

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 **2024**

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 have no false representations, misleading statements or material omissions, and they will take legal responsibilities for such contents on a joint and several basis.

The fourth meeting of the seventh session of the Board of the Company held on March 28, 2025, approved the Annual Report of China Zheshang Bank Co., Ltd. for 2024 and its Summary. The Company has 12 directors, among whom 11 directors attended the meeting in person, and Ren Zhixiang (Director) appointed Ying Yuxiang (Director) as a proxy to attend the meeting on his behalf, 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.

KPMG Huazhen LLP and KPMG (both being auditors of the Company) have audited the 2024 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 audited 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 RMB1.56 per 10 shares (tax inclusive) for 2024, 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 2024 annual general meeting of the Company.

Lu Jianqiang (陸建強), Chairman of the Board of the Company and Hou Bo (侯波), Principal in charge of Finance and Director of the Financial Department warrant that the financial report in the annual report is true, accurate and complete.

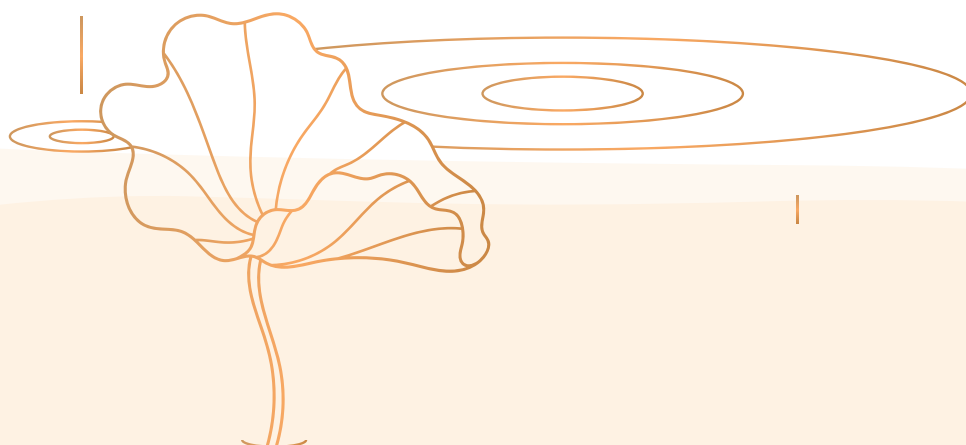
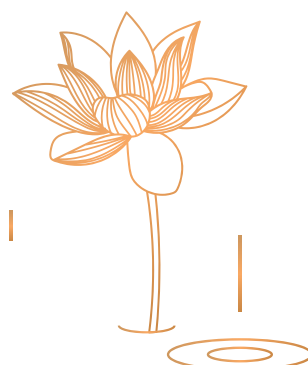
Significant Risk Warning

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.

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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 subsidiary



Chairman's Statement

In 2024, the 75th anniversary of the founding of the New China and a critical year for achieving the goals and tasks of the “14th Five-Year Plan”, the 20th CPC Central Committee successfully convened its third plenary session, and China’s economy picked up with continuous high-quality development. 2024, also the 20th anniversary of the founding of CZBank, was a year of progress and determination, as the whole bank united to work hard and forge ahead through wind and rain under the guidance of the vision of being “a first-class commercial bank” and achieved remarkable performance. The Group’s total assets stood at a new level of RMB3.3 trillion; revenue growth continued to lead the industry; non-interest income increased significantly; net profit continued to maintain positive growth; and asset quality improved steadily, enable it to embark on a new journey of high-quality development in all respects.

Stay focused and move forward. In 2024, the directions for development became clearer and more steadfast. With the vision of being a “first-class commercial bank”, we promoted the concept of finance for good, constantly deepened the five-word ecology, vigorously promoted the “Six Dos” spirit and systematically practiced the three-word primer of “goodness, intelligence and diligence”, deepened the implementation of the four strategic focuses, took digitization as the main line and scenario as the core, strengthened implementation and consolidation, and made every effort to strengthen our foundation, management and characteristics. In response to the three major changes in financial positioning, digital era and high-quality development, we always took finance for good as the “golden signboard” to practice the political and people-oriented nature of finance and create first-class social influence with positive behavior, intelligent operation as the “management magic weapon” to enhance the competitiveness with our own characteristics, promote high-quality development and improve first-class specialized and focused industrial competitiveness, and humanistic CZBank as the “spiritual core” to practice financial culture with Chinese characteristics and create first-class corporate cohesion featuring co-growth and co-prosperity.

Strengthen role and responsibility. In 2024, finance for good shined more gloriously. We continued to deepen the innovation of finance for good, prioritized its function and embedded the gene of “good” into the financial service scenarios to explore the new paradigm of finance with Chinese characteristics, thus forming the theory and practice exploration supported by the “six pillars”. Over the past six years since the launch of the financial consulting system, CZBank and 125 member units of the Financial Service Committee of the General Association of Zhejiang Entrepreneurs have set up 235 financial consulting workshops with a team of more than 4,200 financial consultants, which have been promoted in 16 provinces and municipalities across the country, which becomes a well-known business card of Zhejiang’s financial supply-side reform. After two years of practice, the intra-county comprehensive financial ecological construction has formed the replicable and extensible “3386 model”, which has been widely promoted in many counties of the country and regions of Hangzhou as a key access to the government to serve the local community. The effectiveness of the credit assessment system CSGS has also gradually appeared, enabling more resources to be invested in enterprises with high social responsibility and reshaping customer development mode from the perspective of social value. Besides, our charitable trust project has been launched in full swing, aiming to create an effective path for entrepreneurs to realize social value and wealth growth, and do our bit to the construction of a high-quality demonstration zone for common prosperity.



Mr. Lu Jianqiang
Chairman

Chairman's Statement

Work hard together. In 2024, the development results were more fruitful. By strengthening the leadership of the Party, improving political position, maintaining strategic focus and systematically promoting the intelligent operation strategy system, we delivered exceptional results. Asset quality continued to be optimized, with non-performing loan ratio falling for three consecutive years. The foundation of customer base has been continuously strengthened and the ability of intelligent operation has been steadily improved. Based in Zhejiang and serving Zhejiang merchants, we provided financing services of over RMB1 trillion for the province, and have been awarded the first prize for supporting the economic and social development of Zhejiang for 9 consecutive years, the “Most Satisfactory Bank for Private Enterprises” in Zhejiang Province for 5 consecutive years, and the first-class bank in the small and microfinance service regulation and supervision evaluation for 4 consecutive years. We successfully completed the three-year action target of “deepening Zhejiang development”, and built the “Zheyin Model” (浙銀示範) of being courageous to be a pioneer to start a new chapter.

Determined to reform and innovate. In 2024, the momentum and vitality became stronger. We launched a customer-oriented, comprehensive and coordinated reform in all aspects by always putting customer needs in the first place, aiming to develop intelligent digital systems, agile organizational structure, precise assessment and evaluation, comprehensive customer managers and scenario-based comprehensive services, and promote the high-quality development of the whole bank with the “No. 1 Reform Project”. With digitalization as the main line and focusing on the “five finances” (五篇大文章), we deepened the exploration and practice of chain finance, comprehensively carried out a series of activities under the programme “Year of Enhancing the Social Value of Finance”, and have developed a series of influential brands such as Supply Chain Finance (供應鏈金融), Park Comprehensive Finance (園區綜合金融), Talent Technology Innovation Finance (人才科創金融), Good Finance Assets Pool (善融資產池), Digital Easy Loan (數易貸), and Zheshang Trading Treasure (浙商交易寶).

Pursue stable progress and organic growth. In 2024, the foundation for development was more solid. As we continued to optimize business structure and strengthen asset and liability base, the proportion of each intelligent revenue, revenue from less sensitive assets, and non-interest income was improved continuously. Our adherence to a “prudent and moderate” risk appetite and the “small and diversified” credit-granting principle, along with our efforts to prevent, control and resolve risks in key areas, led to continuous decreases in non-performing loan ratio. Our efforts to strength comprehensive internal management and strict approach in improving financial disciplines, establishing closed and clean bank-enterprise ties and strengthening integrity management contributed to the continuous improvement in the Bank’s ability to operate in a compliant manner. Besides, as we have implemented the “123 Talent plan” (123 人才計劃), actively promoted the construction of “Literary CZBank” (書香浙銀), and endeavored to build the two key brands, namely “the advocate and practitioner of happy life” and “a bank favored by young people” with a view to creating a positive and active organizational ecosystem and working atmosphere, the sense of belonging, happiness and contentment of our employees were constantly boosted.

Though twenty years have passed by, we remain true to our original aspiration and dreams. Standing on the new starting point of the 20th anniversary, CZBank will closely follow the development direction of “three first-class”, take finance for good, intelligent operation and humanistic CZBank as the guidelines, firmly establish the development concept of compliant operation, further push forward the customer-oriented, comprehensive and coordinated reform, and launch a new round of three-year action plan of “deepening Zhejiang development” to embark on a new journey to high-quality development with full confidence, and make more contribution to the construction of a strong financial power at both national and provincial levels and to the writing of a new chapter of Chinese-style modernized Zhejiang.

President's Statement

Twenty years marks a long and steadfast journey. In 2024, as CZBank celebrated its 20th anniversary, we continued to strive with unwavering dedication, championing the concept of financial services for good and advancing intelligent operation. We remain firmly committed to our four strategic priorities including “deepening the development in Zhejiang, synergetic development of segments, digital transformation and wealth management”. By comprehensively advancing customer-centric comprehensive and coordinated reform, we have achieved outstanding industry-leading results ahead of all the joint-stock banks. The Group's total assets stood firm at a new height of RMB3.3 trillion, with revenue growth ranking among the top tier of national joint-stock banks for three consecutive years and net profit sustaining positive growth. As at the end of 2024, the Bank's non-performing loan ratio was 1.38%, and allowance to non-performing loans was 178.67%, reflecting the asset quality continued to maintain a stabilizing and improving trend.

Deepen the intelligent operation strategy, pursue long-term value, and build resilience through cycles.

Confronting challenges such as persistent net interest margin compression and the dual pressures faced by joint-stock banks, we introduced the concept of intelligent operation at a strategic level. In 2024, we pivoted from an asset-driven to a liability-driven business model, achieving a fourth consecutive annual decline in the interest payment rate of deposits, basically in line with the average level of joint-stock banks. We restructured our asset structure from high-risk, high-return to low-risk, balanced-return investments, maintaining robust revenue growth while reducing the non-performing loan ratio for three consecutive years. Shifting focus of the Bank's operation from product profitability to customer value, we aligned asset structure optimization with customer base enhancement, driving dual growth in both customer numbers and business scale. Prioritizing “risk mitigation” as our foremost campaign, we disposed of non-performing assets at a historic high. We adopted a prudent risk-return balance strategy, tightened end-to-end credit extension management, and rigorously controlled industry and customer concentration risks. **In the new year**, we will accelerate customer-centric comprehensive and coordinated reform, focusing on projects of expanding intermediate income, strengthening weakly sensitive assets, optimizing liability structure and enhancing digital revenue so as to enhance sustainable revenue growth. Meanwhile, we will deepen the implementation of the goodwill credit project, establish a credit extension risk management system with multi-dimensional evaluation, accompanying service and dynamic risk control, and continue to realize stable and improving asset quality.

Adhere to the strategy of deepening the development in Zhejiang, strengthen the mission-driven responsibility and serve the overall interest of Zhejiang.

In order to deeply practice the political and people-centric nature of financial work, we championed the innovation of financial services for good in both theory and practice, integrating the “deepening the development in Zhejiang” initiative with financial services for good to foster mutual advancement between local governments and the financial sector. In 2024, we dedicated ourselves to supporting the overall situation of Zhejiang, providing total financing services for the province of over RMB1 trillion for the first time. With our Bank ranking first among all banks participating in underwriting of Zhejiang local government bonds, we have been awarded the first prize for supporting the economic and social development of Zhejiang for 9 consecutive years and the “Most Satisfactory Bank for Private Enterprises” in Zhejiang Province for 5 consecutive years. Relying on the financial advisor system, we supported the construction of a demonstration zone for common prosperity and implemented financing exceeding RMB1 trillion for more than 100,000 enterprises. We innovated the county's comprehensive financial ecosystem establishment, replicating and promoting the “Linping Model” across all cities in Zhejiang. Our full implementation of the charitable trust project established pathways to realize common prosperity driven by prosperity pioneers. **In the new year**, we will focus on “Zhejiang-centricity”, “pioneering advancement”, and “distinctive uniqueness” to launch a new three-year “deepening the development in Zhejiang” campaign. This effort will comprehensively support Zhejiang's major projects and the construction of a demonstration zone for common prosperity.



Mr. Chen Haiqiang
President (acting)

President's Statement

Strengthen Party and Bank governance with integrity and strictness to create a clean and positive environment. In recent years, strengthening the comprehensive leadership of the Party has always been our top priority. We make constant efforts to deepen the five-word ecosystem, namely “integrity, simplicity, professionalism, cooperation and honesty”, and integrate integrity and strictness into our systems and culture. We always follow the requirements of high-level safety, focus on system improvement and process optimization, further strengthen our operations compliance awareness and continuously improve our regulatory compliance image. **In the new year,** under the guidance of a humanistic CZBank, we will implement the eight rules of the Central Government as a code of conduct for our work practices and comprehensively establish an orderly, standardized, lean and digital and intelligent management system.

When the tide of the global economy surges in uncertainty, we choose to adhere to long-termism, continuously calibrate the compass for people's livelihood, and focus on forging the base to withstand the storms of the times. With a deepened understanding of the requirements for the construction of a “first-class commercial bank”, in 2025, we will take finance for good, intelligent operation and humanistic CZBank as the guidelines, take the comprehensive and coordinated reform as the tractive force, always put risk control and operations compliance at the first place, take the provision of high-quality and high-efficiency financial services to the society as criteria, and do difficult but right things with the determination of a long-term advocate, so as to embark on a new journey of high-quality development.

Company Profile

1. **Company name in Chinese:** 浙商银行股份有限公司(Abbreviation in Chinese: 浙商银行)
Company name in English: CHINA ZHESHANG BANK CO., LTD.
(Abbreviation in English: CZBANK)
2. **Legal Representative:** Lu Jianqiang
3. **Registered address:** No. 1788, Hongning Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC
Postcode: 311200
Principal office address: No. 1 Minxin Road, Shangcheng District, Hangzhou, Zhejiang Province, the PRC
Postcode: 310020
E-mail: ir@czbank.com
Website: www.czbank.com
Customer service hotline: 95527
Tel for investor relations management: 86-571-88268966
Fax: 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:** Lu Jianqiang, Luo Feng
6. **Secretary to the Board:** Luo Feng
Joint Company Secretaries: Luo Feng, Chan Yin Wah
Representative of securities affairs: Xia Jing
7. **A Shares**
Stock exchange where the securities are listed: Shanghai Stock Exchange
Stock abbreviation: CZBANK
Stock code: 601916

H Shares
Stock exchange where the securities are listed: Hong Kong Stock Exchange
Stock abbreviation: CZBANK
Stock code: 2016

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 certificated accountants: Chen Sijie, Jin Rui

International auditor: KPMG
 Office address: 8/F, Prince's Building, 10 Chater Road,
 Central, Hong Kong, the PRC
11. **Sponsor institution performing continuous supervision and guidance duties during the reporting period:**
Name of the institution: CITIC Securities Company Limited
 Office address: North Tower, Excellence Times Plaza II,
 No. 8 Zhong Xin San Road, Futian District, Shenzhen,
 Guangdong Province, the PRC
 Name of the undersigned sponsor representatives: Cheng
 Yue, Jiang Ying
 The period of continuous supervision and guidance: July 6,
 2023 to December 31, 2024
12. **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)
13. **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 the 13th “A+H” listed bank in China. Since its opening, CZBank has always gained a toehold in Zhejiang and steadily developed its businesses worldwide, and has developed into a high-quality commercial bank with a solid foundation, strong profitability and prudent risk control.

Under the guidance of the vision of being “a first-class commercial bank”, CZBank comprehensively establishes a five-word ecosystem, namely “integrity, simplicity, professionalism, cooperation and honesty”, practices financial services for good, sticks to intelligent operation, develops humanistic CZBank and conducts a customer-oriented, comprehensive and coordinated reform in all aspects, while taking digitalization as the main line and “deepening the development in Zhejiang” as its strategic priority, aiming to drive the development of the five major business segments, namely great retail, great corporate, great investment banking, great asset management and great cross-border, in a balanced and coordinated manner, and realize brand-new wealth management. CZBank has also implemented the four major consolidations, namely, “customer foundation, talent foundation, system foundation and investment and research foundation”, embarking on a new journey of high-quality development.

In 2024, CZBank’s operating income was RMB67.702 billion, representing an increase of 6.18% over last year; net profit attributable to shareholders of the Bank was RMB15.186 billion, representing an increase of 0.92% over last year. As at the end of the reporting period, the total assets were RMB3.33 trillion, representing an increase of 5.78% compared with that at the end of last year, of which total loans and advances to customers were RMB1.86 trillion, representing an increase of 8.21% compared with that at the end of last year; the total liabilities were RMB3.12 trillion, representing an increase of 5.70% compared with that at the end of last year, of which balance of customer deposits were RMB1.92 trillion, representing an increase of 2.87% compared with that at the end of last year; the non-performing loan ratio was 1.38% and allowance to non-performing loans was 178.67%; the capital adequacy ratio was 12.61%, the tier-one capital adequacy ratio was 9.61%, and the core tier-one capital adequacy ratio was 8.38%, all maintaining at a reasonable level.

CZBank has established 362 branch outlets in 22 provinces (autonomous regions or municipalities directly under the Central Government) and the Hong Kong Special Administrative Region, effectively covering Zhejiang, where its headquarters are located, the Yangtze River Delta, Guangdong-Hong Kong-Macao Greater Bay Area, Bohai Rim, Economic Zone on the Western Coast of the Taiwan Straits and certain areas in the Midwestern China. In the “Top 1000 World Banks 2024” ranking by The Banker, U.K., CZBank ranked 84th in terms of tier-one capital. China Chengxin International gave CZBank the highest AAA corporate credit rating among financial institutions.

Development Strategies and Core Competitiveness

(I) DEVELOPMENT CONCEPTS

Ecosystem: Establish a five-word ecosystem, namely “integrity, simplicity, professionalism, cooperation and honesty”

Development: Practice the three-word primer of “goodness, intelligence and diligence” and make efforts on high-quality development.

Practice: Adhere to the keynote of strictness and develop “Six Dos” spirit.

(II) STRATEGIC SYSTEM

One general principle of development: start a new journey of high-quality development with the vision of being a “first class commercial bank”.

Three major goals: first-class social influence with positive behavior, first-class professional competitiveness in the industry, and first-class corporate cohesion of common progress and prosperity.

Three strategic guidelines: financial services for good, intelligent operation, humanistic CZBank.

Four strategic focuses: introduce systematic digital transformation, deepen comprehensive development in all aspects, seek synergetic development of all five segments and embark on a new journey of wealth management.

N strategic measures: Construct a six-pillar system of financial services for good (financial consulting, intra-county comprehensive financial ecological construction, goodwill credit, charitable trust, employee for good and accountability for good); Construct a smart business management “346” system (3 dimensions of focusing limited resources on key areas, optimizing the asset-liability structure, and accelerating digital transformation; 4 major projects of expanding non-interest income, strengthening weakly sensitive assets, optimizing liability structure, and enhancing digital revenue; and “1+5” operational safeguard mechanism, including comprehensive synergy reform, resource allocation mechanism, performance assessment mechanism, risk control mechanism, technology support mechanism, and talent security mechanism); Implement the “123 Talent Plan” (123人才計劃) (construct a human resource management system integrating “selection, employment, cultivation, retention and dismissal”, build two brands to be “the advocate and practitioner of happy life” and “a bank popular among young people”, and implement three major talent projects to attract, retain and engage talents); Construct a customer-oriented comprehensive synergy reform “1143” work system (1 overall plan, 1 digital system, 4 work systems including organizational structure, assessment and resource allocation, comprehensive talent team, and comprehensive synergy scenarios, and 3 major safeguard measures including organizational leadership, risk prevention and control, and altruistic culture).

Development Strategies and Core Competitiveness

(III) CORE COMPETITIVENESS

Clear and specific strategic positioning. The Company has always adhered to General Secretary Xi's 99-word important instruction to CZBank as a guideline, and has taken the vision of being a "first class commercial bank" as general principle. Anchoring the vision of "three first-class", we practice the concept of financial services for good, deepen intelligent operation, and build a humanistic CZBank, and have established four strategic focuses including digital transformation, deepening Zhejiang development, synergetic development of segments and wealth management. In addition, we promote the breakthrough of four major bases including customer, talent, system, investment and research. The implementation is scientific and clear with a remarkable operating result.

Sound and organized corporate governance. The Company strengthens the establishment of modern corporate systems in all aspects, promotes the deep integration of Party leadership and business management. It has continuously improved the corporate governance level and enhanced the performance and effectiveness of governance entities with better governance systems. With specified and definite duties and responsibilities of General Meeting, Board of Directors, Supervisory Committee and Senior Management, a corporate governance structure appropriate for the Company has been formed. Through standard information disclosure processes, we have improved the quality of information disclosure continuously.

Unique regional advantage. The headquarters of the Company is located in Zhejiang Province which boasts strong economic foundation, high market-oriented system and mechanism, sound legal and regulatory environment, outstanding industrial cluster advantage, and complete urban system. The operating strategy of the Company is in line with the resource advantage and development plan of Zhejiang Province, so "intensify development in Zhejiang with services nationwide" naturally enjoys excellent regional advantage and external environment.

Improving business system. The Company has focused on the coordinated development of its five major business segments, namely great retail, great corporate, great investment banking, great asset management and great cross-border, providing customers with comprehensive, three-dimensional and systematic financial services to achieve the diversified operation, domestic and international layout, comprehensive services and high-quality development. In particular, its professional service ability in many fields such as supply chain finance, integrated financial services for parks, talent and science and innovation finance, inclusive finance has been highly recognized by the customers in the market.

Prudent and steady risk management. Oriented with serving the real economy, the Company adheres to a prudent and healthy risk appetite and the principle of "small and diversified" in granting credit in an appropriate manner. We explore to reshape the logic of credit granting and risk control, shift our focuses from financial indicators to social reputation, from threshold approval to accompanying service, and from static gatekeeper-like risk control to dynamic whole-process risk control, continuously strengthen compliance risk control capabilities, implement a distinctive risk control officer assignment system, proactively and effectively prevent and control new risks, and improve the risk management system to maintain stable quality of assets.

Development Strategies and Core Competitiveness

Financial technology with distinctive edges. The Company has systematically initiated the digital reform, implemented the “replacing core system to consolidate our foundation” project and promoted the comprehensive upgrade and transformation of the new generation core system to consolidate the foundation of technology; We have continuously deepened and advanced the foundational system breakthroughs, and promoted the practice of digital scenarios such as chain-based ecosystem finance, in order to build several major digital applications with CZBank identification and competitiveness in the industry, comprehensively refreshing and enhancing the capabilities of digital intelligence systems.

Scientific and reasonable talent reserves. The Company strengthens the construction of its cadre team and has fully implemented the “123 talent plan” of CZBank. The management team has a broad strategic vision and excellent management capabilities, with extensive experience in business operations, financial management, risk control, and information technology. We attach importance on the construction of a young talent team, and the employees of the Company are young, energetic, highly – educated with strong professional competence.

Refreshed corporate culture. The Company adheres to the corporate spirit of “uprightness and goodness, and financing to all parties”. It takes the “awe, gratitude, integrity, responsibility” as shared value and the “CZBank Motto (浙銀行訓)” and “CZBank Song (浙銀行歌)” “CZBank Convention” (浙銀公約) as a cultural consensus, and takes “service culture, compliance culture, excellence culture and harmony culture” as basic cultural elements. It implements the five key projects, namely culture shaping, culture rooting, culture nourishing, culture promotion and culture blooming, building the “four beams and eight pillars” of the Bank’s corporate culture system and creating two brands: “advocates and practitioners of happy life” and “the bank loved by young people”.

Innovation-led concept of “financial services for good”. The Company fulfills the mission of “national priorities” in finance and was the first to propose the primacy of financial functions, reshaping financial logic based on social value. Led by the concept of financial services for good, the Company has built a “six-pillar” system including financial consulting, intra-county comprehensive financial ecological construction, goodwill credit, charitable trust, employee for good and accountability for good. In addition, we act as the “financial army” of the government, the “financial family doctor” of enterprises and the “financial consultant” of residents, exploring a new paradigm for Chinese-style modernization of financial services.

Five Finances

The Bank 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, advocate and practice the concept of “financial services for good”, strengthen organizational leadership, 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”, promoting the high-quality development of the real economy.

Technology Finance

The Bank closely follows the pace of the national strategy and fully promotes the development of new productive forces, and has seen a significant increase in the number of science and technology-based enterprises served and the scale of financing provided. Targeting the pain points of technology-based enterprises at different stages of development, the Bank has launched a series of products focusing on major scenarios, forming a technology financial service system with a talent Bank as the foundation. The Bank **continues to strengthen the iteration of financial products and services**, and has innovatively launched the Sci-Tech Innovation Credit Loan, Talent Scorecard, and Sci-Tech Investment Loan Scoring card. These initiatives further improve the risk control models for technology-based enterprises and enhance the efficiency of the approval process. We have enriched talent banking services for universities, research institutes and listed companies to intensify the support for talents. **We have innovated the “new model of comprehensive service for science and technology enterprises by financial consultants”, built an ecosystem** and actively connect with government departments and external organizations. We continuously optimize the risk-sharing mechanism for technology finance, promote the “loan + external direct investment”, and explore services for intellectual property rights and the transformation of scientific and technological achievements. Besides, we **promote digital empowerment** by establishing a digital evaluation model for technology-based enterprises, driving the efficient development of technology finance with digital intelligence. By the end of 2024, we had served 30,712 technology-based enterprises with a financing balance of RMB367.4 billion and served 3,925 high-level talents, including 41 academicians from home and abroad, nearly 700 national talents, and over 1,300 provincial and ministerial talents.

Green Finance

The Bank actively supports green and low-carbon development and promotes comprehensive green transformation of economic and social development. We have **formed a green finance development strategy and implementation plan**, clarified the strategic objectives, organizational structure, safeguard mechanism and implementation path, and continued to expand investment in the field of green finance. We **have strengthened the guidance of credit policies** and formulated 11 special policies on green finance, including natural gas, electric power supply, sewage treatment and garbage disposal. **We have improved the ESG (environmental, social and governance) risk management system**, strengthened the categorization management and dynamic assessment of customers' ESG risks, incorporated customers' ESG risk management into the comprehensive risk management system, and adopted differentiated management measures in business processes. **We have built a diversified service system** covering green credit, green bonds, green investment, etc., and has formed a whole industry chain financing service program centering on the green industry chain of photovoltaic, wind power and other clean energy sources, ranging from upstream suppliers' supply, production by core enterprises, sales by downstream distributors, and installation, operation and maintenance by end farmers. By the end of 2024, the balance of green loans of the Bank amounted to RMB247.737 billion, representing an increase of 21.78% over the beginning of the year, higher than the growth rate of all types of loans in the bank. We cumulatively underwrote 12 green bonds, raising a total of RMB7.137 billion. The balance of green bond investments amounted to RMB6.677 billion.

Inclusive Finance

The Bank continues to enhance its inclusive financial service capacity, and comprehensively promotes the transformation of inclusive financial services into digitalization and scenario-based services to promote the high-quality development of inclusive financial services. **We have built up the inclusive brand of digital CZBank**, innovatively launched the “1+1+N” integrated digital business products and services focused on the “Digital Easy Loan”, “Digital Technology Loan” and “Digital Cooperation Project”, increased the disbursement of first-time loans, renewal loans, credit loans and medium-and long-term loans, and continue to intensify financial support for private, small-and micro-enterprises and individually business operators. By the end of 2024, the balance of loans to inclusive small and micro enterprises amounted to RMB355.425 billion, representing an increase of RMB35.298 billion or 11% over the beginning of the year and exceeding the regulatory target. Inclusive credit loans accounted for 12.55%, an increase of 2.56 percentage points over the beginning of the year; the proportion of medium – and long-term loans was 67.10%; and the number of new first-time borrowers among small and micro enterprises expanded in the year was 6,229 households. **We have strengthened efforts to help enterprises in difficulty**. For enterprises facing difficulties, we have promoted the implementation of categorized policies by branches to effectively address the practical difficulties of small and micro enterprises. **We actively assist in rural revitalization and maintain the financial support for poverty alleviation**. By the end of 2024, the balance of agriculture-related loans amounted to RMB240.564 billion, an increase of RMB19.781 billion or 8.96% from the beginning of the year.

Aging Finance

The Bank has promoted **ageing-friendly renovation across all channels**. We have set up special care service window in all our branches and created “warmth stations”. Additionally, we have launched the “senior-friendly edition” of our mobile banking app, and optimized the personal pension section within the app. For elderly customers who are unable to visit our branches due to unexpected events, we provide door-to-door services. These initiatives aim to enhance the social value of financial services. We have **actively promoted third-pillar pension insurance**, opened a total of 285,300 individual pension fund accounts with a total deposit of RMB255 million. We have strengthened cooperation with Taiping Pension and other insurance companies, and the retained amount of commercial pension products has reached RMB2.378 billion. **We have enriched aging financial services in all aspects** by catering to the diverse needs of the silver-haired customer base, and providing exclusive services through dedicated channels, activities, products and benefits, etc. By the end of 2024, the number of silver-haired customers in our bank reached 1.909 million, an increase of 272,600 customers compared to the beginning of the year, representing a growth of 16.66%.

Digital Finance

The bank **has deepened the advancement of foundational system breakthroughs**, accelerated the implementation of the “replacing core system to consolidate our foundation” project, promoted the construction of new-generation core systems, continued to consolidate the base of digital financial capabilities. We have further improved the data governance system, strengthened the construction of data assets, and enhanced the ability to protect network security, data security, and application security. We have **continuously enhanced digital operation and service capabilities**, actively applied digital financial achievements, and created scenario-based finance grounded in digitalization. By the end of 2024, we had formed differentiated solutions in nearly 30 industries such as electric power, energy, new energy automobile, and modern communications, and had cumulatively provided financing of more than RMB700 billion, served more than 3,500 core enterprises, and extended services to more than 70,000 upstream and downstream enterprises. At the same time, we have promoted the intelligent transformation of counter, internet banking and branches, and released Mobile Banking 6.0 to enhance the convenience of services. **We have effectively served the digital transformation of government and enterprise customers**, intensified cooperation and connection with government data platforms, such as Zhejiang Financial Comprehensive Service Platform. We have also advanced the pilot application of electronic seals for online mortgage cancellation and the use of electronic certificates in Jinhua, Lishui, and Zhoushan. Over 30 models, including early warning models for real estate mortgage and seizure, have been jointly developed and launched. These efforts aim to support government agencies in making precise decisions and regulating efficiently, while also helping enterprises accelerate digital transformation.

Deepening Zhejiang development

Main achievements

01

Provided forceful and effective services for the overall situation of the province. By the end of 2024, the total amount of financing services in the province reached RMB1,020.5 billion, achieving the first-ever breakthrough of the one-trillion level, with an increase of more than RMB230 billion over three years. Served a total of 82 major projects in the province, with a financing balance increasing by tenfold over three years.

02

The underwriting of Zhejiang local government bonds ranked first in the province. In 2024, the underwriting of Zhejiang local government bonds amounted to RMB40.3 billion, accounting for 8.48% of the total underwriting volume, ranking the first among all banks in terms of underwriting scale. The cumulative underwriting of Zhejiang local government bonds amounted to RMB116.8 billion over three years, ranking first in terms of underwriting scale in the industry.

04

Strengthen coordination with government departments at all levels. 16 provincial-level units have signed strategic cooperation agreements with the provincial Department of Economics and Information Technology, Department of Commerce, Department of Construction, Department of Agriculture and Rural Development, Department of Culture and Tourism, Market Supervision Administration, Government Offices Administration, and Federation of Industry and Commerce; 11 prefectural and municipal governments and the provincial and municipal federations of industry and commerce have signed agreements to achieve "full coverage"; and the coverage of the district and county governments in terms of strategic cooperation was close to 60%.

Main indicators in Zhejiang Province



Deposit balance

RMB **564.6** billion
increased by \uparrow 5.62%



Loan balance

RMB **614.9** billion
increased by \uparrow 10.21%

03

Over the past three years of "deepening Zhejiang development", our Bank was affirmed by provincial leaders for more than 30 times. We have been awarded the first prize for supporting social and economic development of Zhejiang Province for nine consecutive years, and has been awarded the "Most Satisfactory Bank for Private Enterprises" in Zhejiang Province for five consecutive years. In 2024, we were awarded the A-level rating in the comprehensive evaluation by the People's Bank of China, Zhejiang Branch for the first time.

05

Made a breakthrough in obtaining important business qualifications and dedicated fund accounts. We newly acquired 90 types of qualification accounts at the provincial, municipal, and county levels in 2024. Since the three-year action of "deepening Zhejiang development", we have cumulatively obtained 215 qualification accounts.

06

Market position has been steadily improved. By the end of 2024, the balance of all deposits and loans in the province reached RMB564.6 billion and RMB614.9 billion respectively, an increase of RMB30.1 billion and RMB56.9 billion compared with the beginning of the year, representing a growth of 5.62% and 10.21%. In Zhejiang Province, the proportions of deposits and loans in the bank's overall operations were 24.43% and 33.83%, respectively.

Note: At the beginning of 2022, the Bank established "Deeping Zhejiang development" as the primary strategy of the Bank, and systematically launched the three-year action of "Deeping Zhejiang development".



Total financing services

RMB **1,020.5** billion

increased by ↗ 10.72%



Small and micro loans under inclusive finance

RMB **142.3** billion

increased by ↗ 9.47%



Green loan

RMB **100.0** billion

increased by ↗ 17.22%



Loans to manufacturing industries

RMB **123.2** billion

increased by ↗ 9.76%



Balance of agricultural-related loan

RMB **129.6** billion

increased by ↗ 9.48%

07

Business competitiveness has been significantly enhanced. In 2024, the amount of small and micro loans under inclusive finance increased RMB12.3 billion, ranking first among joint-stock peers; the growth rate of retail credit has also maintained the top position among joint-stock peers; Over the past three years, we have cumulatively underwritten over RMB100 billion of corporate bonds within the province, with our underwriting scale ranking in the top five in the province.

08

Collaboration with key customers has been continuously deepened. By the end of 2024, the Bank has achieved full coverage in cooperation with provincial and municipal state-owned enterprises, listed companies with a market value exceeding RMB20 billion and the top 100 enterprises in Zhejiang Province, of which the cooperation coverage rate of high-quality listed companies had increased by 20 percentage points over three years.

09

Relying on the financial advisor system to support the construction of a demonstration zone for common prosperity. By the end of 2024, China Zheshang Bank had set up 161 financial consultant studios in the province and served more than 100,000 enterprises and implemented financing exceeding one trillion yuan by leading a team of over 4,200 financial advisors. China Zheshang Bank has also developed and launched customized product of “digital intelligent common prosperity loans (數智共富貸)”, which is a pure-credit, fully online financial solution for specialty industries in mountainous and island counties, such as Longyou pigs (龍遊生豬), Sanmen green crab (三門青蟹), Xianju plums (仙居楊梅), and Yongjia teaching aids (永嘉教具). By the end of 2024, the credit scale of “digital intelligent common prosperity loans” in the province had exceeded RMB4.5 billion, serving nearly 1,000 farmers in mountainous and island counties. The total volume of financial services in these counties exceeded RMB80 billion, achieving a twofold increase over three years.

10

Innovated the county's comprehensive financial ecosystem. In early 2022, we started to explore the construction of comprehensive financial ecosystem in Linping District, Hangzhou, Zhejiang Province, and summarized the “3386” model. By the end of 2024, more than 6,000 new market entities were added to the pilot area, the interest rate of cross-border e-commerce financing dropped by nearly 60 BPs, and the incidence rate of financial fraud cases and the amount of losses dropped by 17% and 27% year-on-year, respectively. This model was appraised as an innovative case at the grassroots level by the Reform Office of the Provincial Party Committee. It has been replicated and popularized throughout the province, and has now achieved full coverage of cities and municipalities in the province, as well as districts and counties under the jurisdiction of Hangzhou, Ningbo and Quzhou.

Honors and Awards

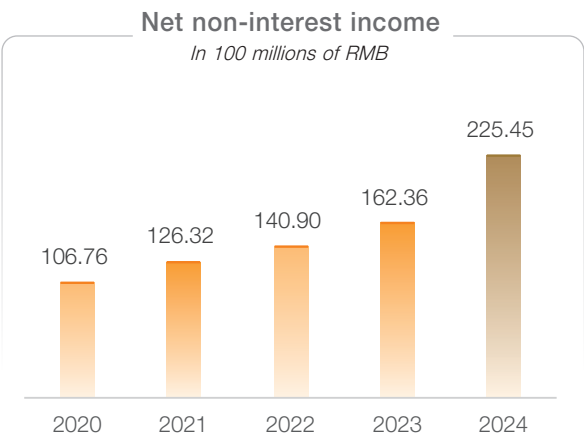
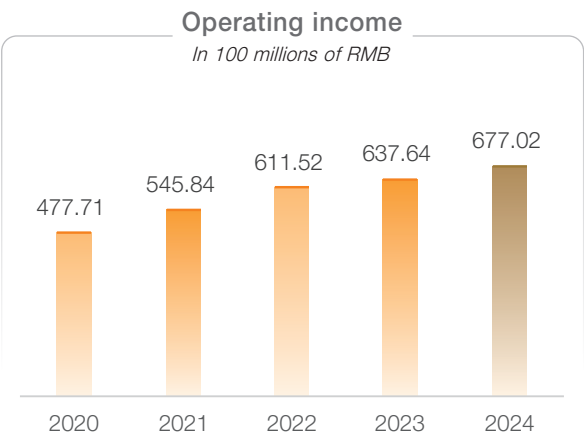
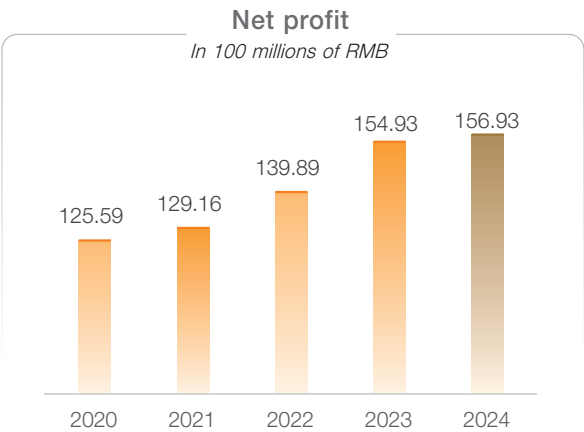
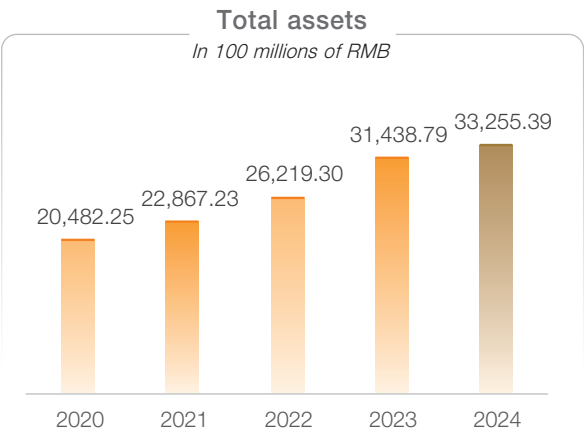
Awards/Ranking	Activities/Organizers/Media	Awarded in
84th in the “Top 1000 World Banks 2024” ranking	<i>The Banker</i> , magazine of the UK	Jul. 2024
Maintain double “investment grade” in the international rating	S&P, Moody’s	Dec. 2024
“A” in MSCI ESG rating	MSCI	Oct. 2024
FinTech Development Award	People’s Bank of China	Nov. 2024
Corporate Standards “Leader”	“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”	May. 2024
First Prize for Outstanding Unit in Supporting Zhejiang’s Economic and Social Development	People’s Government of Zhejiang Province	Nov. 2024
“Most Satisfactory Bank for Private Enterprises” in Zhejiang Province	People’s Bank of China, Zhejiang Branch, Zhejiang Federation of Industry and Commerce	April. 2024
The first batch of enterprises in the country to pilot the creation of digital archives through enterprise groups	State Archives Administration	Mar. 2024
Financial advisory work won the third “Golden Canal List – Golden Goose Award” (金渠榜 – 金雁獎) and “Golden Canal List – Golden Point Award” (金渠榜 – 金點獎)	Financial Service Committee of the General Association of Zhejiang Entrepreneurs	May. 2024
Ranked first in the mid-term evaluation of exchange rate risk management for banking service enterprises	State Administration of Foreign Exchange	May. 2024
Honorary title of “Most Beautiful Station”	Zhejiang Provincial Federation of Trade Unions	Dec. 2024
Zhejiang provincial volunteer service demonstration brand	Zhejiang Provincial Committee Social Work Department of Zhejiang Provincial Committee	Nov. 2024

Honors and Awards

Awards/Ranking	Activities/Organizers/Media	Awarded in
Typical Cases of Inclusive Finance in China	"China Banking Association 、 China Association of Small and Medium sized Business Enterprises, 21st Century Financial Research Institute of Southern Finance Omnimedia Group	Dec. 2024
High Quality Development Award for Settlement Business	Shanghai Clearing House	Mar. 2024
"Annual Outstanding Discounting Organization, Outstanding Supply Chain Bill Participating Organization, Excellent Outstanding Organization for Enterprise Promotion of New Generation System, Outstanding Commercial Bill Information Disclosure Service Organization, Outstanding Discounting Participating Organization"	Shanghai Commercial Paper Exchange Co.	Jan. 2024
Best Communication Award in the Short Video Collection Competition for Preventing Illegal Fundraising	China Bank Insurance Journal	Aug. 2024
2024 Leading Bank of Retail Finance	Economic Observer	Dec. 2024
Tianma Award (天馬獎) for China Listed Company Investor Relations	Securities Times	Jun. 2024
Golden Bull Award for Fixed Income Products of Joint-Stock Commercial Bank and Wealth Management Company	China Securities Journal	Dec. 2024

Financial Summary

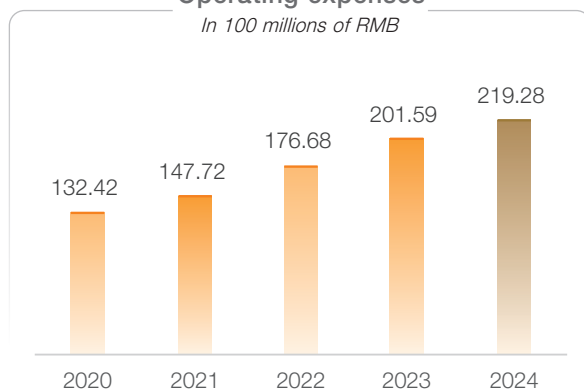
(The financial data and indicators set forth in this annual report are prepared in accordance with the International Financial Reporting Accounting Standards, are consolidated data of the Bank and its subsidiaries and presented in RMB, unless otherwise specified)



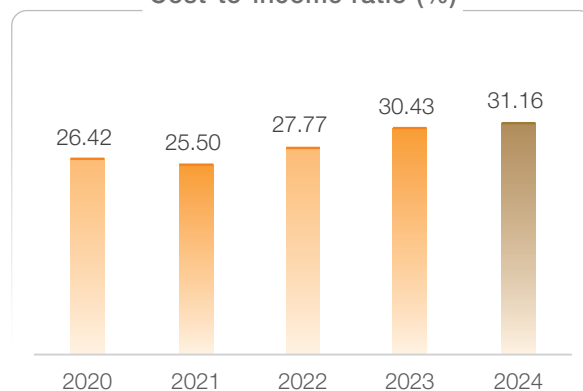
Financial Summary

Operating expenses

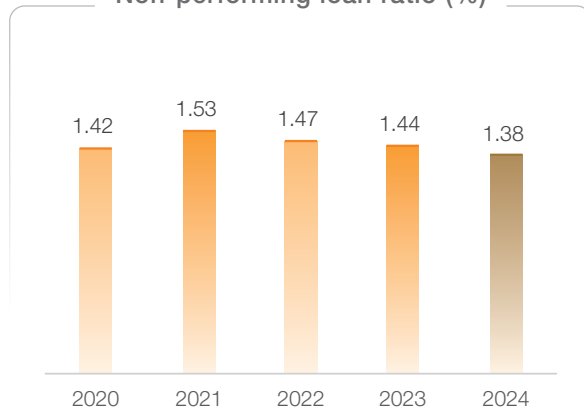
In 100 millions of RMB



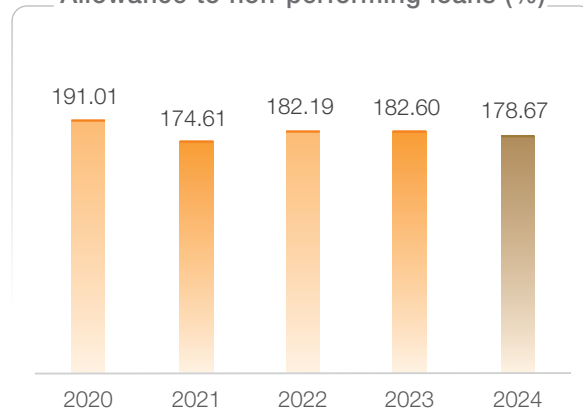
Cost-to-income ratio (%)



Non-performing loan ratio (%)



Allowance to non-performing loans (%)



Financial Summary

Key Financial Data and Indicators

	2024	2023	2022	2021	2020
Operating results (RMB million)					
Operating income	67,702	63,764	61,152	54,584	47,771
Profit before taxation	17,579	17,492	15,831	14,981	14,363
Net profit attributable to shareholders of the Bank	15,186	15,048	13,618	12,648	12,309
Scale indicators (at the end of the reporting period, RMB million)					
Total assets	3,325,539	3,143,879	2,621,930	2,286,723	2,048,225
Total loans and advances to customers	1,857,116	1,716,240	1,525,030	1,347,239	1,197,698
Total liabilities	3,122,796	2,954,302	2,456,000	2,119,840	1,915,682
Customer deposits	1,922,289	1,868,659	1,681,443	1,415,705	1,335,636
Equity attributable to shareholders of the Bank	198,903	186,245	162,933	164,169	130,512
Per share (RMB)					
Net assets per share at the end of the period attributable to shareholders of the Bank ⁽¹⁾	6.33	5.87	6.49	5.84	5.43
Basic earnings per share attributable to shareholders of the Bank ⁽²⁾	0.52	0.57	0.53	0.53	0.51
Diluted earnings per share attributable to shareholders of the Bank	0.52	0.57	0.53	0.53	0.51
Profitability indicators (%)					
Return on average total assets ⁽³⁾	0.49	0.54	0.57	0.60	0.65
Return on average equity ⁽⁴⁾	8.49	9.42	9.02	9.83	10.03
Net interest margin	1.71	2.01	2.21	2.27	2.19
Net interest spread	1.52	1.81	2.02	2.07	1.99
Net non-interest income to operating income	33.30	25.46	23.04	23.14	22.35
Cost-to-income ratio ⁽⁵⁾	31.16	30.43	27.77	25.50	26.42
Asset quality indicators (%)					
Non-performing loan ratio ⁽⁶⁾	1.38	1.44	1.47	1.53	1.42
Allowance to non-performing loans ⁽⁷⁾	178.67	182.60	182.19	174.61	191.01
Allowance to total loans ⁽⁸⁾	2.46	2.63	2.67	2.68	2.72
Capital adequacy indicators (%)					
Core tier-one capital adequacy ratio	8.38	8.22	8.05	8.13	8.75
Tier-one capital adequacy ratio	9.61	9.52	9.54	10.80	9.88
Capital adequacy ratio	12.61	12.19	11.60	12.89	12.93

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) Return on average equity = Net profit attributable to shareholders of ordinary shares of the Bank (excluding net profit attributable to other equity instruments of the Bank) divided by average balance of equity attributable to shareholders of ordinary shares of the Bank at the beginning and at the end of the period (excluding other equity instruments).
- (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 impairment allowances on loans divided by balance of non-performing loans. There is no difference between the indicator for the Group and the Bank, while the regulatory requirements specify that a legal person's allowance to non-performing loans shall not be less than 140%.
- (8) Allowance to total loans = Balance of impairment allowances on 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, while the regulatory requirements specify that a legal person's allowance to total loans shall not be less than 2.1%.

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, 2024 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 2024, the global economy continued its weak recovery under complicated circumstances, with economic growth running at a low level throughout the year, inflationary pressures easing, the European and US monetary policy interest rate-cutting cycle gradually starting, direct investment picking up, money market interest rates going down and exchange rate volatility rising. In addition, geopolitical conflicts continued to affect the global economy, and trade protectionism became a major obstacle to trade growth.

The year 2024 marked the 75th anniversary of the founding of New China and was a critical year for the realization of the objectives and tasks of the 14th Five-Year Plan. During this year, under the strong leadership of the Central Party Committee with Xi Jinping at its core, we adhered to the general principle of seeking progress while maintaining stability, overcame internal and external difficulties, and fought hard to promote the gradual recovery of the economy amidst the fluctuations. In particular, there were positive changes in many areas since the introduction of the package of incremental policies to stabilize the economy in September, successfully achieving the major expected goals of economic and social development. GDP for the year amounted to RMB134.9 trillion, 5% increase over the previous year at constant prices. The economic growth rate was significantly faster than that of the world's major developed economies, demonstrating the strong resilience and potential of China's economy. At the same time, it should also be noted that China's economic recovery is also facing problems such as insufficient effective demand, external trade pressure on China, and many hidden risks in some fields. However, from a comprehensive point of view, the favorable conditions for China's development outweigh the unfavorable factors, and the basic trend of economic rebound and long-term improvement remains unchanged.

In 2024, the financial supervisory organization system continued to be improved. The financial regulatory framework of "One Bank (PBoC), One Administration (NFRA), and One Commission (CSRC)" (一行一局一會) was further clarified, thus more clearly defining the financial supervisory responsibilities, continuously enhancing the foresight, precision, effectiveness and synergy of supervision, strengthening the supervisory responsibility and accountability system for various types of financial activities, and reinforcing central and local supervisory coordination.

In 2024, the monetary policy was flexible, moderate, precise and effective, and countercyclical adjustment was strengthened, creating a suitable monetary and financial environment for economic recovery and improvement. Cutting the reserve requirement ratio (RRR) and lowering interest rates helped reduce financing costs for the real economy. In February and September, the RRR was lowered by 0.5 percentage point respectively, releasing more than trillion yuan of liquidity. The 1-year LPR (Loan Market Quotation Rate) and the 5-year LPR dropped by 35 basis points and 60 basis points respectively, further reducing the financing costs for the real economy. Fiscal policy became more proactive and more powerful, with more sustained efforts and greater emphasis on playing a good "combination punch" of policies. The combined use of various policy tools, such as deficits, special bonds and ultra-long-term special government bonds, further boosted investment, stimulated consumption, and actively supported the expansion of domestic effective demand.

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 2024, the local and foreign currency assets of banking financial institutions amounted to RMB444.6 trillion, an increase of 6.5% year-on-year. The balance of loans from banking financial institutions to small and micro enterprises reached RMB81.4 trillion, of which the balance of inclusive loans to small and micro enterprises with a credit line for each borrower not more than RMB10 million was RMB33.3 trillion, increased by 14.7% year-on-year. Commercial banks achieved an annual net profit of RMB2.3 trillion, with a non-performing loan balance of RMB3.3 trillion and a nonperforming loan ratio of 1.5%, thus generally maintaining the stable asset quality.

Management Discussion and Analysis

(II) Analysis of Overall Operation Performance

During the reporting period, the Group fully implemented the the decisions and deployments of the Central Committee of the Communist Party of China and the Zhejiang Provincial Party Committee and Provincial Government. Specifically, the Group continuously intensified the construction of the “five-word ecosystem”, vigorously carried forward the “Six Dos” spirit and focused on the “three first-class” vision. Taking financial services for good, intelligent operation and humanistic CZBank as the guidelines and with digital reform as the main line, the Group has conducted a customer-oriented, comprehensive and coordinated reform in all aspects, deeply promoted the four major strategic priorities and systematically promoted the four fundamental major battles, embarking on a new journey to high-quality development.

Steady increase of business scale. Focusing on the “customer-oriented, comprehensive and coordinated reform”, the Group promoted comprehensive transformation of its business in order to optimize its asset structure. As at the end of the reporting period, total assets of the Group amounted to RMB3,325.539 billion, representing an increase of RMB181.660 billion or 5.78% as compared to that at the end of last year. Meanwhile, adhering to the tenet of finance serving the real economy, the Group also increased its credit investment in key areas including the “five finances” (五篇大文章), the “two focuses” (兩重) and the “two news” (兩新). At the end of the reporting period, total loans and advances to customers amounted to RMB1,857.116 billion, representing an increase of RMB140.876 billion or 8.21% as compared to that at the end of last year. In terms of debt management, sticking to the customer-oriented, digitalization-based and scene-based concepts, the Group was committed to attracting qualified deposits at low interest rate, thus maintaining steady growth in size of deposits while continuously cutting down the interest payment rate. At the end of the reporting period, total liabilities amounted to RMB3,122.796 billion, representing an increase of RMB168.494 billion or 5.70% as compared to that at the end of last year; customer deposits amounted to RMB1,922.289 billion, representing an increase of RMB53.630 billion or 2.87% as compared to that at the end of last year.

Stable growth of operating efficiencies. By practicing the concept of intelligent operation, the Group has been able to sustainably stimulate its operational potential. During the reporting period, operating income of the Group amounted to RMB67.702 billion, representing an increase of RMB3.938 billion or 6.18% as compared to that of last year, of which net interest income amounted to RMB45.157 billion, representing a decrease of RMB2.371 billion or 4.99% as compared to that of last year, and net non-interest income amounted to RMB22.545 billion, representing an increase of RMB6.309 billion or 38.86% as compared to that of last year. Net profit attributable to shareholders of the Bank amounted to RMB15.186 billion, representing an increase of RMB138 million or 0.92% as compared to that of last year.

Steady asset quality maintained. The Group strengthened the management and control of financial risks while making prudent and reasonable provision for impairment. As at the end of the reporting period, the non-performing loan ratio was 1.38%, representing a decrease of 0.06 percentage point as compared to that at the end of last year. Allowance to non-performing loan ratio was 178.67%, representing a decrease of 3.93 percentage points as compared to that at the end of last year; the allowance to total loans ratio was 2.46%, representing a decrease of 0.17 percentage point as compared to that at the end of last year.

Slight increase of capital adequacy ratio. The Group continued to optimize the business structure and strengthened the management of capital adequacy. As at the end of the reporting period, the capital adequacy ratio of the Group amounted to 12.61%, representing an increase of 0.42 percentage point as compared with that at the end of last year. The tier-one capital adequacy ratio amounted to 9.61%, representing an increase of 0.09 percentage point as compared with that at the end of last year, and the core tier-one capital adequacy ratio amounted to 8.38%, representing an increase of 0.16 percentage point as compared with that at the end of last year.

Management Discussion and Analysis

(III) Analysis of Financial Statements

1. Analysis of Consolidated Statement of Profit or Loss

During the reporting period, the Group realized operating income of RMB67.702 billion, increased by 6.18% as compared to that of last year, including, among others, net interest income of RMB45.157 billion, decreased by 4.99% as compared to that of last year, and net non-interest income of RMB22.545 billion, increased by 38.86% as compared to that of last year. Operating expense was RMB21.928 billion, increased by 8.78% as compared to that of last year; cost-to-income ratio was 31.16%, increased by 0.73 percentage point as compared to that of last year. Provision for expected credit losses was RMB28.195 billion, increased by 7.97% as compared to that of last year. The income tax expense was RMB1.886 billion, decreased by 5.65% as compared to that of last year. The net profit attributable to shareholders of the Bank of RMB15.186 billion, increased by 0.92% as compared to that of last year; the return on average total assets was 0.49% and the return on average equity was 8.49%.

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

In RMB million, except percentages

Item	2024	2023	Amount of increase (decrease)	Increase (decrease) (%)
Net interest income	45,157	47,528	(2,371)	(4.99)
Net non-interest income	22,545	16,236	6,309	38.86
Operating income	67,702	63,764	3,938	6.18
Less: operating expenses	21,928	20,159	1,769	8.78
Less: expected credit losses	28,195	26,113	2,082	7.97
Profit before taxation	17,579	17,492	87	0.50
Less: income tax expense	1,886	1,999	(113)	(5.65)
Net profit	15,693	15,493	200	1.29
Attributable to: Shareholders of the Bank	15,186	15,048	138	0.92
Non-controlling interests	507	445	62	13.93

Management Discussion and Analysis

(1) Net interest income

During the reporting period, net interest income was RMB45.157 billion, representing a decrease of RMB2.371 billion or 4.99% as compared to that of last year, accounting for 66.70% of operating income. Interest income was RMB110.697 billion, representing an increase of RMB444 million or 0.40% as compared to that of last year; interest expense was RMB65.540 billion, representing an increase of RMB2.815 billion or 4.49% as compared to that of last year.

During the reporting period, net interest spread and net interest margin were 1.52% and 1.71%, respectively, representing a decrease of 29 basis points and 30 basis points as compared to that of last year, respectively. The main reasons for the changes in net interest spread and net interest margin were as follows: the Group firmly implemented the requirements of the policy to provide benefits for the real economy, and constantly optimized its asset structure, thus the yield on interest-earning assets decreased by 39 basis points as compared to that of last year. The Group continued to strengthen the management of liabilities portfolio, attract scenario-based deposits to a larger extent with higher quality, and drive growth in low-cost deposits including settlement deposits, thus the cost of interest-bearing liabilities decreased by 10 basis points as compared to that of last year.

Average yields on interest-earning assets and average costs of interest-bearing liabilities

In RMB million, except percentages

Item	Average balance	2024 Interest income	Average yield (%)	Average balance	2023 Interest income	Average yield (%)
Interest-earning assets						
Loans and advances to customers	1,806,287	80,455	4.45	1,653,319	80,595	4.87
Investments ⁽¹⁾	846,106	25,359	3.00	705,914	24,445	3.46
Due from banks and other financial institutions ⁽²⁾	149,962	2,975	1.98	141,766	3,131	2.21
Balances with central bank ⁽³⁾	137,528	1,908	1.39	146,965	2,082	1.42
Total interest-earning assets	2,939,883	110,697	3.77	2,647,964	110,253	4.16
Item	Average balance	2024 Interest expense	Average cost (%)	Average balance	2023 Interest expense	Average cost (%)
Interest-bearing liabilities						
Customer deposits	1,855,581	38,924	2.10	1,771,103	39,679	2.24
Due to banks and other financial institutions ⁽⁴⁾	528,482	13,522	2.56	468,922	12,023	2.56
Due to central bank	69,066	1,530	2.22	64,774	1,549	2.39
Debt securities issued ⁽⁵⁾	456,509	11,427	2.50	357,317	9,328	2.61
Lease liabilities	3,131	137	4.38	3,281	146	4.45
Total interest-bearing liabilities	2,912,769	65,540	2.25	2,665,397	62,725	2.35
Net interest income		45,157			47,528	
Net interest spread			1.52			1.81
Net interest margin ⁽⁶⁾			1.71			2.01

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 interest expenses

In RMB million

Item	Comparison between 2024 and 2023		Net increase (decrease) ⁽³⁾
	Factors for increase (decrease) Volume ⁽¹⁾	Interest rate ⁽²⁾	
Interest-earning assets			
Loans and advances to customers	7,457	(7,597)	(140)
Investments	4,855	(3,941)	914
Due from banks and other financial institutions	181	(337)	(156)
Balances with central bank	(134)	(40)	(174)
Changes in interest income	12,359	(11,915)	444
Interest-bearing liabilities			
Customer deposits	1,893	(2,648)	(755)
Due to banks and other financial institutions	1,527	(28)	1,499
Due to central bank	103	(122)	(19)
Debt securities issued	2,589	(490)	2,099
Lease liabilities	(7)	(2)	(9)
Changes in interest expenses	6,105	(3,290)	2,815
Net changes in interest income	6,254	(8,625)	(2,371)

Management Discussion and Analysis

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.

(2) Interest income

Interest income from loans and advances to customers

Interest income from loans and advances to customers was RMB80.455 billion, decreased by RMB140 million or 0.17% as compared to that of last year, mainly due to the facts that the Group insisted on its original aspiration of serving the real economy and continuously increased its credit investment in key areas. During the reporting period, the average balance of loans and advances to customers was RMB1.81 trillion, representing an increase of 9.25% as compared to that of last year; meanwhile, affected by the decreased interest rate for loans in the market and insufficient effective credit demand, during the reporting period, the average yield on loans and advances to customers was 4.45%, decreased by 42 basis points as compared to that of last year.

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

In RMB million, except percentages

	2024			2023		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	1,208,730	52,628	4.35	1,094,198	51,687	4.72
Personal loans and advances	484,008	25,460	5.26	441,883	26,332	5.96
Discounted bills	113,549	2,367	2.08	117,238	2,576	2.20
Total loans and advances to customers	1,806,287	80,455	4.45	1,653,319	80,595	4.87

Interest income from investments

Interest income from investments was RMB25.359 billion, increased by RMB914 million or 3.74% as compared to that of last year, mainly due to the increase in the average balance of investments of 19.86% as compared with last year.

Management Discussion and Analysis

(3) Interest expense

Interest expenses on customer deposits

Interest expenses on customer deposits amounted to RMB38.924 billion, representing a decrease of RMB755 million or 1.90% as compared to that of last year, primarily due to the Group's active guidance to expand low-cost deposits, and the continuous decrease in the cost of customer deposits. The average cost of customer deposits during the reporting period was 2.10%, representing a decrease of 14 basis points as compared to that of last year.

In RMB million, except percentages

	Average balance	2024 Interest expense	Average cost (%)	Average balance	2023 Interest expense	Average cost (%)
Corporate deposits and other deposits⁽¹⁾						
Time	1,122,027	26,759	2.38	934,897	24,343	2.60
Demand	444,222	5,168	1.16	595,299	9,385	1.58
Subtotal	1,566,249	31,927	2.04	1,530,196	33,728	2.20
Personal deposits						
Time	233,248	6,894	2.96	188,108	5,789	3.08
Demand	56,084	103	0.18	52,799	162	0.31
Subtotal	289,332	6,997	2.42	240,907	5,951	2.47
Total	1,855,581	38,924	2.10	1,771,103	39,679	2.24

Note:

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

Interest expenses on due to banks and other financial institutions

Interest expenses on due to banks and other financial institutions amounted to RMB13.522 billion, representing an increase of RMB1.499 billion or 12.47% as compared to that of last year, primarily due to the increase in amount due to banks and other financial institutions.

Management Discussion and Analysis

(4) Net non-interest income

During the reporting period, net non-interest income of the Group amounted to RMB22.545 billion, representing an increase of RMB6.309 billion or 38.86% as compared to that of last year, and accounting for 33.30% of operating income, representing an increase of 7.84 percentage points as compared to that of last year, with income structure continuously improved. Among which, the net fee and commission income was RMB4.487 billion, representing a decrease of RMB553 million as compared to that of last year; while other net non-interest income was RMB18.058 billion, representing an increase of RMB6.862 billion as compared to that of last year.

Net fee and commission income

In RMB million, except percentages

Item	2024	2023	Amount of increase (decrease)	Increase (decrease) (%)
Agency and entrustment service	2,265	1,849	416	22.50
Commitment and guarantee service	1,031	1,435	(404)	(28.15)
Underwriting and consultation service	928	1,076	(148)	(13.75)
Settlement and clearing service	678	725	(47)	(6.48)
Custodian and fiduciary service	637	594	43	7.24
Fee from bank cards	197	211	(14)	(6.64)
Others	225	253	(28)	(11.07)
Total fee and commission income	5,961	6,143	(182)	(2.96)
Less: fee and commission expense	1,474	1,103	371	33.64
Net fee and commission income	4,487	5,040	(553)	(10.97)

Net fee and commission income was RMB4.487 billion, representing a decrease of RMB553 million or 10.97% as compared to that of last year. Among which, fee income from agency and entrustment service was RMB2.265 billion, representing an increase of RMB416 million as compared to that of last year, primarily due to the satisfactory income growth maintained in the agency business; fee income from commitment and guarantee service was RMB1.031 billion, representing a decrease of RMB404 million as compared to that of last year, primarily due to the decreased income of letter of guarantee business; income from underwriting and consultation service was RMB928 million, representing a decrease of RMB148 million as compared to that of last year, primarily due to the decreased income of the bond underwriting business.

Management Discussion and Analysis

Other net non-interest income

In RMB million, except percentages

Item	2024	2023	Amount of increase (decrease)	Increase (decrease) (%)
Net trading gains	10,771	7,396	3,375	45.63
Net gains on financial investments	5,852	2,664	3,188	119.67
Other operating income	1,435	1,136	299	26.32
Total	18,058	11,196	6,862	61.29

Other net non-interest income was RMB18.058 billion, representing an increase of RMB6.862 billion or 61.29% as compared to that of last year, primarily due to the satisfactory income of financial assets measured at fair value through profit or loss as the Group strengthened the research of market trend and the enhancement of professional competence, while seizing the opportunity arising from the decline in yield in the bond market.

(5) Operating expenses

In RMB million, except percentages

Item	2024	2023	Amount of increase (decrease)	Increase (decrease) (%)
Staff costs	13,737	12,500	1,237	9.90
General and administrative expenses	4,642	4,631	11	0.24
Depreciation and amortization	2,022	1,895	127	6.70
Tax and surcharges	835	755	80	10.60
Others	692	378	314	83.07
Total	21,928	20,159	1,769	8.78

Operating expenses amounted to RMB21.928 billion, representing an increase of RMB1.769 billion or 8.78% as compared to that of last year, primarily due to the facts that the Group fully pushes forward the construction of digitization system and reinforced the building of talent teams for financial technology and sales. Meanwhile, the Group comprehensively improved its whole-process management capability in fiscal charges and constructed an input and output management system, in order to continuously optimize the expenditure structure.

Management Discussion and Analysis

(6) Expected credit losses

Item	In RMB million	
	2024	2023
Deposits with banks and other financial institutions	(5)	(6)
Placements with banks and other financial institutions	(2)	(215)
Financial assets purchased under resale agreements	(4)	19
Loans and advances to customers	25,829	14,482
Financial investments	1,904	11,329
Finance lease receivables	697	551
Off-balance sheet items	(433)	(316)
Other assets	209	269
Total	28,195	26,113

Expected credit losses amounted to RMB28.195 billion, representing an increase of RMB2.082 billion or 7.97% as compared to that of last year, please see “Note VI to Financial Statements – 7 Expected credit losses; 25 Allowance for ECLs”.

(7) Income tax expenses

The income tax expenses were RMB1.886 billion, representing a decrease of RMB113 million or 5.65% as compared to that of last year, and the effective tax rate was 10.73%. For the reconciliation statement of the income tax expenses calculated at statutory tax rate and the actual income tax expenses, please see “Note VI to Financial Statements – 10 Income Tax Expense”.

(8) Segment information

Segment operating results by business line

Item	2024		2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate banking	38,124	56.31	35,482	55.65
Retail banking	12,568	18.57	13,416	21.04
Treasury operations	14,001	20.68	12,404	19.45
Others	3,009	4.44	2,462	3.86
Total operating income	67,702	100.00	63,764	100.00

Management Discussion and Analysis

Segment operating results by geographic region

In RMB million, except percentages

Item	2024		2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Yangtze River Delta Region	39,054	57.69	34,814	54.60
Bohai Rim Region	10,228	15.11	11,064	17.35
Pearl River Delta and Economic Zone on the Western Coast of the Taiwan Straits	6,604	9.75	6,680	10.48
Midwestern China Region	11,816	17.45	11,206	17.57
Total operating income	67,702	100.00	63,764	100.00

For details of business segment and regional division, please see “Note VIII to Financial Statements – Segment Reporting”.

2. Analysis on Consolidated Statement of Financial Position

(1) Assets

As at the end of the reporting period, total assets of the Group amounted to RMB3,325.539 billion, representing an increase of RMB181.660 billion or 5.78% as compared to that at the end of last year, of which net loans and advances to customers amounted to RMB1,812.684 billion, representing an increase of RMB139.412 billion or 8.33% as compared to that at the end of last year. Financial investments amounted to RMB1,055.451 billion, representing an increase of RMB54.814 billion or 5.48% as compared to that at the end of last year. In terms of the structure, net loans and advances to customers accounted for 54.51% of total assets, increased by 1.29 percentage points as compared to that at the end of last year, and the financial investments accounted for 31.74% of total assets, decreased by 0.09 percentage point as compared to that at the end of last year.

Assets utilization

In RMB million, except percentages

Item	December 31, 2024		December 31, 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Total loans and advances to customers	1,857,116		1,716,240	
Less: allowance for ECLs of loans ⁽¹⁾	44,432		42,968	
Net loans and advances to customers	1,812,684	54.51	1,673,272	53.22
Financial investments ⁽²⁾	1,055,451	31.74	1,000,637	31.83
Cash and balances with central bank	129,691	3.90	164,723	5.24
Precious metals	16,956	0.51	9,756	0.31
Due from banks and other financial institutions ⁽³⁾	137,692	4.14	154,025	4.90
Other assets	173,065	5.20	141,466	4.50
Total assets	3,325,539	100.00	3,143,879	100.00

Management Discussion and Analysis

Notes:

- (1) Allowance for ECL of loans represents allowance made for the loss of loans and advances to customers measured at amortized cost.
- (2) The financial investments include financial assets at fair value through profit or loss, financial assets measured at amortized cost and financial assets 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 actively implemented the plans of the CPC Central Committee, the State Council and the regulatory authorities in relation to serving the real economy, adhered to the principle of financial services for the real economy, proactively practiced the concept of financial services for good, enhanced the stability and sustainability of credit growth, focused on the “five finances” (五篇大文章), “two priorities and two new areas” (兩重、兩新) and assets with low sensitivity to economic cycle, continued to strengthen credit support for national key strategies and areas and weak process, and intensified its development in our stronghold in Zhejiang Province. As at the end of the reporting period, total loans and advances to customers of the Group amounted to RMB1,857.116 billion, representing an increase of RMB140.876 billion or 8.21% as compared to that at the end of last year.

Loans and advances to customers structure by business type

In RMB million, except percentages

Item	December 31, 2024		December 31, 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate loans and advances	1,249,566	67.28	1,128,170	65.74
Personal loans and advances	478,631	25.77	476,692	27.78
Discounted bills	119,200	6.42	102,195	5.95
Changes in fair value through other comprehensive income	1,224	0.07	1,417	0.08
Interest accrued	8,495	0.46	7,766	0.45
Total	1,857,116	100.00	1,716,240	100.00

Corporate loans and advances

The Group continued to solidify its corporate client base by leveraging scenario-based finance and digital empowerment as key drivers. It fully capitalized on its strengths in liquidity management, distinctive advantages in supply chain finance, and the benefits of its financial advisory system to enhance unique competitive edges. With a focus on quality and efficiency, the Group optimized new allocations, refined management to revitalize existing assets, and promoted the growth of the corporate loan business. As at the end of the reporting period, total corporate loans and advances amounted to RMB1,249.566 billion, representing an increase of 10.76% as compared to that at the end of last year.

Management Discussion and Analysis

Personal loans and advances

The Group further accelerated the development of online and platform-based customer expansion channels for its personal banking business. Centered on customer needs and guided by market trends, it optimized a tiered benefits system, continuously enriched its product portfolio, strengthened cross line collaboration and linkage, continued to optimize the structure of personal loans and promoted the growth of the personal loan business. As at the end of the reporting period, total personal loans and advances amounted to RMB478.631 billion, representing an increase of 0.41% as compared to that at the end of last year.

Financial investments

The Group actively engaged in bond investments and dynamically adjusted the structure of its investment portfolio on the basis of ensuring liquidity and risk control, thereby enabling the scale of financial investments to achieve stable growth. As at the end of the reporting period, total financial investments amounted to RMB1,055.451 billion, representing an increase of 5.48% as compared to that at the end of last year.

Financial investment composition

In RMB million, except percentages

Item	December 31, 2024		December 31, 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Fund investments	175,096	16.59	147,430	14.73
Bond investments	791,378	74.98	760,103	75.96
Trust schemes and asset management plans	99,599	9.44	104,798	10.47
Other financial investments	5,150	0.49	5,869	0.59
Interest accrued	9,625	0.91	10,155	1.02
Allowance for ECLs	(25,397)	(2.41)	(27,718)	(2.77)
Total	1,055,451	100.00	1,000,637	100.00

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

Management Discussion and Analysis

(2) Liabilities

The Group actively responded to the pressure of narrowing net interest margins in the banking sector under the low-interest environment. It fully utilized diversified debt instruments to expand funding sources, strengthened debt portfolio management to control costs, as well as supported the transformation and high-quality development of the entire industry with low-cost and stable funding. As at the end of the reporting period, total liabilities of the Group amounted to RMB3,122.796 billion, representing an increase of RMB168.494 billion or 5.70% as compared to that at the end of last year.

Liabilities Composition

In RMB million, except percentages

Item	December 31, 2024		December 31, 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Due to central bank	77,821	2.49	119,915	4.06
Customer deposits	1,922,289	61.56	1,868,659	63.25
Due to banks and other financial institutions	498,068	15.95	508,441	17.21
Debt securities issued	541,533	17.34	395,938	13.40
Others	83,085	2.66	61,349	2.08
Total liabilities	3,122,796	100.00	2,954,302	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 continuously solidified its deposit base and focused on acquiring low-cost deposits through scenario-based strategies to optimize the deposit structure, enhance stability and maintain steady growth in scale while continuously reducing interest rates. As at the end of the reporting period, balance of customer deposits of the Group amounted to RMB1,922.289 billion, representing an increase of RMB53.630 billion or 2.87% as compared to that at the end of last year. With respect to customer structure, corporate deposits increased by RMB16.001 billion or 1.02%; and personal deposits increased by RMB35.112 billion or 13.03%. With respect to term structures, time deposits increased by RMB257.260 billion or 22.74%; and demand deposits decreased by RMB206.147 billion or 29.22%.

Management Discussion and Analysis

Structure of our customer deposits by business type

In RMB million, except percentages

Item	December 31, 2024		December 31, 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate deposits				
Demand	434,291	22.59	653,026	34.95
Time	1,148,911	59.77	914,175	48.92
Sub-total	1,583,202	82.36	1,567,201	83.87
Personal deposits				
Demand	64,951	3.38	52,363	2.80
Time	239,681	12.47	217,157	11.62
Sub-total	304,632	15.85	269,520	14.42
Other deposits	372	0.02	4,170	0.22
Interest accrued	34,083	1.77	27,768	1.49
Total	1,922,289	100.00	1,868,659	100.00

(3) Shareholder's equity

As at the end of the reporting period, equity attributable to shareholders of the Bank amounted to RMB198.903 billion in total, representing an increase of RMB12.658 billion or 6.80% as compared to that at 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, 2024		December 31, 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Pass	1,777,415	96.15	1,647,378	96.43
Special mention	44,488	2.40	35,083	2.05
Non-performing	25,494	1.38	24,596	1.44
Substandard	11,230	0.61	13,956	0.82
Doubtful	10,503	0.57	7,479	0.44
Loss	3,761	0.20	3,161	0.18
Changes in fair value through other comprehensive income	1,224	0.07	1,417	0.08
Sub-total	1,848,621	100.00	1,708,474	100.00
Interest accrued	8,495	N/A	7,766	N/A
Total loans and advances to customers	1,857,116	N/A	1,716,240	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 RMB1,777.415 billion, representing an increase of RMB130.037 billion as compared with that at the end of last year. Loans classified as special mention were RMB44.488 billion, representing an increase of RMB9.405 billion as compared with that at the end of last year, and the percentage of loans classified as special mention was 2.40%, representing an increase of 0.35 percentage point as compared with that at the end of last year. The non-performing loans were RMB25.494 billion, representing an increase of RMB898 million as compared with that at the end of last year, with a non-performing loan ratio of 1.38%, representing a decrease of 0.06 percentage point as compared with that at 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, 2024				December 31, 2023			
	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	1,249,566	67.59	16,996	1.36	1,128,170	66.04	15,510	1.37
Personal loans	478,631	25.89	8,498	1.78	476,692	27.90	9,086	1.91
Discounted bills	119,200	6.45	-	-	102,195	5.98	-	-
Changes in fair value through other comprehensive income	1,224	0.07	N/A	N/A	1,417	0.08	N/A	N/A
Sub-total	1,848,621	100.00	25,494	1.38	1,708,474	100.00	24,596	1.44
Interest accrued	8,495	N/A	N/A	N/A	7,766	N/A	N/A	N/A
Total loans and advances to customers	1,857,116	N/A	N/A	N/A	1,716,240	N/A	N/A	N/A

As at the end of the reporting period, our corporate non-performing loans amounted to RMB16.996 billion, representing an increase of RMB1.486 billion as compared with that at the end of last year, with a non-performing loan ratio of 1.36%, representing a decrease of 0.01 percentage point as compared with that at the end of last year. The personal non-performing loans were RMB8.498 billion, representing a decrease of RMB588 million as compared with that at the end of last year, with a non-performing loan ratio of 1.78%, representing a decrease of 0.13 percentage point as compared with that at 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, 2024				December 31, 2023			
	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	1,249,566	67.59	16,996	1.36	1,128,170	66.04	15,510	1.37
Manufacturing	273,221	14.78	4,007	1.47	239,911	14.04	1,971	0.82
Leasing and commercial services	267,267	14.46	2,967	1.11	240,018	14.05	4,804	2.00
Wholesale and retail trade	191,741	10.37	4,268	2.23	201,420	11.79	1,925	0.96
Real estate	186,133	10.07	2,885	1.55	177,749	10.40	4,408	2.48
Construction	74,814	4.05	659	0.88	68,798	4.03	816	1.19
Administration of water conservancy, environment and public facilities	68,991	3.73	44	0.06	63,377	3.71	15	0.02
Financing	42,009	2.27	52	0.12	19,593	1.15	–	–
Accommodation and Catering	18,460	1.00	74	0.40	15,328	0.90	195	1.27
Transportation, storage and postal service	17,314	0.93	1,101	6.36	15,144	0.89	1,029	6.79
Mining	16,611	0.90	–	–	14,757	0.86	–	–
Electricity, heat, gas and water production and supply	14,403	0.78	88	0.61	12,835	0.75	37	0.29
Others ⁽¹⁾	78,602	4.25	851	1.08	59,240	3.47	310	0.52
Personal loans	478,631	25.89	8,498	1.78	476,692	27.90	9,086	1.91
Discounted bills	119,200	6.45	–	–	102,195	5.98	–	–
Changes in fair value through other comprehensive income	1,224	0.07	N/A	N/A	1,417	0.08	N/A	N/A
Sub-total	1,848,621	100.00	25,494	1.38	1,708,474	100.00	24,596	1.44
Interest accrued	8,495	N/A	N/A	N/A	7,766	N/A	N/A	N/A
Total loans and advances to customers	1,857,116	N/A	N/A	N/A	1,716,240	N/A	N/A	N/A

Note:

- (1) Others include various industries such as public administration and social organization; 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 2024, adopting a “prudent and solid” risk appetite and adhering to the principle of “small and diversified” credit granting, the Group was committed to serving the real economy with the vision of being a “first class commercial bank”. Following the concept of “financial services for good”, the Group invigorated customer-oriented, comprehensive and coordinated reform by focusing on scenarios, improving investment and research capabilities, strengthening the credit-guidance, optimizing the asset allocation and strengthening the customer base to safeguard 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, 2024				December 31, 2023			
	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	991,127	53.62	16,115	1.63	903,104	52.86	10,589	1.17
Midwestern China Region	367,401	19.87	3,487	0.95	333,316	19.51	4,541	1.36
Bohai Rim Region	257,185	13.91	3,137	1.22	269,494	15.78	5,505	2.04
Pearl River Delta and Economic Zone on the Western Coast of the Taiwan Straits	231,684	12.53	2,755	1.19	201,143	11.77	3,961	1.97
Changes in fair value through other comprehensive income	1,224	0.07	N/A	N/A	1,417	0.08	N/A	N/A
Subtotal	1,848,621	100.00	25,494	1.38	1,708,474	100.00	24,596	1.44
Interest accrued	8,495	N/A	N/A	N/A	7,766	N/A	N/A	N/A
Total loans and advances to customers	1,857,116	N/A	N/A	N/A	1,716,240	N/A	N/A	N/A

Based on a continuous tracking of the development trends in the macro economy and the industry, and taking into account economic characters of various regions, the Group continued to optimize the regional credit allocation to enhance the competitiveness of key regions, actively prevent regional risks and support regional development.

Management Discussion and Analysis

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

In RMB million, except percentages

Item	December 31, 2024				December 31, 2023			
	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	813,467	44.00	15,617	1.92	752,103	44.02	14,309	1.90
Pledged loans	69,066	3.74	711	1.03	61,147	3.58	320	0.52
Guaranteed loans	377,355	20.41	3,538	0.94	326,813	19.13	4,316	1.32
Unsecured loans	468,309	25.33	5,628	1.20	464,799	27.21	5,651	1.22
Discounted bills	119,200	6.45	-	-	102,195	5.98	-	-
Changes in fair value through other comprehensive income	1,224	0.07	N/A	N/A	1,417	0.08	N/A	N/A
Subtotal	1,848,621	100.00	25,494	1.38	1,708,474	100.00	24,596	1.44
Interest accrued	8,495	N/A	N/A	N/A	7,766	N/A	N/A	N/A
Total loans and advances to customers	1,857,116	N/A	N/A	N/A	1,716,240	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 RMB813.467 billion, representing an increase of RMB61.364 billion compared with that at the end of last year; the balance of non-performing loans among mortgage loans was RMB15.617 billion, with the non-performing loan ratio of 1.92%, representing an increase of 0.02 percentage point compared with that at 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	10,685	0.58
B	Real estate	5,733	0.31
C	Real estate	4,964	0.27
D	Real estate	3,976	0.22
E	Leasing and commercial services	3,840	0.21
F	Real estate	3,055	0.17
G	Manufacturing	2,979	0.16
H	Information transmission, software and information technology services	2,899	0.16
I	Financing	2,874	0.16
J	Manufacturing	2,615	0.14
Total		43,621	2.36

As at the end of the reporting period, the balance of loans to the single largest borrower of the Group was RMB10.685 billion, representing 4.10% of the Group's net capital. The total loans to our top ten single borrowers amounted to RMB43.621 billion, representing 16.75% of the net capital of the Group.

7. Overdue loans

In RMB million, except percentages

Overdue period	December 31, 2024		December 31, 2023	
	Amount	Proportion (%)	Amount	Proportion (%)
Overdue by 1 day to 90 days	12,399	0.67	8,271	0.49
Overdue by 90 days to one year	12,615	0.68	12,813	0.75
Overdue by one year to three years	7,554	0.41	5,782	0.34
Overdue by more than three years	943	0.05	920	0.05
Total	33,511	1.81	27,786	1.63

As at the end of the reporting period, the balance of overdue loans amounted to RMB33.511 billion, representing an increase of RMB5.725 billion as compared with that at the end of last year. Specifically, loans overdue by more than 90 days amounted to RMB21.112 billion, representing an increase of RMB1.597 billion as compared with that at 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 RMB12.875 billion, representing an increase of RMB5.902 billion as compared with that at the end of last year. Among them, total renegotiated loans and advances that were overdue by more than 3 months amounted to RMB1.528 billion, representing an increase of RMB1.148 billion as compared with that at the end of last year.

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

<i>In RMB million</i>	
Item	Amount
Balance at the beginning of the period	44,910
Charge for the period	25,829
Unwinding of discount on allowance for ECLs	(94)
Write-offs	(12,852)
Transfer out	(14,644)
Recoveries of loans and advances previously written off	2,389
Impact of exchange rate fluctuations	13
Balance at the end of the period⁽¹⁾	45,551

Note:

- (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.

(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 2024 of China Zheshang Bank Co., Ltd. (《浙商銀行股份有限公司2024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 12.61%, tier-one capital adequacy ratio was 9.61%, core tier-one capital adequacy ratio was 8.38%, and leverage ratio was 5.11%, all of which met regulatory requirements.

Capital adequacy ratio (the Group)

In RMB million, except percentages

Item	December 31, 2024	December 31, 2023
Net core tier-one capital	173,172	159,789
Other tier-one capital	25,364	25,312
Net tier-one capital	198,536	185,102
Tier-two capital	61,904	51,856
Net capital base	260,441	236,958
Risk-weighted assets	2,065,287	1,943,402
Among which: credit risk-weighted assets	1,924,753	1,810,583
market risk-weighted assets	22,553	22,155
operational risk-weighted assets	117,981	110,663
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 (%)	8.38	8.22
Tier-one capital adequacy ratio (%)	9.61	9.52
Capital adequacy ratio (%)	12.61	12.19

Leverage ratio (the Group)

In RMB million, except percentages

Item	December 31, 2024	December 31, 2023
Net tier-one capital	198,536	185,102
Adjusted asset balance inside and outside the balance sheet	3,885,727	3,715,031
Leverage ratio (%)	5.11	4.98

Management Discussion and Analysis

As at the end of the reporting period, capital adequacy ratio of the Company was 12.61%, tier-one capital adequacy ratio was 9.60%, core tier-one capital adequacy ratio was 8.35%, and leverage ratio was 5.02%, all of which met regulatory requirements.

Capital adequacy ratio (the Company)

Item	In RMB million, except percentages	
	December 31, 2024	December 31, 2023
Net core tier-one capital	166,402	153,990
Other tier-one capital	24,995	24,995
Net tier-one capital	191,397	178,984
Tier-two capital	59,865	50,126
Net capital base	251,262	229,111
Risk-weighted assets	1,992,742	1,878,285
Among which: credit risk-weighted assets	1,855,223	1,748,917
market risk-weighted assets	22,360	22,155
operational risk-weighted assets	115,159	107,213
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 (%)	8.35	8.20
Tier-one capital adequacy ratio (%)	9.60	9.53
Capital adequacy ratio (%)	12.61	12.20

Leverage ratio (the Company)

Item	In RMB million, except percentages	
	December 31, 2024	December 31, 2023
Net tier-one capital	191,397	178,984
Adjusted asset balance inside and outside the balance sheet	3,812,789	3,650,203
Leverage ratio (%)	5.02	4.90

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 RMB836.775 billion. For details of commitments and contingent liabilities, please see "Note IX to Financial Statements".

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 solid” risk appetite and adhering to the principle of “small and diversified” credit granting, under the guidance of the vision of being “a first-class commercial bank”, the Company is committed to serving the real economy, following the concept of finance for good, and viewing scenario as the core. We keep improving investment and research capabilities, strengthening the credit-guidance, optimizing asset allocation, and strengthening customer bases. The Company also strengthens the risk prediction, enhances the risk management of the whole process and the risk control of key areas, consolidates credit foundation management, and improves post-loan monitoring system and mechanism. We also strictly control the risk of new business and accelerate the disposal of existing risk assets to maintain stable asset quality, deepen the application of financial technology to improve the digital risk control system, create an intelligent risk control system to continuously enhance the ability of forward-looking identification and control of risks. The Company endeavors to promote the transformation of risk control logic from gatekeeping to accompanying, aiming to enhance the ability to manage, guide and control risk management, thus safeguarding the high-quality development of the Bank as a whole.

The Board of Directors takes the ultimate responsibility for comprehensive risk management; the Supervisory Committee is responsible for supervision of comprehensive risk management; and the Senior Management is responsible for implementing comprehensive risk management. The Company establishes the position of chief risk officer. The Senior Management has established special committees including the Risk Management and Internal Control Committee, Asset and Liability Management Committee, Credit Review Committee, Financial Asset Risk Classification Review Committee and Business Continuity Management Committee.

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 and information technology 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 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 Company assigns risk monitoring officers to certain departments at our head office according to comprehensive risk management needs. Risk monitoring officers help leading officers of accrediting departments organize comprehensive risk management. They are independent of such departments in making business judgment and reporting on risk issues. The Company assigns to its branches risk monitoring officers, who help presidents of such branches organize comprehensive risk management with a focus on credit risk management, strengthen the supervision and evaluation of risk management of branches and are independent of such branches and directly report to our head office. They make business judgment and report on risk issues independently.

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. 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 Supervisory Committee, the Senior Management, the Risk Management and Internal Control 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, 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 promotes customer-centered comprehensive collaborative reform, adheres to a "prudent and solid" risk appetite, insists on taking the real economy as the focus and growth point of the business of granting assets, and gives full play to the new competitive advantages of integrated synergies among the five business segments, namely, large retail, large corporations, large investment banks, large capital management and large cross-border business, and continues to push forward on the customer base, effectively applies the "CSGS", and consolidates the cornerstone of the credit business, takes the primary strategy of "deepening the development in Zhejiang", enhance the competitiveness of key regions. We insist on intelligent risk control, highlight precise credit risk identification and forward-looking prevention and resolution, strictly control new non-performing products, 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.

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. In the full 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.

Management Discussion and Analysis

The Company continuously enhances the construction of our credit system, formulates a unified credit quota management system for our corporate customers, intensifies our comprehensive management and unified control of the total credit quota amount of our corporate customers, improves standardized and normalized credit approval procedures, authorization system and position risk accountability mechanism, adjusts our 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 the Financial Administration 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, standardizes and promotes the exit of financing platforms, and promotes 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 adjusts our credit extension orientation for the real estate industry in a duly manner according to national policy and industrial operation situation. The Company 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 conducts unified credit extension management for small and micro enterprise customers, and integrates all types of credit business of small and micro enterprise customers into our unified credit extension management. The Company actively explores a professionalized operating model, continuously improves our management system and further combs out and standardizes the procedures and requirements for credit extension to gradually cultivate a featured and standard credit extension model of the Company.

The Company continuously strengthens the management of credit risks of small and micro enterprise business. In conjunction with regional and business development, it has constructed a differentiated control mechanism, optimized the operating procedures of the credit business of small and micro enterprises, improved the risk control system in the three segments of pre-credit, credit and post-credit, and made use of the big data risk control model to identify, assess and classify the risks, while strengthening the risk management requirements and enhancing the proactivity of risk control, so as to continuously improve the credit risk management and control system for the credit business of small and micro enterprises.

Management Discussion and Analysis

(3) Credit risk management for retail customers

The personal loans of the Company are mainly based on security and supplemented by guaranteed credit. The Company sets differentiated entry standards according to customer groups, integrates the financial, financing and contract performance of individual customers, and makes use of a big data risk control model to conduct quantitative and qualitative analyses to evaluate risks. Through the centralized approval mechanism at the head office, which is a combination of automated and manual approvals, the Company comprehensively, dynamically, and prudently provides or changes and adjusts the credit proposal; and through measures such as post-loan management, risk monitoring, overdue collection, and non-performing disposal, the Company manages and disposes of risks to reduce losses and lower risks.

The Company has established a full-process digital risk management system for credit card (consumer finance) business, including pre-credit access, loan monitoring and post-loan warning, implemented unified credit management for credit card (consumer finance) customers, and formulated credit operation procedures for credit card (consumer finance) business. Combined with the risk characteristics of regions, industries and customer groups, the Company has formulated differentiated and localized risk control management strategies to continuously strengthen the risk management of credit card (consumer finance) business.

(4) Credit risk management for financial institution customers

The Company includes financial institution customers in unified credit management. The Company has formulated unified management measures and relevant operating procedures for the unified line of credit of financial institution customers, improved a series of systems and procedures for the investigation, examination and approval of unified credit extension to financial institution customers.

The Company's business with financial institution customers involving customer credit risk is covered in our unified credit extension management. When conducting business, the Company will draw up the customers' credit lines in accordance with relevant 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. Market risk can be divided into interest rate risk, exchange rate risk, stock risk and commodity risk. The term “market risk” in this section refers specifically to market risk other than 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 control our market risks 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 market risk management system consists of the Board of Directors, the Supervisory Committee, Senior Management, Risk Management and Internal Control Committee, Risk Management Department, Capital Operation Center, Audit Department, other departments, as well as branches, subbranches 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 carrying out relevant systems and policies for market risk management and establishing market risk management information system, so as to ensure the Company can effectively identify, measure, monitor and control a series 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, the Supervisory Committee, 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; 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.

Management Discussion and Analysis

As at the end of the reporting period, the Company's total liquidity ratio of the local currencies and foreign currencies was 90.49%. Our liquidity coverage ratio was 333.26%, among which, high quality liquid assets amounted to RMB382.938 billion, and the net cash outflows over the next 30 days was RMB114.907 billion. The Company's net stable fund ratio was 110.31%, among which, stable fund available was RMB1,795.464 billion and stable fund required was RMB1,627.668 billion.

As at the end of the reporting period, the Group's total liquidity ratio of the local currencies and foreign currencies was 90.36%. Our liquidity coverage ratio was 322.75%, among which, the high-quality liquid assets amounted to RMB382.938 billion, and the net cash outflows over the next 30 days was RMB118.649 billion. The relevant information on the net stable fund ratio of the Group in the last two quarters was set out below:

Currency: combined of domestic and foreign currency

Date	Net stable fund ratio (%)	Stable fund available (in 100 million of RMB)	Stable fund required (in 100 million of RMB)
As at December 31, 2024	108.22	18,209.10	16,826.29
As at September 30, 2024	109.06	18,248.46	16,733.08

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 real property, 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, the Supervisory Committee, 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-defence based management framework for operational risk management under the leadership of the Board of Directors, the Supervisory Committee and Senior Management. The Board of Directors takes the ultimate responsibility for operational risk management, and the Supervisory Committee is responsible for supervision of operational risk management. The Senior Management undertakes the responsibility 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 our operational risk management are to "effectively prevent operational risks, reduce losses and enhance the ability to respond to internal and external events, so as to ensure stable business operations". The Company has established an operational risk management system which was matched with our business nature, scale and complexity to exercise a whole-process management of operational risks. The Company takes the enhancement our internal control as an effective mean for operational risk management, and develops unified procedures to identify, evaluate, monitor, measure and control/mitigate the operational risks.

Management Discussion and Analysis

During the reporting period, adhering to the operational risk management principles of “prudence, comprehensiveness, matching performance and effectiveness”, the Company adjusted its management strategies and priorities in due time according to the operating strategy and management philosophy of the Company as well as changes in external financial situations, to continuously implement the requirements of the regulatory departments on operational risk management and operational risk capital measurement; comprehensively reinforced the organizational structure of operational risk management, perfected the basic system for operational risk management and refined the hierarchy of systems for operational risk management; extended the application of tools for operational risk management to enhance our capabilities of identifying and mitigating operational risk; developed measures for outsourcing risk management to perfect outsourcing risk management system; strengthened management resource allocation and established a professional team for operational risk management; optimized the functions of information system to intensify the support from digital-intelligent empowerment; actively prevented and mitigated legal risks, and carried out legal publicity and education; strengthened professional competence of staff, deeply rooted operational risk prevention awareness in mind and launched various business training and cultural promotion activities; as well as strengthening safety and security management and implementing safety and security work at important points to eliminate potential risks hazards in a timely manner. During the reporting period, the Company’s operational risk management systems operated stably and the 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, the Supervisory Committee, 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.

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.

Management Discussion and Analysis

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, the Supervisory Committee, 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 measures and evaluates our interest rate risk of banking book mainly through repricing gap analysis, sensitivity analysis, scenario simulation analysis, stress test etc. During the reporting period, the Company paid close attention to macroeconomic environment and monetary policy adjustment, and in light of the strategic orientation and business development needs in industry, dynamically adjusted industry-wide repricing gap, optimized the asset and liability structure and proactively employed hedging instruments to manage and control interest rate risk. As at the end of the reporting period, the Company's interest rate risk in the banking book was controlled within its risk management and control objectives and the interest rate risk in the banking book 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 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 risk identification and inspection, emergency drills, joint mechanism, social supervision, accumulation of reputation capital, internal audit and interbank collaboration.

Management Discussion and Analysis

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, the Supervisory Committee, 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 attached equal importance to disseminating positive messages and public opinion management, focused on front-end research, evaluation, identification and investigation, improved internal institutional mechanisms and optimized emergency response processes. By actively conducting hidden danger identification, developing response plans, and strengthening monitoring and response, the Company has been able to constantly strengthen whole-process reputational risk management, accumulate abundant reputation capital and build a solid defense line of high-quality development. Meanwhile, the Company takes serving the overall interests as its own responsibility, and centering on "enhancing the social value of finance", the Company issued continuous reports focusing on "financial services for good", "deepening the development in Zhejiang", performance highlights and service for the "five finances", representing the call for "finance for people" has been launched, which contributed to the fact that the Company's brand image is deeply rooted in everyone's hearts.

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, the Supervisory Committee, 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.

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 the thought of Socialism with Chinese Characteristics in the new era of Xi Jinping, proactively practicing the political and people-oriented nature of the financial work, taking the vision of being "a first – class commercial bank" as the leading role, focusing on the "three first-class" target, practicing financial services for good, strengthening intelligent operation, building CZBank into a bank with strong cultural atmosphere, intensifying the development of the five-word ecosystem, namely "integrity, simplicity, professionalism, cooperation and honesty", and continuously promoting the strategy of "deepening the development in Zhejiang" guided by customer-oriented, comprehensive and coordinated reform, thereby starting a new journey of high-quality development.

Management Discussion and Analysis

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, the Supervisory Committee, 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 paid close attention to the changes in the economic and financial situation, conscientiously pursued various national policies and regulatory requirements, clarified the compliance management plan, solidly promoted the implementation of various internal control and compliance management initiatives to continuously improve its compliance risk management quality and effectiveness. The Company launched the "Year of Compliance Image Enhancement" activities on a regular basis, continuously implemented the compliance commitment system, strengthened the reporting of typical cases, and reinforced employee warning education, so as to promote the internal control and compliance requirements to be turned into convictions in our minds and reflected in our actions. It continued to improve the rules and regulations system, advance digital construction of system management, while strengthening system implementation and supervision and evaluation. With the issue-oriented approach, the Company strengthened internal supervision, inspection and problem rectification to effectively manage and control compliance risks. Adhering to technological empowerment, the Company has embedded compliance management requirements into business management system as far as possible, thereby enhancing the levels of informatization and intelligence of compliance management. Adhering to the people first principle, the Company has accelerated the establishment of the "comprehensive consumer protection" working system, thus realizing organic unification between customer protection and health and sustainable development of business.

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.

Management Discussion and Analysis

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, the Supervisory Committee, Senior Management, Chief Information Officer (CIO), Risk Management and Internal Control Committee, data governance committee, information technology management committee, business continuity management committee, cyber security leadership team, digital reform promotion and leadership 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 comprehensively formulated relevant system processes and implementation rules in accordance with the ISO20000, ISO22301, ISO27001 and ISO27701 management system and regulatory requirements; 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 advanced high-quality digital reform strategy by improving information technology governance system, strengthening elastic supply of digital infrastructure, fully releasing the value of data elements and intensifying the leading role of technological innovation; reinforced system construction for network security operation, data security governance and personal information protection, while accelerating innovation, research, application and practice of network and data security relying on the "CZBank Network Security Innovation Workshop" and "Innovation Alliance", in order to enhance the protection for technology security; continued to carry out monitoring, assessment, measurement, control and reporting of the operational risks of important information systems, in order to improve the quality and efficiency of intelligent operation and maintenance works; continued to improve the disaster preparedness system of "multiple centres in two cities" so as to expand the coverage of intra-city dual-active and off-site disaster preparedness, and enhance the tolerance for fault and availability of information systems; continued to promote emergency management, enhance the effectiveness of emergency plan and carry out long-cycle surprise drills operated in rotation and on a weekly basis, aiming to enhance the true abilities of intra-city disaster preparedness system to take over production and operate on a normal basis. During the reporting period, the system has operated stably without significant information technology risks occurring.

Management Discussion and Analysis

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》 and 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)》, in order 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 has strictly complied with the laws and regulations on anti-money laundering, seriously fulfilled its legal obligations and social responsibilities in anti-money laundering. The Company has organized self-assessment of money laundering risks and optimized anti-money laundering mechanisms; strengthened customer money laundering risk management to improve the effectiveness of customer identification; prepared monitoring reports for large and suspicious transactions and improved the suspicious transaction monitoring model; developed a new generation of anti-money laundering system and created a strengthened due diligence platform to enhance the level of digitization; built an anti-money laundering data pool and deepened anti-money laundering data governance to improve data quality; strengthened the monitoring and control of high-risk businesses and high-risk customers and provided business risk warnings to relevant departments and strengthened anti-money laundering supervision and risk identification; organized anti-money laundering publicity and training, and actively cooperated with anti-money laundering investigations and co-inspections to comply with all regulatory requirements in respect of anti-money laundering.

(VIII) BUSINESS SUMMARY

During the reporting period, the Bank was guided by the vision of being a “first-class commercial bank”, practiced financial services for good, adhered to intelligent operation, deepened the four strategic priorities, and comprehensively carried out customer-oriented collaborative reforms. By rendering wholehearted services for the real economy and promoting inclusive finance, the Bank further created and developed the new development pattern for the synergistic development of the five major business segments, namely “great retail, great corporate, great investment banking, great asset management, and great cross border”

1. Great Retail Segment

(1) Retail Business

During the reporting period, the Company adhered to intelligent management and consolidating the customer base, focused on building eight major customer bases such as the payroll agency customers, the silver-haired customers and the platform customers, and simultaneously constructed and enhanced the customer service system featuring different levels and categories; We explored cooperation on platform traffic attraction, expanded new model of scenario-based operation for new customer acquisition, and launched a platform of scenario-based customer acquisition model with co-branded debit cards as carriers; In addition, we carried out online operations, realized the value mining and enhancement of existing customer bases, effectively enhancing the online presence of the base customers. During the reporting period, the Company achieved significant results in building its retail customer base. As at the end of the reporting period, the Company had 11,665,400 individual customers¹ (including debit and credit card customers), representing an increase of 20.75% over the beginning of the year.

¹ This figure does not include online loan customers. As at the end of the reporting period, the Company had a total of 28,385,500 retail customers.

Management Discussion and Analysis

① Individual Deposits and Loans Business

During the reporting period, the Company made great efforts to expand the base of individual customers, actively broadened the sources of low-cost funds, continuously optimized the structure of individual deposits and reduced the interest payment cost of individual deposits. As at the end of the reporting period, the Company's individual deposits balance was RMB304.632 billion, representing an increase of 13.03% from the beginning of the year. The proportion of individual deposits to customer deposits has increased by 1.4 percentage points. Among which, the balance of individual current deposits was RMB64.951 billion, an increase of 24.04% from the beginning of the year, exceeding the overall growth rate of individual deposits. The interest payment level of individual deposits showed a downward trend compared to the previous year, and the deposit structure was effectively improved.

During the reporting period, our company strictly implemented real estate credit policies to support the residents' demand for rigid and improved housing, and continuously optimized business processes and approval procedures to provide efficient services to homebuyers and maintain the steady development of our mortgage business. As at the end of the reporting period, the balance of personal housing loans of our company was RMB168.136 billion, an increase of 21.97% compared to the end of the previous year. Our company has launched new products such as personal pledge loans, parking space loans, and car purchase loans based on customers' scenario-based financing needs. On the basis of the retail credit "cloud series" product system, we continued to enrich our products and continuously improve our comprehensive customer service capabilities.

As at the end of the reporting period, the balance of personal credit of the Company (including personal housing loans and personal consumer loans) amounted to RMB285.541 billion, which was stable compared with that at the beginning of the year.

② Wealth Management

During the reporting period, the Company increased the market-oriented talent acquisition, intensified investment in strategic resources such as technological resources, research resources and management resources. Adhering to financial services for good, we improved our market position, strengthened customer base collaboration services and build comprehensive financial service capabilities, proactively transforming to a wealth management buy-side service model with customer-oriented.

Our company adheres to the principle of investing in research and development first, adapts to market trends and changes in customer risk preferences, accelerates the pace of products refinement and innovation, and achieved excellent performance in agency products. Highly recommended product categories such as wealth management agency, standard bond trusts and asset management had stable returns and outstanding achievement rates. The performance of most recommended public funds exceeded the average level of their respective categories. We have launched a new agency business of US dollar wealth management services and achieved a breakthrough from zero in QDLP sales through cooperation with top global asset management institutions, fully meeting our customers' demands for global asset allocation. Relying on the Wealth Management Research Institute, we actively promote the construction of investment research infrastructure, and formed a 24/7 research empowerment matrix covering topics such as policy interpretation, industry analysis, market hotspot tracking, and asset allocation at quarterly, monthly, weekly, and daily frequencies. Digitization empowerment and 1+N investment advisory empowerment go hand in hand. The first phase of the digital wealth platform has been launched, focusing on the wealth ecosystem loop of "understanding products, markets and configurations, having scenarios, companionship and processes". It has initially built six functional modules including a diversified asset portfolio allocation system and a product research center. We established a dedicated investment advisory empowerment and companionship mechanism for 1+N sub-regions, conveying rich market analysis, product inspection, after-sales management and other information to branch offices and customers, and creating a wealth management brand with first-class influence.

Management Discussion and Analysis

The Company's wealth management agency business increased at a moderate rate. As at the end of the reporting period, the retained scale of wealth management retail distribution amounted to RMB188.37 billion, representing a year-on-year increase of 13.7%.

③ Private Banking

During the reporting period, by adhering to the philosophy of "passing of wealth and wisdom for sustainable development", the Company's private banking business provided three-dimensional financial services and featured value-added services for individuals and their family of private banking customers as well as their career development. The Company continuously promotes the construction of the six major systems including private banking customer base, products, rights and benefits, team, assessment and service. With the vision of building a first-class commercial bank, the Company has established an advanced pattern of private banking operation to create a leading digital intelligent private banking mode.

Through optimizing the management structure of the private banking business of the Company and strengthening professional training and qualification certification, the Company has created a private banking team with high quality and professional competency. We have improved the staff assessment and realized visual assessment of teams including private banking account managers, investment advisors and branch management teams with digital systems. At the same time, we have built a customer rights and benefits system of private banking "with distinctive features that is recognized by clients", based on the eight major themes of "food, clothing, housing, utilities, transportation, medical care, education, and entertainment". We have fulfilled the Company's service concept of "financial services for good" and improved the private banking service system through the 1+N financial consultant modes to empower financial service. Meanwhile, we have built a multi-strategy and full range of private banking products, including cash management, fixed income, equity and non-standard products, based on the clients' diversified needs of asset allocation in order to enhance the experience of private banking clients. Through the construction of six systems, namely customer base, products, rights and benefits, team, assessment and service, we have built an influential private banking brand for CZBank.

As at the end of the reporting period, the Company had 14,533 private banking customers, representing an increase of 19.2% as compared to the beginning of the year; the financial asset balance of the private banking customers amounted to RMB205 billion, representing an increase of 11.9% as compared to the beginning of the year.

④ Credit Card (Consumer Finance) Business

During the reporting period, the Company proactively responded to the national policy of consumption stimulation to innovate products and services by focusing on the diversified financial needs of daily consumption scenarios of "clothing, food, housing, transportation and entertainment", constantly innovated products, optimized service mode and intensified the layout for automobile consumption scenarios and accelerated the brand development of "small and smart" credit card of CZBank.

Management Discussion and Analysis

We continue to enrich the credit card products by issuing red salary cards (紅薪卡), Zhongran co-branded cards (中燃聯名卡), Tencent Dungeon and Warrior co-branded cards (騰訊地下城與勇士), Tuhu co-branded cards (途虎聯名卡), Yangtze River Delta themed cards (長三角主題卡), etc., and set differentiated exclusive rights for different customer bases to enhance service adaptability. We also deepened the “Red Monday” (紅動) series of brand activities, and carried out a series of discount promotion activities such as 1-cent coffee and bubble tea special offer, enjoy discount for travel, spend-and-save discount, installment-based discount, and interest-free installments through mainstream payment channels such as WeChat and Alipay to enrich customer card privileges; In addition, we strengthened cooperation with UnionPay, carried out cashback promotions for cross-border consumption with credit cards and offer spend-and-save discounts to expand the overseas consumption sector. Focusing on the full lifecycle of credit card customers, we have implemented Standard Operating Procedures (SOPs) for key customer journey stages, such as activation promotion, card binding promotion, and activity promotion, to enhance customer management effectiveness. We grasped the development trend of the new energy vehicle industry and vigorously promoted the installment purchase business to support the steady growth of automobile consumption.

As at the end of the reporting period, the Company had issued a total of 4,423.5 thousand credit cards, representing an increase of 195.1 thousand credit cards from the beginning of the year; balance of credit card (consumer finance) loans amounted to RMB33.377 billion, representing an increase of RMB2.842 billion from the beginning of the year.

(2) Small Enterprises Business

During the reporting period, the Company has deeply practiced the concept of “financial services for good”, continuously increased support for the inclusive finance field, bravely acted as a pioneer and practitioner in the inclusive finance field, continuously innovated inclusive finance products and services, improved the coverage, accessibility, and satisfaction of inclusive finance services, and fully supported the healthy and sustainable development of small and micro enterprises.

As at the end of the reporting period, all domestic branches of the Company have launched small and micro enterprise loan services, with balance of inclusive small and micro enterprise loans¹ of RMB355.425 billion, representing an increase of RMB35.298 billion or 11.03% from the beginning of the year. Interest rates for newly issued inclusive small and micro enterprise loans fell by 73 BPs year-on-year with 1.32% non-performing ratio of inclusive small and micro enterprise loans.

Adhere to the concept of “financial services for good” and consolidate the customer base. The Company has deeply practiced the concept of “financial services for good”, promoted comprehensive and collaborative reforms with customer-oriented, in order to transform from “hunting style operation” to “farming style companionship”, formed a joint force to provide comprehensive services to customers. The customer base has been consolidated, and customer stickiness has significantly increased. In 2024, the number of inclusive small and micro enterprise loan customers continued to grow, reaching 152,700 as at the end of the reporting period, an increase of 12,900 from the beginning of the year. Meanwhile, all important indicators such as credit loans and agriculture-related loans have met the regulatory targets.

¹ 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

Carry out intelligent operation and comprehensively promote scenario based digital transformation. Firstly, vigorously expand financial services of differentiated scenarios. Focusing on general financial scenarios such as “government cooperation, supply chain, small and micro industrial parks, and equipment renewal,” the Company penetrated various target industries and integrated into the production and operation scenarios and links of target customer groups, providing differentiated and customized financing solutions to meet the diverse financial service needs of customers. Secondly, established a benchmark for comprehensive financial services in small and micro industrial parks. The Company fully leveraged its advantages in the financial service scenario of small and micro industrial parks, promoted a full lifecycle product series such as mortgage loans, rental loans, replacement loans, equipment loans, payroll loans, and auction loans for small and micro park customers, and enhanced the application of various financial service products. As at the end of the reporting period, the Company has developed 2,542 park projects, the balance of mortgage loans to small and micro industrial parks and industrial real estate amounted to RMB89.521 billion, representing an increase of RMB22.204 billion from the beginning of the year. Thirdly, build the “CZBank Digital Inclusive” brand. On the basis of the framework for the “1+1+N” integrated digital product and service system digital easy loan (數易貸), digital technology loan (數科貸), and digital cooperation projects (數字化合作專案), the Company built the “good digital loan”(善數貸) product system. It has established a digital intelligent marketing system, created a new channel for mass customer acquisition and constructed digital marketing scenarios, in order to build the “CZBank Digital Inclusive” brand.

Leverage the regional advantages and deeply implement the “deepening Zhejiang development” strategy. Firstly, accelerate the promotion of intra-county comprehensive financial ecological construction. The Company prioritized the replication of the Jinfubao-small and micro (金服寶•小微) experience from Linping in Zhejiang Province. The financial advisory team delved into local small and micro market entities, adopting a service model of “one visit, regular follow-up, and long-term service”. After thorough research, we actively innovated and designed financial products and services tailored to the needs of local small and micro market entities. As at the end of the reporting period, the Company has launched 66 customized products such as common prosperity loans for Longyou pigs (龍遊生豬), Jiangshan intelligent manufacturing (江山智造) and Sanmen green crab (三門青蟹) in Zhejiang Province. “CZBank’s Common Prosperity Loan” (浙銀共富貸) products had balance of RMB13.713 billion, representing an increase of RMB2,375 million from the beginning of the year, and served 8,098 customers, representing an increase of 1,572 customers from the beginning of the year. Secondly, continue to deepen cooperation between banks and governments. Through strengthening cooperation with the Zhejiang Provincial Market Supervision Administration and the Provincial Individual Workers Association, the Company released the “Zhe gehao • digital easy loan” (浙個好•數易貸) to provide special credit financing services for branded homestays, intangible cultural heritage individual businesses, etc. It deepened the promotion of industrial upgrading cooperation led by government and applied digital technology loan (數科貸) to supply chain finance scenarios such as Taizhou numerical control machine tool industry brain and Ningbo intelligent home appliance industry brain.

Management Discussion and Analysis

2. Great Corporate Segment

Corporate business

Anchoring the vision of becoming a “first-class commercial bank” and adhering to the concept of financial services for good, the Company has deeply implemented the four strategic priorities, consolidated the foundation, strengthened management, and forged features, promoted the comprehensive and synergetic reform with customer-oriented. We made every effort to promote the high-quality development of the business sectors of great companies, continued to serve key customers, focused on main businesses, and intensified development in key regions, continuously improving our ability to serve the real economy.

Customer-oriented, promoting dual-growth in customer base and scale. Being customer-oriented, the Company has established a tiered and categorized service mechanism for corporate clients. Focusing on the four elements of “customer + product + scenario + market”, we have created a scenario-based marketing service model. This model matches differentiated service plans and resource allocation to effectively meet customer needs. Through a variety of measures, we have achieved growth in customer base and scale. As at the end of the reporting period, the Company had served over 260,000 clients, representing an increase of 14.92% compared to the beginning of the year. The balance of RMB-dominated corporate assets on-balance sheet amounted to RMB1,015.845 billion, an increase of RMB75.6 billion or 8.04% compared to the beginning of the year.

Serve real customer base and assist in the transformation and development of the manufacturing industry. The company is committed to serving the real economy, strengthening policy support, and driving product innovation. We have intensified our series of explorations on CSGS evaluation system, which aims to provide effective financial support for the transformation and development of manufacturing enterprises. In 2024, manufacturing loans maintained steady growth. As at the end of the reporting period, the balance of the Bank’s manufacturing loans amounted to RMB273.221 billion, an increase of RMB33.31 billion from the beginning of the year.

Serve the construction of Zhejiang base camp and ensure financial support in the province. The Company is steadily advancing the strategy of “Intensified Development in Zhejiang”, continuously strengthening cooperation of government-bank and bank-enterprise. By leveraging financial advisors as a bond to enhance service capabilities, we are facilitating the implementation of major projects and providing precise support for high-quality development in Zhejiang Province. As at the end of the reporting period, the Company served 1,432 customers in the list of four major projects in Zhejiang Province, including provincial key construction, major manufacturing industry, “thousand projects, trillion investment” (千項萬億) and “hundred billion scale technological upgrade” (千億技改), with a financing balance of RMB92.1 billion.

Management Discussion and Analysis

Continuously upgrade supply chain finance digitalization to create differentiated service advantages. The Company continues to upgrade its supply chain digital intelligence of finance service by integrating supply chain finance services into the entire production and transaction landscape of the industrial chain, fully utilizing its professional capabilities and digital means, and creating a “whole chain, full landscape, all products” supply chain financial service solution through the four major innovations of process restructuring, credit innovation, technological empowerment, and service leapfrogging. At present, the Company has formed characteristic and differentiated supply chain finance solutions in power, energy, new energy vehicle, modern communications, aerospace and electronic information, etc. As at the end of the reporting period, the Company has served over 3,500 digital supply chain projects, with cumulative financing exceeding RMB700 billion. It has served over 70,000 upstream and downstream customers, of which 75% are small and micro enterprises under inclusive finance.

Focus on developing new quality productive forces, deliver an outstanding performance on “technology finance”. The company has positioned the development of technology finance as an important strategy for the bank. We have strengthened supporting policies and resource allocation to continuously increase support for key areas of technology finance. We have iterated and upgraded the system for technology finance, innovated mechanisms such as sci-tech innovation bonus point loan and talent bank scoring cards, enhancing service quality and efficiency. As at the end of the reporting period, we have served 30,712 technology enterprises, with a financing balance of RMB367.4 billion, and served 3,925 high-level talents, with a financing balance of RMB34.5 billion.

3. Great Investment Banking Segment

(1) Investment banking business

The investment banking business adhered to its essential principle of serving the real economy. With two strategic focuses of financial services for good and intelligent operation, it focused on differentiated operation and deep cultivation of the industry to consolidate the product base and stimulate the revenue potential of traditional investment banking. Leveraging on the four major industry centers and adhering to the customer-oriented philosophy, it further promoted the transformation and development of industrial investment banking, with positive results achieved for the high-quality development of investment banking.

During the reporting period, the Company used its investment banking products to serve 1,332 clients, including central state-owned enterprises and private enterprises, representing an increase of 7.6% over the same period last year. The investment banking realized FPA of RMB572.7 billion, representing an increase of 5.1% over the same period last year, including bond underwriting of RMB177.7 billion; contribution from the credit enhancement business of RMB5.6 billion, maintaining the first place in the market; as the first bank in the market to promote resale business in a systematic manner, the Company launched resale business of RMB145.86 billion, with a participating share of RMB20.05 billion, outperforming its peers in the market; credit assets turnover of RMB14 billion; and, in terms of asset building, major assets placement of RMB67 billion.

Management Discussion and Analysis

Focusing on the “1233” strategy of value assets to comprehensively deepen the transformation and development of investment banking. Firstly, we have promoted the three major transformations to achieve matrix innovation. We focused on value assets, built transaction scenarios, mainly provided trade matchmaking and M&A financing services to buyers and sellers, and became “the catcher of business opportunities, the provider of solutions and the integrator of ecosystem resources”. We shifted from the simple product application to the customer-oriented comprehensive financial services of stock, debt, credit and matchmaking, leveraged on the functional differences of the market tools to solve key-point problems of customers and overcome the “low price” bottleneck of serving quality customers, and increased benefits with comprehensive professional services. Secondly, we sought breakthrough with four directions and achieved initial results in terms of customer access and development.

The charity trust opens the entrepreneur’s independent and perceptive charity model innovation. We proactively visited trust companies, law firms and other professional institutions with extensive practical experience in the field of charitable trust, expanded the charitable financial ecosystem, and empowered enterprises to do good deeds. Charitable trust has gradually shown its mettle in the charity sector, which has effectively promoted two important forces of finance and entrepreneurs to achieve the two-way running for common prosperity.

(2) Financial market business

During the reporting period, domestic and international markets were significantly driven by macroeconomic events, with asset price trends exceeding market expectations and experiencing multiple sharp fluctuations in the short term. The Company has effectively responded to the new situations and circumstances by continuously improving its trading capabilities, and steadily advancing the construction of investment and research capabilities. During the reporting period, the bank actively improved its service efficiency for the real economy and enhanced its customer service capabilities in financial market businesses. We have continued to strictly implement various risk management measures for financial market businesses to ensure the stable development of our business.

In the local currency market, during the reporting period, the Company actively fulfilled its market-making responsibilities by providing high-quality quotes and customer services for various products. The Company has maintained a high level of activity in several niche areas, including credit bond repurchase and sale, and interest rate derivatives. We have innovatively integrated bond market-making with digitalization, steadily enhancing our market position. Our company is one of the first 10 pilot banks authorized to conduct counter bond business for financial institutions. In 2024, we intensified investments in national and local bonds, providing strong support for high-quality economic development. During the report period, the Company accumulatively underwrote local bonds in Zhejiang of RMB40.34 billion, ranking first in the province. During the report period, the Company had outstanding influence in the inter-bank local currency market and won awards such as “Market Influential Institution of the Year among Interbank Local Currency Market Members” (銀行間本幣市場成員年度市場影響力機構), “Market Innovation Business Institution among the Inter-Bank Local Currency Market Members” (銀行間本幣市場成員市場創新業務機構) and “The Most Popular Credit Bonds Market-Maker in the Inter-Bank Market”(銀行間最受市場歡迎的信用債做市商) from China Foreign Exchange Trading System (中國外匯交易中心).

Management Discussion and Analysis

In the foreign currency market, the Company insists on providing competitive quotations to the market, enhancing its capability in serving the real economy and helping customers improve their exchange rate risk management level. During the reporting period, the Bank became one of the first seven joint-stock banks obtained the trading qualification in the FTZ (Free Trade Zone) from CFETS (China Foreign Exchange Trade System), and won a number of important institutional awards, including the “Member Award for Excellent Service Enterprise Exchange Rate Risk Management” (優秀服務企業匯率風險管理會員獎), “Excellent Foreign Currency Exchange Offering Quotation Bank” (優秀外幣拆借報價行), “Excellent Foreign Currency Exchange Offering Member” (優秀外幣拆借會員), Excellent Foreign Currency Repurchase Member”(優秀外幣回購會員) and “Excellent Post-Trade Service Support Organization” (優秀交易後服務支援機構).

In respect of precious metals business, the Company's market-making operations maintains an industry-leading position. During the reporting period, the Company ranked first in gold inquiry-based market-making attempts in the interbank market, first in silver proprietary trading among bank institutions at the Shanghai Gold Exchange, and second in the overall ranking for silver futures market-making at the Shanghai Futures Exchange.

In respect of digitalization, during the reporting period, the Company continued to deepen its digitalization capability construction, with remarkable effect in supporting investment, trading, research, sales and risk management, and significant progress has been made in the digitalization of FICC operations.

(3) Financial institution business

The Company actively leverages the “goodness” and “intelligence” in our genes to enhance customer services, thoroughly implements the strategic concepts of financial services for good and intelligent operation, accelerates the synergistic reform with customer-oriented, and enriches the service scenarios of synergistic cooperation for peer customer groups, transforms from traditional financial product cooperation to integrated services with customer-oriented. We will accompany our customers to achieve high-quality development together.

Solidly promote interbank asset-liability business. The Bank enhances market research and judgment and improves its investment research capabilities in respect of standardized asset investment, to effectively serve the Bank's high-quality clients in real economy enterprises; Meanwhile, it has accelerated the band construction of “Common Benefit” (同有益) and upgraded the financial alliance of “Common Benefit” to provide one-stop integrated services to financial institution clients, with cumulative transaction volume exceeding RMB800 billion on the platform as at the end of reporting period. During the reporting period, the Bank was awarded the “2024 Pioneering Contribution Institution (Collateral Business)” (2024 年度“擔保品業務卓越先鋒機構”) by China Securities Depository and Clearing Corporation Limited. The client base of interbank liabilities continues to expand, and the interest payment rates have been reduced effectively. In 2024, the interest payment rate for RMB interbank liabilities decreased by 19 basis points year-on-year.

Carry out the issuance of financial bonds for our bank. During the reporting period, the Bank successfully issued RMB40 billion of small and micro financial bonds, RMB13 billion of ordinary financial bonds and RMB10 billion of tier 2 capital bonds, and actively explored the use of low-cost, long-term capital to better serve the real economy. During the reporting period, the Bank was awarded the “2024 Outstanding Financial Debts Issuing Institution” (優秀金融債發行機構) by China Securities Depository and Clearing Corporation Limited.

Management Discussion and Analysis

(4) Bill business

Against the backdrop of adjustments to the capital management rules and narrowing net interest margins, the bill-related business line has fully practiced the concepts of financial services for good and intelligent operation to serve the high-quality development of real economy.

In 2024, the Bank's total discount volume exceeded RMB500 billion, a year-on-year growth of 49%; of which, the discount volume of commercial bill exceeded RMB300 billion for the first time and ranked second in the whole market.

In 2024, the Bank was successfully approved to connect to the supply chain bill platform of the Shanghai Commercial Paper Exchange and became the first legal person bank in Zhejiang Province to access the supply chain bill platform, further enhancing its capabilities to serve the real economy through bill services. We upgraded and launched the Intelligent Bill Steward (票據智管家), which was selected as an annual innovative case of bill business by the Payment and Clearing Association. We optimized the customer interface with new features, and promoted comprehensive management of enterprise bills to improve customer experience. In 2024, the Bank provided various types of bill services to 23,800 enterprise customers, representing a year-on-year increase of 40%.

In 2024, the Bank proactively strengthen communication and exchange with regulatory authorities, Shanghai Commercial Paper Exchange, banking associations, and inter banks. The measures to prevent fraud and money laundering risks in commercial bill business have been recognized by the head office of the People's Bank of China and commended by the Zhejiang branch of the People's Bank of China. To enhance industry voice, we collaborated with the Shanghai Commercial Paper to hold two live streaming events called "CZBank Bill e-Hour" (浙銀票據 e 小時), with nearly 100,000 viewers and over 600,000 likes, sparking widespread discussion and praise from all sectors; The related work results of "CZBank Bill" have been reported by mainstream media such as Xinhua user interface and CCTV website. In the 2024 evaluation results of Shanghai Commercial Paper Exchange, the Bank won five awards, including "Outstanding Acceptance Institution" (優秀承兌機構), "Outstanding Discounting Organization" (優秀貼現機構), "Outstanding Settlement Institution" (優秀結算機構), "Outstanding Discounting Participating Organization" (優秀貼現通參與機構), and "Outstanding Commercial Bill Information Disclosure Service Organization" (優秀商票信息披露服務機構).

(5) Asset custodian business

During the reporting period, the Company's asset custody business operated well, with key indicators continuing to outperform the overall market trend.

As of the end of the reporting period, the balance of assets scale under custody of the Company amounted to RMB2.51 trillion, representing an increase of 11.73% over the beginning of the year. In 2024, the Company realized an asset custody income of RMB637 million, representing a year-on-year increase of 7.24%, ranking the second among all joint-stock banks in terms of the increase rate. With efficient synergies between business lines, the Bank's custody business continued to strengthen the use of scenario-based finance and constantly made breakthroughs in key products. During the reporting period, the scale of public fund custody continued to rise, with the scale of public fund custody exceeding the RMB500 billion mark. As at the end of the reporting period, the balance of the scale reached RMB523.768 billion, representing an increase of 20.63% over the beginning of the year, and the scale of public fund custody accounted for more than 20% of the Company's custody scale, ranked first among the nationwide banks in terms of the proportion.

At the same time, the Company has actively practiced digitization and significantly improved the efficiency of its custody operations. In accordance with the principles of "controllable risks, fewest links, highest efficiency and outstanding service", the Company has optimized the implementation plan to form a standardized operation process and enhance the operation efficiency, providing efficient and high-quality custody services to custodian customers. By optimizing and upgrading the custodian business system, reducing manual operations and strengthening the rigid control of the system, we have comprehensively reduced operational risks and ensured "zero" occurrences of risk events.

Management Discussion and Analysis

4. Great Asset Management Segment

During the reporting period, the Company actively established CZB Wealth Management Co. Ltd., continued to strengthen its investment and research capabilities, enrich product system, improve risk management and reinforce the financial technology support, building a brand of asset management business with “professional management, customer first, differentiated competition and efficiency in priority”.

In 2024, the Company's asset management brand was widely recognized by the society. The Company was honored with the “Golden Hazelnut Award – Outstanding Social Responsibility” (卓越社會責任金榛子獎) of 2024 CLS for asset management, and was selected as the “Outstanding Wealth Management Bank for Cash Management” by China Fund News. Yongxin Tianli Anxiang Series 23 (涌薪添利安享 23 號) RMB wealth management product won the “Golden Bull Award for Bank Wealth Management Products” (銀行理財產品金牛獎) from China Securities Journal. Mingquan Wenjian Tongxiang No. 6 (180-day Reinvestment) (鳴泉穩健同享 6 號 (180 天續投)) RMB wealth management product received the “Golden Honor Award – Outstanding Innovative Bank Wealth Management Product” (“金譽獎”優秀創新銀行理財產品) in the 2024 Puyi Standard. Xinze Wenjian Tongxiang No. 3 (Minimum Holding Period of 360 Days) (昕澤穩健同享 3 號 (最短持有 360 天)) RMB wealth management product won the “Golden Hazelnut Award for Best Fixed Income Return”(固收最佳回報金榛子獎) in the 2024 CLS asset management selection. Juxin Win B-180-day Type No. 1 (聚鑫贏 B-180 天型 1 號) RMB wealth management product was selected as the “Outstanding Fixed Income Wealth Management Product”(優秀固收類理財產品) by China Fund News.

The Company continued to improve the net-value product system, and continuously enriched the series of wealth management products such as “Shengxin Win” (升鑫贏), “Juxin Win” (聚鑫贏), “Yongxin” (涌薪), “Yongying” (涌盈), “Xinze” (昕澤), “Mingquan” (鳴泉), “Yongyi” (涌益) covering cash management, fixed income, “Fixed Income Plus” and hybrid products.

As at the end of the reporting period, the balance of the Company's wealth management products amounted to RMB144.574 billion, of which 92.92% and 7.08% were funds of individual and institutional clients respectively; the net-value ratio was 100%. During the reporting period, the Company issued a total of RMB231.527 billion of wealth management products and realized income from asset management services fee of RMB518 million.

Management Discussion and Analysis

5. Great Cross-border Segment

In response to the national “The Belt and Road” initiative, the Company has deeply participated in international economic, trade and industrial cooperation. Relying on the two platforms of Hong Kong Branch and sub-accounting unit in free trade zone (FTU), we have been innovating integrated, customized and full-life-cycle cross-border financial services, giving full play to the advantages of digital intelligence and empowerment, and building an integrated network of digitalized and convenient cross-border financial services. The Company has also steadily promoted differentiated and distinctive internationalized operation and global layout of business, actively supported enterprises to go overseas and deeply participate in international economic, trade and industrial cooperation, and formally released the “Belt and Road” Full Lifecycle Financial Services Manual during the Global Industry Cooperation Conference to create a full lifecycle financial service brand for the “Belt and Road” initiative.

The Company is firmly committed to promote high-level financial opening up and providing comprehensive cross-border financial services integrating cross-border settlement, liquidity support, cross-border investment and financing, and exchange rate management to enterprises by strengthening financial support in local and foreign currencies, domestic and foreign trade, and domestic and international integration, maintaining rapid growth in its international business services scale, and continuously enhancing its social influence and competitiveness in the industry. As at the end of the reporting period, the balance of assets under the Company’s international business amounted to RMB182 billion, representing an increase of 28% over the beginning of the year. During the reporting period, the Company provided foreign exchange trading services to clients worth over US\$180 billion.

The Company has accelerated the acquisition of business qualifications and foreign exchange market investment and research to enhance its internationalized service capability. During the reporting period, the Company was approved as the first legal person bank in Zhejiang Province with direct participation in the Central Bank’s CIPS program, which further facilitated the receipt and payment of cross-border RMB funds. It was approved as a pilot program for the State Administration of Foreign Exchange (SAFE) to carry out foreign exchange operations, which enhanced the customer services quality of foreign exchange. The Company has accelerated the development of professional online columns such as “Market Watch” (匯眼觀市) and “CZBank Global Watch” (浙銀環球觀察) to enhance the cooperation with enterprises and the service quality. During the reporting period, the Bank was awarded the “2024 Cross-border Financial Service Bank Tianji Award” by Securities Times, a mainstream financial media organized by People’s Daily, the “Best Cross-border Financial Bank” in the “Golden Rudder Award” (金舵獎) by China Cross-border Financial Benchmarking Enterprises, the ‘Most Reliable Financial Service Provider for China’s Economic and Trade Enterprises’ (Economic and Trade Award), and the honorary title of “Best International Business Bank”.

Management Discussion and Analysis

(IX) FINANCIAL TECHNOLOGY

During the reporting period, guided by the vision of “being a first-class commercial bank”, the Company was customer-oriented, took digitalization as the main line and scenarios as the core, focused on strategic priorities, promoting the in-depth integration and innovation of business model, digital technology and data elements. We continuously strengthened the base of technology, built up the safety and production defenses, steadily improved the standard of digital management, deepened the expansion of digital financial service ecosystem, and continued to polish the golden name card of “Digital and Intelligent CZBank”. We have received more than 20 honors and awards, such as the Technology Development Award of People’s Bank of China and the Demonstration Institutions of Financial Network Security Capability Maturity Rating.

1. Focusing on Digital and Intelligent Driving, Basic Technological Capabilities Continue to Improve

The Company has fully utilized its ability to drive digital and technological innovations, and has made great efforts to build a new future-oriented digital infrastructure and IT architecture base to enhance the level of technological support and empowerment. Firstly, we accelerate the project of “replacing core system to consolidate our foundation”, take the opportunity of coordinating the new-generation of core system, comprehensively upgrade the architecture of decentralized, container cloud, mobile development and other technology platforms, deploy advanced and efficient algorithmic system, continue to improve the construction of basic applications and public service capacity, improve the middle office for reusable capabilities such as iteration and upgrading of the message center and the product center, and strengthened the export of OpenAPI services, with a cumulative 4.12 billion transactions. Secondly, we have established the data management department to coordinate the Bank’s data governance work, continue to improve the data governance system, and construct and publish a unified basic data standard for the Bank. It has improved the theme markets for finance, customers and supervision, established a data asset system covering product catalogues, customer labels and indicators, etc., and built a unified, comprehensive and efficient data service platform for the Bank to realize unified enquiry of the Bank’s data and assets. The platform has served more than 170 systems, with an average daily service volume of more than 3.5 million times. Thirdly, we have established the Financial Technology Research Institute to carry out research and application of new technologies such as big model, digital person, quantum technology, etc., to promote the construction of big model general products, and to integrate the capabilities of intelligent Q&A and official document writing. We have formally announced the “Digital and Intelligent Experience Officer” - digital person “Zhiying” (智盈), which has been applied online in exhibition halls, the operation and management cockpit and other scenes, gradually creating a new pattern of business development empowered by new technology.

2. Deeply Cultivate Digital Finance, Comprehensively Upgrade Intelligent Management Services

We have continued to build a more efficient, intelligent and precise operation and management system, stimulating the innovative energy of intelligent operation and empowering operation and management to improve quality and efficiency. Firstly, the Company has continued to improve its digital marketing and operation system, established a customer labelling system and panoramic view, and enhanced the platform for business development such as big data marketing, in order to promote the realization of more accurate customer management, full coverage of business marketing scenarios, and product highlights in one-palm. The Company has steadily promoted the intelligent transformation of its counters and outlets, released Mobile Banking 6.0 with a new look focused on the concepts of “Intelligent, Beneficial, Good and Specialized”, and implemented video customer service in more than 60 business scenarios such as double-recording at counters and remote double-recording, vigorously enhancing the customer experience and satisfaction of the entire pipeline. Secondly, focusing on the key areas and high-frequency scenarios in the “five finances”, the Bank has made every effort to promote the transformation of business process digitization and innovation of service mode, and launched special products and services such as sci-tech innovation bonus point loan, digital technology loan, trading treasure and provident fund, etc., to accurately meet the needs of various customer segments for differentiated financial services, and to expand and strengthen the Bank’s longstanding strengths in supply-chain finance and inclusive finance. Thirdly, the Bank has optimized and expanded the digital financial service ecosystem, deepened the cooperation and connection with government departments and key enterprises on digital platforms, promoted the integration and co-creation of diversified scenarios, and replicate and promote iconic applications such as Jinfubao-small and micro (金服寶•小微), the intelligent park platform, and the digital charity platform in various places, assisting in the innovation and quality improvement of the digital economy.

Management Discussion and Analysis

3. Build a Strong Safety Foundation, Ensure a Stable and Positive Trend in Production and Operation

We have steadily enhanced our technological infrastructure protection capabilities in production, operation and maintenance, network security, and data security to deepen and improve the level of safety production, safeguarding high-quality development of the Bank. Firstly, we have accelerated the construction of the integrated intelligent operation and maintenance system, enhanced the five capabilities of “monitoring, management, control, recovery and prevention”, driving the transformation from technical operation and maintenance to business operation and maintenance. The data center digital map (Tern System) has been selected as a typical case of network security technology application by the Ministry of Industry and Information Technology. Secondly, the company has improved the intra-city disaster preparedness system, completed the dual-active implementation of more than 200 application system components, launched a one-week rotation drill of disaster preparedness for important information systems, and steadily enhanced the ability of intra-city real disaster recovery operation in the long term and normalized rotation operation. Thirdly, the company has continuously improved the network security, data security and application security protection system, iterated and upgraded the security structure of “one foundation and five platforms”, and innovatively realized the new security digital intelligent operation of “four-whole and three-quick” (whole chain, whole-assets, whole-awareness, whole-processes, and quick warning, quick response and quick disposal). It won the Second Price of 2023 Financial Technology Development Award by People’s Bank of China and other authoritative awards, and successfully completed the network security tasks during the import security period of the Financial Supervisory Authority, with “zero loss and zero accident”.

(X) E-FINANCE SERVICES

During the reporting period, the Company has formed a complete E-finance service system consisting of online banking, mobile banking, remote banking, WeChat banking, online settlement and platform finance. The replacement rate of transactions via electronic channels reached 99.91%, taking a leading position in the industry. During the reporting period, the Company vigorously promoted the construction of E-finance channels, strengthened the building of customer experience and improved risk control measures, resulting in steady growth of channel customers, continuous improvement in the quality and efficiency of business scale and sustained enhancement of channel service capability.

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 1.755 million customers with personal online banking certificates, representing an increase of 2.38% over the beginning of the year. During the reporting period, the Bank conducted 548.5828 million transactions totaling RMB435.75 billion via personal online banking.

During the reporting period, the Company has launched the corporate online banking “English Version 2.0” in respond to customers’ pain points, breakpoints, and blockages; comprehensively optimized core and commonly used functions of corporate online banking such as payroll agency and transfer services through the enhancement of browser compatibility for corporate online banking; and continued to simplify the operation of frequently used functions to further reduce customer operations and enhance customer experience. As of the end of the reporting period, the Company had 290.4 thousand customers with corporate online banking certificates, representing an increase of 16.85% over the beginning of the year. During the reporting period, the Bank conducted 125.3918 million transactions totaling RMB12,542.143 billion via corporate online banking.

Management Discussion and Analysis

Mobile banking

During the reporting period, the Company has launched version 6.0 of personal mobile banking, actively practiced the concept of “financial services for good” by launching the columns of “Good Deeds by CZBank” (浙銀善行) and “Love Donation”, upgraded the “Senior Version” for elderly customers, set up special zones for “payroll agency” and “branch features”, providing specialized financial services. Besides, the Company has optimized functions such as registration and login, transfer and remittance, wealth management and account details to continuously enhance customer experience. As at the end of the reporting period, the Company had 7,226,800 personal mobile banking customers, representing an increase of 18.83% as compared to the beginning of the year. During the reporting period, the Company conducted 129,726,900 transactions totaling RMB1,019.332 billion via mobile banking.

Remote banking

The Company adheres to the service philosophy of “customer-oriented, beyond expectation”. By applying multi-channel service platform, big data and intelligent technology, and leveraging on intelligent voice devices, intelligent online robot, manual telephone service, manual online service, WeChat, email and other means, the Company has provided customers with rapid, comprehensive and professional high-quality services. Focusing on the three core functions, namely “intelligent service”, “digital-intelligent operation”, “intelligent management”, the Company is committed to establishing a comprehensive, digital and value oriented remote banking as a 7*24 comprehensive one-stop service platform.

During the reporting period, the Bank received 3,832.5 thousand customer inquiries, with 16.41% increase year on year and an overall connection rate of 96.93%. In particular, it received 2,481.1 thousand calls, with manual telephone connection rate of 92.51% and customer satisfaction rate of 99.81%; served online text customers for 1,351.4 thousand times, with intelligent text connection rate of 99.76%. The Bank set up a green channel to provide services for elderly customers and continuously reinforce the provision of more convenient and heart-warming services for elderly customers. During the reporting period, the Bank provided services for aged customers for 47.2 thousand times, with 134.61% increase year-on-year, and effectively fulfilled its social responsibilities.

The Company has been enhancing the establishment of a layered customer management system featuring a combination of “manual + intelligent” and “online + offline” through diversified remote business channels such as SMS, intelligent AI outbound calls, and manual outbound calls. During the reporting period, the Bank reached customers for 6,611.3 thousand times by remote outbound calls, representing a year-on-year increase of 73.37%, continuously empowering our business and supporting the business expansion of the Bank.

Bank-enterprise direct connection and inter-bank cash management

During the reporting period, the Company took “technology finance + professional services” as the core, and adhered to the principles of digital intelligence empowerment, integration of business and finance, and open interconnection, continuously enhanced the functions of bank-enterprise direct connection and financial assets management services, building a comprehensive solution for enterprise treasury management. As at the end of the reporting period, we had 2,005 customers of bank-enterprise direct connection. During the reporting period, our customers handled 8,468.7 thousand transfers via bank-enterprise direct connection, with a total transfer amount of RMB3,505.135 billion.

Management Discussion and Analysis

WeChat banking

During the reporting period, the Company was committed to developing WeChat banking into an important platform for the introduction of new financial services and brand marketing. Our WeChat banking consists of CZBank's WeChat official account and WeChat official mini program of CZBank's cloud branch. CZBank's WeChat official account offers functions including credit cards and personal, small and micro enterprises and corporate, and recruitment and services. WeChat official mini program of CZBank's cloud branch offers functions including outlet appointment, personal loans and featured activities.

Online settlement business

During the reporting period, the Company proactively explored business innovation, developed well established system of scenario-based service on payment and settlement, and strengthened its five major capabilities, namely "collection, payment, management, distribution and control", during which process the Company accumulated solutions for sixteen scenarios in six industries. In addition, guided by the demands of government authorities and real enterprises and public institutions, the Company strengthened the support and application promotion of online settlement services, and realized innovative application expansion of multiple scenarios such as supply chain finance, e-government and school bill payment, having a brand effect through the acquisition of a group of central state-owned enterprises.

(XI) BUSINESS OF OVERSEAS BRANCH

The Company's Hong Kong Branch was established in 2018 and is the first branch of the Company established overseas. Hong Kong Branch has persisted in implementing the Bank's development strategy, given full play to the strategic synergy, proactively seized the opportunities arising from cross border business, strategically developed customer base of the head office and branches, and fully enhanced its comprehensive cross-border financial services capabilities. Through these efforts, various business segments of the Company including banking, institutional business, financial market, investment banking and wealth management have achieved high-quality and stable development. Serving as the "model branch" of the Group to conduct internationalized business operation, Hong Kong Branch has constantly stepped up its efforts in the establishment of the comprehensive cross-border financial service platform, and consolidated its market position and advantages in offshore US dollar bond underwriting and cross border secured financing, striving to enhance its ability to take the lead in syndicated loan origination and distribution, its cross-border cash management capability, and foreign exchange trading agency capability. Besides, Hong Kong Branch also leverages on the Company's featured advantages such as supply chain finance and asset pool to continuously accelerate business innovation, while improving the effectiveness of cross-border financial services by exerting its service capability in digital and online transactions. Based on the demands for cross-border finance from five major customer bases, Hong Kong Branch fosters the innovation for eight financial scenarios including the "Belt and Road" special financing, cross-border supply chain and active foreign exchange management, in order to proactively enhance its international service capability, thus developing it into a great cross-border brand on financial service with distinctive features and differentiated competitive advantages. Furthermore, Hong Kong Branch deepens linkage between domestic and overseas businesses, intensifies its development in Guangdong-Hong Kong-Macao Greater Bay Area, and implements the concept of "financial services for good", aiming to serve for people's livelihood and social development in Hong Kong. Relying on its comprehensive services of "integrating finance + intelligence" (融資+融智), Hong Kong Branch also expresses its value pursuit to strengthen exchange among entities by virtue of its good deeds.

As of the end of the reporting period, the total assets of Hong Kong Branch of the Company were HK\$70.801 billion, of which financial assets at fair value through other comprehensive income amounted to HK\$27.317 billion, accounting for 38.58%; and net loans and advances to customers amounted to HK\$33.26 billion, accounting for 46.98%. During the reporting period, the net profit was HK\$690 million.

Management Discussion and Analysis

(XII) Major Subsidiaries and Equity Participation Companies

1. Major Subsidiaries

(1) Zheyin Financial Leasing

Zheyin Financial Leasing, a national non-bank financial institution approved and regulated by the former CBIRC, is a 51%-owned subsidiary of the Bank, with paid-in capital of RMB4 billion. Established on January 18, 2017, the principal business scope of Zheyin Financial Leasing covers leasing, transfer and grant of financial leasing assets, investment in fixed-income securities, acceptance of lease deposits from lessees, acceptance of fixed deposits of 3 months (inclusive) or longer from non-bank shareholders, inter-bank lending, borrowing from financial institutions, overseas borrowing, sale and disposal of leasehold, economic consulting as well as other businesses approved by the former CBIRC.

Since its establishment, Zheyin Financial Leasing has upheld its mission of serving entity and the philosophy of prudent operation, and has comprehensively implemented professional transformation strategy by energetically embracing financial technology and continuously innovating financial services. It has formed a “5+2” professional customer service system focusing on the “five specialized industries” of smart manufacturing, modern agriculture and husbandry, marine economy, environment protection and energy industries, and the “two specialized models” of manufacturer supply chain and financial leasing-commercial leasing cooperation (租租合作). As the corporate governance structure and management system got better, the innovation capability and research and development strength gradually improved as well as the profitability and development quality enhanced year by year, Zheyin Financial Leasing has currently built itself a team comprising talents with high comprehensive quality and strong professional ability, and blazed a trail of development featuring professional services and distinctive operations, thus gradually developing itself into a new force in financial leasing industry in China. It has been repeatedly awarded the “Advanced Unit in Supporting Economic and Social Development of Zhejiang Province” (支持浙江經濟社會發展先進單位) for consecutive years, and has won honors such as the “May Day Labor Award of China” (全國五一勞動獎狀), the “May Day Labor Award of Zhejiang Province” (浙江省五一勞動獎狀), 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 週年特別貢獻企業), the “Outstanding Contributing Enterprise for the 5th Anniversary of the Construction of the Zhejiang Pilot Free Trade Zone” (浙江自貿試驗區五週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 of the end of the reporting period, Zheyin Financial Leasing had 278 employees, with total assets of RMB78.327 billion and net assets of RMB7.837 billion. During the reporting period, it realized a net profit of RMB1.034 billion.

Management Discussion and Analysis

(2) CZB Wealth Management

Approved for opening on January 24, 2025, CZB Wealth Management was solely initiated and established by CZBank with a registered capital of RMB2.0 billion and the registered address at Hangzhou, Zhejiang Province. It is mainly engaged in the public issuance of wealth management products to the general public, non-public issuance of wealth management products to qualified investors, consultancy and advisory services on wealth management, and other relevant businesses.

As the Group's multi-licensed key force to conduct integrated operation and the core platform for great asset management segment, CZB Wealth Management deeply practices the political and people-oriented nature of the financial work. Sticking to the Bank's concept of financial services for good and the principle of prioritizing investors' interest, and with steady low wave and long-term return as the guideline, CZB Wealth Management is able to enhance its capability of intelligent operation through investment and research driving and digital empowerment, struggling to provide "robust, inclusive and diversified" asset management products and wealth management services for full-market customers including the Bank, thus facilitating the Group to embark on a new journey to wealth management. Additionally, through market-based independent operation, CZB Wealth Management has attracted professional and high-end talents, making efforts to develop itself into a first-class wealth management company that is on behalf of investors' interests, serves the real economy, has steady operation style, promotes the concept of financial services for good and is led by digital technology.

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

Management Discussion and Analysis

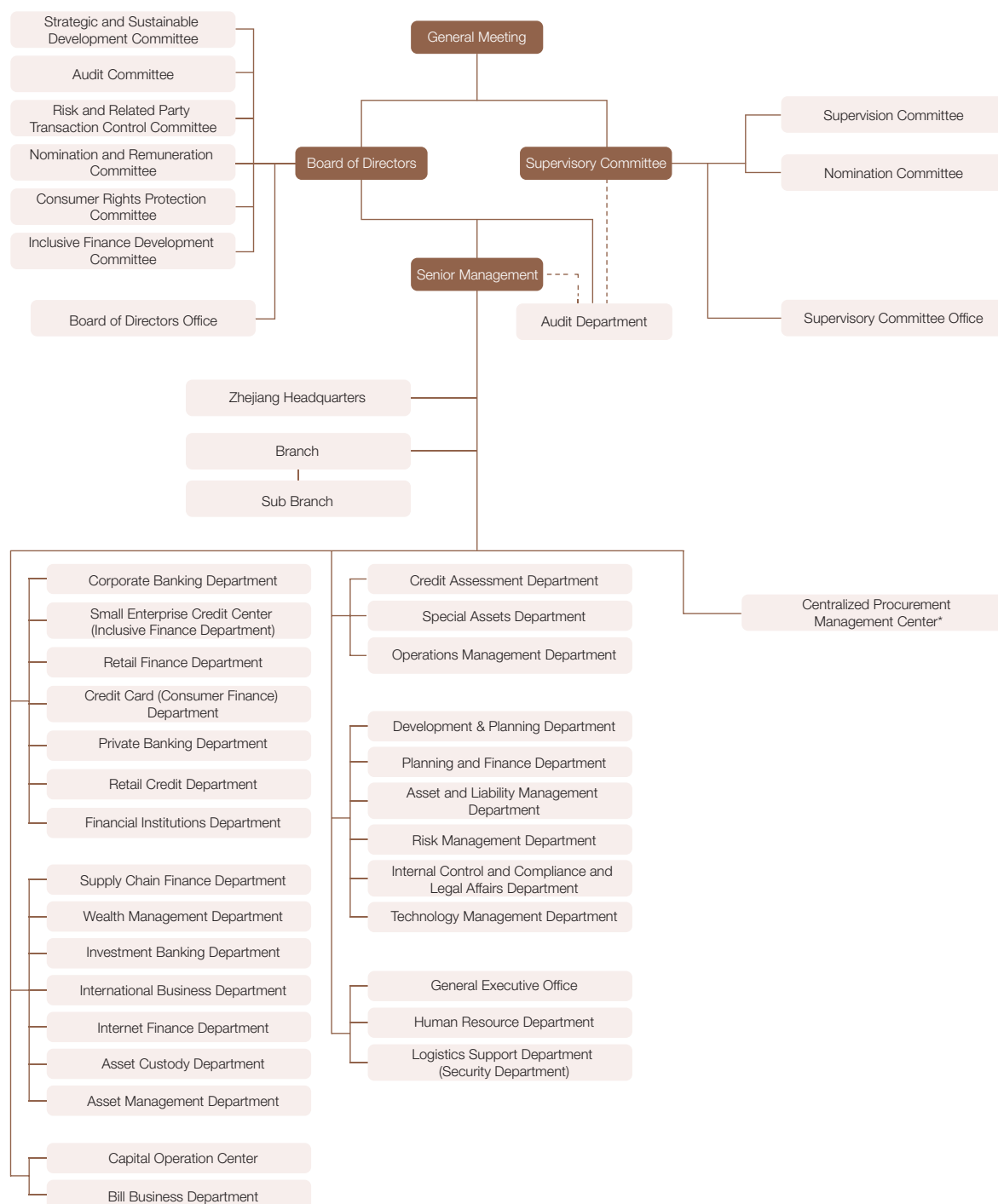
(XIII) Outlook

The year 2025 is a concluding year of the “14th Five-Year Plan” and the planning year of the “15th Five-Year Plan”, and a crucial year for further deepening reforms and promoting modernization with Chinese characteristics to make steady progress. China’s economic work will continue to be guided by the Xi Jinping Thought of Socialism with Chinese Characteristics in the new era, fully implement the spirit of the 20th CPC National Congress and the Second and Third Plenary Session of the 20th CPC Central Committee, adhere to the general principle of “seeking progress while maintaining stability, fully, accurately and comprehensively implement the new development philosophy, speed up the establishment of a new development pattern, and solidly promote high-quality development. Further comprehensively deepen the reform, expand high-level opening to the outside world, construct a modernized industrial system and better coordinate development and security. Implement more proactive and effective macroeconomic policies, expand domestic demand, promote the integration and development of scientific and technological innovation and industrial innovation, stabilize the real estate market and the stock market, prevent and resolve risks in key areas and external shocks, stabilize expectations and stimulate vitality. Promote the sustained recovery and improvement of the economy, continuously raise the living standards of people, maintain social harmony and stability, successfully complete the goals and tasks of the “14th Five-Year Plan”, and lay a solid foundation for a good start of the “15th Five-Year Plan”.

In 2025, the Bank will fully implement the spirit of the central and provincial economic work conferences, and carry out the spirit of the sixth plenary session of the 15th Provincial Committee. We will continue to deepen the “five-word” ecosystem, advocate the culture of “integrity” and “strictness,” anchor the vision of “three first-class”, practice financial services for good, deepen intelligent management, and build a humanistic CZBank. Guided by comprehensive and collaborative reform, we will adhere to long-termism, persist in doing what is difficult but right, maintain a firm stance, keep to the integrity and make innovations, and see the blueprint through to the end, fully opening up a new realm of high-quality development.

Corporate Governance

(I) Chart of Organizational Structure



Note: Institutions marked with * are 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, so as to 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 2024, the Company continued to integrate the Party's leadership into the process of corporate governance and play a key role of Party committee in grasping the direction, planning for the big picture, formulating policies and promoting development. We steadily promoted the renewal of the Board of Directors and the Supervisory Committee, coordinated and improved the terms of reference of the various specialized committees of the Board of Directors and the Supervisory Committee, and gave full play to the role of the specialized committees as the gatekeepers of some of the major decisions. We also responded positively to the supervisory requirements by amending and promulgating the "Measures for the Administration of Independent Directors of China f Co., Ltd.", and continued to strengthen the effectiveness of the performance of the independent directors, so as to comprehensively safeguard the core interests of the small and medium-sized shareholders.

The meetings held during the reporting period were as follows: 1 annual general meeting, 1 extraordinary general meeting; 14 meetings of Board of Directors; 3 meetings of Strategic and Sustainable Development Committee, 6 meetings of Audit Committee, 9 meetings of Risk and Related Party Transaction Control Committee, 8 meetings of Nomination and Remuneration Committee, 4 meetings of Consumer Rights Protection Committee and 1 meeting of Inclusive Finance Development Committee, 12 meetings of Supervisory Committee, 8 meetings of Nomination Committee, and 5 meetings of Supervision Committee.

(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 2023 Annual General Meeting on June 12, 2024 and the 2024 first Extraordinary General Meeting on August 9, 2024. 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.

Corporate Governance

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 12 directors, of which 3 were Executive Directors, namely Mr. Lu Jianqiang, Ms. Ma Hong and Mr. Chen Haiqiang; 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 Guocai, Mr. Wang Wei, Mr. Xu Yongbin, Mr. Fu Tingmei and Mr. Shi Hao. 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.

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.

Corporate Governance

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 12 directors, 1 of them is female, and 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, 2024, the ratio of male and female employees of the Company was 1.227: 1, which was generally in line with the industry level. As of December 31, 2024, 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.

The Senior Management of the Company has operational autonomy and makes decision in daily operation and management independently 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 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.

Corporate Governance

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 twelve 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/ Board Committees meetings.
- (e) The Chairman of the Board will meet with the Independent Non-executive Directors at least 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 14 meetings of Board of Directors, among which, 4 were regular meetings and 10 were extraordinary meetings. The main proposals considered at the Board meetings were as follows:

Development Plan of China Zheshang Bank Co., Ltd. for 2021-2025 (Mid-term Revision);

Work Report of the Board of Directors of China Zheshang Bank Co., Ltd. for 2023;

Work Report of President of China Zheshang Bank Co., Ltd. for 2023;

Report of Independent Directors of China Zheshang Bank Co., Ltd. for 2023;

Proposal on Results of 2023 Performance Evaluation of Directors by the Board of Directors;

Proposal on Results of 2023 Performance Evaluation of Senior Management by the Board of Directors;

Internal Audit Work Report of China Zheshang Bank Co., Ltd. for 2023;

Report on Comprehensive Risk Management of China Zheshang Bank Co., Ltd. for 2023;

Report on Implementation of Risk Preference for 2023 and Proposal on Risk Preference for 2024 of China Zheshang Bank Co., Ltd.;

Report on the Implementation of Green Finance of China Zheshang Bank Co., Ltd. for 2023;

Internal Control Evaluation Report of China Zheshang Bank Co., Ltd. for 2023;

2023 Work Report on Protection of Consumer Rights and Interests and 2024 Work Plan of China Zheshang Bank Co., Ltd.;

2023 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 2023;

Report on Implementation of Related Party Transaction Management System and Particulars of Related Party Transactions of China Zheshang Bank Co., Ltd. for 2023;

Proposal on the Pre-approval limit of Deposit-Type Connected Transactions of China Zheshang Bank Co., Ltd. for 2023;

Social Responsibility Report of China Zheshang Bank Co., Ltd. for 2023;

Special Report and Verification Report on Deposit and Use of Raised Funds of China Zheshang Bank Co., Ltd. for 2023;

2023 Annual Report and its Summary of China Zheshang Bank Co., Ltd. (Domestic Standards and International Standards);

2023 Audit Report on Internal Control of China Zheshang Bank Co., Ltd.;

Proposal on the Engagement of an Accounting Firm for 2024;

Final Financial Report of China Zheshang Bank Co., Ltd. for 2023;

Corporate Governance

Profit Distribution Plan of China Zheshang Bank Co., Ltd. for 2023;
 2024 Annual Budget Report of China Zheshang Bank Co., Ltd.;
 Business Operation Plan of China Zheshang Bank Co., Ltd. for 2024;
 Report on the Management and Implementation of the Consolidation of Statements of
 China Zheshang Bank Co., Ltd. for 2023;
 Liability Quality Management Report of China Zheshang Bank Co., Ltd. for 2023;
 Internal Capital Adequacy Assessment Report of China Zheshang Bank Co., Ltd. for 2024;
 China Zheshang Bank Executive Remuneration System Optimization Plan;
 Proposal on Nominating Candidates for Executive Directors and Non-executive
 Directors of the Seventh Session of the Board of Directors;
 Proposal on Nominating Candidates for Independent Directors of the Seventh Board of Directors;
 Proposal on Measures for the Administration of Independent Directors of China Zheshang Bank Co., Ltd.;
 Work Summary of Small and Micro Enterprises under Inclusive Finance for 2023 and
 Work Plan for 2024 of China Zheshang Bank Co., Ltd.;
 Proposal on Election of Chairman of the Seventh Board of Directors of Zheshang Bank Co., Ltd.;
 Proposal on Appointment of Senior Management of Zheshang Bank Co., Ltd.;
 Proposal on the Appointment of Authorized Representative and Company Secretary
 of China Zheshang Bank Co., Ltd.;
 Proposal on Appointment of Head of Board Office of Zheshang Bank Co., Ltd.;
 Proposal on Appointment of Securities Affairs Representative of Zheshang Bank Co., Ltd.;
 Proposal on Appointment of Head of Audit Department of Zheshang Bank Co., Ltd.;
 Proposal on Appointment of Head of Financial Department of Zheshang Bank Co., Ltd.;
 Proposal on Election of Members of the Special Committee of the Seventh Board
 of Directors of Zheshang Bank Co., Ltd.;
 Proposal on Appointment of Observers to Strategy and Sustainable Development
 Committee of Board of Directors of China Zheshang Bank Co., Ltd.;
 Green Finance Development Strategy and Implementation Outline of China Zheshang Bank Co., Ltd.;
 Report of China Zheshang Bank on Evaluation of Substantial Shareholders;
 Report of China Zheshang Bank on Evaluation of Major Shareholders' Behavior in 2023;
 Proposal on Amending the Internal Audit Articles of Association of Zheshang Bank Co., Ltd.;
 Proposal on Amending the Basic System of Capital Management of China Zheshang Bank;
 Proposal on Measures for the Management of Recovery and Deduction of Performance-Based
 Remuneration of China Zheshang Bank.

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 of Directors meetings, Special Committee under Board of Directors meetings, and General meetings in 2024.

Directors	Board of Directors	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 Meeting
Executive Director								
Lu Jianqiang	13/14	3/3	-	-	-	-	-	2/2
Ma Hong	13/14	3/3	-	-	-	-	1/1	2/2
Chen Haiqiang	13/14	3/3	-	-	-	-	1/1	2/2
Non-executive Director								
Hou Xingchuan	14/14	3/3	-	-	-	-	1/1	2/2
Ren Zhixiang	14/14	3/3	-	-	-	-	1/1	2/2
Hu Tiangao	14/14	-	6/6	-	-	-	-	2/2
Ying Yuxiang	10/10	1/1	-	-	-	-	-	2/2
Independent Non-executive Director								
Wang Guocai	13/14	-	-	9/9	2/2	4/4	-	2/2
Wang Wei	13/14	-	6/6	4/4	8/8	-	-	1/2
Xu Yongbin	14/14	-	6/6	9/9	8/8	1/1	-	2/2
Fu Tingmei	14/14	3/3	-	-	-	4/4	1/1	2/2
Shi Hao	1/1	-	-	-	-	-	-	-
Resigned Director								
Zhang Rongsen	5/6	2/2	-	-	-	-	-	2/2
Gao Qinrong	4/5	-	-	-	-	-	-	0/2
Zhu Weiming	4/5	2/2	-	-	-	-	1/1	1/2
Zhou Zhifang	9/9	-	-	5/5	6/6	3/3	-	1/2

Note:

- (1) Times of attention 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 Shenzhen Branch, Hong Kong Branch, Xi'an Branch, Lanzhou Branch, Shaoxing Branch, Hangzhou Branch and Shanghai Branch 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 and technology innovation, and heard the opinions and suggestions of the branches 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 properly understand the operation and businesses of the Company, and 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 ESG training, training on the interpretation of the system of "Measures for the Administration of Independent Directors of Listed Companies" and anti-money laundering training 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 2024 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 Director			
Lu jianqiang	✓	✓	✓
Ma Hong	✓	✓	✓
Chen Haiqiang	✓	✓	✓
Non-executive Director			
Hou Xingchuan	✓	✓	✓
Ren Zhixiang	✓	✓	✓
Hu Tiangao	✓	✓	✓
Ying Yuxiang	✓	✓	✓
Independent Non-executive Directors			
Wang Guocai	✓	✓	✓
Wang Wei	✓	✓	✓
Xu Yongbin	✓	✓	✓
Fu Tingmei	✓	✓	✓
Shi Hao	✓	✓	✓

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 and Consumer Rights Protection Committee under the Board of the Company were all chaired by Independent Non-executive Directors, and the Independent Non-executive Directors formed majority in such committees. 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 4 special meetings of independent Directors to consider 12 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 Scheme, 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, 2024. 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, 2024, 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 Committee of the Company consisted of 7 Directors, Mr. Lu Jianqiang, Chairman of the Board and Executive Director, served as the Committee Chairman. Other committee members included Ms. Ma Hong, Executive Director, and Mr. Chen Haiqiang, 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 Social Responsibility 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 plans such as Development Plan of China Zheshang Bank Co., Ltd. for 2021-2025 (Mid-term Revision), the Final Financial Report of China Zheshang Bank Co., Ltd. for 2023, Profit Distribution Plan of China Zheshang Bank Co., Ltd. for 2023, 2024 Annual Budget Report of China Zheshang Bank Co., Ltd., Business Operation Plan of China Zheshang Bank Co., Ltd. for 2024, Social Responsibility Report of China Zheshang Bank Co., Ltd. for 2023, Report on the Implementation of Green Finance of China Zheshang Bank Co., Ltd. for 2023, and Green Finance Development Strategy and Implementation Outline of China Zheshang Bank Co., Ltd.

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, making judgment on the truthfulness, completeness, accuracy and timeliness of the financial information, and exercising 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), Policy on the Provision of Non-assurance Services by Auditors (revised in January 2024), 2023 Annual Report and its Summary of China Zheshang Bank Co., Ltd. (Domestic Standards and International Standards), 2023 Audit Report on Internal Control of China Zheshang Bank Co., Ltd., 2023 Annual Financial Report, Proposal on the Engagement of an Accounting Firm for 2024, Report on the Management and Implementation of the Consolidation of Statements of China Zheshang Bank Co., Ltd. for 2023, Internal Audit Work Report of China Zheshang Bank Co., Ltd. for 2023, Internal Control Evaluation Report of China Zheshang Bank Co., Ltd. for 2023, Report on the Evaluation of the Performance of the Accounting Firm of China Zheshang Bank Co., Ltd. for the Year 2023, 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 2023, 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 2023, Report on the 2024 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 2024, Proposal on "Rules of Procedure of the Audit Committee of the Board of Directors of China Zheshang Bank Co., Ltd. (2024 version)", Report and Summary of China Zheshang Bank Co., Ltd. for the First Half of 2024 (Domestic Standards and International Standards), Report of China Zheshang Bank Co., Ltd. on Internal Audit Work in the Second Quarter of 2024, Report on the 2024 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 2024, Proposal on Amending the Internal Audit Articles of Association of Zheshang Bank, and Proposal on Amending the Basic System of Capital Management of China Zheshang Bank Co., Ltd.. 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 2024.

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. Wang Wei, Independent Non-executive Director, served as the Committee Chairman. Other committee members included Mr. Wang Guocai, Independent Non – executive Director, and Mr. Xu Yongbin, 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 2023, Evaluation Report on Internal Control of China Zheshang Bank Co., Ltd. for 2023, Report on Implementation of Risk Preference for 2023 and Proposal on Risk Preference for 2024 of China Zheshang Bank Co., Ltd., Risk Prevention and Control Assessment Report on Criminal Cases of China Zheshang Bank Co., Ltd. In 2023, Report on the Management and Implementation of the Consolidation of Statements of China Zheshang Bank Co., Ltd. for 2023, 2023 Work Report on Anti-money Laundering and Counter-terrorist Financing of China Zheshang Bank Co., Ltd., and Report on Implementation of Related Party Transaction Management System and Particulars of Related Party Transactions of China Zheshang Bank Co., Ltd. for 2023, 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 3 Directors. Mr. Wang Wei, Independent Non-executive Director, served as the Committee Chairman. Other committee members included Mr. Wang Guocai, Independent Non-executive Director, and Mr. Xu Yongbin, 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 resolutions. 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 Zheshang 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 Work Report of Independent Directors of China Zheshang Bank Co., Ltd. for 2023, Proposal on Results of 2023 Performance Evaluation of Directors by the Board of Directors, Proposal on Results of 2023 Performance Evaluation of Senior Management by the Board of Directors, China Zheshang Bank Executive Remuneration System Optimization Plan, Proposal on Examining the Qualifications of Candidates for Executive Directors and Non-executive Directors of the Seventh Session of the Board of Directors, Proposal on Examining the Qualifications of Candidates for Independent Directors of the Seventh Session of the Board of Directors, Proposal on Amending the Rules of Procedure of the Nomination and Remuneration Committee of the Board of Directors of China Zheshang Bank Co., Ltd., Proposal on Proposing the Chairman of the Seventh Session of the Board of Directors of China Zheshang Bank Co., Ltd., Proposal on Examining the Qualifications of Senior Management of China Zheshang Bank Co., Ltd., Proposal on Appointing Authorized Representative and Company Secretary of China Zheshang Bank Co., Ltd., Proposal on Appointment of Head of Board Office of China Zheshang Bank Co., Ltd., Proposal on Appointment of Securities Affairs Representative of China Zheshang Bank Co., Ltd., Proposal on Appointment of Head of Audit Department of China Zheshang Bank Co., Ltd., Proposal on Appointment of Head of Finance Department of China Zheshang Bank Co., Ltd., Proposal on Members of Special Committee of Seventh Board of Directors of China Zheshang Bank Co., Ltd., Proposal on Appointment of Observer to Strategy and Sustainable Development Committee of Board of Directors of China Zheshang Bank Co., Ltd., Proposal on Approving the Remuneration of Senior Management of China Zheshang Bank Co., Ltd. in 2023, and Proposal on Measures for the Management of Recovery and Deduction of Performance-Based Remuneration of China Zheshang Bank.

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. Wang Guocai, Independent Non-executive Director, served as the Committee Chairman. Other committee members included Mr. Xu Yongbin, Independent Non-executive Director, and Mr. Fu Tingmei, 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 senior management and the consumer rights protection department, as well as duty performance of the senior management, in accordance with the regulatory requirements and implementation of strategies, policies and objectives for consumer rights protection; 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 2023 Work Report on Protection of Consumer Rights and Interests and 2024 Work Plan of China Zheshang Bank Co., Ltd., Report on Complaints of China Zheshang Bank Co., Ltd. in 2023, Opinions and Audit Rectification Report on the Special Audit of Consumer Rights and Interests Protection Work in 2023, Work Report on Protection of Consumer Rights and Interests of China Zheshang Bank Co., Ltd. for the First Half of 2024, Report on Evaluation Results and Problem Rectification of Consumer Protection of Financial Supervisory Authority in 2023, and 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 4 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, and Mr. Ying Yuxiang, 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 2023 and Work Plan for 2024 of China Zheshang Bank Co., Ltd. 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

As at the end of the reporting period, the Supervisory Committee of the Company consists of 11 members, among them, 2 shareholder supervisor are from shareholder companies and have extensive experience in business management and financial expertise; 5 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 4 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.

A Supervision Committee and a Nomination 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; reviewing 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 12 meetings, of which 11 were onsite meetings and 1 was by way of telecommunications. 38 proposals were considered and 37 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 4 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 19 branches, such as Nanjing Branch, Guangzhou 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.

(VII) Special Committees under Supervisory Committee

The Nomination Committee under the Supervisory Committee consisted of 6 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. Gao Qiang (Chairman), Mr. Guo Dingfang, Mr. Peng Zhiyuan, Mr. Du Quan, Mr. Ma Xiaofeng and Mr. Wang Congcong.

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.

Corporate Governance

During the reporting period, the Nomination Committee under the Supervisory Committee held a total of 8 meetings, at which it mainly recommended and nominated the Chairman of the Supervisory Committee of the Company, the head of the Supervisory Committee's office, the Shareholder Supervisors, the external supervisors candidates and the members of the Special Committee of the Supervisory Committee of the Company. It mainly considered the Proposal on Work System of External Supervisors of China Zheshang Bank Co., Ltd, Work System of External Audit of the Supervisory Committee of China Zheshang Bank Co., Ltd., the Results of the Performance Evaluation of the Directors, Supervisors and Senior Management for the year 2023, the Proposal for the Performance Evaluation of the Directors, Supervisors and Senior Management for the year 2024, and other proposals.

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 and report on 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 5 meetings to review the Evaluation Report on the Interim Implementation of the Company's 2021-2025 Development Plan, the Report on Special Inspection of the Supervisory Committee for 2023, the Annual Report for 2023, the Report on the Management and Implementation of the Consolidation of Statements for 2023, the Social Responsibility Report for 2023, the Internal Audit Work Report for 2023, the Internal Control Evaluation Report for 2023, and considered the First Quarter, interim and Third Quarter results reports for 2024. They also listened to the report on the financial situation of the Company in 2023. In addition, members of the Supervision Committee also attended 1 meeting of the Risk and Related Party Transactions Control Committee of the Board of Directors, 2 meetings of the Consumer Rights Protection Committee of the Board of Directors, 2 meetings of the Audit Committee of the Board of Directors and 1 pre-audit communication meeting to supervise the review process of relevant matters and the performance of duties by directors.

Corporate Governance

(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 one-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, 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.

(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. In the Company, the positions of Chairman and President 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. 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 Bank 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 Bank, Mr. Luo Feng and Ms. Chan Yin Wah will continue to serve as the Joint Company Secretaries of the Bank for the same term as the seventh session of the Board. For details, please refer to the announcement of the Bank disclosed on the website of the Hong Kong Stock Exchange dated August 9, 2024.

Corporate Governance

Mr. Luo Feng is one of the Joint Company Secretaries of the Company. Ms. Chan Yin Wah, a joint 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 of 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.

(XIII) Shareholders' Rights

The Shareholders shall enjoy the following rights in accordance with the Articles of Association:

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 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.

Corporate Governance

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 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 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 local banking supervisory authorities and other regulatory authorities. 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.

2. To make proposal to the general meeting

The Shareholders separately or jointly holding 3% or more of the voting Shares have the right to make proposals to the general meeting.

The Shareholders separately or jointly holding 3% or more of the voting Shares may make temporary proposal and submit in written form to the convener ten days before the holding date of the general meeting or at least two days before the deadline for providing supplementary notice of general meeting as stipulated by Hong Kong Listing Rules (whichever is earlier). 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.

Corporate Governance

4. To make inquiries with the Board of Directors

The shareholders have the right to obtain the relevant information according to the laws, regulations and Articles of Association. They can obtain the copies of the Articles of Association after paying the relevant costs. They have the right to access and copy the following information after paying reasonable fees: any and all parts of the share register; personal information of the Directors, Supervisors and senior management of the Company; the Company's equity status; the report of total par values, quantity, maximum price and minimum price of each class of shares repurchased by the Company since the last financial year as well as the total expenses the Company paid for this; meeting minutes of general meetings, resolutions of the meetings of Board of Directors, resolutions of the meetings of Supervisory Committee; bond stubs of the Company; the audited financial report, report of Board of Directors, report of Supervisory Committee, and report of auditors for the last fiscal period, the annual report for the last fiscal period that has been filed with the State Administration for Market Regulation or other regulatory authorities. For the contact details, please refer to "Company Profile" of this report.

(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 disclosures, 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 and completely carried out information disclosure work in a timely manner, strictly in accordance with the requirements of relevant information disclosure laws and regulations. The Company disclosed a total of 95 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.

(XV) Investor Relations Management

During the reporting period, the Company continued to deepen its investor relations management efforts, by focusing on strategy and core value promotion, and increasing transparency in information disclosure. It expanded communication channels with investors and continued to enhance investors' recognition of the Company. In 2024, the Company was awarded the 15th "Tianma Award" for Investor Relations Management of Listed Companies in China, the "Best Practices in Presentation of Annual Report 2023" by the Association of Listed Companies of China and was transferred to the SSE 180 Index.

Corporate Governance

Firstly, the coverage of the publicity of the results presentation continued to expand. The Company strictly implemented various regulatory requirements, held annual, half-year and third quarter regular results presentation meetings with high quality and standard, and realized a continuous increase in the attention of the results presentation meetings through multi-channel and multi-level invitations and publicity. With innovative annual results presentation format, the annual results presentation was held in two places, overseas (Hong Kong) and domestic (Shenzhen), 25 foreign investment organizations and 12 foreign media were invited to participate in the Hong Kong results presentation, 24 domestic investment organizations and 30 domestic media were invited to participate in the domestic on-site results presentation, and other investors participated in the meeting via live webcast, which achieved the expected results and was also recognized by the China Listed Companies Association. Communications were broadened in the half-year and third-quarter results presentation through the online formats.

Secondly, the form and content of the promotion and exchange activities continued to be enriched. The Company proactively launched various forms of “going out” and “inviting in” activities, continuously enhanced the frequency of daily exchanges with analysts of brokerage firms, fund researchers, institutional investors, etc. On the occasion of the 20th anniversary of the Company, we invited mainstream analysts in the market to participate in the seminar on the theme of high-quality development and implementation of the “five finances”, the Company’s account manager skills competition, and the dialogue on the theme of strengthening the country through finance. we also launched in-depth activities of the Investor Open Day with special features, and focused on the key strategy of “deepening Zhejiang development”, and carried out the Investor Open Day activity of visiting branches in Zhejiang Province. We also invited a research team comprising analysts, fund managers and researchers to conduct on-site research at branches and important clients in the province.

Thirdly, we continued to innovate in the way of digital publicity on investor’s relationship. The Company continued to increase the frequency of updating its official account “Zheshang Bank”, linking the Company’s FICC public number to synchronize the delivery of financial market research viewpoints, and integrating the content of the “5-15 National Investor Protection Publicity Day” themed publicity activities into a single map. We invited the chief analyst of the banking industry of a well-known brokerage firm to have a dialogue with the person-in-charge of the relevant internal business departments of the Company, and launched a live broadcast activity with the theme of “through the cycle of stability to the end (穿越週期行穩致遠)”, which was broadcasted simultaneously on the Wechat and Tiktok platforms, with a cumulative total of more than 30,000 viewers, and achieved the expected results.

Fourthly, the Company continued to enhance the satisfaction level of daily communication with small and medium-sized investors. During the reporting period, the Company maintained daily communication with small and medium-sized investors, regularly responded to SSE e-interactive investor questions, handled IR mailboxes, answered investor hotline calls, and made good records of investor exchanges and feedback.

(XVI) Major Changes of the Articles of Association

During the reporting period, there was no significant change in the Articles of Association of the Company.

Corporate Governance

(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, 2024, to December 31, 2024, 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 Bank has agreed that Chairman Lu Jianqiang will act as President 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 for a term of office consistent with that of the seventh session of the Board. In accordance with the relevant regulations, the eligibility of Mr. Chen Haiqiang to be the President is subject to the approval of the National Financial Regulatory Administration. 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.

In addition, according to code provision C.1.6 of the Corporate Governance Code, independent non-executive directors and other non-executive directors should attend the general meetings. During the reporting period, four Directors of the Bank were unable to attend the 2023 annual general meeting of the Bank held on June 12, 2024 (the “2023 AGM”) and one Director of the Bank was unable to attend the first extraordinary general meeting of 2024 (the “2024 First EGM”) of the Bank held on August 9, 2024 due to business engagement. However, there were sufficient Directors (including executive Directors, non-executive Directors and independent non-executive Directors) present at the 2024 AGM and the 2024 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 2023 AGM and the 2024 First EGM was able to obtain an understanding of the views of the shareholders of the Company expressed at the 2024 AGM and the 2024 First EGM, if any, from the Directors present at the meetings.

Corporate Governance

(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 Bank. 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.

During the reporting period, the Company, focusing on the goal and vision of being a “first-class commercial bank”, proactively promoted the construction of its internal control system and continued to enhance its internal control and governance capabilities. The Company insisted on using culture building as the driving force to forge cultural consensus and unity of effort; building a “compliance culture” with compliance management as the bottom line, and continuously enhancing the awareness of internal control and compliance among all staff members, so as to continuously optimize the internal control environment. We strengthened the identification and assessment of various risks, enhanced the dynamic monitoring of risks, and improved the foresight and ability to identify and respond to various risks. We implemented the system of “unified legal person and authorized operation”, and integrated authorized control into the system to enhance rigid control. We timely carried out the internalization of external regulations and the establishment, reform, and abolition of systems, strengthened post evaluation of systems, and steadily promoted the construction of institutional systems. We applied information technology to embed compliance requirements and business control measures into processes and systems, continuously improving the overall control capability of the entire process. We deepened the promotion of digital transformation, continuously improved the construction of data governance system, enhanced the ability of data application and data quality control, and provided effective support for the management and decision-making of the Bank. We also deepened supervision and inspection, integrated various forms of supervision, strengthened closed-loop management of rectification and precise and serious accountability, and improved the quality and efficiency of rectifying violations. The stable and effective operation of the internal control system throughout the year has provided strong support for the Company to achieve high-quality development.

Corporate Governance

While disclosing the annual report, the Company also disclosed the Internal Control Evaluation Report of China Zheshang Bank Co., Ltd. for 2024 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, 2024 (benchmark date). KPMG Huazhen LLP has audited the effectiveness of the Bank's internal control over financial reporting as at December 31, 2024 and issued the standardized audit 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.

(XX) Internal Audit

The Bank has established an independent and vertical audit management system, which is accountable to and reports to the Board of Directors and the Audit Committee of the Board of Directors, and is subject to the guidance and supervision of the Supervisory Committee. At present, the Bank has set up 22 audit offices, 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. In accordance with the regulatory requirements, an audit department has been set up separately in the Hong Kong Branch. The four direct audit divisions at the head office level are managed on a regional basis, corresponding to the relevant departments of the head office according to the five major business segments to strengthen the professionalization of audit, and corresponding to a number of branches according to the geographic area to strengthen the management responsibility for the stationed organizations. Meanwhile, the Integrated Management Center (Evaluation and Accountability Center), Off-site Audit Center, Quality Control Center, and Supervisory Affairs Center were set up to strengthen audit quality control and risk event accountability management, enhance the standard of digital audit management, improve the internal audit mechanism, and continuously enhance the independence, proactivity, and precision of the auditing work.

During the reporting period, internal audit continued to be guided by the vision of being a "first-class commercial bank", with deepened five-word ecosystem. The Bank strictly implemented the work positioning of "audit is the main channel and the main position for implementing the keynote of strictness, and it is the main engine and the main force for strengthening comprehensive risk management, systematic reshaping, and constructing a large supervisory system", comprehensively strengthened audit supervision, prevented and mitigated risks and latent dangers. Based on the decisions and deployments of the Party Committee and the Board of Directors of the Bank, we focused on key positions, key issues, and key behaviors, and strengthened our audit efforts in major strategies, key areas, and weak links, so as to further develop the role of audit as a probe to serve the overall situation of the Bank under the leadership of the Party Committee of the Bank.

Changes in Shares and Information on Shareholders

(I) Changes in Ordinary Shares

1. Table of Changes in Ordinary Shares

Unit: Share, %

	December 31, 2023		During the reporting period Number of Changes (shares)	December 31, 2024	
	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.

Changes in Shares and Information on Shareholders

(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 Bank had 224,112 shareholders of ordinary shares in total, including 224,002 shareholders of A Shares and 110 shareholders of H Shares. As of the end of the last month before the publication date of this Annual Report, there were 222,583 shareholders of ordinary shares in total, including 222,473 shareholders of A Shares and 110 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	Status of Shares	Pledge or freezing Number	Nature of shareholders
HKSCC Nominees Limited	+9,840	5,919,877,320	21.55	H Share without selling restrictions	unknown	-	-
Zhejiang Provincial Financial Holdings Co., Ltd.	-	3,452,076,906	12.57	A Share without selling restrictions	-	-	State-owned Legal Person
Hengdian Group Holdings Limited	-	1,615,542,387	5.88	A Share without selling restrictions	-	-	Domestic Non-state-owned Legal Person
Zhejiang Provincial Energy Group Co., Ltd	+2,000,000	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	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	-10,342,800	601,817,646	2.19	A Share without selling restrictions	-	-	Domestic Non-state-owned Legal Person

Notes:

- 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.

Changes in Shares and Information on Shareholders

2. As of the end of the reporting period, among the top ten shareholders mentioned above, Zhejiang Hengyi High – tech Material Co., Ltd. and Zhejiang Hengyi Group Co., Ltd. have a connected relationship. Apart from that, the Bank is not aware of other connected relationship between the above shareholders or whether they are parties acting in concert.
3. 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.
4. As of the end of the reporting period, Xintai Life Insurance Co., Ltd. has newly become one of the top ten shareholders, while Shandong International Trust Co., Ltd. (holding 572,992,903 A Shares in the Bank at the end of the reporting period, representing 2.09% of the total share capital) was not the top ten shareholders anymore. None of the aforesaid shareholders was involved in the securities lending business.

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

As of the end of the reporting period, the Bank 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 Financial Holdings Co., Ltd. held 12.57% of the shares of the Company and was the Company's largest shareholder.

Zhejiang Provincial Financial Holdings Co., Ltd. (hereinafter referred to as "Zhejiang Financial Holdings") was established in September 6, 2012 with the uniform social credit code of 913300000542040763 and its legal representative was Yang Qiangmin (楊強民). With a registered capital of RMB12.0 billion and registered in Hangzhou, Zhejiang Province, Zhejiang Financial Holdings is a financial investment management platform of Zhejiang Provincial Government, mainly focuses on Zhejiang's high-quality development and construction of common wealth demonstration area, financial modernization, global advanced manufacturing base and innovation curbing construction in accordance with the deployment of the Zhejiang Provincial Party Committee and Provincial Government, and mainly operates in such four major sectors as the operation and management of the government fund, financial capital investment and operation, digital science and technology and data assets, and strategic supportive investment. The controlling shareholders and de facto controllers of Zhejiang Financial Holdings is Zhejiang Provincial Department of Finance, which holds 100% equity interest of Zhejiang Financial Holdings.

Changes in Shares and Information on Shareholders

(VI) Information on Substantial Shareholders of Ordinary Shares

As at December 31, 2024

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 Financial Holdings 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 Financial Holdings 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	Zhejiang Energy 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 Energy Group Co., Ltd.		Nil	Zhejiang Energy International 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
5	Zhejiang Hengyi High-tech Material 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 (邱建林)	Nil	Zhejiang Hengyi High-tech Material 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	Heng Yi Petrochemical Co., Ltd.		Nil	Zhejiang Hengyi Petrochemical Co., Ltd.
8	Hengdian Group Holdings Limited	1,615,542,387	5.88	5.88	Holding 5% or more of the Bank's shares and dispatch Directors to the Bank	-	Dongyang Hengdian Association For Economics Corporation	Dongyang Hengdian Association For Economics Corporation	Nil	Hengdian Group Holdings Limited
9	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.	State-owned Assets Supervision and Administration Commission of the People's Government of Zhejiang Province	Nil	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd.
10	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.

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
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 Kegiao District Development and Operation Group Co., Ltd.	Shaoxing Kegiao District People's Government	Nil	Zhejiang China Light & Textile Industrial City Group Co., Ltd.
13	Shaoxing City Kegiao District Development and Operation Group Co., Ltd.	393,891,313	1.43			–	Shaoxing Kegiao District State-owned Assets Investment and Operation Co., Ltd.		Nil	Shaoxing City Kegiao 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, 2,462,185,222 shares of the Bank (representing 8.96% of the total ordinary shares in issue) were pledged, of which, 300,912,541 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, 2024, 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 Province Financial Holdings Co., Ltd.	beneficial owner	A-share	long positions	3,452,076,906	12.57	16.02
Zhejiang Hengyi Group Co., Ltd.	beneficial owner and interests in controlled corporations	A-share	long positions	1,615,542,387	5.88	7.50
Qiu Jianlin	interests in controlled corporations	A-share	long positions	1,615,542,387	5.88	7.50
Hengdian Group Holdings Limited	beneficial owner	A-share	long positions	1,615,542,387	5.88	7.50
Hengdian Association for Economic Corporation	interests in controlled corporations	A-share	long positions	1,615,542,387	5.88	7.50
Zhejiang Provincial Energy Group Co., Ltd	beneficial owner	A-share	long positions	1,090,531,078	3.97	5.06
Zhejiang Provincial Energy Group Co., Ltd	interests in controlled corporations	H share	long positions	755,397,900	2.75	12.76
Zhejiang Energy Capital Holdings Limited	interests in controlled corporations	H share	long positions	755,397,900	2.75	12.76
Zhejiang Energy Capital Investment (Hong Kong) Limited	beneficial owner	H share	long positions	475,322,900	1.73	8.03

Changes in Shares and Information on Shareholders

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 Seaport Investment & Operation Group Co., Ltd.	beneficial owner and interests in controlled corporations	H share	long positions	1,379,300,000	5.02	23.30
Zhejiang Seaport (Hong Kong) Co., Ltd.	beneficial owner	H share	long positions	1,203,410,000	4.38	20.33
Zhejiang Seaport Asset Management Co., Ltd.	interests in controlled corporations	H share	long positions	1,203,410,000	4.38	20.33
Yancoal International (Holdings) Co., Ltd.	beneficial owner	H share	long positions	933,897,000	3.40	15.77
Yanzhou Coal Mining Company Limited	interests in controlled corporations	H share	long positions	933,897,000	3.40	15.77
Yankuang Group Co., Ltd.	interests in controlled corporations	H share	long positions	933,897,000	3.40	15.77
Xintai Life Insurance Co., Ltd.	beneficial owner	H share	long positions	373,691,000	1.36	6.31
Aeon Life Insurance Co. Ltd.	beneficial owner	H share	long positions	349,611,600	1.27	5.91

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, 2024.

Changes in Shares and Information on Shareholders

(IX) Issue of Bonds

On September 24, 2021, 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 2021 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 bear 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. 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. The tranche of bonds was matured and redeemed on September 27, 2024.

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. 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. 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 Yue 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 December 13, 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 Yue Zi [2022] No. 40), the Company publicly issued 2022 green financial bonds 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 proceeds from the issue of the bonds 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. 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 December 13, 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 2022 special financial bonds for "agriculture, rural areas and farmers" of China Zheshang Bank Co., Ltd. in the amount of RMB5 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 agriculture-related loans, increasing the support for credit availability to the fields of "agriculture, rural areas and farmers", boosting the development of issuers' financial services regarding "agriculture, rural areas and farmers" in a rapid and healthy manner, and strengthening the support for financial services regarding rural revitalization 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 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.

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.

Changes in Shares and Information on Shareholders

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.

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 Zheshang Bank Co., Ltd. in the national inter-bank bond market. The first tranche of this issue has a term of 3 years and bears interest at fixed interest rate, and the second tranche 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 Zhejiang 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 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 10 billion tier 2 capital bonds of 2024 China Zheshang 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 Bank's entity credit was AAA.

Changes in Shares and Information on Shareholders

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 Zheshang 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 Zheshang 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.

(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 period (Shares)	Number of shares held at the end of period (Shares)	Remuneration before taxes from the Company during the reporting period (RMB in ten thousand)	Whether remunerated by related parties of the Company
Lu Jianqiang	Chairman, executive director	male	1965.04	2023.08-2027.08	0	0	114.36	No
Ma Hong	Executive director	female	1972.04	2021.11-2027.08	83,070	83,070	89.30	No
Chen Haiqiang	Executive director, vice president	male	1974.10	2021.11-2027.08 (Executive Director) 2020.07-2027.08 (Vice President)	754,000	754,000	131.90	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 Guocai	Independent Non-executive Director	male	1956.11	2018.10-2025.02	0	0	36.50	No
Wang Wei	Independent Non-executive Director	male	1967.08	2020.11-2027.08	0	0	35.50	No
Xu Yongbin	Independent Non-executive Director	male	1962.12	2022.02-2027.08	0	0	38.50	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	2.50	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 period (Shares)	Number of shares held at the end of period (Shares)	Remuneration before taxes from the Company during the reporting period (RMB in ten thousand)	Whether remunerated by related parties of the Company
Guo Dingfang	Chairman of the Supervisory Committee and Employee Supervisor	male	1969.10	2021.07-2027.08	0	0	86.40	No
Wu Fanghua	Employee Supervisor	male	1972.08	2023.01-2027.08	52,000	52,000	-	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	0	-	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
Gao Qiang	External supervisor	male	1960.09	2022.06-2027.08	0	0	32.00	Yes
Zhang Fanquan	External supervisor	male	1960.08	2021.07-2027.08	0	0	32.00	No
Chen Sanlian	External supervisor	male	1964.11	2021.07-2027.08	0	0	30.00	No
Wang Congcong	External supervisor	male	1980.01	2024.08-2027.08	0	0	12.50	No
Jing Feng	Vice President, Former Chief Financial Officer	male	1979.12	2018.12-2024.01 (Chief Financial Officer) 2021.12-2027.08 (Vice President)	744,900	744,900	131.90	No
Luo Feng	Vice President, Secretary to the Board	male	1979.09	2021.12-2027.08 (Vice President) 2024.06-2027.08 (Secretary to the Board)	743,990	743,990	131.90	No
Lin Jinran	Vice President	male	1974.06	2023.11-2027.08	234,000	234,000	135.86	No
Zhou Weixin	Assistant to President	male	1971.06	2023.09-2027.08	0	0	121.90	No
Pan Huafeng	Assistant to President, Chief Risk Officer	male	1972.01	2024.03-2027.08	0	0	101.65	No
Wang Chaoming	Assistant to President, Former Chief Information Officer	male	1970.10	2024.08-2027.08 (Assistant to President) 2024.08-2025.03 (Chief Information Officer)	0	0	50.90	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 period (Shares)	Number of shares held at the end of period (Shares)	Remuneration before taxes from the Company during the reporting period (RMB in ten thousand)	Whether remunerated by related parties of the Company
Hou Bo	Assistant to President	male	1980.02	2024.08-2027.08	110,000	110,000	50.90	No
Zhang Rongsen	Former Executive Director and President	male	1968.10	2021.08-2024.08	1,743,430	1,743,430	-	No
Gao Qinhong	Former Non-executive Director	female	1963.07	2004.07-2024.08	0	0	-	Yes
Zhu Weiming	Former Non-executive Director	male	1969.03	2016.12-2024.08	0	0	-	Yes
Zhou Zhifang	Former Independent Non-Executive Director	male	1956.12	2018.10-2024.09	0	0	28.50	No
Chen Zhongwei	Former Employee Supervisor	male	1970.09	2018.05-2024.02	0	0	-	No
Song Qinghua	Former external supervisor	male	1965.09	2021.07-2024.08	0	0	20.00	No

Notes:

The nomination of directors by the present shareholders of the seventh session of the Board of Directors of the Company is as follows: Hou Xingchuan (Director) is nominated by shareholder Zhejiang Provincial Financial Holdings Co., Ltd.; Ren Zhixiang (Director) is nominated by shareholder Zhejiang Provincial Energy Group Co., Ltd., Zhejiang Energy Capital Investment (Hong Kong) Limited and Zhejiang Energy International Co., Ltd.; Hu Tiangao (Director) is nominated by shareholder Hengdian Group Holdings Limited; and Ying Yuxiang (Director) is nominated by shareholder Taiping Life Insurance Co., Ltd.

The nomination of the present shareholder supervisors of the seventh session of the Supervisory Committee of the Company is as follows: Wang Junbo (Supervisor) is nominated by shareholder Xintai Life Insurance Co., Ltd.; Ma Xiaofeng (Supervisor) was nominated by shareholder Zhejiang China Textile City Group Co., Ltd., and shareholder Shaoxing City Keqiao District Development and Operation Group Co., Ltd.

The Company's employee Supervisors receive their remuneration with respect to their posts as employees and do not receive any remuneration as employee Supervisors.

The time of the beginning of the term of Directors and senior management shall be subject to the approval time of the regulatory authority, and shall be effective from the date of first appointment for re-elected Directors, Supervisors and senior management.

The aggregate pre-tax remunerations of certain Directors, Supervisors and senior management of the Company are still pending verified, and the information about the pre-tax remunerations of other staff will be disclosed separately upon confirmation of payment.

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

All shares of the Company held by Mr. Hou Bo are H Shares; Ms. Chen Zhong holds 126,900 shares of the Company, including 16,900 A Shares and 110,000 H Shares; and all shares held by the remaining persons are A shares.

2. Changes of Directors, Supervisors and Senior Management

Directors

On May 14, 2024, Ying Yuxiang was approved by the National Financial Regulatory Administration as an Independent Non-executive Director of the Company and officially performed his duties.

On June 12, 2024, Mr. Wu Zhijun was elected as a Non-executive Director of the sixth session of the Board of the Company and Mr. Shi Hao was elected as an Independent Non-executive Director of the sixth session of the Board of the Company at the 2023 annual general meeting of the Company.

On August 9, 2024, due to the expiration of the term of office of the sixth session of the Board, the Company held the first extraordinary general meeting for 2024, and elected 18 members including Mr. Lu Jianqiang, Mr. Zhang Rongsen, Ms. Ma Hong, Mr. Chen Haiqiang, Mr. Hou Xingchuan, Mr. Ren Zhixiang, Mr. Ni Defeng, Mr. Hu Tiangao, Ms. Jin Guorui, Mr. Ying Yuxiang, Mr. Wu Zhijun, Mr. Zhou Zhifang, Mr. Wang Guocai, Mr. Wang Wei, Mr. Xu Yongbin, Mr. Fu Tingmei, Mr. Shi Hao and Mr. Lou Weizhong as members of the seventh session of the Board of the Company; Ms. Gao Qinhong and Mr. Zhu Weiming ceased to be Non-executive Directors of the Board of the Company. 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 August 9, 2024, Mr. Lu Jianqiang was elected as the Chairman of the Company's seventh session of the Board of Directors at the first meeting of the Company's seventh session of the Board of Directors.

On September 24, 2024, Mr. Zhou Zhifang and Mr. Wang Guocai resigned as Independent Non-executive Directors of the Company and their positions in special committees under the Board of Directors as they were about to reach their maximum term of office as independent directors. Mr. Wang Guocai will continue to perform his duties as required until the new independent director is qualified for appointment.

On February 24, 2025, Mr. Wang Guocai ceased to serve as an independent non-executive Directors, the Committee Chairman of the Consumer Rights Protection Committee, the member of the Risk and Related Party Transaction Control Committee and the member of Nomination and Remuneration Committee of the Company, as the qualification of Mr. Shi Hao and Mr. Lou Weizhong' positions as Directors have been approved by the National Financial Regulatory Administration and the members of the special committees under the seventh session of Board have been elected.

Pursuant to Rule 3.09D of the Hong Kong Listing Rules, Mr. Ying Yuxiang as a Non-executive Director of the Company, Mr. Shi Hao and Mr. Lou Weizhong as Independent Non-executive Directors of the Company obtained the legal opinion referred to in Rule 3.09D on September 9, 2024, and each of the above appointed Directors has confirmed that he understands his responsibilities as a Director of the Company.

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

Supervisor

On February 27, 2024, Mr. Chen Zhongwei resigned as an employee supervisor and a member of the Supervision Committee of the Supervisory Committee of the Company due to internal post adjustment.

On June 12, 2024, Mr. Wang Junbo was elected as a shareholder supervisor of the sixth session of the Supervisory Committee of the Company at the 2023 annual general meeting of the Company.

On June 21, 2024, the fourth meeting of the third session of the Workers and Employees' Congress of the Company elected Mr. Du Quan and Ms. Chen Zhong as the employee supervisors of the sixth session of the Supervisory Committee of the Company.

On August 2, 2024, the third Meeting of the fifth Workers and Employees' Congress of the Company elected Mr. Guo Dingfang, Mr. Wu Fanghua, Mr. Peng Zhiyuan, Mr. Du Quan and Ms. Chen Zhong as the employee supervisors of the Seventh Supervisory Committee of the Company.

On August 9, 2024, the first extraordinary general meeting of 2024 of the Company elected Mr. Ma Xiaofeng and Mr. Wang Junbo as the shareholder supervisors of the Seventh Supervisory Committee of the Company, and Mr. Gao Qiang, Mr. Zhang Fanquan, Mr. Chen Sanlian and Mr. Wang Congcong as the external supervisors of the Seventh Supervisory Committee of the Company.

On August 9, 2024, Mr. Guo Dingfang was elected as the chairman of the seventh session of the Supervisory Committee of the Company at the first meeting of the seventh session of the Supervisory Committee.

On August 9, 2024, Mr. Song Qinghua ceased to be a Supervisor and a member of the Nomination Committee of the Company due to the expiry of his term of office.

Senior Management

On January 19, 2024, Mr. Jing Feng resigned as the Chief Financial Officer of the Company due to a division of labor adjustment.

On January 31, 2024, at the first interim meeting of the sixth session of the Board of Directors of the Company in 2024, it was agreed that Mr. Hou Bo be appointed as the Assistant to President of the Company.

On March 7, 2024, Mr. Pan Huafeng's qualifications for the positions of Assistant to President and Chief Risk Officer of the Company were approved by the National Financial Regulatory Administration.

On June 7, 2024, Mr. Luo Feng was approved by the National Financial Regulatory Administration to serve as the Secretary to the Board of Directors of the Company.

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

On August 9, 2024, the Company convened the first meeting of the seventh session of the Board, and appointed Mr. Zhang Rongsen as the President, Mr. Chen Haiqiang, Mr. Jing Feng, Mr. Luo Feng and Mr. Lin Jingran as the Vice Presidents, Mr. Zhou Weixin, Mr. Pan Huafeng, Mr. Wang Chaoming and Mr. Hou Bo as the President Assistants, Mr. Luo Feng as the Secretary to the Board, Mr. Pan Huafeng as the Chief Risk Officer, and Mr. Wang Chaoming as the Chief Information Officer of the Company. On August 16, 2024, Mr. Wang Chaoming's qualification to serve as the President Assistant and Chief Information Officer, and Mr. Hou Bo's qualification to serve as the President Assistant were approved by the National Financial Regulatory Administration.

On August 18, 2024, Mr. Zhang Rongsen resigned as Executive Director and President of the Company due to personal reasons, and Mr. Lu Jianqiang, the Chairman of the Board of Directors, will act as the acting President before the appointment of a new President and the qualification of such position is approved by the National Financial Regulatory Administration.

On March 12, 2025, Mr. Wang Chaoming resigned as the Chief Information Officer of the Company as a result of a change in the division of responsibilities.

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 for a term of office consistent with that of the seventh session of the Board. In accordance with the relevant regulations, the eligibility of Mr. Chen Haiqiang to be the President is subject to the approval of the National Financial Regulatory Administration. 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.

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

Name	Name of shareholder	Position in shareholders	Date of appointment	Date of termination
Hou Xingchuan	Zhejiang Provincial Financial Holdings Co., Ltd.	Member of the Party Committee, Deputy General Manager	January 2021	To date
Hu Tiangao	Hengdian Group Holdings Limited	Director and Senior Vice President	September 1995	To date
Ma Xiaofeng	Zhejiang China Textile City Group Co., Ltd.	Member of the Party Committee, Director, Deputy General Manager	May 2021	To date
Wang Junbo	Xintai Life Insurance Co., Ltd.	Member of the Party Committee, Executive Director, Chief Financial Officer	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	To date
Ren Zhixiang	Zhejiang Fuzhe Investment Co., Ltd.	Director	April 2020	To date
Ren Zhixiang	Zhejiang Property and Casualty Insurance Company Limited	Vice Chairman	January 2021	To date
Ren Zhixiang	Orient Securities co., Ltd.	Director	March 2021	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
Wang Wei	Betta Pharmaceutical Co., Ltd.	Independent Director	November 2019	To date
Wang Wei	Sunwave Communications Co., Ltd.	Independent Director	January 2020	To date
Wang Wei	Zhejiang E-Commerce Bank Co., Ltd.	Independent Director	April 2019	To date
Wang Wei	Wanxiang Trust Co., Ltd.	Independent Director	April 2017	To date
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	China Business Accounting Institute	Executive member	July 2014	July 2024
Xu Yongbin	Zheshang Development Group Co., Ltd.	Independent director	August 2019	To date
Xu Yongbin	Hangzhou Steam Turbine Power Group Co., Ltd.	Independent director	August 2022	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
Xu Yongbin	Hangzhou United Rural Commercial Bank Co., Ltd.	Independent Director	October 2018	To date
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
Ma Xiaofeng	Shaoxing China Textile City Financial Holdings Co., Ltd.	Manager, Executive Director	October 2018	To date
Gao Qiang	Caitong Securities Co., Ltd.	Independent Director	November 2020	To date
Gao Qiang	Hangzhou Jiusheng Private Equity Fund Management Co., Ltd.	Chairman	January 2022	January 2025
Gao Qiang	Zhejiang Jingu Financial Consulting Firm	Dean	January 2025	To date
Chen Sanlian	Zhejiang Weixing Intelligent Instrument Co., Ltd.	Independent Director	May 2021	November 2024
Chen Sanlian	Zhejiang Jinggong 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., Lt.	Independent Director	December 2023	To date
Peng Zhiyuan	CZB Wealth Management Co. Ltd.	Director	February 2025	To date
Chen Zhongwei	Zhejiang Zheyin Financial Leasing Co., Ltd.	Supervisor	June 2020	To date
Song Qinghua	Hubei Bank	Independent Director	November 2022	To date
Song Qinghua	Ping An Property & Casualty Insurance Company of China	Independent Director	September 2023	To date

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

5. Profile of Directors, Supervisors and senior management and information of their concurrent post as at the end of the reporting period

Directors

Lu Jianqiang

Lu Jianqiang is currently the Secretary of the Party Committee, and Chairman of the Board of Directors of the Company. He holds a master of philosophy, and is a chief senior economist. Mr. Lu has previously served as the deputy Director of Zhejiang Enterprise Records Management Center, the deputy Director of the office of Zhejiang Provincial Administration for Industry and Commerce, the Director of the business information management office of Zhejiang Provincial Administration for Industry and Commerce, the Director of the office of Zhejiang Provincial Administration for Industry and Commerce, a member of the Party Committee and the Director of the office of Zhejiang Provincial Administration for Industry and Commerce, the deputy Director of the general office and a member of the Party Committee of Zhejiang Provincial Committee of the Chinese People's Political Consultative Conference, the deputy Director of the general office and a member of the Party Committee of Zhejiang Provincial Government, a deputy secretary general and a member of the Party Committee of general office of Zhejiang Provincial Government, the secretary of the Party Committee and the Chairman of the Board of Caitong Securities Co., Ltd.. Currently, he also serves as the Chairman of the second council of Zhejiang Public Offering and M&A Association, and Vice Chairman of the second council of Zhejiang Chamber of Commerce.

Ma Hong

Ma Hong is currently the deputy secretary of the Party Committee, executive Director, Director 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 (青島警備區); deputy Director and Director of the hygiene section of the logistics department of Zhejiang Army Reserve Infantry Division (浙江陸軍預備役步兵師), associate consultant of the General Office of Cadres of the Organization Department of the Zhejiang Provincial Committee (浙江省委組織部幹部綜合處); associate consultant, deputy division chief, consultant and division chief of the Civil Servant Management Office of the Organization Department of the Zhejiang Provincial Committee (浙江省委組織部公務員管理處); and division chief and primary consultant of the First-division of Civil Servant of the Organization Department of the Zhejiang Provincial Committee (浙江省委組織部公務員一處).

Chen Haiqiang

Chen Haiqiang is currently a member of the Party Committee, executive director, and Vice President of the Company. He holds a master degree and is a chief senior economist. Mr. Chen worked as deputy principal staff member at Zhejiang Branch, China Development Bank; deputy Director (in charge of work) of Ningbo Beilun Banking Office, President of Ningbo Beilun 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, the assistant to President of China Zheshang Bank, and secretary of the Party Committee and President of Hangzhou Branch of China Zheshang Bank, and CRO of China Zheshang Bank. Currently, he also serves as the executive Vice President of Zhejiang Chamber of International Commerce.

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

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 (信息中心), associate chief officer of the Planning and Finance Division (計劃財務處) and chief officer of the Planning and Finance Division of Zhejiang Provincial Tax Service (浙江省地方稅務局), the deputy Director general (temporary position) of Jinhua Municipal Taxation Bureau, Jiangbei Branch (金華市地方稅務局江北分局); chief officer of the Office (辦公室), 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. (浙江省發展資產經營有限公司); Level 6 management post of Zhejiang Financial Development Co., Ltd. (浙江省財務開發公司) and General Manager of the Strategic Development (戰略發展部) of Zhejiang Provincial Financial Holdings Co., Ltd.. He is currently a member of the Party Committee and Deputy General Manager of Zhejiang Provincial Financial Holdings Co., Ltd.

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. (浙江省國際信託投資有限責任公司), 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. (浙江省能源集團有限公司). He currently serves as director, General Manager and deputy secretary of the Party Committee of Zhejiang Energy Capital Holdings Co., Ltd. (浙能資本控股有限公司), a Director of Orient Securities Co., Ltd., a Director of Zhejiang Fuzhe Investment Co., Ltd., and the Vice Chairman of Zheshang Property and Casualty Insurance Company Limited.

Hu Tiangao

Hu Tiangao is currently a Non-executive Director of the Company. He holds an EMBA degree and is a senior economist. 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. (橫店集團東磁股份有限公司); Director of Apelo Pharmaceutical Co., Ltd. (普洛藥業股份有限公司); Director of Innovo Technology Co., Ltd. (英洛華科技股份有限公司); Director of Hengdian Group Tospo Lighting Co., Ltd. (橫店集團得邦照明股份有限公司); Director of Hengdian Entertainment Co., Ltd. (橫店影視股份有限公司); Director of Nanhua Futures Co., Ltd. (南華期貨股份有限公司) and Director of Zhejiang Xinna Material Technology Co., Ltd. (浙江新納材料科技股份有限公司).

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 (上海農商銀行). He served as the assistant general manager and the deputy general manager of the equity investment division of Taiping Asset Management Company Limited (太平資產管理有限公司). 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 (內蒙古電投能源股份有限公司).

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

Wang Guocai

Wang Guocai is currently an Independent Non-executive Director of the Company. He is a senior economist, with university education level. Mr. Wang held the posts of Vice President and President of Yuhuan Sub-branch of Industrial and Commercial Bank of China; President of Wenling Sub-branch of Industrial and Commercial Bank of China; Vice President and President of Taizhou Branch of Industrial and Commercial Bank of China; and expert of Zhejiang Provincial Branch of Industrial and Commercial Bank of China.

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, 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 (浙江省金融業發展促進會); the Dean of Financial Institute of Zhejiang Province (浙江省金融研究院); and an Independent Director of Zhejiang E-Commerce Bank Co., Ltd. (浙江網商銀行股份有限公司), Betta Pharmaceutical Co., Ltd. (貝達藥業股份有限公司), Sunwave Communications Co., Ltd. (三維通信股份有限公司) and Wanxiang Trust Co., Ltd. (萬向信託股份公司).

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 (浙江工商大學), and served as a lecturer, associate professor, professor and deputy dean of the Accounting Department of Hangzhou Business College (杭州商學院) successively. He served as a professor and dean of the Accounting College of Zhejiang Gongshang University. He also served as the Vice President of the Accounting Society of Zhejiang Province (浙江省會計學會) and the Vice President of the Auditing Society of Zhejiang Province (浙江省審計學會). He is currently the Vice President of Zhejiang Association of CFO (a standing member of China Business Accounting Institute), the convener of Zhejiang Province Management Postgraduate Degree Teaching Committee, as well as an independent director of Zheshang Development Group Co., Ltd. (浙商中拓集團股份有限公司), Hangzhou United Rural Commercial Bank Co., Ltd. (杭州聯合農村商業銀行股份有限公司) and Hangzhou Steam Turbine Power Group Co., Ltd. (杭州汽輪動力集團有限公司).

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 as well as the deputy managing Director and the managing Director of BNP Paribas Peregrine Capital Limited, Hong Kong Branch. Mr. Fu 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.

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

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 (蒙特利爾銀行); management consultant of Wachovia (美聯銀行); operation director of retail banking product of Minsheng Bank (民生銀行); managing director of Barclays Capital (Hong Kong) (巴克萊資本(香港)); independent director of Guodian Nanjing Automation Co., Ltd. (國電南京自動化股份有限公司); 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).

Supervisors

Guo Dingfang

Guo Dingfang is currently an employee supervisor of the Company. He holds a master degree and the title of senior accountant. He is currently a member of the Party Committee and the Chairman of the supervisory committee of the Bank. Mr. Guo previously served as an officer at vice-Director level and an officer at Director level of the infrastructure division, an officer at Director level and the deputy division chief of the economic construction division (during which he served as a member of the Party Committee and deputy Director of the Finance Bureau of Xihu District, Hangzhou under temporary assignment), the Director of the Government Procurement Supervision Division (政府採購監管處), and the Director of the Budget Enforcement Bureau (預算執行局). Currently, he serves as the vice president of the council of Zhejiang Finance Society (concurrent).

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.

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

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 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 and President of the Company's Nanjing Branch. He served as an officer in the Planning and Credit Department and Comprehensive Planning Department of CITIC Bank (中信銀行) 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 of Risk Management Department and deputy director of the Credit Assessment Committee of CITIC Bank Hangzhou Branch. He 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 Communist Party of China, 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 Communist Party of China, 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.

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

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 of the Company's Shanghai Branch. She served as an employee of Lanzhou Yantan Industrial City Industrial Co, Ltd. (蘭州市雁灘工業城實業總公司); an officer of the People's Bank of China (中國人民銀行) 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 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 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, director, and Deputy General Manager of Zhejiang China Textile City Group Co., Ltd. and manager and executive Director of Shaoxing China Textile City Financial Holdings. 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 of Zhejiang China Textile City Group Co., Ltd.

Wang Junbo

Mr. Wang Junbo is a shareholder supervisor of the Company. He holds a postgraduate degree and is a senior economist. Currently, he is a member of the party committee, executive director and chief financial officer of Xintai Life Insurance Co., Ltd. (信泰人壽保險股份有限公司). 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. (浙江物產元通機電(集團)有限公司), the manager of the investment department and deputy manager of the finance department of Zhejiang Shunda Import and Export Trading Company Limited (浙江順達進出口貿易有限公司), the assistant to the director and deputy general manager of the capital operation management center of Zhejiang Wuchan Group Co., Ltd. (浙江省物產集團有限公司), member of the Party Branch, deputy general manager, chairman of the labor union and employee director of Wuchan Zhongda Group Finance Co., Ltd. (物產中大集團財務有限公司), and general manager of the financial department of Wuchan Zhongda Group Co., Ltd.

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

Gao Qiang

Mr. Gao Qiang is an external supervisor of the Company. He holds a master degree and is a senior economist. He currently serves as the Dean of Zhejiang Jingu Financial Consulting Firm and an independent director of Caitong Securities Co., Ltd. He has previously held various posts in China Construction Bank Corporation, including the Deputy General Manager of the operation department of Zhejiang Branch, the President and the secretary of the Party Committee of Hangzhou Zhijiang Sub-branch, the assistant to the General Manager, the Deputy General Manager and a member of the Party Committee of the operation department of Zhejiang Branch, the General Manager of the Hangzhou corporate client department and concurrently the General Manager of the operation department of Zhejiang Branch, the General Manager of the corporate business management department and concurrently the General Manager of the operation department of Zhejiang Branch, the General Manager of the corporate business department; the risk director, the deputy president and a member of the Party Committee of Anhui Branch; the President and the secretary of the Party Committee of Shanxi Branch; the President and the secretary of the Party Committee of Zhejiang Branch; Chairman of Yijia Life and Health Management (Zhejiang) Co., Ltd; and Chairman of Hangzhou Jiusheng Private Equity Fund Management 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. (深圳長城國盛投資控股有限公司); 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.; the secretary of Party Committee and Chairman of Great Wall Guofu Real Estate Co., Ltd. (長城國富置業有限公司).

Chen Sanlian

Mr. Chen Sanlian is an external supervisor of the Company. He holds a master degree, and 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 《律師與法制》; the general secretary of Zhejiang Lawyers Association; and independent director of Hengyi Petrochemical Co., Ltd. as well as independent director of Zhejiang Weixing Intelligent Instrument Co., Ltd.

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

Wang Congcong

Mr. Wang Congcong is external supervisor of the Company. He is a doctoral candidate and Professor. Mr. Wang is currently a professor and doctoral supervisor of the School of Finance, Zhejiang University of Finance & Economics (浙江財經大學). 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, and an independent director of Zhejiang Mintai Bank Co., Ltd. (浙江民泰銀行股份有限公司). 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.

Senior Management

Chen Haiqiang

Please refer to the biographical details of Mr. Chan Hoi Keung under "Directors" above.

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, and also General Manager of finance and accounting department and General Manager of asset and liability management department, General Manager of the planning & finance department (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 and the Vice President of the Company, and Secretary of 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, assistant to President of China Zheshang Bank.

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

Lin Jingran

Mr. Lin is the Vice President of the Company and Secretary of the Party Committee and President of Shanghai Branch. He has a master degree, and is a chief senior economist. Mr. Lin was the deputy Director of Huayuan Road Branch, Director of Zhongnan Branch, Director of Zhujiang Road Branch, President of Xuanwu Sub-branch, Vice President of Xingang Sub-branch (in charge of work) of Bank of China Nanjing Branch; Deputy General Manager of the Company II Department (in charge of work) of Minsheng Bank of China Nanjing Branch, Director of Jiangning Sub-branch, deputy Director of marketing of the Mechanical and Electrical Finance Department of East China Region (Nanjing) (in charge of work), Director of the Mechanical and Electrical Finance Department of Nanjing Branch, Head of the Preparatory Group and President of Wuxi Sub-branch, Member of the Party Committee of Nanjing Branch, Deputy Secretary of the Party Committee and Vice President of Kunming Branch (in charge of work), Secretary of the Party Committee and President of Suzhou Branch, Secretary of the Party Committee and President of Nanjing Branch; Deputy Secretary of the Party Committee, Director and President of Bank of Nanjing; Deputy Chairman of the Board of Directors and Member of the Party Committee of Nanjing Southeast State-owned Assets Investment Group Co., Ltd.

Zhou Weixin

Mr. Zhou is the Assistant to 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 and executive office Director of the risk management department 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 a CPC party member and vice mayor of Bengbu City from November 2019 to December 2021 under temporary assignment; President of Zhejiang Business Headquarter of the Bank.

Pan Huafeng

Mr. Pan is the Assistant to President and Chief Risk Officer of the Company. He has a bachelor degree, and is an economist. Mr. Pan once served as the Deputy Director of the Credit Management Department and the Risk Management Department of Bank of China Ningbo Branch, the Deputy President of Bank of China Yinzhou 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, the Assistant to President, Vice President, Secretary of the Discipline Inspection Commission, Party Committee Secretary, and President of Zheshang Bank Ningbo Branch, General Manager of the Risk Management Department and Director of the New Asset Management Office of Zheshang Bank, and General Manager of the Risk Management Department.

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

Wang Chaoming

Mr. Wang is the Assistant to President of the Company. He has a master degree and is a senior engineer. Mr. Wang was the deputy head of the software section of the technology department of ICBC Hangzhou Branch, the deputy head of the technology department, the deputy head of the technology security department, the deputy chief engineer of the computer center (technology security department) of ICBC Zhejiang Branch, the deputy chief engineer of the computer center (information technology department), the Deputy General Manager (in charge of work) and the General Manager, the head of the computer system department of ICBC (Asia) Limited, the assistant to the General Manager, the chief information officer and the Deputy General Manager of ICBC (Asia) Limited, and the Chief Information Officer of China Zheshang Bank.

Hou Bo

Mr. Hou is the Assistant to President of the Company. He has a master degree. Mr. Hou once served as the Deputy General Manager of the Risk Management Department and the General Manager of the Credit Assessment Department of the Shaoxing Branch of CZB, a member of the Party Committee, Secretary of the Discipline Inspection Commission, Risk Monitoring Officer, the Assistant to President and vice president of Xi'an Branch of CZB. He also served as the Deputy Leader of the Discipline Inspection and Supervision Group of the Zhejiang Provincial Commission for Discipline Inspection and Supervision stationed at CZB. Mr. Hou once served as the General Manager of the Credit Assessment Department of CZB.

6. Profile of new or proposed Directors, Supervisors and senior management and information of their concurrent post as of the date of this report

Lou Weizhong

Mr. Lou is 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 and Vice President of the Party Committee 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

Ni Defeng

Mr. Ni Defeng is a Non-executive Director (proposed) of the Company. He is a doctoral candidate and a chief senior economist. Mr. Ni worked as an auditor at Zhejiang Pan-China Certified Public Accountants (浙江天健會計師事務所), the manager of the finance department, manager of the investment and development department and assistant to the president of Zhejiang Hengyi Group Co., Ltd. (浙江恒逸集團有限公司), and the investment director of Hengyi Petrochemical Co., Ltd. (恒逸石化股份有限公司). He currently serves as the director and president of Zhejiang Hengyi Group Co., Ltd., and also serves as a director of Hengyi Petrochemical Co., Ltd., the director and general manager of Hangzhou Hengyi Investment Co., Ltd. (杭州恒逸投資有限公司), the executive director and general manager of Hangzhou Jinglin Asset Management Co., Ltd. (杭州璟霖資產管理有限公司), the executive director and general manager of Hangzhou Jinyi Industry Co., Ltd. (杭州錦繹實業有限公司), the executive director and general manager of Zhoushan Hengdu Trading Co., Ltd. (舟山恒渡貿易有限公司), the manager of Ningbo Jingren Investment Co., Ltd. (寧波璟仁投資有限公司), a director of Zhejiang Hengyi Jinlun Co., Ltd. (浙江恒逸錦綸有限公司), a director of Hainan Hengshengyuan International Tourism Development Co., Ltd. (海南恒盛元國際旅遊發展有限公司), a director of Dalian Yishengyuan Real Estate Co., Ltd. (大連逸盛元置業有限公司), a director of Zhejiang Xianfeng Data Technology Co., Ltd. (浙江纖蜂數據科技股份有限公司); and the practice director of Zhejiang University Strategic Entrepreneur Program (浙江大學戰略型企業家項目) and a professor for EMBA courses at Zhejiang University (浙江大學).

Jin Guorui

Ms. Jin Guorui is a Non-executive Director (proposed) of the Company. She holds a master degree. Ms. Jin served as the deputy head of financial department of Ningbo Zhoushan Port Company Limited (寧波舟山港股份有限公司), the Deputy Secretary of the Party Committee, the secretary of the discipline inspection commission and the chairwoman of the labor union of Zhejiang Yiwu Port Co., Ltd. (浙江義烏港務有限公司). Ms. Jin is currently the head of financial department of Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. (浙江省海港投資運營集團有限公司) and Ningbo Zhoushan Port Group Company Limited, the chairwoman of the board of directors of Zhejiang Seaport Group Finance Co., Ltd. (浙江海港集團財務有限公司), and the deputy chairwoman of the supervisory committee of Ningbo Zhoushan Port Company Limited.

Wu Zhijun

Mr. Wu Zhijun is a Non-executive Director (proposed) of the Company. He is a doctoral candidate and an economist. Mr. Wu served as a senior staff member of the business department of the Hubei Branch of China Construction Bank (中國建設銀行); the deputy director and then director of the statutory business department of China Reinsurance Corporation (中國再保險公司); the deputy party secretary and deputy general manager of Wuhan Branch of China Continent Property & Casualty Insurance Co., Ltd. (中國大地保險公司); 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 (中國農業銀行); the deputy general manager of ABC Life Insurance Co., Ltd. (農銀人壽保險公司). He once served as the director, supervisor and chairman of supervisory committee of Minsheng Tonghui Asset Management Co., Ltd. (民生通惠資產管理有限公司), the chairman of the board of Tonghui Kangyanglv Company (通惠康養旅股份公司), a supervisor and chairman of supervisory committee of Shanghai Pu-Xing Energy Limited (普星聚能股份公司), and the chief operating officer, executive president, compliance officer, financial officer, interim compliance officer and chief risk officer of Minsheng Life Insurance Co., Ltd. (民生人壽保險股份有限公司). He is currently an executive director, general manager and compliance officer of Minsheng Life Insurance Co., Ltd. as well as a director of Allinpay Network Services Co., Ltd. (通聯支付網絡服務股份有限公司).

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

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. Non-full-time 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.

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 25,226 employees (including dispatched employees, outsourced personnel and employees of the subsidiary of the Company), representing an increase of 2,331 as compared with that at the end of last year. Divided by the position types, 10,996 employees of the Group were categorized as marketing personnel, 1,815 employees as counter personnel, and 12,415 employees as mid-office and back-office personnel; divided by the educational levels, 6,433 obtained post-graduate degree or above (including 105 with doctorate degree), 17,092 obtained bachelor degree, and 1,701 obtained college degree or below. All of our employees participate in basic social pension insurance, and as of the end of the reporting period, 375 employees had retired from the Company.

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

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 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 1,424 claw-backs of performance-based remuneration, recovering a total amount of performance-based remuneration of RMB30.3378 million. For employees in the risk and compliance departments, 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.

(III) Employees Training

In line with its business development strategy, the Company has reshaped the whole life cycle training system into a hierarchical and categorized system. On the basis of full staff training, the Company has focused on the cultivation of key personnel, comprehensively upgraded the management quality and professional competence of its staff, and provided knowledge and talent support for the implementation of its strategy. During the reporting period, the Bank organized a total of 1,607 training programs with 970,172 attendances.

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

(IV) Information on Institutions

As at December 31, 2024, 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. 1788 Hongning Road, Xiaoshan Strict, Hangzhou, Zhejiang	1	5,157	1,019,714
	Small Enterprise Credit Center	No. 76 Huancheng West Road, Gongshu District, Hangzhou, Zhejiang	1	55	–
	Fund Operation Center	Floor 30 and 31, No. 1, Lane 1500, Pudong Avenue, Pudong New District, Shanghai	1	88	774,449
	Hangzhou Branch	No. 288 Qingchun Road, Gongshu District, Hangzhou, Zhejiang	63	3,207	381,447
	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	14	1,073	189,570
	Nanjing Branch	No. 9 Zhongshan North Road, Nanjing	32	1,608	162,174
	Ningbo Branch	No. 128 Wenkang Road, No. 555 Yangfan Road, Gaoxin District, Ningbo	20	804	104,311
	Suzhou Branch	No. 5 Xingdun Lane, Industrial Park Zone, Suzhou	10	628	64,215
	Hefei Branch	Block A16, Financial Harbour Center, No. 4872, Huizhou Avenue, Binhu New District, Hefei	6	390	35,669
	Shaoxing Branch	No. 1418 Jinkeqiao Avenue, Keqiao District, Shaoxing	10	558	63,638

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)
Bohai Rim Region	Wenzhou Branch	Northwest of Land Plot 17-05, Binjiang CBD, Lucheng District, Wenzhou, Zhejiang	13	624	57,875
	Jinhua Branch	1/F, 2/F, 10/F, Jiafu Business Building, No. 358, Binhong East Road, Jinhua City	10	461	41,405
	Zhoushan Branch	No. 88, Lvdao Road, Qiandao Streets, Dinghai District, Zhoushan, Zhejiang	3	115	10,046
	Beijing Branch	Huajia Jinbao Complex, No. 269, Chaoyangmen South Street, Dongcheng District, Beijing	24	1,283	175,181
	Jinan Branch	No. 801, Caoshanling South Road, Lixia District, Jinan, Shandong	21	1,095	104,027
	Tianjin Branch	Overseas Chinese Building, Extension No. 1, No. 92, Nanjing Road, Heping District, Tianjin	12	539	36,392
	Shenyang Branch	No. 467, Shifu Road, Shenhe District, Shenyang	7	352	25,911
Pearl River Delta and Western Coast of Taiwan Strait	Guangzhou Branch	No. 921 Guangzhou South Avenue, Haizhu District, Guangzhou	16	1,102	104,504
	Shenzhen Branch	(1-4/F, 6/F) Lianhezongbu Building, Hightech District, Xuefu Road, Nanshan Street, Nanshan District, Shenzhen	16	958	96,988
	Fuzhou Branch	Huawei Building, No. 169, Binxi Avenue, Nanjiang, Cangshan District, Fuzhou, Fujian	2	178	25,298

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)
Midwestern China Region	Chengdu Branch	Building 1, Jinjiang Spring, No. 299 Yong 'an Road, Jinjiang District, Chengdu	14	645	60,596
	Xi'an Branch	Building 3, Taihua Jinmao Guoji, No. 16, Fenghui South Road, Yanta District, Xi'an	15	711	60,355
	Chongqing Branch	Block 3, No. 67, Middle Section of Huangshan Avenue, Yubei District, Chongqing	10	615	58,860
	Wuhan Branch	Zheshang Bank Building (Pacific Finance Plaza), No. 548, 550, 552, 556, Jianshe Avenue, Jiangnan District, Wuhan, Hubei	7	447	37,407
	Zhengzhou Branch	No. 8 Middle Ring Road, Finance Island, Zhengzhou Area (Zhengdong), Henan Pilot Free Trade Zone, Zhengzhou, Henan	9	447	38,285
	Changsha Branch	Unit 118-129, 1/F, Block 6, Unit 215-219, 2/F, Block 6 and 22-23/F, Block 1, Huachuang International Plaza, No. 109 Furong Middle Road Part 1, Kaifu District, Changsha, Hunan	5	363	35,331
	Nanchang Branch	1-2/F, 14-20/F, Block 35, Alpha X, No. 1, Xuefu Road, Honggutan New District, Nanchang, Jiangxi	5	313	28,420
	Lanzhou Branch	No. 1888, Nanchang Road, Chengguan District, Lanzhou	9	374	23,842

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)
	Hohhot Branch	No. 8, Chilechuan Street, Saihan District, Hohhot	2	247	30,183
	Guiyang Branch	No. 88, Yan'an Road Central, Yunyan District, Guiyang	2	146	15,379
	Taiyuan Branch	Part of 1/F and 2-7/F, Block A, No. 163 Jinyang Street, Xiaodian District, Taiyuan, Shanxi	1	143	15,902
	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	126	10,248
Overseas Institution	Hong Kong Branch	15/F, Three Exchange Square, No. 8 Connaught Place, Central, Hong Kong	1	96	62,586
Subsidiary	Zheyin Financial Leasing	No. 368 Yan'an Road, Gongshu District, Hangzhou, Zhejiang	1	278	78,327
Offset balance and intra-group elimination					(702,996)
Total			364	25,226	3,325,539

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 set aside 10% as statutory reserve fund;
 - To make provision for general risk reserve;
 - To set aside 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 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, 2024 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 2024 at RMB1.56 (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 2024 annual general meeting of the Company.

If approved, the final dividend distribution of the Company for 2024 will be denominated and declared in RMB and paid in RMB for A Shares and in equivalent Hong Kong dollars 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 dollars as announced by the People's Bank of China on the website for seven business days immediately before the date of the Company's 2024 annual general meeting.

The dividend is expected to be paid before July 31, 2025, 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 2024 annual general meeting of the Company will be announced in due course.

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

Item	2024	2023	2022
Cash dividend for every 10 shares (tax inclusive, in RMB)	1.56	1.64	2.10
Cash dividend (tax inclusive, in RMB million)	4,284	4,504	4,466
Net profit attributable to ordinary shareholders of the Bank (in RMB million)	14,223	14,085	11,817
Percentage of cash dividend (%)	30.12	31.98	37.79

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 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 include those proceeds obtained from direct investment of resident enterprises into other resident enterprises, excluding 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 No. [1993]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 RMB24.2913 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, 2024.

(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 (《銀行保險機構關聯交易管理辦法》), 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 (《上海證券交易所上市公司自律監管指引第 5 號 – 交易與關聯交易》) and the Hong Kong Listing Rules. 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 twelfth meeting of the sixth 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 (《關於本行對浙江能源集團關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB8.26 billion to Zhejiang Energy Group and its Related Parties, of which RMB6.4 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. (Number: 2024-012) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the twelfth meeting of the sixth session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Hengdian Group (《關於本行對橫店集團關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB4.7 billion to Hengdian Group, of which RMB4.616 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. (Number: 2024-012) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the twelfth meeting of the sixth session of the Board, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Caitong Securities Co., Ltd. (《關於本行對財通證券股份有限公司關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB8 billion to Caitong Securities Co., Ltd. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (Number: 2024-012) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the twelfth meeting of the sixth 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. (《關於本行對東方證券股份有限公司關聯方授信方案的議案》), 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. (Number: 2024-012) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

Directors' Report

During the reporting period, at the twelfth meeting of the sixth session of the Board, the Company considered and passed the Proposal on the Pre-approval Amount of Deposit-type Related Transactions of China Zhejiang Bank Co., Ltd. for the Year 2024 《關於浙商銀行股份有限公司 2024 年度存款類關聯交易預審批額度的議案》, and agreed with the pre-approval amount of non-call deposits of related parties for the year 2024 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 2024 (Number: 2024-013) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the second 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 《關於本行對浙江金融控股集團關聯方授信方案的議案》, approving to grant maximum comprehensive credit lines of RMB14 billion to Zhejiang Provincial Financial Holdings Group, of which RMB3.8 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. (Number: 2024-046) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the second 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 《關於本行對中國太平保險集團關聯方授信方案的議案》, approving to grant maximum comprehensive credit lines of RMB21.4 billion to the related parties of China Taiping Insurance Group, of which RMB20.4 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. (Number: 2024-046) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the second meeting of the seventh session of the Board, the Company considered and passed the Proposal on the Increase of Pre-approval Amount of Deposit-type Related Transactions of China Zhejiang Bank Co., Ltd. for the Year 2024 《浙商銀行股份有限公司關於新增關聯方 2024 年度存款類關聯交易預審批額度的議案》, and agreed with the increase of pre-approval amount of non-call deposits of related parties for the year 2024 as formulated by the Company. For details, please refer to the Announcement of China Zheshang Bank Co., Ltd. on the Increase of Pre-approval Amount of Deposit-type Related Transactions for 2024 (Number: 2024-047) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the fifth extraordinary meeting of the seventh session of the Board in 2024, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Zhejiang Hengyi Group 《關於本行對浙江恒逸集團關聯方授信方案的議案》, 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. (No.: 2024-050) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the fifth extraordinary meeting of the seventh session of the Board in 2024, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Keqiao State-owned Assets Investment and Operation Group 《關於本行對柯橋國有資產投資經營集團關聯方授信方案的議案》, approving to grant maximum comprehensive credit lines of RMB7.8 billion to Keqiao State-owned Assets Investment and Operation Group. For details, please refer to the Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd. (No.: 2024-050) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

Directors' Report

During the reporting period, at the fifth extraordinary meeting of the seventh session of the Board in 2024, the Company considered and passed the Proposal on the Bank's Credit Plan to the Related Parties of Zhejiang Zheyin Financial Leasing Co., Ltd. (《關於本行對浙江浙銀金融租賃股份有限公司關聯方授信方案的議案》), approving to grant maximum comprehensive credit lines of RMB12 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. (No.: 2024-050) 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, 2024 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 Bank 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 sixth extraordinary meeting of the seventh session of the Board of Directors of the Company in 2024, 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, Zhejiang Provincial Financial Holdings Co., Ltd. and Zhoushan Marine Comprehensive Development and Investment Co., Ltd. intended to increase the capital of Zhejiang Zhenyin Financial Leasing Co., Ltd. in proportion to the original capital contribution. 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 Zheshang Bank Co., Ltd. on Proposed Capital Increase in a Controlling Subsidiary and Connected Transaction" (No.: 2024-056) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

Connected Creditor's Rights and Liabilities

During the reporting period, the Bank 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).

(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.

Directors' Report

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

As at December 31, 2024, 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 of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
Ma Hong	Executive Director,	A Share	Long position	Beneficial Owner	83,070	0.0004	0.0003
Chen Haiqiang	Executive Director, Vice President	A Share	Long position	Beneficial Owner	754,000	0.0035	0.0027
Wu Fanghua	Employee Supervisor	A Share	Long position	Beneficial Owner	52,000	0.0002	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
Zhang Rongsen	Former Executive Director, President	A Share	Long position	Beneficial Owner	1,743,430	0.0081	0.0063

(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).

Directors' Report

(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.

(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 Equipments)

For details of the changes in the Group's fixed assets (properties and equipment), please see "Note VI to Financial Report – 20 Fixed Assets".

(XX) Employment of Accounting Firms and Sponsors

According to its resolutions passed at the 2023 general meeting, the Company engaged KPMG Huazhen LLP and KPMG as the auditors to audit the annual financial statements of the Company for 2024 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. Chen Sijie (陳思杰) and Jin Rui (金睿) are the certified public accountants who signed the audit report on the Company's financial statements for 2024 prepared in accordance with the China Accounting Standards. Each of Chen Sijie and Jin Rui has been serving as the signing certificated public accountant of the Company since 2020 and 2023, respectively.

The financial statements of the Company for 2024 prepared under the China Accounting Standards and the internal control of the Company as at the benchmark date of 2024 were audited by KPMG Huazhen LLP, and the financial statements for 2024 prepared under International Financial Reporting Accounting Standards were audited by KPMG. The total audit fees amounted to approximately RMB6,980,000, among which the audit fees for internal control were approximately RMB1,000,000. The Company paid the total non – audit fees of approximately RMB2,140,000 to KPMG Huazhen LLP and KPMG for the current year. 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.

In 2023, the Company completed the A+H rights issue and the proceeds were utilized in accordance with the disclosed purposes and have been fully utilized to replenish the Company's core tier 1 capital.

Directors' Report

(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.

(XXIV) Performance of Social Responsibilities

The Bank adheres to the vision of a “first-class commercial bank” as its guiding principle and the mission of being a “national priority”, integrates the concepts of Environmental, Social and Governance (ESG) into its corporate governance and management, and proactively explores the organic integration of social responsibility fulfillment and sustainable business development, and continues to promote high-quality financial development. The Bank has been ranked A by MSCI ESG Ratings for three consecutive years and has been awarded the “First Prize for Outstanding Unit in Supporting Zhejiang’s Economic and Social Development” by the Zhejiang Provincial Government.

For further details, please refer to the “CZB Annual Sustainability Report 2024” published on the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company’s website.

1. Environmental Information

The Bank has continued to promote green finance and green operations in line with the National 14th Five-Year Plan and the goal of “carbon peak attainment and carbon neutrality”. The Bank has taken various measures to improve its green finance and assisted in the development of the economy and society with high quality, low carbon and green products. During the reporting period, the Bank did not commit any environmental violations.

We attach great importance to green development and continue to improve the top-level design. During the reporting period, we formulated the “CZB Green Finance Development Strategy and Implementation Outline” and the “CZB Implementation Plan for High-Quality Development of Green Finance” to further clarify the development strategy, medium and long-term goals, implementation path, guarantee mechanism and key work measures of green finance, and continued to promote green development and dual-carbon construction. We continued to improve the top-level governance structure, with the Board of Directors responsible for determining the green finance development strategy of the entire Bank, supervising and evaluating the implementation of the green finance development strategy, and the senior management setting up a “Green Finance Committee” and a “Carbon Neutral Leadership Team”. We proactively supported the construction of pilot zones for green finance reform and innovation and the pilot development of climate investment and financing by setting up Huzhou Branch as a demonstration bank of green finance reform and innovation, Quzhou Branch as a pilot bank of green finance and Lishui Branch as a pilot bank of climate investment and financing to vigorously support the professional development of green finance. We continued to strengthen the classified management and dynamic assessment of customers’ environmental, social and governance risks, integrated environmental, social and governance risks into the comprehensive risk management system and the whole process management, and adopted differentiated management measures.

Directors' Report

Active deployment of green finance and increased financial support. During the reporting period, the Bank accelerated the promotion of green financial business, continuously improved the construction of the green financial system, and made various efforts such as green credit, green bonds, and green investment, to guide the flow of resources into the green and low-carbon areas. In its basic credit policy, the Bank has included green and low-carbon basic industries in its "Priority Support Industries", and planned its credit policy around key green industries. As at the end of 2024, the Bank's green loans amounted to RMB247.737 billion, representing an increase of 21.78% over the beginning of the year, which was higher than the growth rate of all the Bank's loans. The Bank assisted in the issuance of 12 green bonds, realizing a financing of RMB7.137 billion. 16,000 green and low-carbon credit cards were issued. The Bank invested RMB1.315 billion in green bonds.

Adhering to green operation and practicing green and low-carbon concepts. We have developed a digital and intelligent operations management platform, continuously deepened the digitalization of seals and vouchers, and fully implemented the requirements of the Ministry of Finance's pilot program for deepening electronic vouchers. We were the first in the industry to develop the electronic voucher functionality, thereby supporting green operations. In 2024, we completed 67,929 seal imprint tasks for confirmation letters, and the pilot program for electronic voucher accounting data saved 2.4 tons of paper throughout the year. We have deeply integrated digital and intelligent methods to create the "Zhe e-Service" remote operations service system, which allows "no need to run even once" for customers, thereby reducing their carbon footprint from travel. We actively practice green procurement by setting environmental and social responsibility criteria in our procurement documents and promoting energy-saving, environmental protection, and green and social responsibility concepts to our suppliers. We have promoted the construction of green branches, and Huzhou Branch's business department was awarded the "Carbon Neutral" star branch honor by Huzhou Banking Association. We adhere to green office practices and strengthen green guidance through multiple measures in water use, electricity use, catering, and office supplies. This has firmly established a low-carbon and energy-saving awareness among our employees. In 2024, our office system operations saved 46.5 tons of paper.

2. Information on Social Responsibility

Our bank actively fulfills its social responsibilities by integrating ESG (Environmental, Social, and Governance) principles into business development, customer service, rural revitalization, human capital development, and other areas. We strive to create long-term value for society, the environment, and the economy.

Directors' Report

(1) Serving the real economy

The Bank reshapes financial logic from the perspective of social value, focusing on innovative explorations of “financial services for good” and adhering to the primacy of financial functionality while actively exploring a new paradigm of finance with Chinese characteristics. The financial advisor system has expanded from Zhejiang to the entire country, with 235 studios established in 24 provinces, municipalities, and regions. The financial advisor team has grown to over 4,200 members, cumulatively fulfilling financing needs of RMB1.0878 trillion for 103,300 enterprises. The “3386” model for comprehensive financial ecosystem construction in counties has moved from pilot to full-scale promotion. The first-tier customer base of CSGS is approximately 100,000. The trust services for good project have improved in quality and expanded its scope, with a cumulative scale of over RMB37.89 million.

Focusing on the development of new-quality productive forces, the Bank has solidly advanced the major initiative of technology finance, positioning it as a key strategy for the entire bank. We have continuously increased support for key areas of technology finance and iteratively upgraded the exclusive product systems of technology finance to enhance service quality and efficiency. As of the end of the reporting period, we have served 30,712 technology-based enterprises with a financing balance of RMB367.4 billion and 3,925 high-level talents with a financing balance of RMB34.5 billion.

(2) Support rural revitalization

The Bank actively supports the comprehensive advancement of rural revitalization by continuously increasing the allocation and investment of financial resources in rural and poverty-stricken areas. We have established separate credit plans for agriculture-related and inclusive agriculture-related lending and strengthened the guidance of credit policies and preferential incentive policies. As of the end of 2024, the balance of agriculture-related loans from the Bank reached RMB240.564 billion, an increase of 8.96% from the beginning of the year; the balance of inclusive agriculture-related loans was RMB51.112 billion, an increase of 19.55% from the beginning of the year; and the total financial services provided in mountainous and island counties amounted to RMB85.5 billion.

Directors' Report

The Bank firmly implements the central and provincial governments' major decisions and deployments on high-quality development and the construction of a demonstration zone for common prosperity. We adhere to the leadership of the "Thousand Village Demonstration and Ten Thousand Village Renovation Project" and adopt measures such as industrial and consumer assistance to solidly advance collaborative efforts between the eastern and western regions and other paired assistance programs, achieving significant results. For example, in industrial assistance, we supported the development of greenhouse farming and cattle breeding projects in two villages in Dazhou, Sichuan. In Longyou, Quzhou, more than ten projects, including photovoltaic power generation and grain and oil processing in five villages, have been implemented and yielded tangible results. The collective operating income of these villages has increased by more than 30 times compared to those before the assistance. We also continuously promote the "One Bank, One School" educational support initiative, forming partnerships with 33 rural primary schools. To date, we have invested over RMB42 million to provide comprehensive support for the schools' infrastructure, living environment, teaching quality, and quality education. This effort has benefited over 10,000 students.

(3) Protection of consumer rights and interests

The Bank upholds the mission of "finance services for good and consumer protection for the people" and has established a pre-approval mechanism for the protection of financial consumer rights and interests. We continuously strengthen consumer protection reviews on various aspects such as product and service design, development, pricing management, agreement formulation, and marketing promotion. The head office reviewed a total of 1,191 new (or substantially changed) products and services related review issues throughout the year, effectively shifting the risk control checkpoint to an earlier stage.

We widely conduct financial education and publicity activities, innovating the "Consumer Protection+" publicity and education model to continuously enhance consumers' financial literacy and risk prevention capabilities. We actively build the "Wealth Management N Courses" brand for consumer protection education and publicity. The bank has conducted over 9,427 financial education activities, reaching consumers over 128.57 million times. We also organized 934 training sessions on consumer rights protection for employees, with 126,000 participants, achieving a training coverage rate and employee participation rate of 100%.

The Bank has improved the complaint management mechanism, 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. During the reporting period, the Bank had received 131,562 complaints, with a 100% acceptance and settlement rate of customer complaints.

Directors' Report

The following table shows the complaints by geographic region (excluding complaints from the head office¹):

Institutions in the jurisdictions	No. of complaints case(s)	Institutions in the jurisdictions	No. of complaints case(s)	Institutions in the jurisdictions	No. of complaints case(s)
Shanghai Branch	2,100	Shenyang Branch	629	Huzhou Branch	189
Hangzhou Branch	2,067	Ningbo Branch	605	Jiaxing Branch	186
Chongqing Branch	1,897	Changsha Branch	592	Taizhou Branch	166
Beijing Branch	1,411	Tianjin Branch	536	Hohhot Branch	118
Zhengzhou Branch	1,274	Wenzhou Branch	504	Guiyang Branch	98
Guangzhou Branch	1,205	Lanzhou Branch	466	Fuzhou Branch	70
Nanjing Branch	1,070	Wuhan Branch	368	Quzhou Branch	68
Jinan Branch	975	Shaoxing Branch	317	Lishui Branch	58
Chengdu Branch	911	Jinhua Branch	258	Zhoushan Branch	26
Xi'an Branch	793	Hefei Branch	251	TaiYuan Branch	23
Shenzhen Branch	789	Qingdao Branch	238	Nanning Branch	23
Suzhou Branch	643	Nanchang Branch	215		

The following table shows the category of complaints:

Category	No. of complaints case(s)	Category	No. of complaints case(s)
Complaints about bank cards	59,200	Complaints about banking agency	984
Complaints about loans	31,212	Complaints about self-managed wealth management	890
Complaints about debt collection	20,257	Complaints about precious metal	875
Complaints about payment and settlement	7,364	Complaints about RMB savings	709
Complaints about personal financial information	5,392	Complaints about foreign exchange	260
Other complaints	3,363	Complaints about treasury	28
Complaints about intermediary business	1,009	Complaints about RMB management	19

¹ The number of complaints from the head office is 110,423.

Directors' Report

(4) Privacy and data security

The Bank attaches great importance to customer privacy protection and data security, and has established a data security management organizational structure covering the Party Committee, the Board of Directors and senior management. The Bank revised the Management Measures for Production Data Request of Information System of China Zheshang Bank (2024 Edition) and the Management Measures for External Data of China Zheshang Bank (2024 Edition) to further strengthen the safety requirements for data collection and use, etc.

The Bank has established business connectivity, network security and data security incident response service system and management system, regularly carries out emergency plan drills and organizes related trainings, and clarifies the process of submitting major matters, to strengthen the awareness of data security protection of all employees, and effectively improve the emergency response ability and awareness of employees. During the reporting period, the Bank's network and data security-related systems have been certified by a number of international standards such as ISO27001, ISO27701, ISO20000 and ISO22301.

(5) Human resource development

The Bank advocates a healthy working environment, strictly abides by China's statutory working hours and holiday regulations, and protects employees' legitimate rights and interests such as rest and vacation according to laws; it follows the principles of openness, fairness and fairness, and eliminates gender and race discrimination, so as to ensure normative recruitment.

The Company has continuously improved the employee development and promotion system, established an "H" shaped development channel for management position sequence and technical position sequence, realized flexible conversion between management position and technical position, and effectively broadened the career development of employees through various training programs such as "CZ Star Plan", grass-roots post training for college students, exchange learning, exchange of positions, internal open competition, etc.

Focusing on the Bank's strategy and staff growth needs, the Bank has established four series of training systems for leadership, professional, marketing and technology. It has designed supporting resources and projects, implemented 1,607 training programs throughout the year, with 970,000 attendances in the trainings. The Bank has made great efforts to reserve a team of excellent lecturers, launched the Good Lecturer Good Course Competition, selected 10 gold medal lecturers, certified 100 internal trainers and 40 excellent courses, helping to build an endogenous training system.

(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 《中華人民共和國公司法》, the Commercial Banking Law of the People's Republic of China 《中華人民共和國商業銀行法》 and the Articles of Association of the Company. The Directors, President and other Senior Management did not violate any laws and regulations or behave against the interests of our Company when they performed duties.

(II) Truthfulness of Financial Statements

The 2024 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 auditing reports without qualified opinion.

(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 2024", 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 2024. 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 41 pending litigations/arbitrations (excluding cases involving enforcement opposition and the third parties) where the Company was a defendant, and the total value was RMB892.7133 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, 2024.

(X) Annual General Meeting

For the convening of its 2024 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 2024, 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, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB") 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 *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants* (including International Independence Standards) ("IESBA Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 and management's impact assessment on financial statements upon changes.

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 about borrowers' businesses. 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

<i>Recognition of interests in and consolidation of structured entities</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
<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

Recognition of interests in and consolidation of structured entities (continued)

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 valuation. • 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

28 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

	Notes	2024	2023
Interest income		110,697	110,253
Interest expense		(65,540)	(62,725)
NET INTEREST INCOME	VI.1	45,157	47,528
Fee and commission income		5,961	6,143
Fee and commission expense		(1,474)	(1,103)
NET FEE AND COMMISSION INCOME	VI.2	4,487	5,040
Net trading gains	VI.3	10,771	7,396
Net gains on financial investments	VI.4	5,852	2,664
Other operating income	VI.5	1,435	1,136
OPERATING INCOME		67,702	63,764
Operating expenses	VI.6	(21,928)	(20,159)
Expected credit losses	VI.7	(28,195)	(26,113)
PROFIT BEFORE TAXATION		17,579	17,492
Income tax expense	VI.10	(1,886)	(1,999)
PROFIT FOR THE YEAR		15,693	15,493
Attributable to:			
Shareholders of the Bank		15,186	15,048
Non-controlling interests		507	445

The notes on pages 181 to 321 form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

	Notes	2024	2023
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		57	23
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		3,011	1,040
Allowance for ECLs of financial assets measured at fair value through other comprehensive income		(496)	62
Exchange difference from the translation of foreign operations		368	93
Other comprehensive income, net of tax		2,940	1,218
Total comprehensive income		18,633	16,711
Total comprehensive income attributable to:			
Shareholders of the Bank		18,125	16,265
Non-controlling interests		508	446
Earnings per share attributable to the shareholders of the Bank	VI.11		
Basic (RMB)		0.52	0.57
Diluted (RMB)		0.52	0.57

The notes on pages 181 to 321 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2024

(In RMB millions, unless otherwise stated)

	Notes	31 December 2024	31 December 2023
ASSETS			
Cash and balances with the central bank	VI.12	129,691	164,723
Precious metals		16,956	9,756
Deposits with banks and other financial institutions	VI.13	51,919	70,856
Placements with banks and other financial institutions	VI.14	17,366	8,574
Derivative financial assets	VI.15	41,692	21,953
Financial assets purchased under resale agreements	VI.16	68,407	74,595
Loans and advances to customers	VI.17	1,812,684	1,673,272
Financial investments	VI.18		
– Financial assets measured at fair value through profit or loss		228,873	233,141
– Financial assets measured at amortised cost		469,159	463,311
– Financial assets measured at fair value through other comprehensive income		357,419	304,185
Fixed assets	VI.20	31,268	24,741
Right-of-use assets	VI.21	4,685	4,904
Intangible assets	VI.22	811	670
Deferred tax assets	VI.23	20,482	21,184
Other assets	VI.24	74,127	68,014
TOTAL ASSETS		3,325,539	3,143,879
LIABILITIES			
Due to the central bank	VI.26	77,821	119,915
Deposits from banks and other financial institutions	VI.27	366,940	358,654
Placements from banks and other financial institutions	VI.28	95,841	87,681
Financial liabilities at fair value through profit or loss	VI.29	21,196	13,432
Derivative financial liabilities	VI.15	36,085	21,034
Financial assets sold under repurchase agreements	VI.30	35,287	62,106
Customer deposits	VI.31	1,922,289	1,868,659
Employee benefits payable	VI.32	6,323	5,985
Taxes payable	VI.33	1,091	2,909
Provisions	VI.34	1,094	1,523
Debt securities issued	VI.35	541,533	395,938
Lease liabilities	VI.21	3,131	3,257
Other liabilities	VI.36	14,165	13,209
TOTAL LIABILITIES		3,122,796	2,954,302

The notes on pages 181 to 321 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2024
(In RMB millions, unless otherwise stated)

	Notes	31 December 2024	31 December 2023
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	6,347	3,408
Surplus reserve	VI.41	14,012	12,546
Statutory general reserve	VI.42	35,119	29,804
Retained earnings	VI.43	52,396	49,458
Total equity attributable to shareholders of the Bank		198,903	186,245
Non-controlling interests		3,840	3,332
TOTAL EQUITY		202,743	189,577
TOTAL LIABILITIES AND EQUITY		3,325,539	3,143,879

The consolidated financial statements was approved by the board of directors on 28 March 2025:

Lu Jianqiang
Chairman

Hou Bo
Principal in-charge of Finance,
Director of the Financial Department

The notes on pages 181 to 321 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

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

Notes	Attributable to equity holders of the Bank							Non-Controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Statutory general reserve	Retained earnings		
								Subtotal	
Balance at 1 January 2024	27,464	24,995	38,570	3,408	12,546	29,804	49,458	186,245	3,332
Changes in equity for the year									
1. Total comprehensive income									
– Profit for the year	-	-	-	-	-	-	15,186	15,186	507
– Other comprehensive income	-	-	-	2,939	-	-	-	2,939	1
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)	-
– Distributions to perpetual bond holders	VI.43(2)	-	-	-	-	-	(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
Balance at 1 January 2023	21,269	24,995	32,289	2,191	11,075	26,457	44,657	162,933	2,997
Changes in equity for the year									
1. Total comprehensive income									
– Profit for the year	-	-	-	-	-	-	15,048	15,048	445
– Other comprehensive income	-	-	-	1,217	-	-	-	1,217	1
2. Capital invested by shareholders									
– Ordinary shares invested by ordinary shareholders	VI.37	6,195	-	6,281	-	-	-	12,476	-
3. Appropriation of profits									
– Appropriation to surplus reserve	VI.41	-	-	-	1,471	-	(1,471)	-	-
– Appropriation to statutory general reserve	VI.42	-	-	-	-	3,347	(3,347)	-	-
– Distributions to ordinary shareholders	VI.43(1)	-	-	-	-	-	(4,466)	(4,466)	(111)
– Distributions to perpetual bond holders	VI.43(2)	-	-	-	-	-	(963)	(963)	-
Balance at 31 December 2023	27,464	24,995	38,570	3,408	12,546	29,804	49,458	186,245	3,332

The notes on pages 181 to 321 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

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

	2024	2023
Cash flows from operating activities:		
Profit before taxation	17,579	17,492
Adjustments for:		
– Expected credit losses	28,195	26,113
– Depreciation and amortisation	2,472	2,112
– Interest income from financial investments	(21,981)	(21,136)
– Net investment income	(9,954)	(6,664)
– Net gains from changes in fair value	(3,516)	(294)
– Net foreign exchange gains	150	(177)
– Net gains on disposal of fixed assets	(18)	(11)
– Interest expense on debt securities issued	11,427	9,328
– Interest expense on lease liabilities	137	146
– Deferred tax expense	(155)	(658)
Net changes in operating assets and operating liabilities:		
Net decrease in balances with the central bank	15,747	800
Net increase in deposits with banks and other financial institutions	(4,755)	(3,598)
Net decrease in placements with banks and other financial institutions	4,753	1,631
Net increase in financial assets purchased under resale agreements	(1,399)	–
Net increase in loans and advances to customers	(165,447)	(199,876)
Net decrease/(increase) in financial assets held for trading	20,321	(21,888)
Net decrease in other operating assets	3,033	11,933
Net (decrease)/increase in due to the central bank	(41,899)	22,526
Net increase in deposits from banks and other financial institutions	9,096	115,303
Net increase in placements from banks and other financial institutions	13,275	7,897
Net (decrease)/increase in financial assets sold under repurchase agreements	(26,789)	55,995
Net increase in customer deposits	47,315	181,502
Net (decrease)/increase in other operating liabilities	(14,332)	504
Net cash flows (used in)/generated from operating activities before taxation	(116,745)	198,980
Income tax paid	(3,733)	(4,613)
Net cash (used in)/generated from operating activities	(120,478)	194,367

The notes on pages 181 to 321 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	2024	2023
Cash flows from investing activities:			
Dividends received		6	6
Proceeds from disposal of fixed assets		1,326	966
Payment for acquisition of fixed assets, intangible assets and other long-term assets		(10,703)	(9,880)
Investment returns received		33,234	28,154
Proceeds from disposal of investments		2,169,033	1,529,262
Payment for acquisition of investments		(2,237,335)	(1,749,967)
Net cash used in investing activities		(44,439)	(201,459)
Cash flows from financing activities:			
Proceeds from issuance of shares		—	12,476
Proceeds from issuance of debt securities		630,284	535,292
Repayments of principal on debt securities issued		(485,633)	(462,592)
Repayments of interest on debt securities issued		(10,578)	(9,202)
Payment for dividend distribution		(5,469)	(5,683)
Repayments of principal element of lease liabilities		(713)	(705)
Repayments of interest element of lease liabilities		(137)	(146)
Net cash generated from financing activities		127,754	69,440
Effect of exchange rate changes on cash and cash equivalents		337	365
Net (decrease)/increase in cash and cash equivalents		(36,826)	62,713
Cash and cash equivalents at the beginning of the year	VI.44 (1)	170,461	107,748
Cash and cash equivalents at the end of the year	VI.44 (1)	133,635	170,461
Net cash flows from operating activities include:			
Interest received		88,105	85,814
Interest paid		(48,593)	(45,527)

The notes on pages 181 to 321 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 2024, the Bank’s registered capital is RMB27,464,635,963.

At 31 December 2024, the Bank has established 362 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 288 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 2024, 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. The Bank and its subsidiary, Zheyin Financial Leasing, are collectively referred to as “the Group”.

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 2024:

- Amendments to IAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*
- Amendments to IAS 1, *Presentation of financial statements: Non-current liabilities with covenants*
- Amendments to IFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to IAS 7, *Statement of cash flows and IFRS 7, Financial instruments: Disclosures – Supplier finance arrangements*

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
Amendments to IAS 21	<i>Lack of exchangeability</i>	1 January 2025
Amendments to IFRS 9 and IFRS 7	<i>Classification and Measurement of Financial Instruments</i>	1 January 2026
Annual Improvements to IFRS Accounting Standards	<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	1 January 2026
Amendments to IFRS 18	<i>Presentation and Disclosure in Financial Statements</i>	1 January 2027
Amendments to IFRS 19	<i>Subsidiaries without Public Accountability</i>	1 January 2027

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.

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 Group'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 live.

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 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

	2024	2023
Interest income:		
Loans and advances to customers		
– Corporate loans and advances	52,628	51,687
– Personal loans and advances	25,460	26,332
– Discounted bills	2,367	2,576
Financial investments		
– Financial assets measured at amortised cost (“AC”)	12,460	14,441
– Financial assets measured at fair value through other comprehensive income (“FVOCI”)	9,521	6,695
Deposits and placements with banks and other financial institutions and financial assets purchased under resale agreements	2,975	3,131
Balances with the central bank	1,908	2,082
Finance lease receivables	3,378	3,309
Total	110,697	110,253
Interest expense:		
Customer deposits		
– Corporate customers	(31,927)	(33,728)
– Personal customers	(6,997)	(5,951)
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	(13,522)	(12,023)
Debt securities issued	(11,427)	(9,328)
Due to the central bank	(1,530)	(1,549)
Lease liabilities	(137)	(146)
Total	(65,540)	(62,725)
Net interest income	45,157	47,528

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

	2024	2023
Fee and commission income:		
Agency and entrustment service	2,265	1,849
Commitment and guarantee service	1,031	1,435
Underwriting and consultation service	928	1,076
Settlement and clearing business	678	725
Custodian and other fiduciary service	637	594
Fees from bank cards	197	211
Others	225	253
Total	5,961	6,143
Fee and commission expense	(1,474)	(1,103)
Net fee and commission income	4,487	5,040

3 Net Trading Gains

	2024	2023
Net gains arising from financial instruments measured at FVTPL	9,030	6,733
Exchange gains and related derivatives	1,769	923
Precious metals and related derivatives	411	218
Other derivatives and hedged items	(439)	(478)
Total	10,771	7,396

4 Net Gains on Financial Investments

	2024	2023
Net gains arising from financial assets measured at FVOCI	4,795	2,274
Net gains arising from financial assets measured at AC	1,054	420
Dividend income from equity instruments designated to be measured at FVOCI	6	6
Other investment losses	(3)	(36)
Total	5,852	2,664

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

5 Other Operating Income

	2024	2023
Operating lease income	1,166	482
Government grants	46	435
Other miscellaneous income	223	219
Total	1,435	1,136

6 Operating Expense

	Notes	2024	2023
Staff costs	(1)	13,737	12,500
General and administrative expenses		4,642	4,631
Depreciation and amortisation		2,022	1,895
Taxes and surcharges		835	755
Operating lease expenses		512	225
Donations		22	23
Auditors' remuneration		7	7
Others	(2)	151	123
Total		21,928	20,159

(1) Staff costs

	2024	2023
Salaries, bonuses and allowances	9,674	8,929
Other social insurance and benefit costs	1,783	1,645
Housing funds	636	530
Pension costs – defined contribution plans	1,417	1,183
Labor union fee and staff education fee	227	213
Total	13,737	12,500

- (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	2024	2023
Deposits with banks and other financial institutions		(5)	(6)
Placements with banks and other financial institutions		(2)	(215)
Financial assets purchased under resale agreements		(4)	19
Loans and advances to customers			
– measured at AC		25,844	14,235
– measured at FVOCI		(15)	247
Financial investments			
– measured at AC		1,746	11,206
– measured at FVOCI		158	123
Finance lease receivables		697	551
Others		209	269
Off-balance sheet items		(433)	(316)
Total	VI.25	28,195	26,113

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

	2024					
(in RMB thousands)	Fees	Salaries	Allowances and benefits	Discretionary bonuses	Contribution to pension schemes	Total
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)

2023						
(in RMB thousands)	Fees	Salaries	Allowances and benefits	Discretionary bonuses	Contribution to pension schemes	Total
Executive Directors						
Lu Jianqiang	–	229	34	575	96	934
Zhang Rongsen	–	1,200	90	720	253	2,263
Ma Hong	–	495	80	597	231	1,403
Chen Haiqiang	–	1,000	81	600	231	1,912
Non-Executive Directors						
Hou Xingchuan	–	–	–	–	–	–
Ren Zhixiang	–	–	–	–	–	–
Gao Qinhong	–	–	–	–	–	–
Hu Tiangao	–	–	–	–	–	–
Zhu Weiming	–	–	–	–	–	–
Independent Non-Executive Directors						
Zhou Zhifang	380	–	–	–	–	380
Wang Guocai	360	–	–	–	–	360
Wang Wei	340	–	–	–	–	340
Xu Yongbin	360	–	–	–	–	360
Fu Tingmei	230	–	–	–	–	230
Zheng Jindu*	198	–	–	–	–	198
Supervisors						
Guo Dingfang	–	495	80	569	40	1,184
Wu Fanghua	–	–	–	–	–	–
Peng Zhiyuan	–	–	–	–	–	–
Chen Zhongwei	–	–	–	–	–	–
Ma Xiaofeng	–	–	–	–	–	–
Gao Qiang	320	–	–	–	–	320
Zhang Fanquan	320	–	–	–	–	320
Song Qinghua	300	–	–	–	–	300
Chen Sanlian	300	–	–	–	–	300
Pan Huafeng*	–	–	–	–	–	–
Total	3,108	3,419	365	3,061	851	10,804

* On 31 December 2023, 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 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, Ms. 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 (On 12 January 2023, Mr. Wu Fanghua and Mr. Peng Zhiyuan were by-elected as the staff supervisors of the sixth Board of Supervisors; On 4 May 2023, the original China Banking and Insurance Regulatory Commission (hereinafter refer to as "the original CBIRC") approved the qualifications of Mr. Fu Tingmei as an independent director; On 4 May 2023, Mr. Lou Weizhong was elected as an independent non-executive director of the sixth Board of Directors and Mr. Lou Weizhong's qualifications are subject to the approval of the National Financial Regulatory Administration; On 9 August, 2023, the National Financial Regulatory Administration has approved Mr. Lu Jianqiang's qualifications as a director and chairman of the Board; On 19 December, 2023, Mr. Ma Xiaofeng was elected as the shareholder supervisor of the sixth Board of Supervisors).
- (3) 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 (On 4 May 2023, Mr. Pan Huafeng resigned as the Bank's staff supervisor; On 5 July 2023, Mr. Zheng Jindu resigned as the Bank's independent director).
- (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 Five Highest Paid Individuals

For the year ended 31 December 2024, the five highest paid individuals in the Group include neither director nor supervisor (2023: neither director nor supervisor). The five highest paid individuals for the year are as follows:

	2024	2023
Salaries and allowances and other benefits	1	2
Discretionary bonuses	25	40
Total	26	42

The emoluments fell within the following bands:

	Number of Individuals	
	2024	2023
RMB4,500,001 – RMB5,000,000	3	–
RMB5,000,001 – RMB5,500,000	1	–
RMB5,500,001 – RMB6,000,000	1	–
RMB6,000,001 – RMB6,500,000	–	–
RMB6,500,001 – RMB7,000,000	–	–
RMB7,000,001 – RMB7,500,000	–	–
RMB7,500,001 – RMB8,000,000	–	1
RMB8,000,001 – RMB8,500,000	–	2
RMB8,500,001 – RMB9,000,000	–	2

- (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 2024, no non-cash benefits (share options, cars, insurance premium, club membership, etc.) were paid to the directors or supervisors (2023: Nil).
- (3) During the year ended 31 December 2024, no retirement benefits were paid to the directors or supervisors by a defined benefit pension plan operated by the Group (2023: Nil).
- (4) During the year ended 31 December 2024, no termination benefits were paid to the directors or supervisors by the Group (2023: Nil).
- (5) During the year ended 31 December 2024, no consideration was provided by the Group to former employers for making available directors' and supervisors' services (2023: Nil).
- (6) During the year ended 31 December 2024, no loans, quasi-loans or other dealings were provided in favour of directors or their connected entities (2023: Nil).
- (7) During the year ended 31 December 2024, 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 (2023: 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	2024	2023
Current income tax expense		2,041	2,657
Deferred tax expense	VI.23(2)	(155)	(658)
Total		1,886	1,999

Current income tax is calculated based on the statutory rate of 25% of the taxable income of the Group in accordance with 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	2024	2023
Profit before taxation		17,579	17,492
Tax calculated at statutory tax rate of 25%		4,395	4,373
Effects of non-taxable income	(1)	(3,287)	(3,067)
Effects of non-deductible expenses	(2)	1,019	934
Effects of perpetual bond interest expense		(241)	(241)
Income tax expense		1,886	1,999

(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 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 2024, the Group possesses no share with potential dilution effect hence there's no difference between basic and diluted earnings per share.

	Note	2024	2023
Consolidated net profit attributable to shareholders of the Bank		15,186	15,048
Less: Net profit attributable to other equity instruments holders of the Bank		(963)	(963)
Consolidated net profit attributable to ordinary shareholders of the Bank		14,223	14,085
Weighted average number of ordinary shares (in millions of shares)	(1)	27,464	24,857
Basic and diluted earnings per share (RMB yuan/share)		0.52	0.57

(1) In accordance with the IAS 33, Earnings Per Share, the Group adjusted the weighted average number of ordinary shares when calculating the adjusted basic and diluted earnings per share in consideration of the factors relating to the rights issue.

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 2024	31 December 2023
Cash		996	865
Balances with the central bank			
– Statutory deposit reserves	(1)	108,572	125,183
– Surplus deposit reserves	(2)	15,077	34,483
– Foreign exchange risk reserves	(3)	4,946	4,104
– Fiscal deposits	(4)	45	23
Subtotal		128,640	163,793
Interest accrued		55	65
Total		129,691	164,723

- (1) The Group is required to place statutory deposit reserves with the People's Bank of China (the "PBOC"). 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 2024	31 December 2023
Statutory deposit reserves rate for deposits denominated in RMB	6.00%	7.00%
Statutory deposit reserves rate for deposits denominated in foreign currencies	4.00%	4.00%

The statutory deposit reserves ratios of the subsidiary of the Bank complied with the requirement of the PBOC.

- (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 2024, the foreign exchange risk reserve ratio of the Bank is 20% (31 December 2023: 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 2024	31 December 2023
In Chinese Mainland		
– Banks	38,297	55,869
– Other financial institutions	8,710	8,559
Outside Chinese Mainland		
– Banks	4,740	6,194
– Other financial institutions	83	86
Interest accrued	91	155
Gross amount	51,921	70,863
Less: Allowance for ECLs (Note VI.25)	(2)	(7)
Carrying amount	51,919	70,856

At 31 December 2024, the Group and the Bank deposited RMB8,283 million and RMB7,973 million respectively with banks in the PRC with restriction in use, respectively (At 31 December 2023, amounting to RMB8,713 million and RMB8,557 million, respectively).

14 Placements with Banks and Other Financial Institutions

Analyzed by type and location of counterparties

	31 December 2024	31 December 2023
In Chinese Mainland		
– Other financial institutions	13,795	7,548
Outside Chinese Mainland		
– Banks	3,548	924
Interest accrued	27	108
Gross amount	17,370	8,580
Less: Allowance for ECLs (Note VI.25)	(4)	(6)
Carrying amount	17,366	8,574

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 2024

		Fair value	
	Notional amount	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)

At 31 December 2023

		Fair value	
	Notional amount	Derivative financial assets	Derivative financial liabilities
Interest rate derivatives	2,343,658	8,600	(9,003)
Currency derivatives	1,009,226	11,324	(9,884)
Precious metal and other derivatives	155,718	2,029	(2,147)
Total	3,508,602	21,953	(21,034)

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 2024	31 December 2023
In Chinese Mainland		
– Banks	23,177	8,480
– Other financial institutions	45,230	66,070
Interest accrued	22	71
Gross amount	68,429	74,621
Less: Allowance for ECLs (Note VI.25)	(22)	(26)
Carrying amount	68,407	74,595

(2) Analyzed by type of collateral

	31 December 2024	31 December 2023
Bills	–	6,782
Bonds		
– Financial bonds	38,301	40,378
– Government bonds	30,106	27,390
Interest accrued	22	71
Gross amount	68,429	74,621
Less: Allowance for ECLs (Note VI.25)	(22)	(26)
Carrying amount	68,407	74,595

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 2024	31 December 2023
Loans and advances to customers measured at AC	1,487,701	1,325,604
Loans and advances to customers measured at FVOCI	324,983	347,668
Total	1,812,684	1,673,272

(1) Analyzed by classification and nature

	Note	31 December 2024	31 December 2023
Loans and advances to customers measured at AC			
Corporate loans and advances		1,054,519	898,657
Personal loans and advances			
– Personal business loans		183,641	177,685
– Residential mortgage loans		168,136	137,853
– Personal consumer loans		117,405	146,710
Personal loans and advances		469,182	462,248
Loans and advances to customers measured at FVOCI			
Corporate loans and advances		195,047	229,513
Discounted bills	(a)	119,200	102,195
Personal loans and advances			
– Personal business loans		9,449	14,444
Subtotal		1,847,397	1,707,057
Fair value changes		1,224	1,417
Interest accrued		8,495	7,766
Gross amount		1,857,116	1,716,240
Less: Allowance for ECLs (Note VI.25)		(44,432)	(42,968)
Carrying amount		1,812,684	1,673,272

(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 2024		31 December 2023	
	Amount	Proportion	Amount	Proportion
Unsecured loans	468,309	25.35%	464,799	27.23%
Guaranteed loans	377,355	20.43%	326,813	19.14%
Collateralized loans				
– Mortgage loans	813,467	44.03%	752,103	44.06%
– Pledged loans	69,066	3.74%	61,147	3.58%
Discounted bills	119,200	6.45%	102,195	5.99%
Subtotal	1,847,397	100.00%	1,707,057	100.00%
Fair value changes	1,224		1,417	
Interest accrued	8,495		7,766	
Gross amount	1,857,116		1,716,240	
Less: Allowance for ECLs (Note VI.25)	(44,432)		(42,968)	
Carrying amount	1,812,684		1,673,272	

(3) Overdue loans and advances to customers analyzed by overdue period (fair value changes and interest accrued excluded)

	31 December 2024				
	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	Total
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

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) (continued)

	31 December 2023				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	2,468	3,212	1,317	64	7,061
Guaranteed loans	1,186	1,226	435	737	3,584
Collateralized loans					
– Mortgage loans	4,554	8,292	3,883	49	16,778
– Pledged loans	63	83	147	70	363
Total overdue loans	8,271	12,813	5,782	920	27,786

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 2024			Total
	Stage 1	Stage 2	Stage 3	
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
	31 December 2023			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at AC				
– Corporate loans and advances	831,914	50,117	16,626	898,657
– Personal loans and advances	448,462	5,059	8,727	462,248
Gross amount	1,280,376	55,176	25,353	1,360,905
Less: Allowance for ECLs (Note VI.25)	(11,404)	(14,776)	(16,788)	(42,968)
Carrying amount	1,268,972	40,400	8,565	1,317,937

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 2024			
	Stage 1	Stage 2	Stage 3	Total
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)

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers measured at FVOCI				
– Corporate loans and advances	228,678	385	450	229,513
– Discounted bills	101,825	357	13	102,195
– Personal loans and advances	13,756	234	454	14,444
Total	344,259	976	917	346,152
Allowance for ECLs (Note VI.25)	(1,351)	(101)	(490)	(1,942)

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

	2024			
	Stage 1	Stage 2	Stage 3	Total
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

	2023			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	13,094	10,428	15,217	38,739
Transfer				
– to Stage 1	330	(297)	(33)	–
– to Stage 2	(331)	523	(192)	–
– to Stage 3	(155)	(1,761)	1,916	–
(Reversal)/charge (Note VI.7)	(1,541)	5,883	9,893	14,235
Write-off and transfer out	–	–	(11,878)	(11,878)
Recoveries of loans and advances previously written off	–	–	2,016	2,016
Other movements	7	–	(151)	(144)
Balance at 31 December 2023	11,404	14,776	16,788	42,968

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

	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

	2023			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2023	1,723	38	225	1,986
Transfer				
– to Stage 1	1	(1)	–	–
– to Stage 2	(7)	8	(1)	–
– to Stage 3	(18)	(7)	25	–
(Reversal)/charge (Note VI.7)	(348)	63	532	247
Write-off and transfer out	–	–	(291)	(291)
Balance at 31 December 2023	1,351	101	490	1,942

18 Financial Investments

	Notes	31 December 2024	31 December 2023
Financial investments measured at FVTPL	18.1	228,873	233,141
Financial investments measured at AC	18.2	469,159	463,311
Financial investments measured at FVOCI	18.3	357,419	304,185
Total		1,055,451	1,000,637

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 2024	31 December 2023
Fund investments	(1)	175,096	147,430
Bond and ABS investments			
– Government bonds		2,343	1,841
– Financial bonds		21,862	28,409
– Interbank certificates of deposit		2,692	19,391
– Asset-backed securities (“ABS”)		13,365	15,908
– Other bonds		8,020	12,469
Equity investments		3,559	4,336
Trust schemes and asset management plans	(1)	1,815	3,289
Wealth management products		121	68
Total		228,873	233,141

(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 2024	31 December 2023
Fund investments		
– Listed outside Hong Kong	175,096	147,430
Bond and ABS investments		
– Listed in Hong Kong	2,417	9,276
– Listed outside Hong Kong	45,865	68,742
Trust schemes and asset management plans		
– Unlisted	1,815	3,289
Equity investments		
– Listed outside Hong Kong	1,976	3,027
– Unlisted	1,583	1,309
Wealth management products		
– Unlisted	121	68
Total	228,873	233,141

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 2024	31 December 2023
Chinese Mainland issuers		
– Government	2,343	678
– Banking and other financial institutions	210,460	203,526
– Corporate entities	12,754	21,146
Issuers outside Chinese Mainland		
– Government	–	1,163
– Banking and other financial institutions	2,123	4,354
– Corporate entities	1,193	2,274
Total	228,873	233,141

18.2 Financial investments measured at AC

	Notes	31 December 2024	31 December 2023
Bond and ABS investments	(1)		
– Government bonds		234,495	192,287
– Financial bonds		127,331	147,418
– Debt financing plans		3,080	9,329
– Asset-backed securities ("ABS")		696	5,851
– Other bonds		24,457	27,305
Trust schemes and asset management plans	(2)	97,784	101,509
Interest accrued		6,713	7,330
Gross amount		494,556	491,029
Less: Allowance for ECLs (Note VI.25)		(25,397)	(27,718)
Carrying amount		469,159	463,311

(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) Trust schemes and asset management plans, mainly invested in credit assets 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 2024	31 December 2023
Bond and ABS investments		
– Listed in Hong Kong	13,494	15,993
– Listed outside Hong Kong	370,815	356,364
– Unlisted	5,750	9,833
Trust schemes and asset management plans		
– Unlisted	97,784	101,509
Interest accrued	6,713	7,330
Total	494,556	491,029

Analyzed by type of issuers:

	31 December 2024	31 December 2023
Chinese Mainland issuers		
– Government	223,819	191,336
– Banking and other financial institutions	127,708	147,531
– Corporate entities	119,717	135,709
Issuers outside Chinese Mainland		
– Government	8,275	951
– Banking and other financial institutions	–	35
– Corporate entities	8,324	8,137
Interest accrued	6,713	7,330
Total	494,556	491,029

The gross amount and allowance for ECLs of financial investments measured at AC are analyzed as follows (interest accrued excluded):

	31 December 2024			
	Stage1	Stage2	Stage3	Total
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)

	31 December 2023			
	Stage1	Stage2	Stage3	Total
Financial investments measured at AC	417,991	12,492	53,216	483,699
Less: Allowance for ECLs (Note VI.25)	(1,020)	(3,434)	(23,264)	(27,718)
Carrying amount	416,971	9,058	29,952	455,981

Movement of allowance for ECLs of financial investments measured at AC

	2024			
	Stage 1	Stage 2	Stage 3	Total
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 and transfer out	–	–	(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

	2023			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	980	3,866	16,202	21,048
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	(18)	18	–	–
– to Stage 3	–	(1,973)	1,973	–
Charge (Note VI.7)	55	1,523	9,628	11,206
Write-off and transfer out	–	–	(5,848)	(5,848)
Recoveries of financial investments previously written off	–	–	1,757	1,757
Other movements	3	–	(448)	(445)
Balance at 31 December 2023	1,020	3,434	23,264	27,718

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 2024	31 December 2023
Bond and ABS investments			
– Government bonds		96,352	105,407
– Central Bank Bill		–	520
– Financial bonds		82,495	68,415
– Interbank certificates of deposit		67,398	38,833
– Asset-backed securities (“ABS”)		44,845	34,017
– Other bonds		61,947	52,703
Other debt instruments		50	121
Interest accrued		2,912	2,825
Subtotal		355,999	302,841
Financial investments designated to be measured at FVOCI			
Equity investments	(1)	1,420	1,344
Total		357,419	304,185

(1) Certain non-trading equity investments are designated by the Group as financial investments measured at FVOCI. For the year ended 31 December 2024, dividend income recognized on such equity investments amounted to RMB6 million (For the year ended 31 December 2023: RMB6 million).

Analyzed by listing location:

	31 December 2024	31 December 2023
Bond and ABS investments and other debt instruments		
– Listed in Hong Kong	28,802	41,388
– Listed outside Hong Kong	269,879	230,413
– Unlisted	54,406	28,215
Equity investments		
– Unlisted	1,420	1,344
Interest accrued	2,912	2,825
Total	357,419	304,185

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 2024	31 December 2023
Chinese Mainland issuers		
– Government and Central Bank	74,724	95,468
– Banking and other financial institutions	123,187	77,708
– Corporate entities	62,115	60,452
Issuers outside Chinese Mainland		
– Government and Central Bank	21,644	10,459
– Banking and other financial institutions	54,656	41,246
– Corporate entities	16,761	14,683
Interest accrued	2,912	2,825
Subtotal	355,999	302,841
Equity investments	1,420	1,344
Total	357,419	304,185

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 2024			
	Stage1	Stage2	Stage3	Total
Debt instruments measured at FVOCI	348,711	80	436	349,227
Allowance for ECLs (Note VI.25)	(345)	(8)	(325)	(678)
	31 December 2023			
	Stage1	Stage2	Stage3	Total
Debt instruments measured at FVOCI	298,625	1,347	391	300,363
Allowance for ECLs (Note VI.25)	(224)	(106)	(187)	(517)

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

	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

	2023			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2023	391	–	–	391
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	(11)	11	–	–
– to Stage 3	–	–	–	–
(Reversal)/charge (Note VI.7)	(159)	95	187	123
Other movements	3	–	–	3
Balance at 31 December 2023	224	106	187	517

19 Investment in Subsidiary

The Bank

	31 December 2024	31 December 2023
Zheyin Financial Leasing	2,040	2,040

For details of the subsidiary, 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 2024	31 December 2023
Fixed assets	(1)	28,078	22,345
Construction in progress	(2)	3,190	2,396
Total		31,268	24,741

(1) Fixed assets

	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

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 2023	15,895	2,079	177	2,700	20,851
Additions	2,582	206	21	4,832	7,641
Transfers from construction in progress	60	–	–	–	60
Disposals and other changes	–	(18)	(10)	(905)	(933)
At 31 December 2023	18,537	2,267	188	6,627	27,619
Less: Accumulated depreciation					
At 1 January 2023	(2,350)	(1,500)	(130)	(306)	(4,286)
Charge	(630)	(217)	(14)	(217)	(1,078)
Disposals and other changes	–	18	9	63	90
At 31 December 2023	(2,980)	(1,699)	(135)	(460)	(5,274)
Carrying amount					
Balance at 31 December 2023	15,557	568	53	6,167	22,345
Balance at 1 January 2023	13,545	579	47	2,394	16,565

At the balance sheet date, there is no significant idle assets held by the Group.

At 31 December 2024, the Group's properties and buildings with carrying amount of RMB910 million (31 December 2023: RMB1,817 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 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
	Construction in progress
Balance at 1 January 2023	1,829
Additions for the year	760
Transfers to fixed assets	(60)
Transfers to long-term prepaid expenses	(133)
Balance at 31 December 2023	2,396

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 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

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 2023	1,950	5,684	56	7,690
Additions	—	696	2	698
Reductions	—	(470)	(5)	(475)
At 31 December 2023	1,950	5,910	53	7,913
Less: Accumulated depreciation				
At 1 January 2023	(272)	(2,379)	(23)	(2,674)
Charge	(49)	(700)	(7)	(756)
Reductions	—	416	5	421
At 31 December 2023	(321)	(2,663)	(25)	(3,009)
Carrying amount				
Balance at 31 December 2023	1,629	3,247	28	4,904
Balance at 1 January 2023	1,678	3,305	33	5,016

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 2024	31 December 2023
Within 1 year (inclusive)	837	766
1 – 2 years (inclusive)	711	764
2 – 3 years (inclusive)	534	743
3 – 4 years (inclusive)	414	412
4 – 5 years (inclusive)	343	337
Above 5 years	640	619
The total amount of undiscounted lease payments	3,479	3,641
Carrying amount of lease liabilities at 31 December	3,131	3,257

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 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
	Computer software
Cost	
At 1 January 2023	1,049
Additions	148
At 31 December 2023	1,197
Less: Accumulated amortisation	
At 1 January 2023	(432)
Charge	(95)
At 31 December 2023	(527)
Carrying amount	
Balance at 31 December 2023	670
Balance at 1 January 2023	617

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 2024		31 December 2023	
	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)
Allowance for ECLs and provisions	89,800	22,450	82,323	20,581
Employee benefits payable	2,280	570	2,394	598
Unrealized losses of financial instruments measured at FVTPL and precious metals	47	12	1,298	324
Others	3,780	945	4,085	1,021
Deferred tax assets before offsetting	95,907	23,977	90,100	22,524
Depreciation of fixed assets	(559)	(140)	(499)	(125)
Unrealized gains of financial instruments measured at FVTPL and precious metals	(1,203)	(301)	–	–
Unrealized gains of financial investments measured at FVOCI	(5,480)	(1,370)	(1,388)	(347)
Unrealized gains of derivative financial instruments	(3,611)	(903)	(172)	(43)
Others	(3,126)	(781)	(3,305)	(825)
Deferred tax liabilities before offsetting	(13,979)	(3,495)	(5,364)	(1,340)
Net amount after offsetting	81,928	20,482	84,736	21,184

(2) Changes in deferred tax

	31 December 2024	31 December 2023
Balance at the beginning of the year	21,184	20,901
Charge to profit or loss for the year	155	658
Charge to other comprehensive income	(857)	(375)
Balance at the end of the year	20,482	21,184

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 2024	31 December 2023
Finance lease receivables	(1)	61,096	55,921
Guaranteed deposits		2,620	1,760
Settlement and clearing accounts		1,704	2,093
Deductible input Value Added Tax ("VAT")		1,459	864
Long-term prepaid expenses	(2)	1,435	1,014
Interest receivable		1,260	1,245
Continuing involvement assets (Note VI.45 (1))		1,212	1,212
Prepayment		729	685
Fee receivables		709	662
Non-financial repossessed assets	(3)	604	1,105
Others		1,299	1,453
Total		74,127	68,014

(1) Finance lease receivables

	Note	31 December 2024	31 December 2023
Finance lease receivables	(a)	6,782	4,759
Less: Unrecognized finance income		(1,223)	(655)
Balance of finance lease receivables		5,559	4,104
Finance leaseback receivables		57,180	53,205
Subtotal		62,739	57,309
Interest accrued		485	506
Less: Allowance for ECLs (Note VI.25)		(2,128)	(1,894)
Carrying amount		61,096	55,921

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 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:

	31 December 2024		31 December 2023	
	Amount	Proportion	Amount	Proportion
Within 1 year (inclusive)	1,742	25.69%	1,976	41.53%
1 – 2 years (inclusive)	1,778	26.22%	1,304	27.40%
2 – 3 years (inclusive)	691	10.18%	393	8.26%
3 – 4 years (inclusive)	447	6.59%	199	4.18%
4 – 5 years (inclusive)	272	4.01%	152	3.19%
Above 5 years	1,852	27.31%	735	15.44%
Total	6,782	100.00%	4,759	100.00%

Analyzed by assessment of allowance for ECLs of finance lease receivables (interest accrued excluded)

	31 December 2024			
	Stage1	Stage2	Stage3	Total
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

	31 December 2023			
	Stage1	Stage2	Stage3	Total
Finance lease receivables	55,218	1,364	727	57,309
Less: Allowance for ECLs (Note VI.25)	(1,230)	(192)	(472)	(1,894)
Carrying amount	53,988	1,172	255	55,415

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

	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 and transfer out	–	–	(585)	(585)
Recoveries of finance lease receivables previously written off	–	–	122	122
Balance at 31 December 2024	1,138	457	533	2,128

	2023			Total
	Stage 1	Stage 2	Stage 3	
Balance at 1 January 2023	916	58	532	1,506
Transfer				
– to Stage 1	4	(4)	–	–
– to Stage 2	(29)	71	(42)	–
– to Stage 3	(15)	(1)	16	–
Charge (Note VI.7)	354	68	129	551
Write-off	–	–	(317)	(317)
Recoveries of finance lease receivables previously written off	–	–	154	154
Balance at 31 December 2023	1,230	192	472	1,894

- (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

	2024	2023
Balance at 1 January	1,014	768
Additions	502	296
Transfers from construction in progress	115	133
Less: Accumulated amortisation	(196)	(183)
Balance at 31 December	1,435	1,014

(3) Non-financial repossessed assets

	31 December 2024	31 December 2023
Properties and buildings	801	1,418
Less: Impairment losses	(197)	(313)
Carrying amount	604	1,105

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 Allowance for ECLs

	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

	Notes	1 January 2023	(Reversal)/ charge for the year	Write-off and transfer out	Others (Note (1))	31 December 2023
Deposits with banks and other financial institutions	VI.13	13	(6)	–	–	7
Placements with banks and other financial institutions	VI.14	220	(215)	–	1	6
Financial assets purchased under resale agreements	VI.16	7	19	–	–	26
Loans and advances to customers	VI.17					
– measured at AC		38,739	14,235	(11,878)	1,872	42,968
– measured at FVOCI		1,986	247	(291)	–	1,942
Financial investments	VI.18					
– measured at AC		21,048	11,206	(5,848)	1,312	27,718
– measured at FVOCI		391	123	–	3	517
Finance lease receivables	VI.24(1)	1,506	551	(317)	154	1,894
Other assets		417	269	(103)	41	624
Off-balance sheet items	VI.34	1,838	(316)	–	1	1,523
Total		66,165	26,113	(18,437)	3,384	77,225

(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 2024	31 December 2023
Bonds sold under repurchase agreements with the Central Bank	63,328	100,806
Bills sold under repurchase agreements with the Central Bank	14,222	18,643
Interest accrued	271	466
Total	77,821	119,915

27 Deposits from Banks and Other Financial Institutions

Analyzed by type and location of counterparties

	31 December 2024	31 December 2023
In Chinese Mainland		
– Banks	50,864	61,743
– Other financial institutions	294,020	283,099
Outside Chinese Mainland		
– Banks	354	361
– Other financial institutions	19,699	10,638
Interest accrued	2,003	2,813
Total	366,940	358,654

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 2024	31 December 2023
Measured at amortised cost:			
In Chinese Mainland			
– Banks		63,648	50,340
– Other financial institutions		867	2,000
Outside Chinese Mainland			
– Banks		8,103	7,003
Interest accrued		645	618
Subtotal		73,263	59,961
Designated as at fair value through profit or loss:	(1)		
In Chinese Mainland			
– Banks		22,578	26,208
– Other financial institutions		–	1,512
Subtotal		22,578	27,720
Total		95,841	87,681

- (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 2024	31 December 2023
Financial liabilities designated as at fair value through profit or loss	(1)		
– Financial liabilities related to precious metals		4,180	120
– Others	(2)	17,016	13,312
Total		21,196	13,432

(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 2024	31 December 2023
Bonds sold under repurchase agreements	35,253	62,042
Interest accrued	34	64
Total	35,287	62,106

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

31 Customer Deposits

	31 December 2024	31 December 2023
Demand deposits		
– Corporate customers	434,291	653,026
– Personal customers	64,951	52,363
Subtotal	499,242	705,389
Time deposits		
– Corporate customers	1,148,911	914,175
– Personal customers	239,681	217,157
Subtotal	1,388,592	1,131,332
Other deposits	372	4,170
Interest accrued	34,083	27,768
Total	1,922,289	1,868,659

Pledged deposits of customer deposits are listed as follows:

	31 December 2024	31 December 2023
Acceptances deposits	25,562	22,640
Letters of credit and guarantee deposits	36,114	26,917
Other pledged deposits	40,657	82,601
Total	102,333	132,158

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 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

	1 January 2023	Accrual during the year	Payments during the year	31 December 2023
Salaries, bonuses and allowances	5,646	8,929	(8,751)	5,824
Staff welfare	–	1,146	(1,146)	–
Housing fund	–	530	(530)	–
Social insurance				
– Medical insurance	–	292	(292)	–
– Work-related injury insurance	–	7	(7)	–
– Maternity insurance	–	9	(9)	–
Commercial insurance	–	191	(191)	–
Labour union fee and staff education fee	140	213	(192)	161
Basic pension insurance	–	544	(544)	–
Unemployment insurance	–	19	(19)	–
Annuity	–	620	(620)	–
Total	5,786	12,500	(12,301)	5,985

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

33 Taxes Payable

	31 December 2024	31 December 2023
Income tax payable	187	1,878
Value added tax ("VAT") payable	654	812
Others	250	219
Total	1,091	2,909

34 Provisions

	31 December 2024	31 December 2023
Allowance for ECLs of off-balance sheet items (Note VI.25)	1,094	1,523

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 2024	31 December 2023
Fixed-rate small and micro businesses financial bonds – 2024	(1)	–	10,000
Fixed-rate small and micro businesses financial bonds – 2025	(2)	10,000	10,000
Fixed-rate small and micro businesses financial bonds – 2025	(3)	10,000	10,000
Fixed-rate small and micro businesses financial bonds – 2025	(4)	5,000	5,000
Fixed-rate small and micro businesses financial bonds – 2026	(5)	10,000	10,000
Fixed-rate small and micro businesses financial bonds – 2026	(6)	15,000	15,000
Fixed-rate small and micro businesses financial bonds – 2027	(7)	5,000	5,000
Fixed-rate small and micro businesses financial bonds – 2027	(8)	15,000	–
Fixed-rate small and micro businesses financial bonds – 2027	(9)	20,000	–
Fixed-rate small and micro businesses financial bonds – 2029	(10)	5,000	–
Fixed-rate financial bonds – 2026	(11)	30,000	30,000
Fixed-rate financial bonds – 2027	(12)	13,000	–
Fixed-rate green financial bonds – 2025	(13)	10,000	10,000
Fixed-rate special financial bonds for “agriculture, rural areas and farmers” – 2025	(14)	5,000	5,000
Fixed-rate asset-backed securities – 2025	(15)	3,369	–
Fixed-rate offering – tier 2 capital bond – 2033	(16)	20,000	20,000
Fixed-rate offering – tier 2 capital bond – 2033	(17)	10,000	10,000
Fixed-rate offering – tier 2 capital bond – 2034	(18)	10,000	–
Fixed-rate financial bonds – 2024	(19)	–	1,500
Fixed-rate financial bonds – 2025	(20)	1,400	1,400
Fixed-rate financial bonds – 2027	(21)	1,500	–
Fixed-rate USD medium term note – 2024	(22)	–	3,554
Certificates of deposit	(23)	–	1,860
Interbank certificates of deposit	(24)	339,739	245,948
Subtotal		539,008	394,262
Interest accrued		2,525	1,676
Total		541,533	395,938

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 24 September 2021, with a maturity of 3 years and a fixed coupon rate of 3.00%. The bond matured on 27 September 2024.
- (2) 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%.
- (3) 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%.
- (4) 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%.
- (5) 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%.
- (6) 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%.
- (7) 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%.
- (8) 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%.
- (9) 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%.
- (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 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%.
- (14) 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%.
- (15) Fixed-rate asset-backed securities of RMB5,554 million was issued on 15 October 2024. At 31 December 2024, the subordinate principal of the asset-backed securities was RMB1.214 billion which was all held by the Bank. 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.
- (16) 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.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

35 Debt Securities Issued (continued)

- (17) 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.
- (18) 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.
- (19) Zheyin Financial Leasing issued fixed-rate financial bonds of RMB1.5 billion on 22 July 2021, with a maturity of 3 years and a fixed coupon rate of 3.48%. The bond matured on 26 July 2024.
- (20) Zheyin Financial Leasing issued fixed-rate financial bonds of RMB1.4 billion on 2 June 2022, with a maturity of 3 years and a fixed coupon rate of 2.97%.
- (21) 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%.
- (22) Fixed-rate USD medium term note of USD0.5 billion (At 31 December 2023, the amount is equivalent to RMB3,554 million) was issued by the Hong Kong Branch on 16 March 2021 with a maturity of 3 years. This note matured on 16 March 2024 with a fixed coupon rate of 1.10%.
- (23) At 31 December 2024, there was no unpaid certificate of deposit issued in RMB at Hong Kong Branch (At 31 December 2023, there were 7 unpaid certificates of deposit at Hong Kong Branch, the amount of face value is equivalent to RMB1,860 million with maturity less than one year).
- (24) 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 (At 31 December 2023, the Bank has issued a total of 121 interbank certificates of deposit in the interbank market but not yet due, with maximum maturity of one year).

36 Other Liabilities

	31 December 2024	31 December 2023
Settlement and clearing accounts	4,310	3,231
Deposits related to finance lease	4,194	4,178
Account payable	1,869	1,749
Continuing involvement liabilities (Note VI.45 (1))	1,212	1,212
Deferred income	728	665
Dividends payable	49	51
Others	1,803	2,123
Total	14,165	13,209

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

37 Share Capital

	31 December 2024	31 December 2023
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

On 27 June 2023, the Bank received the proceeds raised from the A share Rights Issue. The net proceeds from the A share Rights Issue amounted to RMB9,722 million, of which RMB4,829 million was credited to share capital and RMB4,893 million was credited to capital reserve.

On 28 July 2023, the Bank received the proceeds raised from the H share Rights Issue. The net proceeds from the H share Rights Issue amounted to RMB2,754 million, of which RMB1,366 million was credited to share capital and RMB1,388 million was credited to capital reserve.

38 Other Equity Instruments

	Note	31 December 2024	31 December 2023
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 (In RMB millions)	25,000
Issuance fee (In RMB millions)	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 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 2024	31 December 2023
Equity attributable to shareholders of the Bank		
– Ordinary shareholders of the Bank	173,908	161,250
– Other equity instruments holders of the Bank	24,995	24,995
Non-controlling interests		
– Ordinary shareholders of non-controlling interests	3,840	3,332

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 2023	Increase	Decrease	31 December 2024
Perpetual Bond				
Number of shares (In millions)	250	–	–	250
Amount	24,995	–	–	24,995

39 Capital Reserve

	1 January 2024	Increase	Decrease	31 December 2024
Share premium	38,570	–	–	38,570

	1 January 2023	Increase (Note VI. 37)	Decrease	31 December 2023
Share premium	32,289	6,281	–	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 2024					
	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	Net-of-tax amount attributable to shareholders of the Non-Controlling interests
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

	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 2023					
	1 January 2023	Net-of-tax amount attributable to shareholders of the Bank	31 December 2023	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	Net-of-tax amount attributable to shareholders of the Non-Controlling interests
Items that will not be reclassified to profit or loss									
– Changes in fair value of financial investments designated to be measured at FVOCI	217	23	240	31	-	(8)	23	23	-
Items that may be reclassified to profit or loss									
– Changes in fair value of financial assets measured at FVOCI	(237)	1,040	803	3,661	(2,274)	(347)	1,040	1,040	-
– Allowance for ECLs of financial assets measured at FVOCI	1,783	62	1,845	82	-	(20)	62	62	-
– Exchange differences from the translation of foreign operations	428	92	520	93	-	-	93	92	1
Total	2,191	1,217	3,408	3,867	(2,274)	(375)	1,218	1,217	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 2023	11,075
Appropriation (Note VI.43)	1,471
Balance at 31 December 2023	12,546
Appropriation (Note VI.43)	1,466
Balance at 31 December 2024	14,012

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 2023	26,457
Appropriation (Note VI.43)	3,347
Balance at 31 December 2023	29,804
Appropriation (Note VI.43)	5,315
Balance at 31 December 2024	35,119

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.

43 Profit Appropriations

	Notes	2024	2023
Balance at the beginning of the year		49,458	44,657
Add: Net profit attributable to shareholders of the Bank		15,186	15,048
Less: Appropriation to surplus reserve		(1,466)	(1,471)
Appropriation to statutory general reserve		(5,315)	(3,347)
Distribution to ordinary shareholders	(1)	(4,504)	(4,466)
Distribution to perpetual bonds holders	(2)	(963)	(963)
Balance at the end of the year		52,396	49,458

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VI Notes to Consolidated Financial Statements (continued)

43 Profit Appropriations (continued)

(1) Approved and distributed dividends of ordinary shareholders

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.

As approved by shareholders in 2022 Annual General Meeting on 4 May 2023, based on the Bank's total ordinary shares amounting to 21,269 million shares on the record date of profit distribution, the Bank declared a cash dividend of RMB2.10 for each 10 ordinary shares, with total amount of RMB4,466 million.

(2) Announcement and distribution to perpetual bonds holders

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.

On 20 November 2023, 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 2023.

44 Notes to Consolidated Cash Flow Statements

(1) Cash and cash equivalents

	31 December 2024	31 December 2023
Cash	996	865
Surplus deposit reserves with the central bank	15,077	34,483
Deposits with banks and other financial institutions with original maturities of less than three months	36,103	59,736
Placements with banks and other financial institutions with original maturities of less than three months	14,548	924
Financial assets purchased under resale agreements with original maturities of less than three months	66,911	74,453
Total	133,635	170,461

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

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 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	–	–	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

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 2023	323,033	3,318	194	326,545
Cash changes:				
Proceeds from issuance of debt securities	535,292	–	–	535,292
Repayments of principal on debt securities issued	(462,592)	–	–	(462,592)
Repayments of interest on debt securities issued	(9,202)	–	–	(9,202)
Payment for dividend distribution	–	–	(5,683)	(5,683)
Payment for principal element of lease liabilities	–	(705)	–	(705)
Payment for interest element of lease liabilities	–	(146)	–	(146)
Non-cash changes:				
Interest expense (Note VI.1)	9,328	146	–	9,474
Dividends declared	–	–	5,540	5,540
Net increase of lease liabilities	–	644	–	644
Exchange difference	79	–	–	79
At 31 December 2023	395,938	3,257	51	399,246

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 2024, the Group has transferred the ownership of the loans, the principal of which amounted to RMB6,160 million (2023: RMB9,813 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 2024, there is no Group's continuing involvement (2023: Nil). At 31 December 2024, the carrying amount of the assets and liabilities that the Group continues to recognise on the statement of financial position was RMB1,212 million (31 December 2023: 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 2024, the Group transferred non-performing loans principal amounting to RMB20,144 million (2023: RMB5,375 million), non-performing financial investments principal amounting to RMB1,366 million (2023: RMB6,553 million) and non-performing finance lease receivables principal amounting to RMB48 million (2023: Nil) to the asset management companies. For the year ended 31 December 2024, the Group has transferred the ownership of non-performing loans, the principal of which amounted to RMB6,160 million (2023: RMB4,202 million) through securitization transactions. For the year ended 31 December 2024, the Group has transferred the ownership of non-performing loans, the principal of which amounted to RMB1,914 million (2023: Nil) 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 2024, there is no Group's debt securities lent to counterparties (31 December 2023: RMB26,550 million).

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

VII Interests in Other Entities

1 Interests in Subsidiary

(1) Composition of the Group

At the balance sheet date, details of the subsidiary 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%

(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 2024	31 December 2023
Total assets	78,327	68,381
Total liabilities	70,490	61,580
	2024	2023
Operating income	2,361	2,181
Profit for the year	1,034	909
Total comprehensive income	1,037	911
Net cash generated from operating activities	4,694	5,153

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 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 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 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

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 directly held by the Group (continued)

	31 December 2023			
	Financial investments measured at FVTPL	Financial investments measured at AC	Financial investments measured at FVOCI	Total
Fund investments	86,468	–	–	86,468
Trust schemes and asset management plans	3,289	77,646	–	80,935
Asset-backed securities	14,696	5,831	34,124	54,651
Wealth management products	68	–	–	68
Total	104,521	83,477	34,124	222,122

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 providing management services.

At 31 December 2024, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group was RMB144,574 million (31 December 2023: RMB149,182 million). For the year ended 31 December 2024, the commission income recognised by the Group for providing asset management services for such financial products was RMB518 million (2023: RMB435 million). At the balance sheet date, the balance of service charges receivable for 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.

Other business

Other business segments refer to other businesses not included in the above reporting segments and related businesses of the subsidiary.

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	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/(expense)	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)

1 Business Segment (continued)

Other business (continued)

Business segment (continued)

	Corporate banking	Retail banking	2023 Treasury operations	Others	Total
External net interest income	17,399	19,021	9,353	1,755	47,528
Inter-segment net interest income/(expenses)	14,647	(6,895)	(7,752)	–	–
Net interest income	32,046	12,126	1,601	1,755	47,528
Net fee and commission income	2,748	1,060	1,227	5	5,040
Net trading gains	–	–	7,396	–	7,396
Net gains on financial investments	541	–	2,123	–	2,664
Other operating income	147	230	57	702	1,136
Operating income	35,482	13,416	12,404	2,462	63,764
Operating expenses	(10,322)	(4,736)	(3,971)	(1,130)	(20,159)
Expected credit losses	(5,624)	(8,651)	(11,131)	(707)	(26,113)
Total operating expenses	(15,946)	(13,387)	(15,102)	(1,837)	(46,272)
Profit/(losses) before taxation	19,536	29	(2,698)	625	17,492
Segment assets	1,356,967	494,023	1,193,690	78,015	3,122,695
Unallocated assets					21,184
Total assets					3,143,879
Segment liabilities	(1,592,001)	(275,770)	(1,075,445)	(11,086)	(2,954,302)
Other segment information:					
Credit commitments and financial guarantee	806,177	18,424	–	–	824,601
Depreciation and amortisation	1,013	477	352	270	2,112
Capital expenditure	4,293	1,563	3,777	247	9,880

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 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

	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)

VIII Segment Reporting (continued)

2 Regional Division (continued)

Regional division

	2023					
	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	Total
External net interest income	34,374	3,333	2,736	7,085	–	47,528
Inter-segment net interest (expenses)/income	(10,411)	5,870	2,552	1,989	–	–
Net interest income	23,963	9,203	5,288	9,074	–	47,528
Net fee and commission income	1,132	1,351	1,012	1,545	–	5,040
Net trading gains	6,789	262	201	144	–	7,396
Net gains on financial investments	1,955	220	154	335	–	2,664
Other operating income	975	28	25	108	–	1,136
Operating income	34,814	11,064	6,680	11,206	–	63,764
Operating expenses	(11,905)	(2,976)	(1,797)	(3,481)	–	(20,159)
Expected credit losses	(15,383)	(2,675)	(3,931)	(4,124)	–	(26,113)
Total operating expenses	(27,288)	(5,651)	(5,728)	(7,605)	–	(46,272)
Profit before taxation	7,526	5,413	952	3,601	–	17,492
Segment assets	2,756,232	383,534	264,807	389,948	(671,826)	3,122,695
Unallocated assets						21,184
Total assets						3,143,879
Segment liabilities	(2,599,849)	(378,068)	(261,937)	(386,274)	671,826	(2,954,302)

Other segment information:

Credit commitments and financial guarantee	377,507	163,394	85,835	197,865	–	824,601
Depreciation and amortisation	1,260	319	177	356	–	2,112
Capital expenditure	7,274	95	2,015	496	–	9,880

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 2024	31 December 2023
Bank acceptances issued	386,023	368,346
Letters of credit issued	276,350	228,460
Letters of guarantee issued		
– Financing letters of guarantee	35,451	37,056
– Non-financing letters of guarantee	17,575	11,690
Undrawn credit card facility	17,958	18,424
Loan commitments and finance lease commitments	2,616	3,728
Receivables confirmation and other financial guarantee contracts	100,802	156,897
Total	836,775	824,601

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 2024	31 December 2023
Contracted but not yet incurred	4,177	3,274
Authorized but not contracted	2,003	2,292
Total	6,180	5,566

3 Bond Underwriting and Redemption Commitments

(1) At 31 December 2024, the Group has no outstanding bond underwriting commitments (31 December 2023: RMB2,507 million).

(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 (the "MOF") and the PBOC.

At 31 December 2024, the Group had underwritten bonds with an accumulated amount of RMB949 million (31 December 2023: RMB1,096 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 2024	31 December 2023
Entrusted loans	15,482	21,495
Entrusted loan funds	15,482	21,495

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 2024	31 December 2023
Entrusted investments	401	7

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 (interest accrued excluded) of the Group were as follows:

	31 December 2024	31 December 2023
Due to the central bank	77,550	119,449
Placements from banks and other financial institutions	172	109
Financial assets sold under repurchase agreements	35,253	62,042
Customer deposits	87,279	42,356
Total	200,254	223,956

The secured liabilities analyzed by collateral type were as follows:

	31 December 2024	31 December 2023
Bond investments	192,616	213,566
Bills	14,222	18,723
Finance lease receivables	269	164
Bank deposit certificate	156	156
Total	207,263	232,609

In addition, the Group provided collateral for the securities borrowed through the security lending and swap business. At 31 December 2024, the assets as collateral under the security lending and swap business of the Group were RMB100 million (31 December 2023: RMB102 million).

2 Assets Received as Collateral

At 31 December 2024, the Group received securities amounting to RMB100 million (31 December 2023: RMB2,043 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(10).

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 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 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%

At 31 December 2023, 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 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 Financial Holdings 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%

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 Financial Holdings 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 2023 is as follows:								
Interest income	4	9	90	-	11	103	217	0.20%
Interest expense	(62)	(4)	-	(80)	(5)	(44)	(195)	0.31%
Fee and commission income	1	-	12	-	-	-	13	0.21%
Net trading gains	80	-	-	165	-	-	245	3.31%
Other operating income	-	-	-	-	-	1	1	0.16%
Operating expenses	-	-	-	-	(1)	-	(1)	0.01%
At 31 December 2023, the balance of major balance sheet items is as follows:								
Precious metals	330	-	-	-	-	-	330	12.76%
Loans and advances to customers	265	343	1,657	97	276	1,828	4,466	0.27%
Financial investments measured at FVTPL	3,730	-	-	4,823	-	10	8,563	3.67%
Financial investments measured at FVOCI	159	-	-	-	-	361	520	0.17%
Customer deposits	(1,022)	(374)	(171)	(1,150)	(454)	(733)	(3,904)	0.21%
The major off balance sheet items at 31 December 2023 are as follows:								
Credit commitments and financial guarantee	65	516	3,390	40	1	-	4,012	0.49%
Other off balance sheet items	-	90	-	-	-	-	90	0.12%
Loan balance guaranteed by related parties	9,951	250	1,997	56	-	700	12,954	0.52%

The Bank disclosed related party transactions in accordance with *Measures for the Administration of Affiliated Transactions of Banking and Insurance Institutions*. 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:

	2024	2023
Fees	2	2
Salaries and allowances and benefits	7	7
Discretionary bonuses	1	5
Contribution to pension	2	2
Total	12	16

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 Subsidiary

The transactions between the Bank and its subsidiary 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 subsidiary (consolidated structured entities directly held by the Group excluded) and the balance of major current accounts at the balance sheet date are as follows:

	2024	2023
Interest income	66	76
Interest expense	(6)	(5)
Fee and commission income	15	25
Fee and commission expense	—	—
Net gains on financial investments	—	115
Other operating income	16	16
Lease payment to subsidiary	13	—
	31 December 2024	31 December 2023
Placements with banks and other financial institutions	3,002	3,002
Other assets	20	28
Deposits from banks and other financial institutions	(348)	(433)
Other liabilities	(8)	(14)

5 Plan and Transaction of Annuity

Except for normal contributions, there were no other related party transactions in the annuity funds established by the Group and the Bank during the reporting period.

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, the board of supervisors is responsible for supervising 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 internal control committee, asset and liability management committee, credit extension committee, financial asset risk classification review committee and business continuity 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 and information technology risk. 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 and compliance risk management. 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 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:

Type of collaterals and pledged assets	Maximum loan to value ratio
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 2024, the key macro-indicators the Group has applied include the GDP growth rate on year-on-year basis, the CPI growth rate on year-on-year basis, M2 money supply 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 4.07% to 5.83%
CPI growth rate on year-on-year basis	From 0.41% to 0.92%
M2 money supply growth rate on year-on-year basis	From 7.96% to 9.01%

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 0.70%. 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 0.83%.

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 2024	31 December 2023
Cash and balances with the central bank	129,691	164,723
Deposits with banks and other financial institutions	51,919	70,856
Placements with banks and other financial institutions	17,366	8,574
Financial assets purchased under resale agreements	68,407	74,595
Loans and advances to customers		
– measured at AC	1,487,701	1,325,604
– measured at FVOCI	324,983	347,668
Financial investments		
– measured at AC	469,159	463,311
– measured at FVOCI	355,999	302,841
Other financial assets	67,941	62,391
Total	2,973,166	2,820,563
Credit Commitments and Financial Guarantee	835,689	823,083

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 2024		31 December 2023	
	Gross amount	Proportion	Gross amount	Proportion
Yangtze River Delta Region	991,127	53.65%	903,104	52.90%
Midwestern China Region	367,401	19.89%	333,316	19.53%
Bohai Rim Region	257,185	13.92%	269,494	15.79%
Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits	231,684	12.54%	201,143	11.78%
Total	1,847,397	100.00%	1,707,057	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 2024		31 December 2023	
	Gross amount	Proportion	Gross amount	Proportion
Corporate loans and advances				
Manufacturing	273,221	14.79%	239,911	14.05%
Leasing and commercial services	267,267	14.47%	240,018	14.06%
Wholesale and retail trade	191,741	10.38%	201,420	11.80%
Real estate	186,133	10.07%	177,749	10.41%
Construction	74,814	4.05%	68,798	4.03%
Administration of water conservancy, environment and public facilities	68,991	3.73%	63,377	3.71%
Financing	42,009	2.27%	19,593	1.15%
Information transmission, computer services and software industry	28,245	1.53%	14,440	0.85%
Scientific research, technology services and geological exploration	23,689	1.28%	19,716	1.15%
Accommodation and catering	18,460	1.00%	15,328	0.90%
Transportation, storage and postal service	17,314	0.94%	15,144	0.89%
Mining	16,611	0.90%	14,757	0.86%
Production and supply of electricity, heat, gas and water	14,403	0.78%	12,835	0.75%
Agriculture, forestry, animal husbandry and fishery	13,054	0.71%	12,125	0.71%
Culture, sports and entertainment	6,194	0.33%	6,063	0.36%
Education	3,503	0.19%	2,551	0.15%
Household services and other services	2,149	0.12%	2,545	0.15%
Health, social security and social welfare	1,768	0.10%	1,797	0.11%
Public administration and social organization	—	—	3	0.00%
Corporate loans and advances	1,249,566	67.64%	1,128,170	66.09%
Personal loans and advances	478,631	25.91%	476,692	27.92%
Discounted bills	119,200	6.45%	102,195	5.99%
Total	1,847,397	100.00%	1,707,057	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 2024	31 December 2023
Credit-impaired		27,565	26,270
Less: Allowance for ECLs	(a)	(17,384)	(16,788)
Subtotal		10,181	9,482
Overdue but not credit-impaired		9,979	6,313
Less: Allowance for ECLs	(b)	(2,861)	(2,013)
Subtotal		7,118	4,300
Neither overdue nor credit-impaired		1,809,853	1,674,474
Less: Allowance for ECLs	(c)	(24,187)	(24,167)
Subtotal		1,785,666	1,650,307
Total		1,802,965	1,664,089

- (a) At 31 December 2024, the allowance for ECLs of the loans and advances to customers measured at FVOCI which were credit-impaired were RMB313 million (31 December 2023: RMB490 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 2024, the allowance for ECLs of the loans and advances to customers measured at FVOCI which were overdue but not credit-impaired were RMB86 million (31 December 2023: RMB65 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 2024, the allowance for ECLs of the loans and advances to customers measured at FVOCI which were neither overdue nor credit-impaired were RMB720 million (31 December 2023: RMB1,387 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 2024	31 December 2023
Neither overdue nor credit-impaired		
– AAA1 to AAA6	55,427	27,706
– AA1 to AA6	33,593	42,374
– A1 to A3	45,331	67,071
– No rating	3,229	16,579
Less: Allowance for ECLs	(28)	(39)
Total	137,552	153,691

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 2024	31 December 2023
Credit-impaired		52,638	53,607
Less: Allowance for ECLs	(a)	(23,688)	(23,264)
Subtotal		28,950	30,343
Overdue but not credit-impaired		–	300
Less: Allowance for ECLs		–	(126)
Subtotal		–	174
Neither overdue nor credit-impaired			
– Government and Central Bank		326,387	297,906
– Policy banks		177,672	184,304
– Commercial banks		89,384	62,208
– Other financial institutions		36,865	20,077
– Others		154,124	165,660
Less: Allowance for ECLs	(b)	(1,709)	(4,328)
Subtotal		782,723	725,827
Total		811,673	756,344

(a) At 31 December 2024, the total allowance for ECLs of the debt investments measured at FVOCI which were credit-impaired, were RMB325 million (31 December 2023: 187 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 2024, the total allowance for ECLs of the debt investments measured at FVOCI which were neither overdue nor credit-impaired, were RMB353 million (31 December 2023: RMB330 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) Restructured loans

Pursuant to the *Measures for the Risk Classification of Financial Assets of Commercial Banks*, restructured loans refer to financial assets where, due to the debtor's financial difficulties, a commercial bank modifies the contract terms in favor of the debtor or provides refinancing for the debtor's existing debts, with the objective of facilitating debt repayment. This encompasses scenarios such as replacing existing loans with new ones and raising additional debt financing. Additionally, if the existing contract grants the debtor the discretionary right to modify terms or refinance, and the debtor exercises this right due to financial distress, the associated assets are also classified as restructured assets. At 31 December 2024, the Group's exposure (before deducting ECL allowance) to restructured loans under the ambit of the *Measures for the Risk Classification of Financial Assets of Commercial Banks* amounted to RMB12,875 million (31 December 2023: RMB6,973 million).

(10) 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 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)

1 Credit Risk (continued)

(10) Collaterals and other credit enhancement (continued)

	31 December 2023			Exposures covered by collateral
	Gross amount	Allowance for ECLs	Subtotal	
Credit-impaired financial assets				
Loans and advances to customers				
– measured at AC	25,353	(16,788)	8,565	17,239
– measured at FVOCI	917	(490)	427	439
Financial investments				
– measured at AC	53,216	(23,264)	29,952	47,947
– measured at FVOCI	391	(187)	204	–
Total	79,877	(40,729)	39,148	65,625

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, the board of supervisors, senior management, risk management and internal control committee, risk management department, capital operation center, technology management department, audit department, other departments, as well as branches, subbranches and the subsidiary. Senior management is responsible for implementing and organizing the market risk management, overseeing the implementation of market risk appetite, as well as formulating and carrying out relevant systems and policies for market risk management and establishing market risk management information system, 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 pursuant to the relevant measures and guidelines of the original CBIRC. 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 PBOC.

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 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

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(In RMB millions, unless otherwise stated)

XIII Financial Risk Management (continued)**2 Market Risk (continued)****(1) Interest rate risk (continued)**

	Non-interest bearing	Within 1 month	31 December 2023			After 5 years	Total
			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	930	163,793	–	–	–	–	164,723
Deposits with banks and other financial institutions	155	58,208	8,198	4,139	156	–	70,856
Placements with banks and other financial institutions	108	2,224	2,249	3,993	–	–	8,574
Derivative financial assets	21,953	–	–	–	–	–	21,953
Financial assets purchased under resale agreements	71	74,524	–	–	–	–	74,595
Loans and advances to customers	7,766	333,983	171,165	641,451	402,345	116,562	1,673,272
Financial investments							
– measured at FVTPL	155,123	3,316	9,514	25,448	29,248	10,492	233,141
– measured at AC	7,330	30,088	22,620	62,132	215,214	125,927	463,311
– measured at FVOCI	4,169	955	6,865	71,859	162,799	57,538	304,185
Other financial assets	6,903	5,479	5,260	24,302	19,513	934	62,391
Total financial assets	204,508	672,570	225,871	833,324	829,275	311,453	3,077,001
Financial liabilities							
Due to the central bank	(466)	(56,096)	(16,212)	(47,141)	–	–	(119,915)
Deposits from banks and other financial institutions	(2,813)	(71,341)	(83,187)	(198,315)	(2,998)	–	(358,654)
Placements from banks and other financial institutions	(618)	(12,424)	(15,274)	(56,711)	(2,654)	–	(87,681)
Financial liabilities at fair value through profit or loss	(774)	(12,658)	–	–	–	–	(13,432)
Derivative financial liabilities	(21,034)	–	–	–	–	–	(21,034)
Financial assets sold under repurchase agreements	(64)	(57,281)	(2,604)	(2,157)	–	–	(62,106)
Customer deposits	(31,925)	(866,951)	(112,739)	(398,454)	(458,590)	–	(1,868,659)
Debt securities issued	(1,676)	(13,562)	(87,244)	(162,056)	(101,400)	(30,000)	(395,938)
Lease liabilities	–	(86)	(142)	(521)	(2,021)	(487)	(3,257)
Other financial liabilities	(9,427)	(724)	(379)	(637)	–	–	(11,167)
Total financial liabilities	(68,797)	(1,091,123)	(317,781)	(865,992)	(567,663)	(30,487)	(2,941,843)
Interest rate exposure	135,711	(418,553)	(91,910)	(32,668)	261,612	280,966	135,158

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):

	2024		2023	
	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	(680)	(2,651)	(860)	(1,754)
Decrease by 25 basis points	680	2,679	860	1,768

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 2024				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
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)

	31 December 2023				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Financial assets					
Cash and balances with the central bank	157,668	7,024	17	14	164,723
Deposits with banks and other financial institutions	61,878	5,869	299	2,810	70,856
Placement with banks and other financial institutions	7,650	924	–	–	8,574
Derivative financial assets	18,481	3,256	213	3	21,953
Financial assets purchased under resale agreements	74,595	–	–	–	74,595
Loans and advances to customers	1,631,045	25,055	10,493	6,679	1,673,272
Financial investments					
– measured at FVTPL	226,272	6,869	–	–	233,141
– measured at AC	444,598	17,435	–	1,278	463,311
– measured at FVOCI	260,524	37,896	1,756	4,009	304,185
Other financial assets	60,458	1,927	–	6	62,391
Total financial assets	2,943,169	106,255	12,778	14,799	3,077,001
Financial liabilities					
Due to the central bank	(119,915)	–	–	–	(119,915)
Deposits from banks and other financial institutions	(346,677)	(9,991)	(1,220)	(766)	(358,654)
Placements from banks and other financial institutions	(77,817)	(9,251)	(95)	(518)	(87,681)
Financial liabilities at fair value through profit or loss	(13,432)	–	–	–	(13,432)
Derivative financial liabilities	(18,053)	(2,661)	–	(320)	(21,034)
Financial assets sold under repurchase agreements	(55,269)	(6,837)	–	–	(62,106)
Customer deposits	(1,780,349)	(73,268)	(1,734)	(13,308)	(1,868,659)
Debt securities issued	(391,666)	(4,272)	–	–	(395,938)
Lease liabilities	(3,227)	–	(30)	–	(3,257)
Other financial liabilities	(11,071)	(77)	(3)	(16)	(11,167)
Total financial liabilities	(2,817,476)	(106,357)	(3,082)	(14,928)	(2,941,843)
Net amount	125,693	(102)	9,696	(129)	135,158
Credit commitments and financial guarantee	784,670	30,009	3,116	6,806	824,601

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 2024 (Decrease)/ Increase	31 December 2023 (Decrease)/ Increase
Changes in USD exchange rate		
Appreciation against RMB by 100 bps	(68)	(1)
Depreciation against RMB by 100 bps	68	1
Changes in HKD exchange rate		
Appreciation against RMB by 100 bps	(31)	42
Depreciation against RMB by 100 bps	31	(42)

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.

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:

	31 December 2024							
	Overdue	On demand/ indefinite	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	Total
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)

- (1) Analysis of contractual undiscounted cash flows of non derivative financial assets and financial liabilities (continued)

				31 December 2023					
		On		After	After	After			
		demand/	Within	1 month	3 months	1 year	After		
	Overdue	indefinite	1 month	but within	but within	but within	5 years	Total	
			3 months	1 year	5 years				
Financial assets									
Cash and balances with the central bank	-	164,723	-	-	-	-	-	164,723	
Deposits with banks and other financial institutions	-	43,713	14,528	8,328	4,228	171	-	70,968	
Placements with banks and other financial institutions	-	-	2,252	2,303	4,128	-	-	8,683	
Financial assets purchased under resale agreements	-	-	74,646	-	-	-	-	74,646	
Loans and advances to customers	11,704	-	120,849	185,919	672,419	491,930	335,757	1,818,578	
Financial investments									
- measured at FVTPL	72	155,123	3,841	9,027	26,486	32,262	10,931	237,742	
- measured at AC	23,957	-	8,586	24,017	67,415	231,897	136,394	492,266	
- measured at FVOCI	-	1,344	1,954	7,975	78,800	178,393	62,035	330,501	
Other financial assets	1,087	6,469	2,704	4,130	18,961	31,492	2,570	67,413	
Total financial assets									
	36,820	371,372	229,360	241,699	872,437	966,145	547,687	3,265,520	
Financial liabilities									
Due to the central bank	-	-	(56,189)	(16,486)	(48,167)	-	-	(120,842)	
Deposits from banks and other financial institutions	-	(49,499)	(21,690)	(85,237)	(202,738)	(3,026)	-	(362,190)	
Placements from banks and other financial institutions	-	-	(12,594)	(15,587)	(57,829)	(2,871)	-	(88,881)	
Financial liabilities at fair value through profit or loss	-	(774)	(12,658)	-	-	-	-	(13,432)	
Financial assets sold under repurchase agreements	-	-	(57,288)	(2,631)	(2,247)	-	-	(62,166)	
Customer deposits	-	(791,606)	(82,278)	(121,500)	(419,407)	(497,906)	-	(1,912,697)	
Debt securities issued	-	-	(13,680)	(88,260)	(167,596)	(109,897)	(35,570)	(415,003)	
Lease liabilities	-	-	(86)	(144)	(536)	(2,256)	(619)	(3,641)	
Other financial liabilities	-	(9,223)	(734)	(400)	(810)	-	-	(11,167)	
Total financial liabilities									
	-	(851,102)	(257,197)	(330,245)	(899,330)	(615,956)	(36,189)	(2,990,019)	
Net amount									
	36,820	(479,730)	(27,837)	(88,546)	(26,893)	350,189	511,498	275,501	

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(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 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

	31 December 2023					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)	78	8	23	(1)	–	108

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(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 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

	31 December 2023					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	(117,249)	(60,250)	(134,051)	(9,249)	(94)	(320,893)
Cash inflow	117,273	60,472	134,799	9,097	105	321,746
Net inflow/ (outflow)	24	222	748	(152)	11	853

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 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

	31 December 2023					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	81,247	100,411	186,688	–	–	368,346
Letters of credit issued	161,183	22,429	44,762	86	–	228,460
Letters of guarantee issued	2,909	4,517	16,661	24,648	11	48,746
Undrawn credit card facility	18,424	–	–	–	–	18,424
Loan commitments and finance lease commitments	3,007	15	215	491	–	3,728
Receivables confirmation and other financial guarantee contracts	14,378	30,821	101,398	10,220	80	156,897
Total	281,148	158,193	349,724	35,445	91	824,601

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. 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 2024, 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 2024, 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 *2024 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 2024			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Derivative financial assets	–	41,692	–	41,692
Loans and advances to customers	–	313,510	11,474	324,984
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	–	355,999
Total assets measured at fair value on a recurring basis	71,905	868,072	16,607	956,584
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)

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 2023			
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	Total
Derivative financial assets	–	21,953	–	21,953
Loans and advances to customers	–	329,744	17,924	347,668
Financial investments				
– measured at FVTPL	49,381	177,461	6,299	233,141
– measured at FVOCI	–	302,841	1,344	304,185
Total assets measured at fair value on a recurring basis	49,381	831,999	25,567	906,947
Placements from banks and other financial institutions	–	(27,720)	–	(27,720)
Financial liabilities at fair value through profit or loss	(413)	(13,019)	–	(13,432)
Derivative financial liabilities	–	(21,034)	–	(21,034)
Total liabilities measured at fair value on a recurring basis	(413)	(61,773)	–	(62,186)

(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, 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 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 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
	Fair value at 31 December 2023	Valuation technique	Unobservable inputs
Financial investments measured at FVTPL			
– Trust schemes and asset management plans	533	Discounted cash flow method	Risk-adjusted discount rate
– Trust schemes and asset management plans	2,756	Net assets analysis	Net assets, Liquidity discount
– Bonds and assets-backed securities	1,701	Discounted cash flow method	Risk-adjusted discount rate
– Equity investments	1,138	Net assets analysis	Net assets
– Equity investments	171	Market multiplier method	Liquidity discount
Financial investments measured at FVOCI			
– Equity investments	1,344	Net assets analysis	Net assets, Liquidity discount
– Loans and advances to customers	17,924	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 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)
	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Loans and advances to customers	Total
At 1 January 2023	5,522	1,313	40,080	46,915
Total gains recognized in profit or loss	(550)	6	1,649	1,105
Total gains recognized in other comprehensive income	–	31	(1,143)	(1,112)
Increase	2,686	–	–	2,686
Disposals and settlements	(1,359)	(6)	(22,662)	(24,027)
At 31 December 2023	6,299	1,344	17,924	25,567
Total unrealised gains and losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period	(576)	–	11	(565)

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XV Fair Value of Financial Instruments (continued)

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.

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 2024				Carrying amount
	Level 1	Level 2	Level 3	Fair Value	
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
	31 December 2023				Carrying amount
	Level 1	Level 2	Level 3	Fair Value	
Financial assets					
Financial investments measured at AC	–	372,022	93,839	465,861	463,311
Financial liabilities					
Debt securities issued	–	396,796	–	396,796	395,938

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

1 Establishment of subsidiary

On 26 January 2025, the Bank received the Reply of the National Financial Regulatory Administration on the Establishment of Zheyin Wealth Management Co., Ltd. (Jin Fu [2025] No. 61), and the opening of Zheyin Wealth Management Co., Ltd. was approved.

2 Issuance of Financial Bonds

On 13 February 2025, the Bank issued ordinary financial bond (series 1) in National Interbank Bond Market amounting to RMB20 billion.

3 Profit Distribution

On 28 March 2025, the Board of Directors of the Bank deliberated and approved the 2024 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 RMB1.56 (including tax) for each 10 ordinary shares, and a total of RMB4,284 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.

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XVIII Statements of Financial Position of the Bank

	Note	31 December 2024	31 December 2023
ASSETS			
Cash and balances with the central bank		129,691	164,723
Precious metals		16,956	9,756
Deposits with banks and other financial institutions		51,058	68,426
Placements with banks and other financial institutions		20,368	11,576
Derivative financial assets		41,692	21,953
Financial assets purchased under resale agreements		68,334	74,631
Loans and advances to customers		1,812,684	1,673,272
Financial investments			
– Financial assets measured at fair value through profit or loss		246,190	256,926
– Financial assets measured at amortised cost		406,250	391,600
– Financial assets measured at fair value through other comprehensive income		357,419	304,185
Investment in subsidiary	VI.19	2,040	2,040
Fixed assets		18,882	18,572
Right-of-use assets		3,111	4,903
Intangible assets		2,291	601
Deferred tax assets		19,927	20,631
Other assets		12,182	9,592
TOTAL ASSETS		3,209,075	3,033,387

Notes to the Consolidated Financial Statement

(In RMB millions, unless otherwise stated)

XVIII Statements of Financial Position of the Bank (continued)

	31 December 2024	31 December 2023
LIABILITIES		
Due to the central bank	77,821	119,915
Deposits from banks and other financial institutions	369,289	359,087
Placements from banks and other financial institutions	38,136	38,793
Financial liabilities at fair value through profit or loss	4,180	120
Derivative financial liabilities	36,085	21,034
Financial assets sold under repurchase agreements	5,552	27,782
Customer deposits	1,922,289	1,868,659
Employee benefits payable	6,173	5,861
Taxes payable	1,037	2,774
Provisions	1,094	1,523
Debt securities issued	539,813	392,994
Lease liabilities	3,135	3,257
Other liabilities	7,521	6,765
TOTAL LIABILITIES	3,012,125	2,848,564
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	6,344	3,406
Surplus reserve	14,012	12,546
Statutory general reserve	34,594	29,315
Retained earnings	50,971	48,527
TOTAL EQUITY	196,950	184,823
TOTAL LIABILITIES AND EQUITY	3,209,075	3,033,387

The financial statements were approved by the board of directors on 28 March 2025:

Lu Jianqiang
Chairman

Hou Bo
Principal in-charge of Finance,
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 2024 (for the year ended 31 December 2023: 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 2024 (31 December 2023: no differences).

2 Liquidity Coverage Ratio

	31 December 2024	31 December 2023
Liquidity Coverage Ratio	322.75%	166.61%

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 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

At 31 December 2023	Bank	Official sector	Non-bank private sector	Total
Local claims in foreign currencies	4,187	7,222	68,558	79,967
Asia Pacific excluding Chinese Mainland	5,330	1,259	27,111	33,700
– of which attributed to Hong Kong	5,079	1,259	25,939	32,277
Europe	5,740	1,695	641	8,076
North America	3,067	11,177	17,632	31,876
Oceania	131	–	–	131
Total	18,455	21,353	113,942	153,750

Unaudited Supplementary Financial Information

(In RMB millions, unless otherwise stated)

4 Currency Concentrations

	USD	RMB Equivalent 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)
	USD	RMB Equivalent HKD	Others	Total
At 31 December 2023				
Spot assets	102,999	12,565	14,796	130,360
Spot liabilities	(103,696)	(3,082)	(14,608)	(121,386)
Forward purchases	387,567	2,132	30,537	420,236
Forward sales	(402,567)	(711)	(34,147)	(437,425)
Net options position	(5,353)	–	(330)	(5,683)
Net (short)/long position	(21,050)	10,904	(3,752)	(13,898)

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 2024, the Group's non-bank exposures are substantially arising from businesses with Chinese Mainland corporates and individuals.



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