial assets and financial liabilities (continued)

	Overdue	On demand/ indefinite	31 December 2024					After 5 years	Total
			Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years		
Financial assets									
Cash and balances with the central bank	-	129,691	-	-	-	-	-	129,691	
Deposits with banks and other financial institutions	-	36,559	8,496	6,424	463	-	-	51,942	
Placements with banks and other financial institutions	-	-	14,758	950	1,593	107	-	17,408	
Financial assets purchased under resale agreements	-	-	65,069	1,955	1,405	-	-	68,429	
Loans and advances to customers	15,380	-	117,138	208,974	718,290	508,877	379,201	1,947,860	
Financial investments									
- measured at FVTPL	9	180,592	517	4,298	14,002	15,418	18,543	233,379	
- measured at AC	23,098	-	9,662	20,803	95,693	215,294	151,156	515,706	
- measured at FVOCI	12	1,420	2,739	17,566	99,684	170,577	91,051	383,049	
Other financial assets	1,261	6,845	2,583	4,615	18,571	36,383	3,819	74,077	
Total financial assets	39,760	355,107	220,962	265,585	949,701	946,656	643,770	3,421,541	
Financial liabilities									
Due to the central bank	-	-	(6,484)	(29,745)	(42,154)	-	-	(78,383)	
Deposits from banks and other financial institutions	-	(78,054)	(23,226)	(86,134)	(182,399)	-	-	(369,813)	
Placements from banks and other financial institutions	-	-	(23,568)	(16,957)	(53,399)	(3,210)	-	(97,134)	
Financial liabilities at fair value through profit or loss	-	(5,932)	(15,264)	-	-	-	-	(21,196)	
Financial assets sold under repurchase agreements	-	-	(33,221)	(1,681)	(416)	-	-	(35,318)	
Customer deposits	-	(573,638)	(136,921)	(194,398)	(531,387)	(524,280)	-	(1,960,624)	
Debt securities issued	-	-	(12,565)	(90,385)	(289,765)	(134,178)	(34,176)	(561,069)	
Lease liabilities	-	-	(101)	(136)	(623)	(1,982)	(637)	(3,479)	
Other financial liabilities	-	(10,140)	(49)	(783)	(1,066)	-	-	(12,038)	
Total financial liabilities	-	(667,764)	(251,399)	(420,219)	(1,101,209)	(663,650)	(34,813)	(3,139,054)	
Net amount	39,760	(312,657)	(30,437)	(154,634)	(151,508)	283,006	608,957	282,487	

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

(2) Analysis of cash flows of derivative financial instruments

The Group's derivative financial instruments are either settled on a net basis or a gross basis.

The Group's derivatives settled on a net basis mainly include interest rate derivatives. The table below analyzes the contractual undiscounted cash flows of the Group's derivative financial instruments settled on a net basis by remaining contractual maturities from the balance sheet date to the contractual maturity date.

	31 December 2025					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Cash inflow/ (outflow)	4,344	(190)	925	(122)	–	4,957

	31 December 2024					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Cash inflow/ (outflow)	849	779	3,009	(83)	(68)	4,486

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

(2) Analysis of cash flows of derivative financial instruments (continued)

The Group's derivative settled on a gross basis mainly include foreign exchange derivatives. The following table analyzes the contractual undiscounted cash flows of the Group's derivative financial instruments settled on a gross basis by remaining contractual maturities from the balance sheet date to the contractual maturity date:

	31 December 2025					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Cash outflow	(187,141)	(106,197)	(308,643)	(13,221)	(6)	(615,208)
Cash inflow	187,253	106,431	309,226	13,261	9	616,180
Net inflow	112	234	583	40	3	972

	31 December 2024					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Cash outflow	(165,742)	(114,132)	(419,612)	(6,743)	(335)	(706,564)
Cash inflow	167,963	114,953	419,336	6,738	424	709,414
Net inflow/ (outflow)	2,221	821	(276)	(5)	89	2,850

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)

3 Liquidity Risk (continued)

(3) Liquidity risk analysis of off-balance sheet items

The Group's off-balance sheet items include bank acceptances, letters of credit, letters of guarantee, undrawn credit card limit, corporate loan commitments and finance lease commitments, receivables confirmation and other financial guarantee contracts. The table below shows the liquidity analysis of the Group's off-balance sheet items:

	31 December 2025					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Bank acceptances issued	100,777	120,660	184,071	–	–	405,508
Letters of credit issued	192,396	29,391	57,219	34	–	279,040
Letters of guarantee issued	4,289	6,428	21,599	10,771	39	43,126
Undrawn credit card facility	19,634	–	–	–	–	19,634
Loan commitments and finance lease commitments	2,741	194	663	1,219	721	5,538
Receivables confirmation and other financial guarantee contracts	11,145	13,974	47,703	6,141	–	78,963
Total	330,982	170,647	311,255	18,165	760	831,809

	31 December 2024					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Bank acceptances issued	70,357	115,250	200,304	–	–	385,911
Letters of credit issued	189,249	28,471	58,314	101	–	276,135
Letters of guarantee issued	4,437	9,310	26,648	12,336	50	52,781
Undrawn credit card facility	17,912	–	–	–	–	17,912
Loan commitments and finance lease commitments	848	34	462	1,156	116	2,616
Receivables confirmation and other financial guarantee contracts	12,929	22,608	57,791	6,926	80	100,334
Total	295,732	175,673	343,519	20,519	246	835,689

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XIV Capital Management

The core of the Group's capital management is capital adequacy ratio and return on capital. The objective of capital management is to meet external regulatory requirements and shareholders' return, protect the interests of creditors to the best effort, stimulate expansion of assets and improve risk management. The Group prudently determines the objective of capital adequacy ratio which meets the regulatory requirements and coincides with its own risk exposure. By taking a variety of actions such as limit management, the Group ensures the realization of the management objectives.

The Group's business has maintained stable growth in recent years and the assets have become increasingly capital intensive. On 13 February 2026, the People's Bank of China and the National Financial Regulatory Administration jointly released the list of Domestic Systemically Important Banks ("D-SIBs"), designating the Group as a Domestic Systemically Important Bank. Therefore, the Group is furtherly required to meet additional requirements, including the capital surcharge and the additional leverage ratio requirements. In order to ensure that the capital adequacy ratio meets the regulatory requirements and to maximize the returns to shareholders with the risks under control, the Group has actively expanded the capital replenishment channels from external sources, while continuing to improve the self-generating function in operations, so as to replenish capital from internal sources.

At 31 December 2025, the Group has calculated and disclosed capital adequacy ratio in accordance with *the Administrative Measures for Capital of Commercial Banks* (Decree No.4 in the year of 2023 of the National Financial Regulatory Administration), with credit risk-weighted assets measured using the risk-weighted approach, market risk-weighted assets and operational risk-weighted assets measured using the standardized approach.

At 31 December 2025, the Group's core tier-one capital adequacy ratio, tier-one capital adequacy ratio, and capital adequacy ratio all met the requirements of *the Administrative Measures for Capital of Commercial Banks* and other relevant regulations. For more information on capital, please refer to the *2025 Pillar 3 Information Disclosure Report* disclosed on the Bank's website.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instruments

1 Fair Values of Financial Assets and Liabilities

(1) Fair value hierarchy

The level in which fair value measurement is categorized is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement. The levels are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities; and

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

The tables below analyzes financial instruments, measured at fair value at the balance sheet date, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	31 December 2025			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Derivative financial assets	–	27,551	–	27,551
Loans and advances to customers	–	305,369	2,036	307,405
Financial investments				
– measured at FVTPL	51,374	175,655	2,766	229,795
– measured at AC designated as hedged items in fair value hedge	–	4,870	–	4,870
– measured at FVOCI	–	365,397	1,464	366,861
Total assets measured at fair value on a recurring basis	51,374	878,842	6,266	936,482
Placements from banks and other financial institutions	–	(24,116)	–	(24,116)
Financial liabilities at fair value through profit or loss	(1,619)	(54,341)	–	(55,960)
Derivative financial liabilities	–	(20,769)	–	(20,769)
Total liabilities measured at fair value on a recurring basis	(1,619)	(99,226)	–	(100,845)

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instruments (continued)

1 Fair Values of Financial Assets and Liabilities (continued)

(1) Fair value hierarchy (continued)

	31 December 2024			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Derivative financial assets	–	41,692	–	41,692
Loans and advances to customers	–	313,509	11,474	324,983
Financial investments				
– measured at FVTPL	71,905	151,835	5,133	228,873
– measured at AC designated as hedged items in fair value hedge	–	5,036	–	5,036
– measured at FVOCI	–	355,999	1,420	357,419
Total assets measured at fair value on a recurring basis	71,905	868,071	18,027	958,003
Placements from banks and other financial institutions	–	(22,578)	–	(22,578)
Financial liabilities at fair value through profit or loss	(572)	(20,624)	–	(21,196)
Derivative financial liabilities	–	(36,085)	–	(36,085)
Total liabilities measured at fair value on a recurring basis	(572)	(79,287)	–	(79,859)

(2) Level 1 fair value measurement

For financial instruments with unadjusted quoted prices in active markets that are observable for identical assets or liabilities, the Group takes the unadjusted quoted price as the best evidence of fair value when determining the fair value of financial instruments. So as to determine its fair value, and divide it into the first level measured by fair value. The financial instruments defined as level 1 by the Group mainly include open-end funds, open-end wealth management products and unrestricted equity investments in listed companies.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instruments (continued)

1 Fair Values of Financial Assets and Liabilities (continued)

(3) Level 2 fair value measurement

If the main parameters used in the valuation are observable and available from the active open market, the relevant financial instruments are defined as level 2 fair value measurement. The Group's level 2 financial instruments mainly include bond and ABS investments, term-ended funds, discounted bills, trade finance, restricted equity investments in listed companies, lease-in of precious metals in account caption of placements from banks and other financial institutions, financial liabilities related to precious metals in account caption of financial liabilities at fair value through profit or loss, interest rate derivatives, foreign exchange derivatives, precious metal and other derivatives.

For the fair value of RMB bond and ABS investments measured at FVTPL and FVOCI, the Group adopts the valuation results issued by China Central Depository & Clearing Co., Ltd. or China Securities Depository and Clearing Co., Ltd. according to the bond market. For the fair value of foreign currency bonds, the Group adopts Bloomberg results. For the fair value of precious metal related liabilities, the Group adopts the valuation results issued by Shanghai Gold Exchange. For discounted bills, trade finance and RMB bonds designated as hedged items of fair value hedge, the Group adopts discounted cash flow model for valuation which based on SHIBOR and yield curves issued by Shanghai Commercial Paper Exchange Co., and China Central Depository & Clearing Co., the Group constructs the interest rate curve by five-category loan classification and product type. For restricted equity investments in listed companies, liquidity discounts is considered based on the closing price.

For non-derivative financial instruments and some derivative financial instruments including forwards and swaps of precious metal and foreign exchange and interest rate swaps, etc. that could not be quoted from the active market, the Group adopts discounted cash flow analysis. The main parameters used include the recent transaction price, relevant yield curve, exchange rate and counterparty risk. For the valuation of option derivatives, the Group adopts Black-Scholes model with main parameters of relevant yield curve, exchange rate, volatility, and counterparty risk.

The fair value of shares held by other parties rather than the Group and liabilities of consolidated structured entities is measured based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instruments (continued)

1 Fair Values of Financial Assets and Liabilities (continued)

(4) Level 3 fair value measurement

The Group has developed relevant procedures to determine the appropriate valuation techniques and inputs for level 3 fair value measurement on a recurring basis, and regularly reviews the appropriateness of the relevant procedures and determination of the fair value. Quantitative information of level 3 fair value measurement is as follows:

	Fair value at 31 December 2025	Valuation technique	Unobservable inputs
Financial investments measured at FVTPL			
– Trust schemes and asset management plans	71	Discounted cash flow method	Risk-adjusted discount rate
– Trust schemes and asset management plans	1,406	Net assets analysis	Net assets, Liquidity discount
– Bonds and assets-backed securities	1,044	Discounted cash flow method	Risk-adjusted discount rate
– Equity investments	195	Net assets analysis	Net assets
– Equity investments	50	Market multiplier method	Liquidity discount
Financial investments measured at FVOCI			
– Equity investments	1,464	Net assets analysis	Net assets, Liquidity discount
– Loans and advances to customers	2,036	Discounted cash flow method	Risk-adjusted discount rate
	Fair value at 31 December 2024	Valuation technique	Unobservable inputs
Financial investments measured at FVTPL			
– Trust schemes and asset management plans	393	Discounted cash flow method	Risk-adjusted discount rate
– Trust schemes and asset management plans	1,423	Net assets analysis	Net assets, Liquidity discount
– Bonds and assets-backed securities	1,735	Discounted cash flow method	Risk-adjusted discount rate
– Equity investments	981	Net assets analysis	Net assets
– Equity investments	601	Market multiplier method	Liquidity discount
Financial investments measured at FVOCI			
– Equity investments	1,420	Net assets analysis	Net assets, Liquidity discount
– Loans and advances to customers	11,474	Discounted cash flow method	Risk-adjusted discount rate

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instruments (continued)

1 Fair Values of Financial Assets and Liabilities (continued)

(4) Level 3 fair value measurement (continued)

At the balance sheet date, replacing the original unobservable assumptions with other reasonable unobservable assumptions has no significant impact on the measurement results of fair value. The above assumptions and methods provide a unified basis for the calculation of the fair value of the Group's assets and liabilities. However, due to the different methods and assumptions that may be used by other institutions, the fair values disclosed by different financial institutions may not be completely comparable.

Reconciliation of the opening and closing balance for financial assets of level 3 fair value on a recurring basis is as follows:

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Loans and advances to customers	Total
At 1 January 2025	5,133	1,420	11,474	18,027
Total gains recognized in profit or loss	(581)	6	490	(85)
Total gains recognized in other comprehensive income	-	44	(314)	(270)
Increase	45	-	-	45
Disposals and settlements	(1,831)	(6)	(9,614)	(11,451)
At 31 December 2025	2,766	1,464	2,036	6,266
Total unrealised gains and losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period	(607)	-	142	(465)

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instruments (continued)

1 Fair Values of Financial Assets and Liabilities (continued)

(4) Level 3 fair value measurement (continued)

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Loans and advances to customers	Total
At 1 January 2024	6,299	1,344	17,924	25,567
Total gains recognized in profit or loss	(344)	6	1,030	692
Total gains recognized in other comprehensive income	–	76	(363)	(287)
Increase	581	–	–	581
Disposals and settlements	(1,403)	(6)	(7,117)	(8,526)
At 31 December 2024	5,133	1,420	11,474	18,027
Total unrealised gains and losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period	(370)	–	241	(129)

2 Transfers Between Items Measured at Different Levels of Fair Value

During the reporting period, there were no transfers, between Level 1, Level 2 and Level 3, of the Group's above assets and liabilities which are measured at fair value.

3 Change in Valuation Techniques and the Rationale

During the reporting period, there were no changes in the valuation techniques adopted by the Group for fair value measurement.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instruments (continued)

4 Financial Assets and Liabilities not Measured at Fair Value

All financial instruments of the Group are carried at amounts not materially different from their fair value at the balance sheet date except as follows:

	31 December 2025				Carrying amount
	Level 1	Level 2	Level 3	Fair Value	
Financial assets					
Financial investments measured at AC (excluding hedged items)	-	384,405	70,578	454,983	449,981
Financial liabilities					
Debt securities issued	-	515,182	-	515,182	512,953
	31 December 2024				
	Level 1	Level 2	Level 3	Fair Value	Carrying amount
Financial assets					
Financial investments measured at AC (excluding hedged items)	-	398,131	80,125	478,256	464,123
Financial liabilities					
Debt securities issued	-	545,231	-	545,231	541,533

For the above financial assets and liabilities not measured at fair value, the Group used the following methods to determine their fair value:

The fair value of financial investments measured at AC and debt securities issued are quoted in the valuation system of relevant registration and settlement institutions that employs observable inputs that reflect the market in the formation of quotations. For those quotations not available in relevant institutions, the fair value shall be estimated by discounted cash flow method.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XVI Subsequent Events

Profit Distribution

On 30 March 2026, the Board of Directors of the Bank deliberated and approved the 2025 Ordinary Share Dividend Distribution Plan, which will distribute cash dividends to the shareholders of A shares and H shares registered on the share registration date, with a cash dividend of RMB1.31 (including tax) for each 10 ordinary shares, and a total of RMB3,598 million. The plan is yet to be reviewed and approved by the Bank's shareholders' meeting.

XVII Comparative Figures

For the purpose of the presentation of the consolidated financial statements, the Group reclassified certain comparative figures.

XVIII Statements of Financial Position of the Bank

	Note	31 December 2025	31 December 2024
ASSETS			
Cash and balances with the central bank		125,704	129,691
Precious metals		80,929	16,956
Deposits with banks and other financial institutions		72,009	51,058
Placements with banks and other financial institutions		5,952	20,368
Derivative financial assets		27,551	41,692
Financial assets purchased under resale agreements		87,875	68,334
Loans and advances to customers		1,883,237	1,812,684
Financial investments			
– Financial assets measured at fair value through profit or loss		263,849	246,190
– Financial assets measured at amortised cost		379,878	406,250
– Financial assets measured at fair value through other comprehensive income		365,604	357,419
Investment in subsidiaries	VI.19	4,433	2,040
Fixed assets		18,972	18,882
Right-of-use assets		2,667	3,111
Intangible assets		2,391	2,291
Deferred tax assets		20,775	19,927
Other assets		11,704	12,182
TOTAL ASSETS		3,353,530	3,209,075

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XVIII Statements of Financial Position of the Bank (continued)

	31 December 2025	31 December 2024
LIABILITIES		
Due to the central bank	102,206	77,821
Deposits from banks and other financial institutions	348,311	369,289
Placements from banks and other financial institutions	45,097	38,136
Financial liabilities at fair value through profit or loss	42,137	4,180
Derivative financial liabilities	20,769	36,085
Financial assets sold under repurchase agreements	23,124	5,552
Customer deposits	2,043,466	1,922,289
Employee benefits payable	5,746	6,173
Taxes payable	1,584	1,037
Provisions	884	1,094
Debt securities issued	510,942	539,813
Lease liabilities	2,684	3,135
Other liabilities	6,411	7,521
TOTAL LIABILITIES	3,153,361	3,012,125
EQUITY		
Share capital	27,464	27,464
Other equity instruments	24,995	24,995
– Perpetual bonds	24,995	24,995
Capital reserve	38,570	38,570
Other comprehensive income	2,628	6,344
Surplus reserve	15,231	14,012
Statutory general reserve	36,936	34,594
Retained earnings	54,345	50,971
TOTAL EQUITY	200,169	196,950
TOTAL LIABILITIES AND EQUITY	3,353,530	3,209,075

The financial statements were approved by the board of directors on 30 March 2026:

Chen Haiqiang
Chairman

Lyu Linhua
President (Acting)

Jing Feng
Principal in-charge of
Finance

Zhang Jian
Director of the
Financial Department

Unaudited Supplementary Financial Information

(In RMB millions, unless otherwise stated)

1 Illustration of Differences between the Consolidated Financial Statements Prepared Under IFRS Accounting Standards and Those Prepared in accordance with PRC GAAP

There are no differences between the profit attributable to equity holders of the Bank under IFRS Accounting Standards and PRC GAAP for the year ended 31 December 2025 (for the year ended 31 December 2024: no differences). There are no differences between the equity attributable to equity holders of the Bank under IFRS Accounting Standards and PRC GAAP at 31 December 2025 (31 December 2024: no differences).

2 Liquidity Coverage Ratio

	31 December 2025	31 December 2024
Liquidity Coverage Ratio	174.01%	322.75%

The liquidity coverage ratio is calculated in accordance with the relevant requirements of the National Financial Regulatory Administration.

3 International Claims

The Group is principally engaged in business operations within Chinese Mainland. International claims are local claims in foreign currencies and cross-border claims.

International claims include balances with the central bank, due from banks and other financial institutions, loans and advances to customers, financial assets at fair value through profit or loss, financial assets measured at amortised cost and financial assets at fair value through other comprehensive income.

Unaudited Supplementary Financial Information

(In RMB millions, unless otherwise stated)

3 International Claims (continued)

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

At 31 December 2025	Bank	Official sector	Non-bank private sector	Total
Local claims in foreign currencies	8,769	12,385	65,341	86,495
Asia Pacific excluding Chinese Mainland	7,667	5,086	19,761	32,514
– of which attributed to Hong Kong	3,940	1,007	16,945	21,892
Europe	6,079	6,328	2,419	14,826
North America	2,492	20,084	24,812	47,388
Oceania	1,069	5,120	–	6,189
Total	26,076	49,003	112,333	187,412
At 31 December 2024	Bank	Official sector	Non-bank private sector	Total
Local claims in foreign currencies	4,083	9,333	90,011	103,427
Asia Pacific excluding Chinese Mainland	10,160	741	21,657	32,558
– of which attributed to Hong Kong	7,610	741	19,847	28,198
Europe	5,157	7,036	974	13,167
North America	2,958	22,941	23,429	49,328
Oceania	300	–	–	300
Total	22,658	40,051	136,071	198,780

Unaudited Supplementary Financial Information

(In RMB millions, unless otherwise stated)

4 Currency Concentrations

	RMB Equivalent			Total
	USD	HKD	Others	
At 31 December 2025				
Spot assets	110,596	12,936	34,756	158,288
Spot liabilities	(124,584)	(6,881)	(36,375)	(167,840)
Forward purchases	688,174	–	56,031	744,205
Forward sales	(707,826)	(7,746)	(52,666)	(768,238)
Net options position	(5,114)	(439)	(1,178)	(6,731)
Net (short)/long position	(38,754)	(2,130)	568	(40,316)
	RMB Equivalent			
	USD	HKD	Others	Total
At 31 December 2024				
Spot assets	129,257	14,404	23,276	166,937
Spot liabilities	(139,817)	(4,874)	(26,106)	(170,797)
Forward purchases	716,026	730	35,790	752,546
Forward sales	(738,094)	(1,314)	(70,389)	(809,797)
Net options position	(28,266)	–	(182)	(28,448)
Net (short)/long position	(60,894)	8,946	(37,611)	(89,559)

5 Non-bank Chinese Mainland Exposure

The Bank is a commercial bank incorporated in Chinese Mainland with its banking business conducted in Chinese Mainland. At 31 December 2025, the Group's non-bank exposures are substantially arising from businesses with Chinese Mainland corporates and individuals.

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