

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



2025

Interim Report

IMPORTANT NOTICE

1. 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.
2. This interim report was approved at the fifth meeting of the seventh session of the Board of the Company on August 28, 2025. The Company has 11 Directors, among which 11 Directors attended the meeting in person, which is in compliance with the requirements of the Company Law of the People's Republic of China and the Articles of Association of the Company. 10 Supervisors of the Company attended the meeting.
3. As of the disclosure date of this report, the Company had no plans for interim profit distribution or transfer from reserves to share capital.
4. 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.
5. The interim financial report for 2025 of the Company is unaudited.
6. Chen Haiqiang (陳海強), the Company's President (acting as the Chairman of the Board), Hou Bo (侯波), Principal in charge of Finance and Zhang Jian (張簡), Director of the Financial Department, warrant that the financial report in the interim 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 subsidiaries

COMPANY PROFILE

1.	Company name in Chinese: Company name in English:	浙商银行股份有限公司(Abbreviation in Chinese:浙商银行) CHINA ZHESHANG BANK CO., LTD. (Abbreviation in English: CZBANK)
2.	Legal Representative:	Chen Haiqiang (acting as the Legal Representative)
3.	Registered address: Postcode: Principal office address: Postcode: E-mail: Website: Customer service hotline: Tel for investor relations management: Fax:	No. 1788, Hongning Road, Xiaoshan District, Hangzhou, Zhejiang Province, the PRC 311200 No. 1 Minxin Road, Shangcheng District, Hangzhou, Zhejiang Province, the PRC 310020 ir@czbank.com www.czbank.com 95527 86-571-88268966 86-571-87659826
4.	Principal place of business in Hong Kong:	15/F, Three Exchange Square, No. 8 Connaught Place, Central, Hong Kong, the PRC
5.	Authorized representatives:	Chen Haiqiang, Luo Feng
6.	Secretary to the Board: Joint Company Secretaries: Representative of securities affairs:	Luo Feng Luo Feng, Chan Yin Wah Xia Jing
7.	A Shares Stock exchange where the securities are listed: Stock abbreviation: Stock code: H Shares Stock exchange where the securities are listed: Stock abbreviation: Stock code:	Shanghai Stock Exchange CZBANK 601916 Hong Kong Stock Exchange CZBANK 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 PRC Laws: As to Hong Kong PRC Laws:	Zhejiang T&C Law Firm 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, the PRC Signing certificated accountants: Pan Sheng (潘盛), Jin Rui (金睿)
	International auditor:	KPMG Office address: 8/F, Prince's Building, 10 Chater Road, Central, Hong Kong, the PRC
11.	Newspapers and websites designated for information disclosure: Mainland China:	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily Website of the Shanghai Stock Exchange (www.sse.com.cn) Website of the Company (www.czbank.com)
	Hong Kong:	Website of the Hong Kong Stock Exchange (www.hkex.com.hk) Website of the Company (www.czbank.com)
	Place for inspection of the report:	Office of the Board of the Company (No. 1 Minxin Road, Shangcheng District, Hangzhou, Zhejiang Province, the PRC)
12.	Other information about the Company:	Uniform social credit code: 91330000761336668H Financial institution license serial number: B0010H133010001 Registration date: July 26, 2004



CORPORATE OVERVIEW

As one of the twelve nationwide joint-stock commercial banks, CZBank officially commenced business on August 18, 2004, with its head office in Hangzhou, Zhejiang Province. CZBank is 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”, and practices financial services for good. It also sticks to intelligent operation to build Humanistic CZBank and further advances the comprehensive and collaborative reform centered on customers and fully opens up a new realm of high-quality development.

In the first half of 2025, CZBank’s operating income was RMB33.265 billion, representing a period-on-period decrease of 5.75%; net profit attributable to shareholders of the Bank was RMB7.667 billion, representing a period-on-period decrease of 4.15%. As at the end of the reporting period, the total assets were RMB3.35 trillion, representing an increase of 0.63% as compared with that at the end of last year, of which total loans and advances to customers were RMB1.89 trillion, representing an increase of 1.69% as compared with that at the end of last year; the total liabilities were RMB3.14 trillion, representing an increase of 0.62% as compared with that at the end of last year, of which balance of customer deposits were RMB2.07 trillion, representing an increase of 7.47% as compared with that at the end of last year; the non-performing loan ratio was 1.36% and allowance to non-performing loans was 169.78%; the capital adequacy ratio was 12.31%, the tier-one capital adequacy ratio was 9.62%, and the core tier-one capital adequacy ratio was 8.39%, all of which remained at reasonable levels.

As of the end of June 2025, CZBank has established 369 branch outlets in 22 provinces, autonomous regions, 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 2025” ranking by The Banker, U.K., CZBank ranked 82nd in terms of tier-one capital. China Chengxin International gave CZBank the highest AAA corporate credit rating among financial institutions.



DEVELOPMENT STRATEGIES AND IMPLEMENTATION

(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 the “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 major cultural brands to be “a bank popular among young people” and “the advocate and practitioner of happy life”, 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 IMPLEMENTATION

(III) STRATEGY IMPLEMENTATION

During the reporting period, the Company remained committed to achieving the “three first-class” goal, adhered to the “three major guidelines”, and kept good relationships among “stability, progress, innovation, reform and excellence”. With continuous efforts, the Company has made new strides in its “financial services for good” and intelligent operations, gained new vitality for humanistic CZBank, successfully promoted the “compliance-based, risk-prioritized, customer-centric and quality development-oriented” principle, and maintained each business indicator at a satisfactory level.

1. Further Consolidating Four Major Customer Bases

During the reporting period, in line with the nature of the industry, the Company adhered to systematic thinking, made development planning with a long-term perspective instead of seeking size, speed, quick money and other short-sighted action, continued to promote customer-centric comprehensive and coordinated reforms, fully strengthening the development of its four major customer bases, namely corporate customers, micro-loan customers, retail customers, and interbank customers, and improved the comprehensive value contribution of customers with professional “one-stop” financial services.

The role of corporate customers as a “stabilizer” has gained more prominence. During the reporting period, the Company continued to strengthen the development of its corporate customer base through chain-based customer expansion scenarios, such as capital chains, industrial chains and related chains. Corporate deposits, including institutional deposits, grew significantly, and the effect of controlling interest payment rate of deposits was notable. As at the end of the reporting period, the Company had served nearly 270,000 corporate clients. Corporate deposits denominated in RMB amounted to RMB1,528.2 billion with marketing activities, representing an increase of RMB66.8 billion as compared to last year, effectively reducing the cost of corporate deposits denominated in RMB by 24.84 basis points.

The professional operation system for retail customer development has been further refined. During the reporting period, the Company focused on the eight major retail customer groups, deepened the development of the “6+1” retail finance system, and promoted the growth of pension finance, which were proved to be effective in addressing shortcomings in the retail customer base. As at the end of the reporting period, the Company reached a new milestone of RMB700 billion in retail AUM, with retail customer growth reaching record high. The transformation of its product portfolio made positive progress, including the commencement of operations of CZB Wealth Management, the synergy effect of which with the parent bank created a continued boost in overseas and innovative wealth management products.

Transformation of micro-loan customers has been accelerated. During the reporting period, adhering to a development strategy of “high quality and moderate size”, the Company firmly advanced the risk mitigation and transformation of micro-loan business, clarified the direction and path for the sustainable development of inclusive finance, and accelerated scenario-based research and the implementation of companion-style services accessible to both small business customers and the individuals and families behind, making small business customers the source of development for medium and large customers and the core customer base for retail business growth. As at the end of the reporting period, the balance of inclusive loans was RMB355.37 billion.



DEVELOPMENT STRATEGIES AND IMPLEMENTATION

Competitiveness of interbank customers has ranked among the top. During the reporting period, the Company continued to strengthen the development of its interbank customer base consisting of financial markets, bills, financial institutions, etc., and actively adapted to market changes by continuously enhancing its ability to seize market opportunities. As a result, key indicators, such as FICC market-making transactions, commercial bill discounting volume, underwriting business increase, credit ABS issuance volume, customer foreign exchange transaction volume, and public fund custody size, all outperformed its peers; and self-managed foreign exchange and self-managed precious metals achieved their best-ever performance.

2. Launching Another Three-year Action of “Deepening the Development in Zhejiang”

During the reporting period, the Company maintained its strategic focus on the primary strategy of “deepening the development in Zhejiang”, and launched another three-year action of “deepening the development in Zhejiang”, fully integrating into the broader context of the socio-economic development of Zhejiang.

Accelerated implementation of improvement approaches. During the reporting period, the Company formulated the implementation plan for a new three-year action, with an overarching framework of “three doubling, ten major measures, ten major actions”. It also launched a monthly discussion mechanism for branches in the province on “deepening the development in Zhejiang”. Focusing on major customer bases and key areas, nine work groups have been established with clear responsibilities, laying a solid foundation for further implementing the primary strategy of “deepening the development in Zhejiang”. Major projects under the “thousand projects, trillion investment” initiative have been progressed ahead of schedule, with cumulative underwriting of local government bonds and non-financial corporate bonds among the top in the industry. The construction of a county-based comprehensive financial ecosystem, aided by the “Party Committee and Government as One” special action, has seen broader coverage and stronger influence.

Another three-year action making a good start. During the reporting period, focusing on the overarching goal of initiating “Zhejiang-centricity”, promoting “pioneering advancement” and building “distinctive uniqueness”, all business lines and departments of the Company optimized mechanisms and innovated approaches to create synergies, which continuously improved the enthusiasm and proactivity of branches in the province and led to positive results. As at the end of the reporting period, deposits in the province amounted to RMB610.2 billion, representing an increase of 8.13%. There were over 15,000 new individually-owned businesses, exceeding the annual target ahead of schedule. Total financing services in the province amounted to RMB1,119 billion, representing an increase of RMB98.5 billion from the beginning of the year, which exceeded that of the last full year.



DEVELOPMENT STRATEGIES AND IMPLEMENTATION

3. Improving Comprehensive Risk Management System

During the reporting period, the Company put risk control as its top priority and comprehensively implemented a “prudent and healthy” risk preference of controlling new risks, mitigating existing risks and optimizing mechanisms to safeguard the risk control line and lay a solid foundation for high-quality development. **Strengthening risk prevention.** The Company implemented the risk management principles of “low risk and moderate returns” and “small and diversified lending” by strictly controlling credit approval standards, strengthening risk management in key areas, selecting customers and assets with controllable risks and acceptable returns, and strictly controlling new risks. **Establishing a vertical professional credit risk management system.** The Company further strengthened the head office’s vertical management of risk control officers and supervision over the heads of credit approval departments at branches, and made appropriate adjustment to the risk management system and mechanisms for micro-loan business lines. It also strengthened the development of business lines with significant risks to enhance the authority of the risk assessment middle office and establish an independent, balanced, vertical and professional risk assessment system.

4. Upgrading Internal Management System

During the reporting period, the Company continuously strengthened management to empower business development in accordance with the requirements of building a standardized, refined, empowering, systematic and scientific management system. **Strengthening internal control and compliance management.** The Company carried out a special campaign to further deepen compliance management, concentrated efforts on implementing regulatory requirements, and intensified internal control and compliance self-examination efforts, enabling the effective operation of its internal control and compliance issue research mechanism, and the integration of compliance culture into all areas of business management. **Strengthening technology management empowerment.** The Company accelerated the implementation of its core upgrading and foundation consolidating project, launched a three-year data control campaign and seized the opportunities in artificial intelligence development to advance the construction of large-scale model foundations, knowledge base engines and intelligent platform systems, deepen the application of the bank-wide AI middleware across all domains and accelerate the full penetration of AI across all business lines. **Strengthening talent team management.** The Company improved the full-lifecycle training and management of key employees, continued to intensify young cadres’ exchange and training, strictly implemented regulations on the promotion and demotion of cadres, established a sound training mechanism for young employees, and prioritized the construction of a non-site human resources monitoring platform to monitor the human resource operations of its branches in an all-round and three-dimensional manner.

FINANCIAL SUMMARY

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

KEY FINANCIAL DATA AND INDICATORS

Operating results (RMB million)	January to June 2025	January to June 2024	Increase (decrease) (%)	January to June 2023
Operating income	33,265	35,295	(5.75)	33,248
Profit before taxation	9,695	9,741	(0.47)	9,378
Net profit attributable to shareholders of the Bank	7,667	7,999	(4.15)	7,743

Per share (RMB)	January to June 2025	January to June 2024	Increase (decrease) (%)	January to June 2023
Basic earnings per share attributable to shareholders of the Bank ⁽¹⁾	0.28	0.29	(3.45)	0.34
Diluted earnings per share attributable to shareholders of the Bank ⁽¹⁾	0.28	0.29	(3.45)	0.34

Profitability indicators (%)	January to June 2025	January to June 2024	Increase/ decrease	January to June 2023
Return on average total assets ^{*(2)}	0.48	0.52	Decrease by 0.04 percentage point	0.58
Return on average equity ^{*(3)}	8.78	9.78	Decrease by 1.00 percentage point	10.71
Net interest margin*	1.69	1.82	Decrease by 0.13 percentage point	2.14
Net interest spread*	1.52	1.61	Decrease by 0.09 percentage point	1.95
Net non-interest income to operating income	30.72	33.02	Decrease by 2.30 percentage points	27.91
Cost-to-income ratio ⁽⁴⁾	29.77	28.91	Increase by 0.86 percentage point	27.96

Scale indicators (RMB million)	June 30, 2025	December 31, 2024	Increase (decrease) (%)	December 31, 2023
Total assets	3,346,485	3,325,539	0.63	3,143,879
Total loans and advances to customers	1,888,532	1,857,116	1.69	1,716,240
Total liabilities	3,142,103	3,122,796	0.62	2,954,302
Customer deposits	2,065,814	1,922,289	7.47	1,868,659
Equity attributable to shareholders of the Bank	200,238	198,903	0.67	186,245
Net assets per share at the end of the period attributable to shareholders of the Bank ⁽⁵⁾ (RMB)	6.38	6.33	0.79	5.87

Asset quality indicators (%)	June 30, 2025	December 31, 2024	Increase/ decrease	December 31, 2023
Non-performing loan ratio ⁽⁶⁾	1.36	1.38	Decrease by 0.02 percentage point	1.44
Allowance to non-performing loans ⁽⁷⁾	169.78	178.67	Decrease by 8.89 percentage points	182.60
Allowance to total loans ⁽⁷⁾	2.31	2.46	Decrease by 0.15 percentage point	2.63

FINANCIAL SUMMARY

	June 30, 2025	December 31, 2024	Increase/ decrease	December 31, 2023
Capital adequacy indicators (%)				
Core tier-one capital adequacy ratio ⁽⁸⁾	8.39	8.38	Increase by 0.01 percentage point	8.22
Tier-one capital adequacy ratio ⁽⁸⁾	9.62	9.61	Increase by 0.01 percentage point	9.52
Capital adequacy ratio ⁽⁸⁾	12.31	12.61	Decrease by 0.30 percentage point	12.19

Notes:

* Annualized return rate.

- (1) 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. The calculation of earnings per share for the first half of 2023 is affected by the Rights Issue.
- (2) 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.
- (3) 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).
- (4) Cost-to-income ratio = Operating expenses (excluding taxes and surcharges) divided by operating income.
- (5) 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.
- (6) Since the 2023 annual report, the Bank has calculated the non-performing loan ratio and allowance to total loans in accordance with the Guidelines for the Calculation of Major Financial Indicators in China's Banking Industry (Yin Xie Fa [2023] No. 34)《中國銀行業主要財務指標計算指引》(銀協發[2023]34 號)) issued by the China Banking Association, where: Non-performing loan ratio = Balance of non-performing loans divided by total loans and advances to customers (excluding interest accrued).
- (7) Allowance to non-performing loans = Balance of the allowance for ECLs of loans divided by balance of non-performing loans; allowance to total loans = Balance of the allowance for ECLs of loans divided by total loans and advances to customers (excluding interest accrued). There is no difference between the indicator for the Group and the Bank. According to the Notice on the Regulatory Requirements on Adjusting Allowances for Loan Impairment Losses of Commercial Banks (Yin Jian Fa [2018] No. 7)《關於調整商業銀行貸款損失準備監管要求的通知》(銀監發[2018]7 號)), the regulatory policy of differentiated dynamic adjustment of allowances was practiced for joint-stock banks. The regulatory standards for allowance to non-performing loans and allowance to total loans appropriate to the Group are 140% and 2.1%.
- (8) Since 1 January 2024, the Group calculates the capital adequacy indicators in accordance with the requirements under the Administrative Measures for the Capital of Commercial Banks (No. 4 Order [2023] of National Financial Regulatory Administration)《商業銀行資本管理辦法》(國家金融監督管理總局令 2023 年第 4 號)).

EXPLANATION OF DIFFERENCES BETWEEN FINANCIAL STATEMENTS PREPARED UNDER DOMESTIC AND INTERNATIONAL ACCOUNTING STANDARDS

The net profit attributable to shareholders of the Bank for the reporting period ended June 30, 2025 and the equity attributable to shareholders of the Bank as at the end of the reporting period presented in the financial statements prepared by the Group under the China Accounting Standards are the same with that presented in the financial statements prepared by the Group under the International Financial Reporting Accounting Standards.



MANAGEMENT DISCUSSION AND ANALYSIS

(I) ANALYSIS OF OVERALL OPERATION PERFORMANCE

During the reporting period, under the guidance of the vision of being “a first-class commercial bank”, the Group comprehensively established a five-word ecosystem, namely “integrity, simplicity, professionalism, cooperation and honesty”, practiced financial services for good, adhered to intelligent operation, developed humanistic CZBank and conducted a customer-oriented, comprehensive and coordinated reform in all aspects, focused on the main line of digital reform, accelerated the “replacing core system to consolidate our foundation” project, and continuously consolidated its technological foundation, embarking on a new journey of high-quality development.

As at the end of the reporting period, total assets of the Group amounted to RMB3,346.485 billion, representing an increase of RMB20.946 billion or 0.63% as compared to that at the end of last year, of which total loans and advances to customers amounted to RMB1,888.532 billion, representing an increase of RMB31.416 billion or 1.69% as compared to that at the end of last year. Total liabilities amounted to RMB3,142.103 billion, representing an increase of RMB19.307 billion or 0.62% as compared to that at the end of last year, of which customer deposits amounted to RMB2,065.814 billion, representing an increase of RMB143.525 billion or 7.47% as compared to that at the end of last year.

During the reporting period, operating income of the Group amounted to RMB33.265 billion, representing a period-on-period decrease of RMB2.03 billion or 5.75%, of which net interest income amounted to RMB23.046 billion, representing a period-on-period decrease of RMB596 million or 2.52%, and net non-interest income amounted to RMB10.219 billion, representing a period-on-period decrease of RMB1.434 billion or 12.31%. Net profit attributable to shareholders of the Bank amounted to RMB7.667 billion, representing a period-on-period decrease of RMB332 million or 4.15%.

As at the end of the reporting period, the non-performing loan ratio of the Group was 1.36%, representing a decrease of 0.02 percentage point as compared to that at the end of last year. Allowance to non-performing loan ratio was 169.78%, representing a decrease of 8.89 percentage points as compared to that at the end of last year; the allowance to total loans ratio was 2.31%, representing a decrease of 0.15 percentage point as compared to that at the end of last year.

As at the end of the reporting period, the capital adequacy ratio of the Group amounted to 12.31%, representing a decrease of 0.30 percentage point as compared with that at the end of last year. The tier-one capital adequacy ratio amounted to 9.62%, representing an increase of 0.01 percentage point as compared with that at the end of last year, and the core tier-one capital adequacy ratio amounted to 8.39%, representing an increase of 0.01 percentage point as compared with that at the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) ANALYSIS OF FINANCIAL STATEMENTS

1. Analysis of Consolidated Statement of Profit or Loss

During the reporting period, the Group achieved a net profit attributable to shareholders of the Bank of RMB7.667 billion, representing a decrease of 4.15% on a period-on-period basis; the return on average total assets was 0.48% and the return on average equity was 8.78%. Operating income was RMB33.265 billion, representing a decrease of 5.75% on a period-on-period basis, including net interest income of RMB23.046 billion, representing a decrease of 2.52% on a period-on-period basis; net non-interest income of RMB10.219 billion, representing a decrease of 12.31% on a period-on-period basis. Operating expenses were RMB10.27 billion, representing a decrease of 3.36% on a period-on-period basis; cost-to-income ratio was 29.77%, representing an increase of 0.86 percentage point on a period-on-period basis. Provision for expected credit losses was RMB13.3 billion, representing a decrease of 10.90% on a period-on-period basis. The income tax expense was RMB1.723 billion, representing an increase of 15.02% on a period-on-period basis.

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

In RMB million, except percentages

Item	January to June 2025	January to June 2024	Amount of increase (decrease)	Increase (decrease) (%)
Net interest income	23,046	23,642	(596)	(2.52)
Net non-interest income	10,219	11,653	(1,434)	(12.31)
Operating income	33,265	35,295	(2,030)	(5.75)
Less: operating expenses	10,270	10,627	(357)	(3.36)
Less: expected credit losses	13,300	14,927	(1,627)	(10.90)
Profit before taxation	9,695	9,741	(46)	(0.47)
Less: income tax expense	1,723	1,498	225	15.02
Net profit	7,972	8,243	(271)	(3.29)
Attributable to: Shareholders of the Bank	7,667	7,999	(332)	(4.15)
Non-controlling interests	305	244	61	25.00

(1) Net interest income

During the reporting period, net interest income was RMB23.046 billion, representing a decrease of RMB596 million or 2.52% on a period-on-period basis, accounting for 69.28% of operating income. Interest income was RMB52.652 billion, representing a decrease of RMB4.238 billion or 7.45% on a period-on-period basis; Interest expenses was RMB29.606 billion, representing a decrease of RMB3.642 billion or 10.95% on a period-on-period basis.

During the reporting period, net interest spread was 1.52%, representing a decrease of 9 basis points on a period-on-period basis; and net interest margin was 1.69%, representing a decrease of 13 basis points on a period-on-period basis. The main reasons for the period-on-period change in net interest margin were as follows: the Group implemented the policy guidance of benefiting the real economy and continued to promote the reduction of corporate financing costs, thus the yield on Interest-earning assets decreased by 47 basis points on a period-on-period basis. It continued to optimize the liability structure, promoting the growth of settlement and other low-cost deposits, which led to a 38-basis-point decrease in the cost of interest-bearing liabilities on a period-on-period basis.

MANAGEMENT DISCUSSION AND ANALYSIS

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

In RMB million, except percentages

Item	January to June 2025			January to June 2024		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Interest-earning assets						
Loans and advances to customers	1,885,033	37,611	4.02	1,782,084	40,954	4.62
Investments ⁽¹⁾	883,815	12,597	2.87	826,172	13,261	3.23
Due from banks and other financial institutions ⁽²⁾	160,440	1,568	1.97	155,277	1,710	2.21
Balances with the Central Bank ⁽³⁾	127,456	876	1.39	138,672	965	1.40
Total interest-earning assets	3,056,744	52,652	3.47	2,902,205	56,890	3.94
Item	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Interest-bearing liabilities						
Customer deposits	1,932,000	17,964	1.88	1,834,442	19,936	2.19
Due to banks and other financial institutions ⁽⁴⁾	455,493	4,641	2.05	526,519	6,818	2.60
Due to Central Bank	98,861	908	1.85	69,239	793	2.30
Debt securities issued ⁽⁵⁾	577,643	6,042	2.11	435,429	5,636	2.60
Lease liabilities	2,976	51	3.46	3,144	65	4.16
Total interest-bearing liabilities	3,066,973	29,606	1.95	2,868,773	33,248	2.33
Net interest income		23,046			23,642	
Net interest spread			1.52			1.61
Net interest margin ⁽⁶⁾			1.69			1.82

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of changes in interest income and interest expenses

In RMB million

Item	Comparison between January to June 2025 and January to June 2024		
	Factors for Increase (Decrease)		Net increase (decrease) ⁽³⁾
	Volume ⁽¹⁾	Interest rate ⁽²⁾	
Interest-earning assets			
Loans and advances to customers	2,366	(5,709)	(3,343)
Investments	925	(1,589)	(664)
Due from banks and other financial institutions	57	(199)	(142)
Balances with the Central Bank	(78)	(11)	(89)
Changes in interest income	3,270	(7,508)	(4,238)
Interest-bearing liabilities			
Customer deposits	1,060	(3,032)	(1,972)
Due to banks and other financial institutions	(920)	(1,257)	(2,177)
Due to Central Bank	339	(224)	115
Debt securities issued	1,841	(1,435)	406
Lease liabilities	(3)	(11)	(14)
Changes in interest expenses	2,317	(5,959)	(3,642)
Changes in net interest income	953	(1,549)	(596)

Notes:

- (1) Change in volume represents the average balance for the reporting period minus the average balance for the same period of last year, multiplied by the average yield or average interest-bearing rate for the same period of last 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 same period of last 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 same period of last year.

(2) Interest income

Interest income from loans and advances to customers

Interest income from loans and advances to customers was RMB37.611 billion, representing a decrease of RMB3.343 billion or 8.16% on a period-on-period basis, mainly due to the Group having adhered to its original mission of providing financial services to the real economy, focused on its main responsibilities and businesses, and continued to strengthen credit support for key national strategies, key areas, and weak links. During the reporting period, the daily average balance of loans and advances to customers was RMB1.89 trillion, representing an increase of 5.78% on a period-on-period basis; and the loan yield for the first half of 2025 stood at 4.02%, representing a decrease of 60 basis points on a period-on-period basis.

MANAGEMENT DISCUSSION AND ANALYSIS

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

In RMB million, except percentages

	January to June 2025			January to June 2024		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	1,292,973	25,825	4.03	1,192,528	26,444	4.46
Personal loans and advances	469,711	10,523	4.52	481,766	13,224	5.52
Discounted bills	122,349	1,263	2.08	107,790	1,286	2.40
Total loans and advances to customers	1,885,033	37,611	4.02	1,782,084	40,954	4.62

Interest income from investments

Interest income from investments was RMB12.597 billion, representing a decrease of RMB664 million or 5.01% on a period-on-period basis, mainly due to a 36-basis-point decrease in the investment yield on a period-on-period basis.

(3) Interest expenses

Interest expenses on customer deposits

While maintaining steady growth in the scale of deposits, the Group strengthened control over medium – and long-term high-interest rate deposits, actively guided the expansion of low-cost deposits, and continuously reduced the deposit interest payment rate. Interest expenses on customer deposits amounted to RMB17.964 billion, representing a decrease of RMB1.972 billion or 9.89%. As at the end of the reporting period, the daily average balance of customer deposits was RMB1.93 trillion, representing an increase of 5.32% on a period-on-period basis; the deposit interest payment rate in the first half of 2025 was 1.88%, representing a decrease of 31 basis points on a period-on-period basis.

In RMB million, except percentages

	January to June 2025			January to June 2024		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Corporate deposits and other deposits⁽¹⁾						
Time	1,238,343	13,159	2.14	1,040,057	13,030	2.52
Demand	365,237	1,324	0.73	514,074	3,424	1.34
Subtotal	1,603,580	14,483	1.82	1,554,131	16,454	2.13
Personal deposits						
Time	264,197	3,458	2.64	226,310	3,417	3.04
Demand	64,223	23	0.07	54,001	65	0.24
Subtotal	328,420	3,481	2.14	280,311	3,482	2.50
Total	1,932,000	17,964	1.88	1,834,442	19,936	2.19

Note:

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

MANAGEMENT DISCUSSION AND ANALYSIS

Interest expenses on due to banks and other financial institutions

Interest expenses on due to banks and other financial institutions amounted to RMB4.641 billion, representing a decrease of RMB2.177 billion or 31.93% on a period-on-period basis. This was mainly due to the fact that the interest payment rate of due to banks and other financial institutions in the first half of 2025 was 2.05%, a decrease of 55 basis points on a period-on-period basis.

(4) Net non-interest income

During the reporting period, net non-interest income amounted to RMB10.219 billion, representing a decrease of RMB1.434 billion or 12.31% on a period-on-period basis, of which net fee and commission income was RMB2.293 billion, representing a decrease of RMB491 million; other net non-interest income was RMB7.926 billion, representing a decrease of RMB943 million from the previous period.

Net fee and commission income

In RMB million, except percentages

Item	January to June 2025	January to June 2024	Amount of increase (decrease)	Increase (decrease) (%)
Agency and entrustment service	1,345	1,199	146	12.18
Commitment and guarantee service	485	654	(169)	(25.84)
Underwriting and consultation service	393	598	(205)	(34.28)
Settlement and clearing service	378	389	(11)	(2.83)
Custodian and fiduciary service	366	348	18	5.17
Fee from bank cards	85	101	(16)	(15.84)
Others	56	51	5	9.80
Total fee and commission income	3,108	3,340	(232)	(6.95)
Less: fee and commission expense	815	556	259	46.58
Net fee and commission income	2,293	2,784	(491)	(17.64)

Net fee and commission income was RMB2.293 billion, representing a decrease of RMB491 million or 17.64% on a period-on-period basis. Among which, fee income from agency and entrustment service was RMB1.345 billion, representing an increase of RMB146 million or 12.18% on a period-on-period basis, primarily due to the increased income of the agency business; fee income from commitment and guarantee service was RMB485 million, representing a decrease of RMB169 million on a period-on-period basis, primarily due to the decreased scale of guarantee and commitment business; fee income from underwriting and consultation service was RMB393 million, representing a decrease of RMB205 million on a period-on-period basis, primarily due to the decreased rate of the bond underwriting business.

MANAGEMENT DISCUSSION AND ANALYSIS

Other net non-interest income

In RMB million, except percentages

Item	January to June 2025	January to June 2024	Amount of increase (decrease)	Increase (decrease) (%)
Net trading gains	2,514	4,709	(2,195)	(46.61)
Net gains on financial investments	4,363	3,607	756	20.96
Other operating income	1,049	553	496	89.69
Total	7,926	8,869	(943)	(10.63)

Other net non-interest income was RMB7.926 billion, representing a decrease of RMB943 million or 10.63% on a period-on-period basis, primarily due to the fluctuating upward trend of bond market yields during the reporting period, which led to a period-on-period decrease in the income of financial assets measured at fair value through profit or loss.

(5) Operating expenses

In RMB million, except percentages

Item	January to June 2025	January to June 2024	Amount of increase (decrease)	Increase (decrease) (%)
Staff costs	6,324	6,507	(183)	(2.81)
General and administrative expenses	2,018	2,427	(409)	(16.85)
Depreciation and amortization	1,016	990	26	2.63
Tax and surcharges	367	422	(55)	(13.03)
Others	545	281	264	93.95
Total	10,270	10,627	(357)	(3.36)

Operating expenses amounted to RMB10.27 billion, representing a decrease of RMB357 million or 3.36% on a period-on-period basis, primarily due to the Group having established an input-output management system, continuously optimized its input-output structure, and carried out refined management of financial expenditures.

(6) Expected credit losses

In RMB million

Item	January to June 2025	January to June 2024
Deposits with banks and other financial institutions	1	(6)
Placements with banks and other financial institutions	(3)	(1)
Financial assets purchased under resale agreements	(11)	(5)
Loans and advances to customers	10,779	14,267
Financial investments	1,803	(223)
Finance lease receivables	449	284
Off-balance sheet items	33	502
Other assets	249	109
Total	13,300	14,927

MANAGEMENT DISCUSSION AND ANALYSIS

Expected credit losses amounted to RMB13.3 billion, representing a decrease of RMB1.627 billion or 10.90% on a period-on-period basis, please see “Note III to Financial Statements – 7 Expected credit losses; 23 Allowance for ECLs”.

(7) Income tax expenses

Income tax expenses were RMB1.723 billion, representing an increase of RMB225 million or 15.02% on a period-on-period basis, and the effective tax rate was 17.77%. For the reconciliation statement of the income tax expense calculated at statutory tax rate and the actual income tax expense, please see “Note III to Financial Statements – 8 Income Tax Expense”.

(8) Segment information

Segment operating results by business line

In RMB million, except percentages

Item	January to June 2025		January to June 2024	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate banking	18,914	56.86	18,139	51.39
Retail banking	5,149	15.48	6,671	18.90
Treasury operations	7,297	21.93	9,199	26.07
Others	1,905	5.73	1,286	3.64
Total operating income	33,265	100.00	35,295	100.00

Segment operating results by geographic region

In RMB million, except percentages

Item	January to June 2025		January to June 2024	
	Amount	Proportion (%)	Amount	Proportion (%)
Yangtze River Delta Region	19,946	59.96	20,020	56.72
Bohai Rim Region	4,438	13.34	5,895	16.70
Pearl River Delta and Economic Zone on the Western Coast of the Taiwan Straits	3,226	9.70	3,268	9.26
Midwestern China Region	5,655	17.00	6,112	17.32
Total operating income	33,265	100.00	35,295	100.00

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB3,346.485 billion, representing an increase of RMB20.946 billion or 0.63% as compared to that at the end of last year, of which net loans and advances to customers amounted to RMB1,846.175 billion, representing an increase of RMB33.491 billion or 1.85% as compared to that at the end of last year. Financial investments amounted to RMB1,047.107 billion, representing a decrease of RMB8.344 billion or 0.79% as compared to that at the end of last year. In terms of the structure, net loans and advances to customers accounted for 55.17% of total assets, increased by 0.66 percentage point as compared to that at the end of last year, and the financial investments accounted for 31.29% of total assets, decreased by 0.45 percentage point as compared to that at the end of last year.

Assets utilization

In RMB million, except percentages

Item	June 30, 2025		December 31, 2024	
	Amount	Proportion (%)	Amount	Proportion (%)
Total loans and advances to customers	1,888,532		1,857,116	
Less: allowance for ECLs of loans ⁽¹⁾	42,357		44,432	
Net loans and advances to customers	1,846,175	55.17	1,812,684	54.51
Financial investments ⁽²⁾	1,047,107	31.29	1,055,451	31.74
Cash and balances with the central bank	128,044	3.82	129,691	3.90
Precious metals	42,736	1.28	16,956	0.51
Due from banks and other financial institutions ⁽³⁾	115,433	3.45	137,692	4.14
Other assets	166,990	4.99	173,065	5.20
Total assets	3,346,485	100.00	3,325,539	100.00

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Loans and advances to customers

The Group fully implemented the core deployment of the CPC Central Committee, the State Council, and the Central Financial Work Conference to serve the real economy, closely followed the work requirements of regulatory authorities, actively practiced the concept of financial services for good, deepened its presence and efforts in Zhejiang, and advanced the transformation towards “low risk and balanced returns” in a deeper and more comprehensive manner, and the loan scale grew steadily with an improving structure. As at the end of the reporting period, total loans and advances to customers of the Group amounted to RMB1,888.532 billion, representing an increase of RMB31.416 billion or 1.69% 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	June 30, 2025		December 31, 2024	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate loans and advances	1,293,183	68.47	1,249,566	67.28
Personal loans and advances	466,041	24.68	478,631	25.77
Discounted bills	119,803	6.34	119,200	6.42
Changes in fair value through other comprehensive income	661	0.04	1,224	0.07
Interest accrued	8,844	0.47	8,495	0.46
Total	1,888,532	100.00	1,857,116	100.00

Corporate loans and advances

The foundation of the Company’s core business has become more solid. By deepening the chain-based financial ecosystem and implementing layered and classified marketing services for customer groups, the Company has achieved expansion in the scale, optimization in the structure, and enhancement in the depth of its customer base. It has deepened professional research in strategic emerging industries and regional competitive industries, innovated service scenarios, promoted the quality and efficiency of coordinated scenarios, optimized the new allocation, expanded the business flow, and revitalized the existing assets. As a result, the Company’s loan business has achieved sound growth. As at the end of the reporting period, total corporate loans and advances amounted to RMB1,293.183 billion, representing an increase of 3.49% from the end of last year.

Personal loans and advances

Taking scenarios as the starting and foothold, the Company has built comprehensive and collaborative scenarios to meet the integrated service needs of different types of customers in segmented scenarios, improving service quality and efficiency. By establishing channels to optimize the mortgage business foundation, expanding the high-quality customer base of cloud credit, and adopting the chain-based financial model to enter various segmented scenarios to provide full life-cycle services, the Company has promoted the structural optimization of personal loans. As at the end of the reporting period, total personal loans and advances amounted to RMB466.041 billion, representing a decrease of 2.63% from the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial investments

The Group provides diversified financial support for the real economy, effectively responds to market fluctuations by grasping market conditions, controls market risks through portfolio management, ensures liquidity safety, and maintains an overall stable scale of financial investments. As at the end of the reporting period, the balance of financial investments was RMB1,047.107 billion, a decrease of 0.79% from the end of last year.

Financial investment composition

RMB million, except percentages

Item	June 30, 2025		December 31, 2024	
	Amount	Proportion (%)	Amount	Proportion (%)
Fund investments	166,748	15.92	175,096	16.59
Bond investments	796,562	76.07	791,378	74.98
Trust schemes and asset management plans	93,905	8.97	99,599	9.44
Other financial investments	4,616	0.44	5,150	0.49
Interest accrued	9,929	0.95	9,625	0.91
Allowance for ECLs	(24,653)	(2.35)	(25,397)	(2.41)
Total	1,047,107	100.00	1,055,451	100.00

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

(2) Liabilities

The Group fully implemented regulatory requirements, steadily carried out the liability structure optimization project, established a systematic mechanism for low-cost liabilities, and continuously improved the quality of liabilities. As at the end of the reporting period, the Group's total liabilities amounted to RMB3,142.103 billion, representing an increase of RMB19.307 billion or 0.62% from the end of last year.

Liabilities composition

In RMB million, except percentages

Item	June 30, 2025		December 31, 2024	
	Amount	Proportion (%)	Amount	Proportion (%)
Due to Central Bank	72,412	2.30	77,821	2.49
Customer deposits	2,065,814	65.74	1,922,289	61.56
Due to banks and other financial institutions	402,699	12.82	498,068	15.95
Debt securities issued	510,501	16.25	541,533	17.34
Others	90,677	2.89	83,085	2.66
Total liabilities	3,142,103	100.00	3,122,796	100.00

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

MANAGEMENT DISCUSSION AND ANALYSIS

Customer deposits

The Group continues to consolidate its deposit foundation, striving to develop the acquisition of low-interest high-quality deposits into a core operational capability. The deposit scale has jumped to a new level of 2 trillion yuan, achieving “volume growth” while realizing “price reduction”. As at the end of the reporting period, the Group’s balance of customer deposits was RMB2,065.814 billion, an increase of RMB143.525 billion or 7.47% from the end of last year. In terms of customer structure, corporate deposits increased by RMB85.245 billion, or 5.38%; personal deposits increased by RMB53.646 billion or 17.61%. In terms of maturity structure, due to a decline in customer’s risk preference and increased demand for time deposit products, time deposits increased by RMB110.843 billion or 7.98%; demand deposits increased by RMB28.048 billion or 5.62%.

Structure of our customer deposits by business type

In RMB million, except percentages

Item	June 30, 2025		December 31, 2024	
	Amount	Proportion (%)	Amount	Proportion (%)
Corporate deposits				
Demand	459,295	22.24	434,291	22.59
Time	1,209,152	58.53	1,148,911	59.77
Subtotal	1,668,447	80.77	1,583,202	82.36
Personal deposits				
Demand	67,995	3.29	64,951	3.38
Time	290,283	14.05	239,681	12.47
Subtotal	358,278	17.34	304,632	15.85
Other deposits	2,315	0.11	372	0.02
Interest accrued	36,774	1.78	34,083	1.77
Total	2,065,814	100.00	1,922,289	100.00

(3) Shareholder’s equity

As at the end of the reporting period, equity attributable to shareholders of the Bank totaled RMB200.238 billion, an increase of RMB1.335 billion or 0.67% from the end of last year. Please see “Financial Statements – Consolidated Statement of Changes in Equity”.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) ANALYSIS OF LOAN QUALITY

1. Loans distribution by risk classification

In RMB million, except percentages

Item	June 30, 2025		December 31, 2024	
	Amount	Proportion (%)	Amount	Proportion (%)
Pass	1,806,445	96.10	1,777,415	96.15
Special mention	47,037	2.50	44,488	2.40
Non-performing	25,545	1.36	25,494	1.38
Substandard	10,757	0.57	11,230	0.61
Doubtful	11,812	0.63	10,503	0.57
Loss	2,976	0.16	3,761	0.20
Changes in fair value through other comprehensive income	661	0.04	1,224	0.07
Subtotal	1,879,688	100.00	1,848,621	100.00
Interest accrued	8,844	N/A	8,495	N/A
Total loans and advances to customers	1,888,532	N/A	1,857,116	N/A

The overall loan quality of the Group remained stable. As at the end of the reporting period, pass loans amounted to RMB1,806.445 billion, an increase of RMB29.03 billion from the end of last year; special mention loans amounted to RMB47.037 billion, an increase of RMB2.549 billion from the end of last year; the special mention loan ratio was 2.50%, an increase of 0.10 percentage point from the end of last year; non-performing loans amounted to RMB25.545 billion, an increase of RMB51 million from the end of last year; the non-performing loan ratio was 1.36%, a decrease of 0.02 percentage point from the end of last year.

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

In RMB million, except percentages

Item	June 30, 2025				December 31, 2024			
	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Corporate loans	1,293,183	68.80	16,341	1.26	1,249,566	67.59	16,996	1.36
Personal loans	466,041	24.79	9,191	1.97	478,631	25.89	8,498	1.78
Discounted bills	119,803	6.37	13	0.01	119,200	6.45	-	-
Changes in fair value through other comprehensive income	661	0.04	N/A	N/A	1,224	0.07	N/A	N/A
Subtotal	1,879,688	100.00	25,545	1.36	1,848,621	100.00	25,494	1.38
Interest accrued	8,844	N/A	N/A	N/A	8,495	N/A	N/A	N/A
Total loans and advances to customers	1,888,532	N/A	N/A	N/A	1,857,116	N/A	N/A	N/A

MANAGEMENT DISCUSSION AND ANALYSIS

As at the end of the reporting period, corporate non-performing loans amounted to RMB16.341 billion, a decrease of RMB655 million from the end of last year; the non-performing loan ratio was 1.26%, a decrease of 0.10 percentage point from the end of last year. Personal non-performing loans amounted to RMB9.191 billion, an increase of RMB693 million from the end of last year; the non-performing loan ratio was 1.97%, an increase of 0.19 percentage point from the end of last year.

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

In RMB million, except percentages

Item	June 30, 2025				December 31, 2024			
	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Corporate loans	1,293,183	68.80	16,341	1.26	1,249,566	67.59	16,996	1.36
Leasing and commercial services	293,289	15.60	3,097	1.06	267,267	14.46	2,967	1.11
Manufacturing	276,999	14.74	3,359	1.21	273,221	14.78	4,007	1.47
Wholesale and retail trade	185,915	9.89	5,143	2.77	191,741	10.37	4,268	2.23
Real estate	178,170	9.48	1,533	0.86	186,133	10.07	2,885	1.55
Construction	78,564	4.18	626	0.80	74,814	4.05	659	0.88
Administration of water conservancy, environment and public facilities	75,821	4.03	43	0.06	68,991	3.73	44	0.06
Financing	54,175	2.88	72	0.13	42,009	2.27	52	0.12
Accommodation and Catering	18,610	0.99	98	0.53	18,460	1.00	74	0.40
Transportation, storage and postal service	18,492	0.98	1,109	6.00	17,314	0.93	1,101	6.36
Electricity, heat, gas and water production and supply	16,007	0.85	106	0.66	14,403	0.78	88	0.61
Mining	15,429	0.82	–	–	16,611	0.90	–	–
Others ⁽¹⁾	81,712	4.36	1,155	1.41	78,602	4.25	851	1.08
Personal loans	466,041	24.79	9,191	1.97	478,631	25.89	8,498	1.78
Discounted bills	119,803	6.37	13	0.01	119,200	6.45	–	–
Changes in fair value through other comprehensive income	661	0.04	N/A	N/A	1,224	0.07	N/A	N/A
Subtotal	1,879,688	100.00	25,545	1.36	1,848,621	100.00	25,494	1.38
Interest accrued	8,844	N/A	N/A	N/A	8,495	N/A	N/A	N/A
Total loans and advances to customers	1,888,532	N/A	N/A	N/A	1,857,116	N/A	N/A	N/A

Note:

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

The Group adopts a “prudent and solid” risk preference, adheres to the “small and diversified” credit principle, anchors on the “three first-class” goals and vision, and insists on the political and people-oriented nature of financial work. Guided by serving the real economy, with scenarios as the core, it enhances investment research capabilities, strengthens credit guidance, reinforces risk prediction, optimizes asset allocation, and safeguards the high-quality development of the entire bank.

MANAGEMENT DISCUSSION AND ANALYSIS

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

In RMB million, except percentages

Item	June 30, 2025				December 31, 2024			
	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Yangtze River Delta Region	1,038,505	55.25	16,686	1.61	991,127	53.62	16,115	1.63
Midwestern China Region	364,688	19.40	2,554	0.70	367,401	19.87	3,487	0.95
Bohai Rim Region	246,993	13.14	3,313	1.34	257,185	13.91	3,137	1.22
Pearl River Delta and Economic Zone on the Western Coast of the Taiwan Straits	228,841	12.17	2,992	1.31	231,684	12.53	2,755	1.19
Changes in fair value through other comprehensive income	661	0.04	N/A	N/A	1,224	0.07	N/A	N/A
Subtotal	1,879,688	100.00	25,545	1.36	1,848,621	100.00	25,494	1.38
Interest accrued	8,844	N/A	N/A	N/A	8,495	N/A	N/A	N/A
Total loans and advances to customers	1,888,532	N/A	N/A	N/A	1,857,116	N/A	N/A	N/A

Based on a continuous tracking of the development trends in the macro economy and the industry, 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.

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

In RMB million, except percentages

Item	June 30, 2025				December 31, 2024			
	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)	Amount of loans	Proportion (%)	Amount of non-performing loans	Non-performing loan ratio (%)
Mortgage loans	805,109	42.84	16,419	2.04	813,467	44.00	15,617	1.92
Pledged loans	61,353	3.26	854	1.39	69,066	3.74	711	1.03
Guaranteed loans	406,588	21.63	3,559	0.88	377,355	20.41	3,538	0.94
Unsecured loans	486,174	25.86	4,700	0.97	468,309	25.33	5,628	1.20
Discounted bills	119,803	6.37	13	0.01	119,200	6.45	-	-
Changes in fair value through other comprehensive income	661	0.04	N/A	N/A	1,224	0.07	N/A	N/A
Subtotal	1,879,688	100.00	25,545	1.36	1,848,621	100.00	25,494	1.38
Interest accrued	8,844	N/A	N/A	N/A	8,495	N/A	N/A	N/A
Total loans and advances to customers	1,888,532	N/A	N/A	N/A	1,857,116	N/A	N/A	N/A

MANAGEMENT DISCUSSION AND ANALYSIS

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 RMB805.109 billion, representing a decrease of RMB8.358 billion compared with that at the end of last year; the balance of non-performing loans among mortgage loans was RMB16.419 billion, with the non-performing loan ratio of 2.04%, representing an increase of 0.12 percentage point compared with that at the end of last year.

6. Top ten borrowers

In RMB million, except percentages

Top Ten Borrowers	Industry	Amount	Proportion (%)
A	Information transmission, software and information technology services	9,502	0.51
B	Real estate	5,852	0.31
C	Real estate	4,883	0.26
D	Real estate	3,960	0.21
E	Leasing and commercial services	3,820	0.20
F	Leasing and commercial services	3,626	0.19
G	Real estate	3,006	0.16
H	Manufacturing	2,979	0.16
I	Financing	2,902	0.15
J	Manufacturing	2,767	0.15
Total		43,298	2.30

As at the end of the reporting period, the loan balance of the Group's largest single borrower was RMB9.502 billion, accounting for 3.73% of the Group's net capital. The total loan amount of the ten largest single borrowers was RMB43.298 billion, accounting for 16.98% of the Group's net capital.

7. Overdue loans

In RMB million, except percentages

	June 30, 2025		December 31, 2024	
	Amount	Proportion (%)	Amount	Proportion (%)
Overdue period				
Overdue 1 to 90 days	15,759	0.84	12,399	0.67
Overdue 90 days to 1 year	14,367	0.76	12,615	0.68
Overdue 1 to 3 years	8,763	0.47	7,554	0.41
Overdue more than 3 years	1,002	0.05	943	0.05
Total	39,891	2.12	33,511	1.81

As at the end of the reporting period, the balance of overdue loans was RMB39.891 billion, an increase of RMB6.38 billion from the end of last year; of which, loans overdue for more than 90 days amounted to RMB24.132 billion, an increase of RMB3.02 billion from the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

8. Renegotiated loans

The Group implements strict and prudent control over loan restructuring. As at the end of the reporting period, the Group's total renegotiated loans and advances amounted to RMB12.859 billion, a decrease of RMB16 million from the end of last year; of which, renegotiated loans and advances overdue for more than 3 months amounted to RMB1.1 billion, a decrease of RMB428 million from the end of last year.

9. Repossessed assets and provision for impairment

As at the end of the reporting period, the balance of the Group's repossessed assets (non-financial instruments) was RMB922 million and the net book value was RMB710 million after deducting the impairment provision of RMB212 million.

10. Movements in the expected credit loss ("ECL") allowance on loans

<i>In RMB million</i>	
Item	Amount
Balance at the beginning of the period	45,551
Charge for the period	10,779
Write-offs	(5,873)
Transfer out	(8,112)
Others	1,025
Balance at the end of the period	43,370

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.

(2) Others include recoveries of loans and advances written off and impact of exchange rate fluctuations.

(IV)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 measurement 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.

As at the end of the reporting period, capital adequacy ratio of the Group was 12.31%, tier-one capital adequacy ratio was 9.62%, core tier-one capital adequacy ratio was 8.39%, and leverage ratio was 5.06%, all of which met regulatory requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital adequacy ratio (the Group)

In RMB million, except percentages

Item	June 30, 2025	December 31, 2024
Net core tier-one capital	173,865	173,172
Other tier-one capital	25,396	25,364
Net tier-one capital	199,261	198,536
Tier-two capital	55,708	61,904
Net capital base	254,969	260,441
Risk-weighted assets	2,071,776	2,065,287
Among which: Credit risk-weighted assets	1,931,178	1,924,753
Market risk-weighted assets	22,616	22,553
Operational risk-weighted assets	117,981	117,981
Minimum capital requirement (%)	8.00	8.00
Reserve capital and countercyclical capital requirement (%)	2.50	2.50
Additional capital requirement (%)	–	–
Core tier-one capital adequacy ratio (%)	8.39	8.38
Tier-one capital adequacy ratio (%)	9.62	9.61
Capital adequacy ratio (%)	12.31	12.61

Leverage ratio (the Group)

In RMB million, except percentages

Item	June 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024
Net tier-one capital	199,261	200,911	198,536	194,225
Adjusted asset balance inside and outside the balance sheet	3,935,202	4,029,132	3,885,727	3,901,844
Leverage ratio (%)	5.06	4.99	5.11	4.98

Note: The Pillar 3 Information Disclosure Report for the Half Year of 2025 of China Zheshang Bank Co., Ltd. (《浙商银行股份有限公司 2025 年半年度第三支柱信息披露报告》) is available for inspection on the website of the Bank (www.czbank.com).

As at the end of the reporting period, the capital adequacy ratio of the Company was 12.19%, tier-one capital adequacy ratio was 9.51%, core tier-one capital adequacy ratio was 8.25%, and leverage ratio was 4.91%, all of which met regulatory requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital adequacy ratio (the Company)

In RMB million, except percentages

Item	June 30, 2025	December 31, 2024
Net core tier-one capital	164,310	166,402
Other tier-one capital	24,995	24,995
Net tier-one capital	189,305	191,397
Tier-two capital	53,336	59,865
Net capital base	242,641	251,262
Risk-weighted assets	1,990,654	1,992,742
Among which: credit risk-weighted assets	1,853,128	1,855,223
market risk-weighted assets	22,367	22,360
operational risk-weighted assets	115,159	115,159
Minimum capital requirement (%)	8.00	8.00
Reserve capital and countercyclical capital requirement (%)	2.50	2.50
Additional capital requirement (%)	—	—
Core tier-one capital adequacy ratio (%)	8.25	8.35
Tier-one capital adequacy ratio (%)	9.51	9.60
Capital adequacy ratio (%)	12.19	12.61

Leverage ratio (the Company)

In RMB million, except percentages

Item	June 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024
Net tier-one capital	189,305	191,180	191,397	187,286
Adjusted asset balance inside and outside the balance sheet	3,852,610	3,948,263	3,812,789	3,831,284
Leverage ratio (%)	4.91	4.84	5.02	4.89

(V) 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 RMB816.756 billion. Please see "Note VI to Financial Statements – Commitments and Contingencies".

2. Status of overdue and unpaid debts

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



MANAGEMENT DISCUSSION AND ANALYSIS

(VI) RISK MANAGEMENT

1. Comprehensive risk management system

Adopting a “prudent and solid” risk preference and adhering to the principle of “small and diversified” credit granting, the Company anchors on the “three first-class” goals and vision, and insists on the political and people-oriented nature of financial work. Guided by serving the real economy, with scenarios as the core, it enhances investment research capabilities, strengthens credit guidance, reinforces risk prediction, and optimizes asset allocation; improves the logic of credit risk control, promoting the transformation of credit risk control from a threshold-based approval model to a companionship-based service model, and from a gatekeeping static risk control to a process-oriented dynamic risk control; improves unified credit management, strengthens the control of the entire credit process, strictly implements the “three checks” management of credit, and consolidates the foundation of credit management; strengthens risk prevention and control in key areas, strictly controls new risks, accelerates the resolution and disposal of existing risks, enhances the management of asset risk classification, and maintains stable asset quality; deepens the empowerment of risk control systems, improves the level of intelligent risk control, and safeguards the high-quality development of the bank 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. These officers assist the leading personnel of the accredited departments in organizing comprehensive risk management. They are independent of these departments in making business judgments and reporting on risk issues. The Company also assigns risk monitoring officers to its branches, who assist the presidents of these branches in organizing comprehensive risk management. These officers perform their duties independently and fully, and make business judgments and report on risk issues independently.

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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

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



MANAGEMENT DISCUSSION AND ANALYSIS

(3) Credit risk management for retail customers

The personal loan business of the Company adheres to the principles of “compliance as the foundation, risk as the priority, and high-quality development”. It adopts a multi-level risk mitigation strategy that mainly relies on sufficient-value mortgages and is supplemented by supplementary guarantee credit, and formulates differentiated access policies and risk pricing models based on the characteristics of different customer groups. By integrating multi-dimensional data such as customers’ asset and liability status, cash flow characteristics, historical financing behavior, and credit performance records, and relying on its independently developed big data intelligent risk control platform, the Company achieves a deep integration of quantitative scoring and qualitative assessment. The centralized approval center of the head office combines real-time calculations from the decision engine with key reviews by expert teams to ensure the scientific and timely nature of credit decisions, and establishes a dynamic credit adjustment mechanism. It has built a full-process risk management system that includes risk warning and monitoring, post-loan management, classified collection, and multi-channel non-performing asset disposal. Through an intelligent monitoring system, it tracks changes in asset quality in real-time, adopts differentiated risk mitigation measures, continuously optimizes the asset structure, effectively controls risk exposure, and achieves a balance between risk and return.

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. The term “market risk” in this section does not include interest rate risk of banking book (for the interest rate risk of banking book, please refer to the relevant content of “7. Interest rate risk management of banking book” below).

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



MANAGEMENT DISCUSSION AND ANALYSIS

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, sub-branches and subsidiaries. The Senior Management is responsible for implementing and organizing the market risk management, overseeing the implementation of market risk appetite as well as formulating and 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.

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 daily, 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 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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, broadening long-term sources of fund 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.

As at the end of the reporting period, the Company's total liquidity ratio of the local currencies and foreign currencies was 82.86%. Our liquidity coverage ratio was 225.77%, among which, high quality liquid assets amounted to RMB366.05 billion, and the net cash outflows over the next 30 days was RMB162.134 billion. The Company's net stable fund ratio was 114.46%, among which, stable fund available was RMB1,879.377 billion and stable fund required was RMB1,641.966 billion.

As at the end of the reporting period, the Group's total liquidity ratio of the local currencies and foreign currencies was 82.77%. Our liquidity coverage ratio was 224.80%, among which, the high-quality liquid assets amounted to RMB366.05 billion, and the net cash outflows over the next 30 days was RMB162.832 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 (RMB100 million)	Stable fund required (RMB100 million)
As of March 31, 2025	108.97	19,026.94	17,460.16
As of June 30, 2025	112.03	19,094.06	17,043.80

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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 of 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.

During the reporting period, the Company adhered to the operational risk management principles of "prudence, comprehensiveness, compatibility, and effectiveness" and adjusted its management strategies and priorities in a timely manner in accordance with its business strategies, management philosophy, and changes in the external financial situation. It continued to implement regulatory requirements for operational risk management and operational risk capital measurement; comprehensively consolidated the operational risk management organizational structure and deepened the application of operational risk management tools; improved information system functions in key areas and strengthened digital and intelligent empowerment support; refined the outsourcing risk management system and consolidated the foundation for outsourcing risk management; actively prevented and mitigated legal risks and conducted in-depth legal publicity and education; enhanced employees' professional capabilities, fostered awareness of operational risk prevention and control, and carried out special training and cultural advocacy to consolidate the foundation of risk prevention; and reinforced the main responsibility for security and safeguard work, while implementing security measures during key nodes. During the reporting period, the Company's operational risk management system operated smoothly, and overall operational risk remained controllable.

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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

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, 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 gap analysis, sensitivity analysis, scenario simulation analysis, stress test etc., and formulates strategies for interest rate risk management of the banking book by taking into account factors such as the risk preference and risk profile of the Bank, macroeconomic environment and the market changes. During the reporting period, the Company dynamically and flexibly adjusts the scale and term structure of assets and liabilities, and optimizes the term management plan of assets and liabilities based on the interest rate risk preference target of banking book and internal operation management needs across the whole bank, combined with changes in the macroeconomic situation and monetary policy orientation. 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.



MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 strictly implemented regulatory requirements and systematically planned its reputational risk management work. It regards reputational risk prevention and control as a protective wall for financial value creation, emphasizes front-end research and screening, proactively prevents reputational risks at the source, and continuously optimizes emergency response procedures, constantly improving its level of reputational risk management. Meanwhile, it firmly practices the political and people-oriented nature of finance, enhances the systematicness and innovation of positive publicity, and focuses on "financial assistance for common prosperity" as the main line of publicity, concentrating on showcasing its achievements in assisting enterprises, promoting rural revitalization, and other areas. Focusing on "comprehensively implementing a package of financial policies," the "deepening the development in Zhejiang" strategy, performance highlights, and serving the "five finances," the Company continues to amplify the "strongest voice" of China's economic brightness, and promote the positive and upright brand image to take root 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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. It deepened the construction of compliance culture, continued to implement the compliance commitment system, strengthened the reporting of typical cases, and enhanced employee warning education, so as to make proactive compliance, full-staff compliance, and compliance creating value a consensus. 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 digital and intelligent level compliance management. Adhering to the people first principle, practicing finance for good, optimizing the top-level design of consumer protection, the Company made every effort to build a "comprehensive consumer protection" system, realizing organic unification between consumer protection and health and sustainable development of business.



MANAGEMENT DISCUSSION AND ANALYSIS

11. Large exposure administration

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

12. Information technology risk management

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

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

The Company's information technology risk management system consists of the Board of Directors, the Supervisory Committee, Senior Management, Chief Information Officer (CIO), cyber security leadership team, digital reform promotion leadership group, Risk Management and Internal Control Committee, data governance committee, information technology management committee, business continuity management committee, the Risk Management Department, Internal Control and Compliance and Legal Affairs Department, Social Responsibility and Consumer Rights Protection 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 in accordance with regulatory requirements and industry standards. It has passed ISO20000, ISO22301, ISO27001, ISO27701 management system certifications, as well as the level 4 of "Excellent" certification for financial network security capability maturity, and continues to improve its information technology risk governance system. It has established relatively well-organized systems for business continuity management, information technology outsourcing risk management, network security management, data security management, information technology services management etc. and a relatively well-standardized information technology risk monitoring and assessment mechanism.

MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Company made forward-looking deployments of emerging digital technologies, created an artificial intelligence engine, accelerated the extensive integration and application of “data + technology + business,” deepened the digital reform, and empowered the high-quality development of digital finance. It continued to improve the network security, data security, and customer information protection systems, strengthened intelligent network security, coordinated data security risk prevention and control, and compliance governance. It continued to carry out risk monitoring, assessment, measurement, control, and reporting of important information systems, enhanced the operational effectiveness of the intelligent operation and maintenance system, planned and built a new generation of core systems, and optimized and improved the technology operation foundation. It continued to increase investment and construction in disaster recovery resources to improve the overall availability of the disaster recovery system. It improved the emergency plan for information systems, promoted the digital and online construction of emergency management, and carried out multi-level and multi-dimensional information system drills to enhance the resilience of business continuity assurance. During the reporting period, the system has operated stably without major information technology risks occurring.

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)》, so as to further solidify the foundation of anti-money laundering works and continuously improve the quality and effectiveness of anti-money laundering management.

During the reporting period, the Company has strictly complied with the laws and regulations on anti-money laundering, seriously fulfilled its legal obligations and social responsibilities in anti-money laundering. It strengthened customer money laundering risk management and improved the effectiveness of customer due diligence; properly handled the monitoring and reporting of large-value and suspicious transactions, deepened the application of AI, and optimized the suspicious transaction monitoring model; improved the anti-money laundering data pool and deepened anti-money laundering data governance to enhance the level of digitalization; improved the risk prevention and control mechanism in key areas and strengthened the management of high-risk businesses and customers; increased efforts in anti-money laundering supervision, inspection, and risk investigation, and provided business risk warnings; organized anti-money laundering publicity and training to improve the anti-money laundering performance level of all employees; and actively cooperated with anti-money laundering investigations and co-investigations to comply with all regulatory requirements in respect of anti-money laundering.

MANAGEMENT DISCUSSION AND ANALYSIS

(VII) BUSINESS SUMMARY

During the reporting period, guided by the vision of being a “first-class commercial bank”, the Company practiced financial services for good, adhered to intelligent operation, deepened the customer-oriented, comprehensive and coordinated reform, rendered wholehearted services for the real economy and further 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 strengthened the development of its retail operation systems, focused on eight major customer groups to consolidate its development foundation, and explored new business models for scenario-based operations, resulting in rapid growth in its retail business.

① Individual Customers and Management of Individual Customers' Financial Assets

During the reporting period, the Company focused on eight major customer groups, including payroll agency customers, silver-haired customers and platform customers, continuously optimized financial and non-financial services for customers and actively enhanced customer service experiences to further solidify its customer bases. The Company remained committed to customer-centric cross-selling and asset allocation in order to create sustainable value for its customers.

As at the end of the reporting period, the Company had 14,506,700 individual customers¹ (including debit card and credit card customers), representing an increase of 24.36% from the beginning of the year. Among these, platform customer acquisition achieved a new breakthrough, with over 2 million new customers acquired during the reporting period; customers with an average daily AUM of RMB200,000 or more reached 570,500, representing an increase of 14.93% from the beginning of the year; and total AUM for individual customers reached RMB705.016 billion, representing an increase of 12.48% from the beginning of the year.

② Individual Deposits and Loans

During the reporting period, the Company consistently adhered to a balanced approach to volume and price management by actively adapting to market changes, focusing on the increase of settlement deposits and comprehensive service deposits, establishing pathways for converting scenario-based ecosystem traffic into financial value, and further strengthening the development trend of loan business with increased volume, optimized structure and reduced cost. As at the end of the reporting period, the Company had individual deposit balance of RMB358.278 billion, representing an increase of 17.61% from the beginning of the year. The proportion of individual deposits in total deposits increased by 1.49 percentage points from the beginning of the year. The average daily balance of low-cost deposits, including individual current deposits and call deposits was RMB72.23 billion, representing an increase of 9.02%. The interest payment level of individual deposits showed a significant downward trend from 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 33,674,200 retail customers (including online loan customers).

MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, the Company actively implemented the requirements of national policy and regulatory authorities to support the stable development of the real estate market with the concerted efforts of its relevant business lines. By continuously optimizing business processes and promoting mortgage loan business, the Company aims to meet residents' reasonable financial needs for housing as a fulfillment of its social responsibilities. As at the end of the reporting period, the Company had personal housing loan balance of RMB181.456 billion, representing an increase of 7.92% from the beginning of the year. With its efforts in furthering implementing the “five finances”, increasing the provision of consumer loans, integrating the “financial services for good” philosophy into business operations, adhering to scenario-based customer acquisition, and continuously improving the quality and efficiency of retail loan services, the Company has maintained steady growth in retail credit business. As at the end of the reporting period, the Company's retail loans (including personal housing loans and personal consumer loans) amounted to RMB296.249 billion, representing an increase of 3.75% from the beginning of the year.

③ *Wealth Management Business*

During the reporting period, depending on the changes in customer demand and capital market condition, the Company increased investments in management resources, research resources, and technological resources, and continued to record growth in the volume of its wealth management agency business. As at the end of the reporting period, the Company had retail wealth management agency volume of RMB222.235 billion, representing an increase of 17.98% from the end of last year.

During the reporting period, given the downward trend in returns caused by the low-interest-rate environment, the Company strengthened its investment research capabilities and accelerated product portfolio transformation and digital and intelligent empowerment to improve customer returns and its front-line service abilities. First, the Company has further increased stable-return and “fixed-income plus” products to meet customer asset allocation needs. During the reporting period, the wealth management agency business increased by 36.68% year-on-year, with an 113.10% year-on-year increase in income; and the “fixed-income plus” products reached nearly RMB20 billion, with an increase growing by 304.39% year-on-year. Second, in line with the positive trend in capital markets, the fund agency business has maintained rapid growth. During the reporting period, the non-money market fund agency business increased by 17.43% compared to the end of 2024. Third, in the nature of finance for good and in a customer-centric manner, the Company keeps launching exclusive scenario-based products. During the reporting period, focusing on four themes, namely the “five finances”, “deepening the development in Zhejiang”, “financial services for good” and “private banking privileges”, the Company has launched 171 customized wealth management products, including 12 scenarios, such as “Jin Gui Ren Sheng” (金桂人生), “Common Prosperity” (共同富裕), “23 Mountainous Counties” (山區 23 縣), and “Zhe Shan” (浙善). Fourth, the Company steadily advances investment research and investment advisory. A comprehensive investment research strategy framework spanning from macro to micro levels, and from asset allocation to sub-product analysis has been established. Through the establishment of a 1+N region-based dedicated investment advisory mechanism, the Company persists in empowering the retail customer base with high-quality products and professional services, aiming to build a wealth management brand with first-class influence. Fifth, the Company accelerates the development of digital and intelligent wealth management capabilities. During the reporting period, the asset allocation and product center functions of the Company's digital and intelligent wealth management platform continued to be optimized and upgraded, with the MAPS asset allocation system 2.0 officially launched and put into use. Customers making asset allocation under the MAPS system increased by 44.52% year-on-year. Besides, the “Wealth Manager Intelligent Training Assistant” (理財經理智能陪練助手) was introduced using AI interaction to simulate product knowledge and practical exercises, thereby enhancing the comprehensive service capabilities of front-line wealth managers.



MANAGEMENT DISCUSSION AND ANALYSIS

④ *Private Banking Business*

During the reporting period, adhering to the philosophy of “passing of wealth and wisdom for sustainable development”, the Company took active steps to establish a comprehensive, customized and digital private banking business model in respect of its private banking business to provide comprehensive financial services and specialized value-added services to its private banking customers and their families, as well as for their business development. As at the end of the reporting period, the Company had 16,788 private banking customers, representing an increase of 15.52% from the beginning of the year, and financial asset balance of private banking customers of RMB232.18 billion, representing an increase of 13.26% from the beginning of the year.

By optimizing the management structure of its private banking business, and strengthening professional training and certification, the Company strives to build a private banking team with high quality and professional capabilities, while establishing a distinctive and recognized tiered private banking customer benefits system to meet customers’ actual needs. During the reporting period, the Company actively implemented its “financial services for good” strategic guidance, enhanced service capabilities through the 1+N financial advisory model, and improved the private banking service system. Focusing on customers’ diversified asset allocation needs, we have developed a multi-strategy, full-category private banking product portfolio to enhance the experience of the private banking customers. Through system construction, institutionalized operations and digital intelligence-driven development, we aim to build a private banking service brand with significant influence. Against the backdrop of a challenging internal and external environment, the Company has focused on key areas such as ideological cultivation, supervision and inspection, financial consumer protection, and anti-money laundering governance to deepen the effectiveness of compliance management and uphold the bottom line of business development.

⑤ *Credit Card (Consumer Finance) Business*

During the reporting period, sticking to its “small and smart” credit card development strategy and focusing on residents’ needs for consumer finance, the Company deepened product innovation and service upgrading, and fully advanced car purchase installment business to continuously boost its market competitiveness. As at the end of the reporting period, the Company had 4,530,500 credit cards in issue, representing an increase of 107,000 from the beginning of the year; and credit card (consumer finance) loan balance of RMB35.074 billion, representing an increase of RMB1.697 billion from the beginning of the year.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company focuses on developing distinctive products and brand activities to improve customer service. First, guided by the “financial services for good” strategy, the Company has launched the “CZBank Shanjia Card” (浙銀善家卡), offering integrated family financial services that combine unified payment settlement, unified credit management and comprehensive lifestyle value-added services, and embedding the “financial services for good” philosophy into retail scenarios. Second, the Company has deepened the penetration of the “Red Monday” (紅動) series of brand activities, and, taking the opportunities of the Spring Festival, the 618 shopping festival and other major consumption periods, intensified promotion activities on mainstream platforms, such as JD.com, Taobao Tmall, 12306, and Eleme, to enhance brand influence. Third, in response to the national ‘trade-in’ policy, the Company has launched exclusive “trade-in” discount coupons on Alipay and UnionPay to expand policy impact and support consumption growth. Fourth, the Company strengthens digital operations by leveraging privacy computing technology to realize precise outreach and refined management across the entire customer lifecycle.

Besides, the Company keeps pace with the new trends in China’s automotive industry, with increased efforts to develop car purchase installment business. It actively promotes the cooperation with leading new energy vehicle manufacturers and dealers, improves approval efficiency and service quality and continuously enhances customer experience, enabling the rapid growth in car purchase installment business.

(2) Small Enterprises Business

During the reporting period, in respect of the small enterprise operations, the Company actively promoted the customer-oriented, comprehensive and coordinated reform and efficiently implemented the pilot scheme of credit goodwill. Leveraging digital empowerment and scenario-based customer acquisition, the Company iteratively upgrades its inclusive small and micro enterprise customer acquisition and business development model, striving to contribute to inclusive finance.

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 RMB355.37 billion, representing a decrease of RMB55 million from the beginning of the year. Interest rates for newly issued inclusive small and micro enterprise loans fell by 85 BPs year-on-year with 1.56% non-performing ratio of inclusive small and micro enterprise loans.

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

Integrating goodwill and digitalization (Shanshu) to comprehensively enhance digital service capabilities. First, the Company has piloted the “CZBank Shanshu Loan (浙銀善數貸) - Small and Micro Enterprise Shanshu Credit Loan (小微善數信用貸)”. Leveraging the CSGS 3.0 evaluation system, the Company is committed to providing customized, differentiated and automated financial services to high-quality customers. Second, the Company continues to improve the service capabilities of its digital products for key areas and scenarios. With both online and offline channels, the Company maximized the advantages of digital products and accelerated its shift to the “exclusive scenario + batch application” marketing model. As at the end of the reporting period, the two products have served nearly 140 scenarios, including various street-front commercial districts, food wholesale markets, international trade cities, and light textile markets. Third, the Company keeps upgrading digital empowerment tools and risk control access models, including drawing a marketing ecosystem picture to acquire potential customers in a chain-like manner and build a closed-loop customer acquisition system; constructing a 360-degree customer profile report to achieve a three-dimensional risk assessment of customers; and optimizing the big data risk control system to strengthen risk prevention barriers.

Exploring scenarios and upgrade customer acquisition and business expansion models. First, the Company deeply explores the financial service scenarios for small and micro-sized industrial parks to fully meet the full-cycle financial needs of small and micro-sized enterprises in industrial parks, including upgrading the “10+N comprehensive park financial services scheme”, launching an asset pool for the small and micro-sized parks and integrating its application with the good financing asset pool. As at the end of the reporting period, a total of 2,723 park projects has been developed, with a balance of mortgage loans to small and micro industrial parks and industrial real estate of RMB96.194 billion, representing an increase of RMB6.673 billion from the beginning of the year. Second, the Company focuses on the construction of scenario-based customer acquisition channels to accelerate the upgrade of the inclusive business expansion model. With key scenarios such as government cooperation, characteristic industries, core enterprises, professional markets, and small and micro industrial parks as the direction for customer acquisition, the Company penetrates into target industries, integrates into various scenarios of the production and operation of target customer groups, and provides financial products to small and micro-sized enterprises with precision and effectiveness. Third, the Company strengthens cooperation with leading internet platforms to enhance the efficiency of financial services. Focusing on the ecosystems and scenarios of leading internet platforms and technology companies such as Alibaba and Tencent, with a combined use of system integration and data exploration, the Company identifies customer financing needs and business behaviors in batches, and leverages the customer traffic advantages of the leading platforms to achieve batch customer acquisition.



MANAGEMENT DISCUSSION AND ANALYSIS

Consolidate customer base and steadily improve comprehensive service level. First, enriching comprehensive collaborative scenario system to enhance service depth. The Company has deepened the replication and promotion of mature collaborative scenarios, focusing on small and micro-sized enterprises upstream and downstream of core enterprises to carry out scenario-based customer acquisition and mutual customer referrals. Leveraging regional resource advantages and considering local distinctive industries, the Company strives to develop collaborative scenarios with regional features, such as photovoltaic loan scenario and individually-owned business settlement scenario. Second, strengthening the construction of small and micro-sized customer base to solidify the foundation for development. The Company has been active in the transition to comprehensive operations by refining customer management and promoting financial products, including international settlement, payroll agency and wealth management, to meet customers' comprehensive financial service needs. Third, solidly advancing financing coordination mechanism. Relying on the "1,000 – 10,000 Visits" (千企萬戶大走訪) campaign, the Company prepares plans tailored to each enterprise to ensure that credit funds are accurately and directly delivered. As at the end of the reporting period, among the small and micro-sized enterprises that have been reached, 38,910 customers have obtained credit lines of aggregately RMB127.7 billion.

Deep the development in Zhejiang to contribute to the province's overall development. First, actively integrating into the construction of the county-level comprehensive financial ecosystem. The Company firmly support the construction of a comprehensive financial ecosystem in counties to serve the central tasks of the Party Committee and government and strengthens government-bank coordination. Based on the characteristics of industries in each county, the Company fully explores unique scenarios with market potential, shifts the main channel of financial services to the grassroots level, serves local customers well, and supports the common prosperity of county industries. As at the end of the reporting period, the Company has cumulatively provided key loan products for the year of RMB11.208 billion, with a balance of RMB42.895 billion. Second, implementing "1 for 1" strategy (一行一策) to empower branches. The Company has implemented differentiated management in terms of credit scale, credit authorization policies, and operational and financial resources with a focus on local economic and social development and the central tasks of the Party Committee and government, including the launch of a special action for small and micro financial services, to precisely align with the development needs of various regions within the province. As at the end of the reporting period, balance of inclusive loans within the province accounted for over 40% of the whole bank.

2. Great Corporate Segment

Corporate Business

The Company strictly implements the decisions and deployments of the CPC Central Committee and the State Council, holds high the banner of "financial services for good", deepens the implementation of the four major strategic priorities, and profoundly promotes customer-oriented, comprehensive and coordinated reform. It continues to serve key customers, grasp key businesses, and cultivate key regions, constantly enhancing its ability to serve the real economy and fully promoting the high-quality development of the great corporate business segment.



MANAGEMENT DISCUSSION AND ANALYSIS

Continuously increasing corporate credit support to enhance the ability to serve the real economy. The Company maintained a steady development trend in its corporate business and increased credit support for high-quality enterprise clusters. As at the end of the reporting period, the RMB-denominated corporate assets on the balance sheet amounted to RMB1,053.083 billion, representing an increase of RMB37.238 billion from the beginning of the year. Among them, the balance of loans to the manufacturing industry was RMB276.999 billion and over 6,200 corporate customers in the manufacturing sector were benefited.

Continuously upgrading the digital and scenario-based service model of supply chain finance to create the “most scenario-based” supply chain finance service. The Company continues to regard supply chain finance as an important way for the Bank to provide digital financial services to the real industrial chain and supply chain, creating a comprehensive digital supply chain finance service model that is “full-chain, full-scenario, full-product, and full-ecosystem”. At present, the Company has formed characteristic supply chain finance service solutions in strategic emerging industries and future industries such as new energy vehicles, electronic information, high-end equipment, aerospace, and modern logistics, empowering the development of new quality productive forces. As at the end of the reporting period, the Company had served over 3,600 industrial chain and supply chain projects, with a cumulative financing issuance of over RMB900 billion, serving over 85,000 upstream and downstream customers, of which nearly 90% were customers related to the “five finances”, such as technology finance, green finance, and inclusive finance.

Accelerating the construction of a technology finance system and mechanism adapted to technological innovation to promote the high-quality development of technology finance services. The Company strategically promotes technology finance work at the head office level, has released a technology finance development action plan, constructed the “four beams and eight pillars” (四梁八柱) of sci-tech, and launched the “good-tech companion program” (善科陪伴計劃) sci-tech finance service system. This system provides accompanying comprehensive services covering the entire life cycle of technology-based enterprises, strengthens research on key industry tracks in the field of technological innovation, and further increases financial service support for technology-based enterprises. As at the end of the reporting period, the Company had served over 34,000 technology-based enterprises, with a financing balance of over RMB440 billion; and served over 4,100 high-level talents.

3. Great Investment Banking Segment

(1) Investment Banking Business

In respect of the investment banking business, the Company is determined to return to its essential principle of serving the real economy and focuses on building a full-life-cycle bond business system, dual-wheel drive of asset circulation, and comprehensive services for high-quality customers to promote the high-quality development of investment banking.

During the reporting period, the Company provided its investment banking products to 951 customers, including central state-owned enterprises and private enterprises, representing an increase of 7.22% over the same period last year. The investment banking realized FPA of RMB368.101 billion, an increase of RMB92.902 billion year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS

In terms of bond business, the Company achieved bond underwriting of RMB107.887 billion; credit enhancement business creation of RMB1.215 billion, maintaining the first place in the market. As the first bank in the market to systematically deploy and promote resale business, the actual participation share in resale business was RMB13.275 billion, ranking among the top peers in the market. It also realized businesses such as cash tender offers, thus building and improving a full-chain, full life-cycle bond service system.

In terms of asset construction, through products such as syndicated loans, mergers and acquisitions, and non-standard assets, the Company expanded its total service volume, achieving total FPA of RMB46.782 billion. It participated in major project construction in the form of syndicated loans and provided total syndicated loans of RMB16.097 billion during the reporting period. Besides, it opened up a new path for business restructuring through secondary syndicated loan trading to realize the transfer-in of high-quality assets and the transfer-out of risky assets, recording circulation amount of RMB1.495 billion.

In terms of credit assets circulation, the Company realized credit asset circulation amount of RMB10.912 billion, with credit ABS in issue of RMB6.7 billion, ranking first among banking institutions, realizing credit ABS issuance in a normalized way. Additionally, the Company actively implements the Guiding Opinions of the General Office of the State Council on the Development of “Five Finances” (Guo Ban Fa [2025] No. 8) 《國務院辦公廳關於做好金融“五篇大文章”的指導意見》(國辦發[2025] 8 號)) and is currently the only national joint-stock bank that has continuously issued micro and small loan securitization projects in the market for eight consecutive years.

(2) Financial Market Business

During the reporting period, the Company deeply participated in the product and service innovation of the financial market and continuously enhanced its capabilities in investment research, customer service, risk compliance and digitalization. Making full play of its strengths and characteristics in market-making transactions in fixed income, foreign exchange, precious metals and other areas, the Company aligns its strategic initiatives with the objectives of activating capital markets and supporting the real economy to further optimize its financial products and services, fully support the real economy and achieve the high-quality development in its financial markets business.

In the domestic currency market, the Company further strengthens its macroeconomic policy research and market analysis, improves the investment research and analysis framework, follows market trends, optimizes its investment portfolio, and utilizes hedging tools to ensure the sustained achievement of stable investment returns. It actively fulfills its responsibilities as a market maker to continuously enhance its market-making underwriting and trading service capabilities. During the reporting period, the trading volume of RMB bonds investment increased by 25.06% year-on-year, the underwriting volume of government bonds increased by 51.38% year-on-year and the underwriting volume of local government bonds increased by 31.34% year-on-year. The Company's cumulative underwriting volume of Zhejiang bonds reached RMB19.942 billion. It has innovatively launched “CZBank Selected Zhejiang Enterprise Sci-tech Innovation Bond Basket”, the first-in-market basket of Zhejiang regional sci-tech innovation bonds, and jointly released the Shanghai Clearing House • CZBank Commercial Bank Sci-Tech Innovation Bond Index with Shanghai Clearing House. In recognition of the above, it was awarded the “Strong Market Influence Institution for the Year” (年度市場影響力機構) and “Market Innovative Business Institution” (市場創新業務機構) by the National Interbank Funding Centre, demonstrating its commitment to implementing the “five finances” and supporting the development of sci-tech enterprises.



MANAGEMENT DISCUSSION AND ANALYSIS

In the foreign exchange market, the Company fully leverages its professional advantages and characteristics in foreign exchange trading business, continuously strengthens research and development and digital output, actively fulfills its duties as a RMB foreign exchange market maker, and provides all-product market-making services to market institutions. Further, the Company provides customer services with expertise, actively assisting enterprises in enhancing their foreign exchange risk management capabilities. During the reporting period, the Company was awarded multiple important institutional awards and recognitions, including the “Outstanding Service Enterprise Foreign Exchange Risk Management Member Award” (優秀服務企業匯率風險管理會員獎) and the “Outstanding Technology Service Support Institution” (優秀科技服務支持機構) by the National Interbank Funding Centre.

In terms of the precious metals business, the Company actively fulfils its market-making responsibilities by focusing on satisfying the precious metals risk hedging and trading needs of upstream and downstream enterprises in the green industrial chain, and providing one-stop comprehensive financial services including leasing and trading. During the reporting period, the Company became one of the official market makers in the interbank gold quotation market of the Shanghai Gold Exchange, ranking among the top ten in the market. It also ranked second and first in the market making for gold and silver respectively in the Shanghai Futures Exchange.

In terms of digitalization, the Company continues to advance its digital capabilities, prioritizes the deepened application of digital tools in market research, market-making trading, investment portfolio management, and customer profiling management, and continuously improves the accuracy and automation of market-making quotes. Focusing on the core businesses of “investment, research, trading and sales”, the Company aims to further improve its FICC digital system supported by risk compliance and business management and drive the digital transformation of the entire trading lifecycle.

(3) Financial Institution Business

Adhering to a customer-centric and professionalism-oriented approach, the Company underscores the construction of “Interbank+” capabilities, focuses on the essence of business operations, deepens synergistic customer group management and continuously diversifies the collaborative scenarios with customer groups, enabling a transformation from traditional product cooperation to customer-centric comprehensive services, thus effectively enhancing the comprehensive value return of customer groups.

The Company’s efforts in fully accelerating the construction of its financial institution customer base, actively building a financial peer cooperation ecosystem, reconstructing the “Common Benefit” platform, and systematically developing a one-stop comprehensive service platform for financial institution customers had led to the organic integration of capital financing, interbank sales agency, counter bonds, asset supermarket and other businesses. As at the end of the reporting period, the cumulative transaction volume on the platform exceeded RMB1 trillion.

The Company solidly promotes the interbank asset and liability business. It strengthens market research and judgment to enhance investment research capabilities for standardized asset investment and effectively serves the high-quality real enterprise customers of the Bank. For the liability business, the interbank customer base continues to expand and the interest rate has been effectively reduced. During the reporting period, the interest rate on RMB interbank deposits decreased by 36 basis points compared to last year. The liability structure continues to optimize, with the proportion of low-cost liabilities such as demand deposits in interbank liabilities further increasing compared to the end of last year.

MANAGEMENT DISCUSSION AND ANALYSIS

The Bank successfully issues its own financial bonds. During the reporting period, it issued small and micro financial bonds of RMB20 billion, ordinary financial bonds of RMB20 billion, green financial bonds of RMB5 billion, and sci-tech innovation bonds of RMB5 billion, which serve as an effective supplement to the funding sources for inclusive, green and sci-tech innovation sectors and inject strong momentum into the “five finances”.

(4) Bill Business

The Company’s bill business focuses on the customer-oriented, comprehensive and coordinated reform to continuously expand the characteristic scenarios of bill business and promote the full life-cycle circular operation of bills. The Company continues to optimize existing systems and business processes, leverage the advantages of financial technology, and improve the customer experience for bill services. It strengthens the analysis and judgment of market trends, reasonably formulates bill trading and allocation strategies, and continuously expands its circle of interbank partners.

During the reporting period, the Company’s discount volume amounted to RMB252.7 billion, a year-on-year decrease of 2.58%; and the Company’s commercial paper discounting volume was RMB163.3 billion, a year-on-year increase of 5.97%, ranking second in the entire market. During the reporting period, the Company served a total of 19,400 corporate customers through acceptance, discounting, bill guarantee, and guarantee services, a year-on-year increase of 3.74%.

Taking the opportunity of accessing the supply chain bill platform in February this year, the Company strives to compete in the supply chain bill track. During the reporting period, the cumulative volume of various bill supply businesses exceeded RMB10 billion, ranking at the forefront of the market. The Company will continue to optimize the functions of the supply bill platform and accelerate the securitization of supply bill assets.

The Company proactively strengthens communication with regulatory authorities, the Shanghai Commercial Paper Exchange and the banking association to further enhance regulatory communication and gain support and recognition. It has established a live-streaming promotional matrix, conducting live broadcasts under the two themes, “CZBank Bill e-Hour”(浙銀票據 e 小時) and “Embracing the Real and the Good, Gathering All Regions through Bills (向實向善票聚九州)” under the financial consultant series to strengthen the bond of the Bank with regulators, customers and peers and effectively enhance the brand image of “CZBank Bill”. According to the evaluation results of the Shanghai Commercial Paper Exchange for 2024, the Bank won five major awards, including “Outstanding Acceptance Institution” (優秀承兌機構), “Outstanding Discounting Institution” (優秀貼現機構), “Outstanding Settlement Institution” (優秀結算機構), “Outstanding Discounting Participating Institution” (優秀貼現通參與機構), and “Outstanding Commercial Bill Information Disclosure Service Institution” (優秀商票信息披露服務機構).

(5) Asset Custodian Business

In respect of the asset custodian business, the Company adheres to the concept of sustainable development, and focuses on three key areas, namely coordinated reform, business transformation and service upgrading to promote the high-quality development of the asset custodian business.



MANAGEMENT DISCUSSION AND ANALYSIS

First, maintaining steady growth in custody volume and income. During the reporting period, the Company recorded custody business income of RMB366 million, representing a year-on-year increase of 5.17%. As at the end of the reporting period, the custody volume reached RMB2.56 trillion, representing an increase of 1.99% from the beginning of the year.

Second, maintaining a sound custody business structure, with significant results in public fund marketing and breakthrough progress with key clients. In response to market environment changes, the Company's efforts to proactively identify new customer groups and promote the continuous marketing of public fund products with different strategies has achieved good results. As at the end of the reporting period, the Bank's public fund custody volume accounted for over 20% of the total custody volume, ranking second among national banks.

Third, keeping advancing digital transformation and improving overall custody capacity. There were significant improvements in the automation of custody operations and customer service capabilities. The Company also innovates its custody operation model and accelerates standardization and digitalization to continuously improve its comprehensive service capabilities and maintain stable and safe operations. "Zero" risk incident was identified during the reporting period.

4. Great Asset Management Segment

With continuous efforts to strengthen its investment research capabilities, enrich the net-value product system, improve risk management level, and enhance financial technology support, the Company strives to build an asset management business brand featuring "professional management, customer-first approach, differentiated competition and efficiency priority". During the reporting period, the Company's wholly-owned subsidiary, CZB Wealth Management, was approved to commence business. As an important force in the Company's comprehensive licensed operations and the core platform of the great asset management segment, CZB Wealth Management deeply practices the political and people-oriented nature of finance, serves the high-quality development of the demonstration zone for common prosperity, leads service to the real economy with financial services for good, adheres to the priority of investor interests for stable, low-volatility and long-term returns, and, in an investment research-driven and digital-empowering manner, enhances its intelligent operation capabilities so as to provide "stable, inclusive and diversified" asset management products and wealth management services to all customers in the market. Since its establishment in January 2025, CZB Wealth Management has always been guided by Party building, adhered to the fundamental objective of serving the real economy, upheld the mission of creating value for customers, and maintained the bottom line of risk control and compliance. It has established and improved a "five-in-one" corporate governance mechanism, i.e., "Party Committee's guidance, Board of Directors' strategic decision-making, Senior Management's implementation, Supervisory Committee's legal supervision, and Discipline Inspection Committee's disciplinary supervision", with effective operation of its front, middle, and back-office business systems.

MANAGEMENT DISCUSSION AND ANALYSIS

Centering on the wealth brand “Shanshu-oriented Proper Wealth Management” (善數為本、理財有道), CZB Wealth Management is fully committed to developing differentiated products. It has launched six distinctive brand series: “Cong Shan, Cong Jian, Cong Rong, Cong Xin, Cong Chang, and Cong Le” (琮善、琮簡、琮融、琮心、琮長、琮樂), corresponding to cash management products and quasi-cash products, fixed-income products, fixed income+ products, hybrid products, equity products, and commodity and financial derivative products, respectively.

As at the end of the reporting period, the Group had total wealth management products of RMB143.823 billion, with the proportion of net-value wealth management products reaching 100%.

5. Great Cross-border Segment

Keeping pace with the “Belt and Road” initiative and enterprises’ “going global” trend, the Company continuously intensifies the innovation of diversified cross-border financial products. Relying on the dual-platform linkage of the free trade zone sub-accounting unit and the Hong Kong Branch, it endeavors to create two major brands, “CZB Silk Road Finance” (浙銀絲路金融) and “CZB Global Trading Treasure” (浙銀全球交易寶) and employs the five major service systems, i.e., globalized account and settlement, integrated liquidity financing, one-stop investment and financing for commercial and investment banking, immersive customer foreign exchange trading, and new scenario-based foreign trade, to provide high quality comprehensive cross-border financial services integrating local and foreign currencies, domestic and foreign trade, and offshore and onshore businesses, fully supporting the development of the real economy in the foreign investment and foreign trade industries.

During the reporting period, the Company served over 20,000 foreign trade enterprises and provided customer foreign exchange trading services of USD96 billion, including USD28.7 billion from “CZB Global Trading Treasure”. As at the end of the reporting period, the balance of assets investment under the international business amounted to RMB163.7 billion.

(VIII) FINANCIAL TECHNOLOGY

Guided by the vision of being “a first-class commercial bank”, the Company is on the way to advancing its digital reform to a higher level, continuously consolidating its digital foundation to ensure safe production and operation, strengthening the innovative leadership of data elements and digital technology to enhance its all-rounded digital operation and management capabilities and empower the innovation and quality improvement of business models and financial products, laying out the construction of an AI bank, promoting its development towards comprehensive digitalization, high automation and overall intelligence, and accelerating the construction of a new digital finance ecosystem to serve the high-quality development of the digital economy.



MANAGEMENT DISCUSSION AND ANALYSIS

1. Strengthening Data and Technology-driven Development to Build Next-Generation Digital Financial Infrastructures

Seizing the significant opportunities in the AI era, deepening the innovative leading role of financial technology, strengthening the construction of new digital infrastructures and significantly enhancing technological support and empowerment. First, the Company continuously consolidates technological infrastructures. It has steadily implemented the “core rebuilding and foundation strengthening” (煥芯強基) project to continuously advance the construction of the next-generation core systems and the renovation of peripheral applications, optimize the use of cloud computing platform resources, and promote the heterogeneous deployment and optimization of “one cloud, multiple cores”. The enterprise-level technology platform has been improved iteratively, with over 100 million tokens used by the microservice platforms. The integration and reconstruction of fundamental business capabilities has also been deepened to develop an enterprise-level business middleware platform with generic business capabilities such as accounts, products, performance and marketing, enabling cross-line capability reuse and innovative combination. Second, the Company continues to improve data governance and management level with the following measures: releasing “CZBank Data Governance Three-Year Action Plan” (浙商銀行數據治理三年行動方案), implementing All in One Statement (一表通), EAST, anti-money laundering and other special governance, as well as manual operations governance, constructing an enterprise-level data dictionary to promote data standardization across the Bank, continuously improving the data middleware platform, establishing new business data marts for audit and operations, promoting a unified indicator management platform, strengthening the refined management of data assets such as indicators, tags and algorithms; deepening the integration and application of data in customer service, marketing and customer acquisition, risk control and compliance, and comprehensively promoting tools such as the data service capability platform and big data query and analysis platform. With over 29,000 data products cumulatively, the Company recorded over 1.3 million visits during the reporting period, effectively enhancing the bank’s data accessibility. Third, the Company is fully committed to developing an AI-driven engine, and has initially established a unified AI foundation capability across the bank. By deepening the construction of AI large-model computing power resource base and algorithm model systems, it has completed the local deployment of cutting-edge large models, and is currently advancing the construction of nearly 100 application scenarios across multiple fields, such as compliance risk control and supervision and audit. “Zhe Xiao Zhi” (浙小智), a super intelligent assistant, has been established, capable of operation and management, knowledge retrieval, and document reporting and integrating the entire chain of employees’ work, affairs, life, and learning, enabling a significant improvement in employees’ work quality and efficiency. “Zhi Ying” (智盈), a digital human, has been iteratively promoted, offering diverse services, including greeting customers and reporting cockpit indicators.



MANAGEMENT DISCUSSION AND ANALYSIS

2. Digitally Reconstructing Financial Service Value Chain to Activate the Momentum for a Generational Leap in Intelligent Operations

Deepening the expansion of new channels, new methods and new areas for scenario-based financial services to activate the innovative momentum for intelligent operations and achieve digital, scenario-based and intelligent financial services. First, the Company strives to promote the data-driven synergetic development of its five business segments. The deepened construction of digital application products such as the digital wealth platform and Jicunjin (積存金), and the launch of CZBank's Welldoing Points (善行分), Goodness Benefits (善權益), Goodness Family Card (善家卡) system and other functions demonstrates the Company's effort to provide comprehensive financial solutions for happy families. Based on Shan Rong (善融) asset pool, treasury management and supply chain bills, and other platforms, the Company continuously diversifies business models, improves business efficiency, optimizes customer experience, and enhances the digital operation and management of its corporate banking, investment banking and other business lines. Second, the Company vigorously promotes system integration and business cooperation with internet platforms, including Alibaba and Tencent, accelerates the construction of an open ecosystem and strengthens OpenAPI services to improve its financial service capabilities. During the period, nearly 2.6 billion service tokens were used. Comprehensively aligning to government and public service needs, deepening cooperation with digital government platforms, including the Department of Commerce of Zhejiang Province, the Department of Natural Resources of Zhejiang Province and the Department of Finance of Jiangxi Province, supporting the digital transformation of governments and enterprises with its financial technology capabilities, integrating into the construction of county-level comprehensive financial ecosystems, and iteratively promoting its key applications, including Jinfubao-small and micro (金服寶·小微), the intelligent park platform and the digital charity platform, the Company is determined to establish a scenario-based ecosystem connecting multiple parties, including but not limited to government, financial institutions and enterprises.

3. Systematically Promoting the Application of Digital Tools to Explore New Operation and Management Approach in the Digital Intelligence Era

Strengthening technological support, data empowerment and innovation leadership, continuously improving a more efficient, intelligent and accurate operation and management system, and driving the intelligent upgrading of internal management, channel outreach, marketing services and customer experience. First, the Company strengthens digital marketing customer acquisition and the integrated development of online and offline channels, iteratively upgrades big data marketing, digital comprehensive operations and other system platforms, optimizes and improves the "senior version" of mobile banking, the large-character version of ATMs at outlets and other age-friendly renovations, develops an intelligent voice navigation system and comprehensively upgrades intelligent outbound calling scenarios to significantly enhance the intelligent operations capabilities across all domains. Second, the Company fully supports the customer-oriented, comprehensive and coordinated reform, promotes the iteratively upgrading and interactivity of the three major systems, namely CRM, strategic finance and pricing management and strengthens the comprehensive integration of customers, products, and data information and the implementation of collaborative scenarios, enabling the materialization of key scenario functions such as all-round customer profiling and full-process customer marketing management and support, and efficiently empowering comprehensive marketing services. Third, the Company works hard on the improvement of digital tools such as the national-level digital archives room, digital human resources, business management cockpit, horse racing-based supervision and RPA, to enhance the resource allocation efficiency and refined management capabilities across the Bank.



MANAGEMENT DISCUSSION AND ANALYSIS

4. Systematically Upgrading the Intelligent Risk Control System to Ensure the Coordinated Development of Operational Efficiency and Stable Operations

Continuously upgrading and improving intelligent risk control, enhancing digital operation and maintenance capabilities and developing a solid security protection and operation system to comprehensively ensure the safe and stable operation of production. First, the Company iteratively upgrades enterprise-level risk management platforms such as big data risk control and digital anti-money laundering to establish a digital and intelligent supervision system driven by “large models + small models”, with a focus on improving and optimizing big data risk control models for general and special scenarios. During the reporting period, more than 120 new business risk models were established, covering all retailing, supply chain, small and micro-sized enterprises, credit cards, and other business lines. Second, the Company deepens lean management of operations and maintenance, continuously improves the fault handling mechanism of “early detection, accurate location, rapid disposal and first restoration”, and has established an integrated intelligent computing operations and maintenance system that is data-driven, closed-loop scenario-based, and AIOps (Artificial intelligence for IT operations)-empowered, which continuously enhances its comprehensive risk prevention and control capabilities, realizing one key handling rate of 80% for major systems and restoration rate of 90% for network digital maps. Third, the Company steadily advances both security management and technologic protection, continuously strengthens its comprehensive security coordination and management, iteratively upgrades the “one foundation and five platforms” security defense architecture, actively promotes security protection construction in cloud environment, accelerates the implementation of cloud-native security solutions, and focuses on the development of five large-model application scenarios, including the security operations center dashboard, the security vertical domain large model and the intelligent noise reduction for alarm events, thus achieving multi-screen, multi-perspective visualization of the security condition, and assisting in the construction of a digital and intelligent defense system covering security operations, data security and other scenarios. During the reporting period, the automated response rate for cybersecurity incidents exceeded 99%.

(IX) 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, bank-enterprise direct connection, corporate treasury management, and online settlement business. The replacement rate of transactions via electronic channels reached 99.92%, taking a leading position in the industry. During the reporting period, the Company vigorously promoted the construction of E-finance channels, 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 1,768,500 customers with personal online banking certificates, representing an increase of 0.77% from the beginning of the year.



MANAGEMENT DISCUSSION AND ANALYSIS

During the reporting period, based on the genuine needs of enterprises, the Company launched the payroll slip function to corporate online banking, optimized core and commonly-used functions such as transfers and certificate signatures in corporate online banking, and implemented the special action to clean up the chain of telecom and internet fraud crimes. It continued to simplify the operation of frequently used functions to further reduce customer operations and enhance customer experience. As at the end of the reporting period, the Company had 310,600 customers with corporate online banking certificates, representing an increase of 6.96% from the beginning of the year.

Mobile Banking

During the reporting period, the Company upgraded its personal mobile banking app to version 6.0 and launched an elderly-friendly “Senior Version”. It also launched the wealth management homepage, mobile banking yield center, and “Goodness•Life” (善•生活) channel, and optimized capital transfer, fund consolidation, local life and other functions to enhance customer experience and wealth management efficiency. As of the end of the reporting period, the Company had 7,802,100 personal mobile banking customers, representing an increase of 7.96% from the beginning of the year.

Remote Banking

The Company upholds the service philosophy of “customer-oriented, beyond expectation”. By applying a multi-channel service platform, big data, and intelligent technology, and leveraging intelligent voice services, intelligent online robots, manual telephone services, manual online services, WeChat, email, and other means, the Company provides customers with rapid, comprehensive and professional high-quality services. Focusing on the three core functions, namely “24-hour intelligent customer service”, “digital and intelligent customer marketing and maintenance”, and “intelligent operation management”, the Company aims to build a 24/7 remote banking service platform.

During the reporting period, the Bank received a total of 2.10 million customer inquiries, representing a year-on-year increase of 10.94%, with an overall connection rate of 97.17%. Among them, it received 1,356,100 calls, with a manual telephone connection rate of 92.26% and a customer satisfaction rate of 99.76%; it served 743,900 online customers, with an online connection rate of 99.63%. The Bank has set up a green channel to provide services for the elderly and continuously reinforce the provision of more convenient and heart-warming services for aged customers. During the reporting period, the Bank served 37,200 elderly customers, representing a year-on-year increase of 141.56%, as fulfilment of its social responsibilities.

The Company has been exploring a multi-level “manual + intelligent” and “online + offline” customer management model through diversified remote business channels, such as intelligent AI outbound calls, manual outbound calls, and SMS. During the reporting period, the Bank had 3,268,200 remote outbound calls for business, representing a year-on-year increase of 14.82%, continuously empowering its business and supporting the business expansion of the Bank.

WeChat Banking

During the reporting period, the Company strived to develop WeChat banking as an important platform for new financial services and brand marketing. The Company’s WeChat banking consists of CZBank WeChat official account and CZBank Cloud Outlets WeChat mini-program. The CZBank WeChat official account offers functions including “Credit Card & Individual”, “Small & Micro & Corporate”, and “Recruitment & Services”. The CZBank Cloud Outlets WeChat mini-program provides functions such as outlet appointment, personal loans, and featured activities.



MANAGEMENT DISCUSSION AND ANALYSIS

Bank-Enterprise Direct Connection & Corporate Treasury Management

During the reporting period, focusing on “financial technology + professional services” with the objective of digital intelligence empowerment, business-finance integration and open-ended connectivity, the Company continued to enhance its bank-enterprise direct connection and treasury management services and completed the development of the basic functions of 6 major service centers, 3 service channels, and N distinctive scenario applications for corporate treasury management. As at the end of the reporting period, the Company had 2,353 core bank-enterprise direct connection customers and 47 contracted corporate treasury management customers.

Online Settlement Business

During the reporting period, the Company proactively explored business innovation, developed a mature service system for payment and settlement scenarios, and strengthened its five major capabilities: “collection, payment, management, distribution and control”. Depending on the needs of government agencies and real enterprises and public institutions and focusing on major scenarios such as bidding and tendering, capital management, and settlement services, the Company intensified its efforts in supporting and promoting the application of online settlement services to establish brand presence, and acquired a batch of central and state-owned enterprise customers.

(X) 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 development base 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 at the end of the reporting period, the total assets of the Company’s Hong Kong Branch were HKD69.804 billion. During the reporting period, it realized operating income of HKD678 million and net profit of HKD386 million.



MANAGEMENT DISCUSSION AND ANALYSIS

(XI) 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 financial leasing business; transfer and acquisition of financial leasing assets; borrowing from non-bank shareholders for terms of 3 months (inclusive) or longer; interbank lending; borrowing funds from financial institutions; issuance of non-capital bonds; acceptance of lease deposits; sale and disposal of leasehold; establishment of project companies within China to conduct financial leasing business; provision of shareholder loans to project companies, provision of financing guarantees and performance guarantees for project companies; fixed-income investment business; asset securitization business; provision of consulting services related to financial leasing; other businesses as prescribed by laws and regulations or approved by national financial regulatory authorities. 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 technology and education, 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 at the end of the reporting period, Zheyin Financial Leasing had 274 employees, with total assets of RMB86.892 billion and net assets of RMB8.458 billion. It realized a net profit of RMB622 million during the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

(2) CZB Wealth Management

CZB Wealth Management was established in January 2025, with a paid-in capital of RMB2 billion, and the Bank holds 100% of its shares. The business scope of CZB Wealth Management includes in businesses such as issuing wealth management products, investing and managing entrusted investor assets, and providing wealth management advisory and consulting services. Since its establishment, guided by the vision of creating “a first-class wealth management company”, CZB Wealth Management has adhered to the standards of “strictness, substance, and excellence”. It has consistently practiced the political and people-oriented nature of finance, inherited the gene of “financial services for good”, deeply implemented the “five-word” ecosystem, and adhered to the original mission of “managing wealth on behalf of clients”. Upholding the business philosophy of “integrity, prudence, standardization, and professionalism”, it strives to be a main force in assisting the construction of the demonstration zone for common prosperity, a main force in promoting wealth for good, and a main force in practicing inclusive finance. It endeavors to build the Company into a wealth management firm that represents the interests of investors, serves the real economy, operates with a prudent style, promotes “financial services for good”, and is led by digital technology.

As at the end of the reporting period, CZB Wealth Management had total assets of RMB2.102 billion, and net assets of RMB2.074 billion. It realized a net profit of RMB74 million during the reporting period.

2. Equity Participation Companies

Equity Participation Company	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

(XII) EVALUATION OF PROGRESS IN “IMPROVING QUALITY, INCREASING EFFICIENCY, AND EMPHASIZING RETURNS”

To effectively promote the Company’s high-quality development and enhance its investment value, protect the legitimate rights and interests of investors, especially small and medium-sized investors, increase investors’ sense of gain, and promote the Company’s reasonable valuation and stable development in the capital market, the Company actively responded to the relevant initiatives of the Shanghai Stock Exchange and formulated and released the “Valuation Enhancement Plan and ‘Improving Quality, Increasing Efficiency, and Emphasizing Returns’ Action Plan” on April 9, 2025. The Company has conducted a comprehensive review and evaluation of the plan’s implementation.

1. Overview of the Execution of Valuation Enhancement Plan

(1) Business Improvement Measures

Since the beginning of this year, facing a complex and changing external environment, the Company has adhered to a single blueprint and maintained strategic focus: guided by the vision of “a first-class commercial bank”, it has continued to deepen the “five-word” ecosystem, anchored the “three first-class” goals, practiced “financial services for good”, deepened intelligent operation, built a humanistic CZBank, and promoted customer-centric integrated synergistic reform. It has continued to advance the “Deepening Zhejiang Development” strategy, comprehensively opening a new chapter of high-quality development.



MANAGEMENT DISCUSSION AND ANALYSIS

In terms of business strategy, first, it focuses on “3” major dimensions: using limited resources on critical areas, optimizing the asset-liability structure, and accelerating digital transformation. Second, it implements “4” major projects: expanding intermediate business income, strengthening the foundation of weakly sensitive assets, optimizing the liability structure, and enhancing digital revenue. Third, it establishes a “1+5” operational support mechanism: integrated synergistic reform, resource allocation mechanism, performance appraisal mechanism, risk control mechanism, technological support mechanism, and talent guarantee mechanism. Fourth, it promotes the implementation of the intelligent operation strategy by focusing on both revenue and cost, building a system of “standardization, refinement, empowerment, systematization, and scientization”, and strengthening the full-process digital control of operation and management.

In terms of regional strategy, the Company has established “Deepening Zhejiang Development” as the primary strategy for the entire bank. In 2025, it will comprehensively launch a new three-year action plan for “Deepening Zhejiang Development”, fully serving major provincial projects and the construction of the demonstration zone for common prosperity, truly becoming the bank for Zhejiang, Zhejiang merchants, and the people of Zhejiang. It has reshaped the goals, tasks, and assessment system for “Deepening Zhejiang Development”, shifting the focus from revenue to market share and influence.

(2) Distribution of Cash Dividend

The Company strictly followed its established dividend policy, fully considering its profitability and capital needs, and formulated a reasonable dividend plan for the year 2024. As approved by the Board of Directors and the general meeting of shareholders, a cash dividend of RMB0.156 per share (tax inclusive) was distributed to all shareholders, totaling a cash dividend of RMB4.284 billion (tax inclusive), which accounted for 30.12% of the net profit attributable to the Company’s ordinary shareholders for the year. The Company completed the 2024 A-share dividend distribution on June 27, 2025, and the H-share dividend distribution on July 18, 2025, effectively enhancing the shareholders’ sense of gain, and making it on the 2025 Listed Companies Cash Dividend List of China Association for Public Companies.

(3) Investor Relations Management

In the first half of 2025, the Company timely and deeply understood the demands of various types of investors and responded in a targeted manner, achieving a positive interaction between the Company and its investors. It actively carried out investor relations management, continuously enriched the methods of investor communication, and showcased the Company’s value to the market through multiple channels and at multiple levels. First, in conjunction with the 2024 annual report, the Company held a high-quality and high-standard 2024 annual results presentation in April 2025. Second, the Company conducted more than 20 investor communication activities by organizing investor open day events, receiving investor research visits, and participating in brokerage strategy conferences. Third, it improved diversified investor communication channels and actively engaged in daily communication with small and medium-sized investors.

For details, please refer to “Corporate Governance – VII. Investor Relations Management Work”.



MANAGEMENT DISCUSSION AND ANALYSIS

(4) Information Disclosure

The Company faithfully performed its information disclosure obligations, strictly adhering to the relevant laws and regulations for information disclosure in both domestic and overseas jurisdictions. It conducted information disclosure work in a true, accurate, complete, and timely manner, continuously improving the content of its periodic reports and enhancing the proactivity and timeliness of its ad-hoc announcements. The effectiveness and transparency of its information disclosure continued to improve.

For details, please refer to “Corporate Governance – VI. Implementation of Information Disclosure”.

(5) Shareholding Increase

On April 9, 2025, the Company issued the “Announcement on the Voluntary Shareholding Increase Plan by Directors, Supervisors, Senior Management, and Others” (Announcement No.: 2025-018). Based on their recognition of the Company’s value and confidence in its future development, some of the Company’s directors, supervisors, senior management, as well as principal persons-in-charge of head office departments, branches, and subsidiaries plan to voluntarily increase their holdings of the Company’s A-shares by no less than RMB20 million in total using their own funds through the centralized bidding trading system of the Shanghai Stock Exchange. This shareholding increase plan is still in progress, and the Company will disclose information in a timely manner in accordance with relevant regulations.

2. Evaluation of Execution Effect

(1) Financial Indicator Performance

For details, please refer to “Management Discussion and Analysis - (I) Analysis of Overall Operating Conditions”.

(2) Market Performance Feedback

As at the end of June 2025, the closing price of the Company’s A-shares was RMB3.39 per share, and the closing price of H-shares was HKD2.95 per share, both representing an increase from the beginning of the year.

(XIII) OUTLOOK

Looking forward to the second half of 2025, China’s development environment faces profound and complex changes, with both strategic opportunities and risks coexisting. The fundamental trend and supporting conditions for China’s long-term positive development have not changed. The advantages of the socialist system with Chinese characteristics, the super-large market, the complete industrial system, and the abundant human resources will become more prominent. It is expected that in the second half of the year, macroeconomic policies will continue to be effective and timely, domestic demand potential will be gradually released, new quality productive forces will accelerate their development, urban renewal will be launched with high quality, and the “14th Five-Year Plan” will be successfully concluded.



MANAGEMENT DISCUSSION AND ANALYSIS

In the second half of 2025, the Company will conscientiously implement the decisions and deployments of the CPC Central Committee, the State Council, and the Zhejiang Provincial Party Committee and Provincial Government. Anchored to the “three first-class” goals and adhering to the “three major guidelines”, the Company will focus on ten key tasks to comprehensively enhance operational quality and efficiency: First, focus on Party conduct and clean governance to reach a new height of political leadership. Second, focus on annual goals and tasks to stimulate new momentum for strategic execution. Third, focus on the “Deepening Zhejiang Development” strategy to demonstrate the new responsibility of a provincially-owned bank. Fourth, focus on integrated synergistic reform to consolidate the new foundation for customer base construction. Fifth, focus on risk and compliance management to build a solid line of defense for prudent operation. Sixth, focus on AI Bank construction to seize new opportunities from technological changes. Seventh, focus on the “Fifth Five-Year” plan formulation to clarify a new path for long-term development. Eighth, focus on improving corporate governance to explore new paths for capital replenishment. Ninth, focus on talent team construction to enhance new impetus for organizational development. Tenth, implement the CZBank cultural system to deepen the creation of “two major characteristic brands”.



CORPORATE GOVERNANCE

I. 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 strive 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 the first half of 2025, the Company continued to integrate the Party's leadership into the process of corporate governance, effectively playing the core role of the Party committee in setting the direction, planning the overall situation, making policies, and promoting development. It coordinated and improved the terms of reference of the special committees of the Board and the Supervisory Committee, giving full play to the role of special committees as a gatekeeper for certain major decisions. It actively carried out the "Year of Special Enhancement for Board of Directors' Performance" to effectively improve the effectiveness of corporate governance.

II. GENERAL MEETING

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

During the reporting period, the Company held the 2024 Annual General Meeting on June 13, 2025. For details of relevant proposals and relevant announcements on resolutions adopted at the meeting, please refer to the relevant announcements published by the Company on the websites of the Shanghai Stock Exchange, the Hong Kong Stock Exchange and the Company.

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



CORPORATE GOVERNANCE

III. MEETINGS OF THE BOARD AND ITS SPECIAL COMMITTEES

During the reporting period, the Board of the Company organized and convened 6 Board meetings, at which 54 resolutions were considered and approved and reports on related matters were heard.

During the reporting period, the special committees under the Board of the Company organized and convened a total of 13 meetings, including 2 meetings by the Strategic and Sustainable Development Committee, 3 meetings by the Audit Committee 3 meetings by the Risk and Related Party Transaction Control Committee, 3 meetings by the Nomination and Remuneration Committee, 1 meeting by the Consumer Rights Protection Committee, and 1 meeting by the Inclusive Finance Development Committee. At these meetings, 47 resolutions were considered and approved and reports on related matters were heard.

IV. MEETINGS OF THE SUPERVISORY COMMITTEE AND ITS SPECIAL COMMITTEES

During the reporting period, the Company held 7 meetings of the Supervisory Committee, at which 28 resolutions were considered and 15 resolutions were heard and reviewed; the Nomination Committee under the Supervisory Committee held 3 meetings and 5 resolutions were considered thereat; and the Supervision Committee under the Supervisory Committee convened 2 meetings and 9 resolutions were considered and 2 resolutions were heard and reviewed thereat.

V. BOARD DIVERSITY POLICY

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

The Board Diversity Policy of the Company comprises of chapters such as purpose, philosophy, policy statement, expected objective, supervision and reporting, with the main purpose of recognizing and accepting the philosophy of building a diversified Board to strengthen the execution of the Board, and affirming the importance of diversity of the Board to achieve strategic objectives. During the reporting period, the geographical distribution, educational background and professional experience of members of the Board are relatively diversified. Among the current 11 directors, 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.



CORPORATE GOVERNANCE

VI. 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.

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. During the reporting period, The Company disclosed a total of 58 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 75 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.

VII. INVESTOR RELATIONS MANAGEMENT

During the reporting period, the Company has always attached great importance to investor relations management, continuously doing a good job in investor protection and services, and taking multiple measures to build communication bridges with different types of investors, and improving value promotion and transmission.

First, holding high-quality results presentations. On April 3, 2025, the Company held its 2024 annual results presentation in Hangzhou. The meeting was held in person and via online broadcast. The Chairman and senior management attended the meeting and responded one by one to the hot issues of concern to the media, securities analysts, and investors. The online broadcast attracted over 200,000 views across platforms, becoming a key channel for conveying the Company's strategic confidence and operational results.

Second, continuously strengthening communication and exchange with the market. During the reporting period, the Company conducted more than 20 investor communication activities through receiving research visits, participating in brokerage strategy conferences, and holding roadshow events, effectively consolidating the foundation of institutional investors. It innovatively created a characteristic investor open day event, vividly showcasing the Company's intelligent operation measures with outstanding branches as benchmarks. It pioneered thematic live broadcasts to efficiently interpret the core highlights of the annual report and the practical achievements of technology finance, further broadening the breadth and depth of value dissemination.

Third, actively engaging in 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.



CORPORATE GOVERNANCE

VIII. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted a code of conduct for securities transactions by Directors and Supervisors, which is not less rigorous than the Model Code set out in Appendix C3 of the Hong Kong Listing Rules. The Company has confirmed with all Directors and Supervisors and hereby acknowledged that they had complied with the aforesaid code during the period from January 1, 2025 to June 30, 2025.

IX. STATEMENT OF COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AS SET OUT IN THE HONG KONG LISTING RULES

The Company agrees to the principles as set out in Corporate Governance Code (Appendix C1 to the Hong Kong Listing Rules). From January 1, 2025 to June 30, 2025, the Company has been in full compliance with the code provisions under such Code, except for the following:

Code provision C.2.1 of the Corporate Governance Code in Appendix C1 to the Hong Kong Listing Rules requires that the roles of chairman and chief executive should be separate and not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. To ensure the normal operation of the Bank, in accordance with the relevant provisions of the Company Law of the People's Republic of China and the Articles of Association, all directors of the Board, by way of written resolutions on August 18, 2024, unanimously agreed that before the appointment of a new president of the Bank (the "President") by the Board and the qualification of such position is approved by the National Financial Regulatory Administration (the "NFRA"), Mr. Lu Jianqiang, the chairman of the Board of the Bank (the "Chairman"), will act as the acting President, which was filed with NFRA. 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, and the eligibility of Mr. Chen Haiqiang to be the President is subject to the approval of the NFRA. Prior to the approval of his eligibility to be the President, Mr. Chen Haiqiang will serve as an acting President, and Mr. Lu Jianqiang, the Chairman, has ceased to be an acting President. On July 7, 2025, the Company received the "Approval of Qualification of Chen Haiqiang as the President of China Zheshang Bank Co., Ltd." (Jin Fu [2025] No. 404) issued by the NFRA, according to which, the NFRA approved the qualification of Mr. Chen Haiqiang as the President. The term of office of Mr. Chen Haiqiang as the President commences upon receipt of the Approval by the Bank (i.e. July 7, 2025), until the date of the expiry of the term of the seventh session of the Board. On July 9, 2025, Mr. Lu Jianqiang resigned as the Chairman for the reason of age. To ensure the normal operation of the Bank, in accordance with the relevant provisions of the Company Law of the People's Republic of China and the Articles of Association, all Directors, by way of written resolutions on July 9, 2025, unanimously agreed that before the election and appointment of the new Chairman and the qualification of such position is approved by the NFRA, Mr. Chen Haiqiang, an executive Director and the President, will concurrently act as the acting Chairman since July 9, 2025, which was filed with NFRA. The Board will complete the election and appointment of the new Chairman in due time and in accordance with the statutory procedures.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN ORDINARY SHARES

(I) Table of Changes in Ordinary Shares

Unit: Share

			Changes during the reporting period		
December 31, 2024			Number of changes	June 30, 2025	
			(Share)		
	Number	Proportion (%)		Number	Proportion (%)
I.	Restricted shares	—	—	—	—
II.	Unrestricted shares outstanding	27,464,635,963	100.00	—	27,464,635,963
	1. RMB ordinary shares	21,544,435,963	78.44	—	21,544,435,963
	2. Domestically listed foreign shares	—	—	—	—
	3. Foreign shares listed abroad	5,920,200,000	21.56	—	5,920,200,000
	4. Other	—	—	—	—
III.	Total number of ordinary shares	27,464,635,963	100.00	—	27,464,635,963

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.

(II) Description on Change in Ordinary Shares

There were no changes in the Company's ordinary shares during the reporting period.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

II. INFORMATION ON SHAREHOLDERS OF ORDINARY SHARES

Number of Shareholders of Ordinary Shares and Their Shareholdings

As of the end of the reporting period, the Company had 213,803 shareholders of ordinary shares in total, including 213,694 shareholders of A Shares and 109 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 shareholders (Full Name)	Increase/ decrease during the reporting period	Number of shares held at the end of the Period	Proportion (%)	Class of shares	Pledge or freezing		Nature of shareholders
					Status of shares	Number	
HKSCC Nominees Limited	+3,800	5,919,881,120	21.55	H Share without selling restrictions	Unknown	-	-
Zhejiang Innovation Investment Group Co., Ltd.	-	3,452,076,906	12.57	A Share without selling restrictions	-	-	State-owned legal person
Hengdian Group Holdings Limited	-242,310,660	1,373,231,727	4.99	A Share without selling restrictions	-	-	Domestic non- state- owned legal person
Zhejiang Provincial Energy Group Co., Ltd.	-	1,093,531,078	3.98	A Share without selling restrictions	-	-	State-owned legal person
Xintai Life Insurance Co., Ltd. - self-owned capital	-	996,325,468	3.63	A Share without selling restrictions	-	-	State-owned legal person
Taiping Life Insurance Co., Ltd.	-	921,538,465	3.36	A Share without selling restrictions	-	-	State-owned legal person
Minsheng Life Insurance Co., Ltd. - self-owned capital	-	768,593,847	2.80	A Share without selling restrictions	-	-	Domestic non- state- owned legal person
Zhejiang Hengyi High-tech Material Co., Ltd.	-	660,490,068	2.40	A Share without selling restrictions	Pledged	508,069,283	Domestic non- state- owned legal person
Hong Kong Securities Clearing Company Limited	+57,043,583	656,811,697	2.39	A Share without selling restrictions	-	-	-
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

Notes:

1. The number of shares held by HKSCC Nominees Limited was the sum of shares of the Company's holders of H Shares which were trading in its transaction system. The number of shares held by Hong Kong Securities Clearing Company Limited represents the A-shares (Shanghai-Hong Kong Stock Connect shares) held by it as a nominee on behalf of and designated by investors in Hong Kong and overseas.
2. Zhejiang Provincial Financial Holdings Co., Ltd. has been renamed as Zhejiang Innovation Investment Group Co., Ltd.



CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

3. As of the end of the reporting period, among the top 10 shareholders mentioned above, Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Group Co., Ltd. have a related relationship. Apart from that, the Company is not aware of any other related relationship between the above shareholders or whether they are parties acting in concert.
4. To the knowledge of the Company, as of the end of the reporting period, none of the shareholders listed in the table was involved in participating in securities lending business.

III. PLEDGE AND FREEZING OF ORDINARY SHARES

As at the end of the reporting period, to the best knowledge of the Company, 2,383,929,622 shares of the Company (representing 8.68% of the total ordinary shares in issue) were pledged, and 104,750,988 shares were subject to judicial freezing (including judicial tagging).

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

IV. INTERESTS IN SHARES AND SHORT POSITIONS IN ACCORDANCE WITH THE HONG KONG SECURITIES AND FUTURES ORDINANCE

As of June 30, 2025, in accordance with the register kept by the Company under section 336 of the SFO and so far as the Company is aware, the following persons (excluding the Company's Directors, supervisors and chief executive (as defined in the Hong Kong Listing Rules)) had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or directly or indirectly held 5% or more of any class of share capital of the Company:

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



CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

Save as disclosed above, the Company was unaware of any other person (excluding the Company's Directors, Supervisors and chief executive (as defined in the Hong Kong Listing Rules)) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interest or short position as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO on June 30, 2025.

V. INFORMATION ON THE CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

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

VI. INFORMATION ON THE COMPANY'S LARGEST SHAREHOLDER OF ORDINARY SHARES

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

Zhejiang Innovation Investment Group Co., Ltd. was established in September 2012 with the uniform social credit code of 913300000542040763 and its Legal Representative was Yang Qiangmin (楊強民). With a registered capital of RMB12.0 billion, the Company is a financial investment management platform of Zhejiang Provincial Government. Zhejiang Innovation Investment Group Co., Ltd. is a state-owned enterprise directly subordinated to the provincial government, mainly responsible for the management of provincial government investment funds, management of financial and quasi-financial equity, investment in technology-based enterprises, digital finance, and digital government, among other businesses. The controlling shareholders and de facto controllers of Zhejiang Innovation Investment Group Co., Ltd. is Zhejiang Provincial Department of Finance, which holds 100% equity interest of Zhejiang Innovation Investment Group Co., Ltd.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

VII. INFORMATION ON SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES

As at June 30, 2025

Unit: Share, %

No.	Name of shareholders	Number of shares held (Share)	Separate shareholding ratio	Joint shareholding ratio	Reasons for being Substantial Shareholders	Number of pledged shares	Controlling shareholders	De facto controllers	Parties acting in concert	Ultimate beneficial owners
1	Zhejiang Innovation Investment Group Co., Ltd.	3,452,076,906	12.57	12.57	Holding 5% or more of our Bank's shares and dispatching Directors to our Bank	-	Zhejiang Provincial Department of Finance	Zhejiang Provincial Department of Finance	Nil	Zhejiang Innovation Investment Group Co., Ltd.
2	Zhejiang Provincial Energy Group Co., Ltd.	1,093,531,078	3.98	6.73	Holding 5% or more of our Bank's shares in total with related parties and dispatching Directors to our 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			-	Zhejiang Energy Capital Holdings Co., Ltd.		Nil	Zhejiang Energy Capital Holdings Co., Ltd.
4	Zhejiang Energy International Co., Ltd. (H share)	280,075,000	1.02			-	Zhejiang Provincial Energy Group Co., Ltd.		Nil	Zhejiang Energy International Co., Ltd.
5	Zhejiang Hengyi High-tech Material Co., Ltd.	660,490,068	2.40	5.88	Holding 5% or more of our Bank's shares in total with related parties	508,069,283	Zhejiang Hengyi Petrochemical Co., Ltd.	Qiu Jianlin	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 Industry Investment Co., Ltd.		Nil	Zhejiang Hengyi Group Co., Ltd.
7	Zhejiang Hengyi Petrochemical Co., Ltd.	312,000,000	1.14			240,000,000	Hengyi Petrochemical Co., Ltd.		Nil	Zhejiang Hengyi Petrochemical Co., Ltd.

CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

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



CHANGES IN SHARES AND INFORMATION ON SHAREHOLDERS

VIII. ISSUANCE AND LISTING OF SECURITIES

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

IX. INFORMATION ABOUT PREFERENCE SHARES

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

X. INFORMATION ABOUT UNDATED CAPITAL BONDS

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. BASIC INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the disclosure date of this report, the Board of the Company comprised 11 Directors, including 2 executive Directors, namely Mr. Chen Haiqiang and Ms. Ma Hong; 4 non-executive Directors, namely Mr. Hou Xingchuan, Mr. Ren Zhixiang, Mr. Hu Tiangao and Mr. Ying Yuxiang; and 5 independent non-executive Directors, namely Mr. Wang Wei, Mr. Xu Yongbin, Mr. Fu Tingmei, Mr. Shi Hao and Mr. Lou Weizhong.

As of the disclosure date of this report, the Supervisory Committee of the Company comprised 10 Supervisors, including 2 shareholder Supervisors, namely Mr. Ma Xiaofeng and Mr. Wang Junbo; 5 employee representative Supervisors, namely Mr. Guo Dingfang, Mr. Wu Fanghua, Mr. Peng Zhiyuan, Mr. Du Quan and Ms. Chen Zhong, and 3 external Supervisors, namely Mr. Zhang Fanquan, Mr. Wang Congcong and Mr. Chen Sanlian.

As of the disclosure date of this report, the Senior Management of the Company comprised 8 members, namely Mr. Chen Haiqiang, Mr. Jing Feng, Mr. Luo Feng, Mr. Lin Jingran, Mr. Zhou Weixin, Mr. Pan Huafeng, Mr. Wang Chaoming and Mr. Hou Bo.

II. INFORMATION ON THE APPOINTMENT AND RESIGNATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

On January 17, 2025, Mr. Lou Weizhong was appointed as an independent non-executive Director of the Company upon approval of his qualification by the National Financial Regulatory Administration (the “NFRA”).

On September 24, 2024, Mr. Wang Guocai resigned as an independent non-executive Director of the Company and his positions in special committees under the Board of Directors as he reached his maximum term of office as an independent director, but he continued to perform his duties until the new independent director was qualified for appointment. As of February 24, 2025, the qualification of Mr. Shi Hao and Mr. Lou Weizhong as independent directors had been approved by the National Financial Regulatory Administration and all directors had voted via written circulation to elect the members of the special committees under the seventh session of the Board. Mr. Wang Guocai has ceased to serve as an independent non-executive Director of the Company and his positions in special committees under the Board of Directors with effect from February 24, 2025.

On July 9, 2025, Mr. Lu Jianqiang resigned from his positions as the Chairman, an executive Director, the Chairman of the Strategy and Sustainable Development Committee of the Board and an H-share authorized representative of the Company due to reaching retirement age. All Directors, by way of written resolutions on July 9, 2025, unanimously agreed that before the election and appointment of the new Chairman and the qualification of such position is approved by the National Financial Regulatory Administration, Mr. Chen Haiqiang, an executive Director and president of the Company, will act as the acting Chairman.



INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND INSTITUTIONS

SUPERVISORS

On May 7, 2025, the eleventh meeting of the seventh session of the Supervisory Committee of the Company considered the removal of Mr. Gao Qiang from his positions as an external Supervisor and the chairman of the Nomination Committee of the seventh session of the Supervisory Committee, which was approved at the 2024 Annual General Meeting of the Company on June 13, 2025.

On May 7, 2025, at the eleventh meeting of the seventh session of the Supervisory Committee of the Company, Mr. Wang Congcong, an external Supervisor, was elected as the chairman of the Nomination Committee of the seventh session of the Supervisory Committee.

SENIOR MANAGEMENT

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, and continued to serve as the President Assistant of the Company.

On April 10, 2025, at the second extraordinary meeting of the seventh session of the Board of the Company in 2025, it was agreed to appoint Mr. Chen Haiqiang as the President of the Company, and that Mr. Chen Haiqiang would act as the acting President. Mr. Lu Jianqiang, the Chairman of the Board, ceased to act as the acting President. On July 7, 2025, Mr. Chen Haiqiang's qualification to serve as the President of the Bank was approved by the NFRA.

III. CHANGE OF DIRECTORS AND SUPERVISORS

On February 19, 2025, Mr. Peng Zhiyuan, an employee Supervisor of the Company, was appointed as the General Manager of the Company's International Business Development Center (Belt and Road Integrated Financial Services Center).

On March 5, 2025, Mr. Du Quan, an employee Supervisor of the Company, was appointed as the President of the Company's Nanjing Branch.

On June 17, 2025, Ms. Chen Zhong, an employee Supervisor of the Company, was appointed as the Vice President of the Company's Shanghai Branch.

INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND INSTITUTIONS

IV. CHANGE IN SHAREHOLDING OF INCUMBENT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THOSE RESIGNED DURING THE REPORTING PERIOD

Unit: Share

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Changes in number of shares during the reporting period	Reasons for changes
Chen Haiqiang	Executive Director, President	754,000	754,000	-	-
Ma Hong	Executive Director	83,070	83,070	-	-
Jing Feng	Vice President	744,900	744,900	-	-
Luo Feng	Vice President, Secretary to the Board	743,990	743,990	-	-
Lin Jingran	Vice President	234,000	234,000	-	-
Hou Bo	President Assistant	110,000	110,000	-	-
Wu Fanghua	Employee Supervisor	52,000	52,000	-	-
Chen Zhong	Employee Supervisor	126,900	126,900	-	-
Total		2,848,860	2,848,860	-	-

Note: 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.

V. EMPLOYEES

As of the end of the reporting period, the Group had 25,094 employees (including dispatched employees, outsourced personnel and employees of the subsidiary of the Company), representing a decrease of 132 as compared with that at the end of last year. Divided by the position types, 10,787 employees of the Group were categorized as marketing personnel, 1,759 employees as counter personnel, and 12,548 employees as mid-office and back-office personnel; divided by the educational levels, 6,474 obtained post-graduate degree or above (including 105 with doctorate degree), 17,096 obtained bachelor degree, and 1,524 obtained college degree or below. All of our employees participate in basic social pension insurance, and as of the end of the reporting period, 402 employees had retired from the Company.



INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND INSTITUTIONS

VI. EMPLOYEE REMUNERATION POLICY

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. 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.

VII. EMPLOYEES TRAINING

The Company adheres to strategic needs as a guide, promotes the construction of a layered and categorized full-lifecycle training system, innovates and iterates training content, dynamically optimizes training mechanisms, and stimulates training effectiveness. It deepens innovation in training work, focusing on cutting-edge fields such as artificial intelligence (AI) to launch new training programs and courses, strengthens the guarantee of smart digital training platforms, accelerates the building of a professional and tiered internal trainer team, and focuses on cultivating key talents by deepening leadership training and general skills training, providing knowledge and talent support for high-quality development. The Company continuously strengthens training management, optimizes systems and processes to improve training efficiency, and strengthens full-process control from the source to promote cost reduction and efficiency improvement. During the reporting period, the Bank held 1,352 training programs in total.

INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND INSTITUTIONS

VIII. INFORMATION ON INSTITUTIONS

As of June 30, 2025, the information on the Bank's institutions is as follows:

Region	Name of institutions	Business address	Number of institutions	Number of employees	Total assets (RMB million)
Yangtze River Delta Region	Head office	No. 1, Minxin Road, Shangcheng District, Hangzhou, Zhejiang	1	5,124	1,049,298
	Small Enterprise Credit Center	No. 76, Huancheng West Road, Gongshu District, Hangzhou, Zhejiang	1	56	–
	Fund Operation Center	30/F & 31/F, No. 1, Lane 1500, Pudong Avenue, Pudong New Area, Shanghai	1	94	789,537
	Hangzhou Branch	No. 288, Qingchun Road, Gongshu District, Hangzhou, Zhejiang	64	3,141	395,267
	Shanghai Branch	501, 6-10/F, 23/F, 27-29/F, 32-33/F, 35-36/F, No. 1, Lane 1500, Pudong Avenue, and Room 101, 1/F, No. 1558 Pudong Avenue, Pudong New Area, Shanghai	15	1,085	205,217
	Nanjing Branch	No. 9, Zhongshan North Road, Nanjing	32	1,582	160,863
	Ningbo Branch	No. 128, Wenkang Road, No. 555, Yangfan Road, Gaoxin District, Ningbo	20	827	105,431
	Suzhou Branch	No. 5, Xingdun Lane, Industrial Park Zone, Suzhou	11	618	66,905
	Hefei Branch	Block A16, Financial Harbour Center, No. 4872, Huizhou Avenue, Binhu New District, Hefei	6	399	36,644
	Shaoxing Branch	No. 1418, Jinkeqiao Avenue, Keqiao District, Shaoxing	10	552	69,133
	Wenzhou Branch	Zheshang Bank Building, No. 388, Wanghai Road, Binjiang Street, Lucheng District, Wenzhou, Zhejiang	14	600	59,026
	Jinhua Branch	1/F, 2/F, 10/F, Jiafu Business Building, No. 358, Binhong East Road, Jinhua City	10	451	43,327
	Zhoushan Branch	No. 88, Lvdao Road, Qiandao Streets, Dinghai District, Zhoushan, Zhejiang	4	137	11,990
	Beijing Branch	Huajia Jinbao Complex, No. 269, Chaoyangmen South Street, Dongcheng District, Beijing	24	1,252	177,806
	Jinan Branch	No. 801, Caoshanling South Road, Lixia District, Jinan, Shandong	21	1,085	113,503
Bohai Rim Region	Tianjin Branch	Overseas Chinese Building, Extension No. 1, No. 92, Nanjing Road, Heping District, Tianjin	12	512	36,959
	Shenyang Branch	No. 467, Shifu Road, Shenhe District, Shenyang	7	351	30,767
	Guangzhou Branch	No. 921, Guangzhou South Avenue, Haizhu District, Guangzhou	16	1,064	105,149
	Shenzhen Branch	(1-4/F, 6/F) Lianhezongbu Building, Hightech District, Xuefu Road, Nanshan Street, Nanshan District, Shenzhen	16	951	103,297
	Fuzhou Branch	Huawei Building, No. 169, Binxi Avenue, Nanjiang, Cangshan District, Fuzhou, Fujian	2	195	24,142
Pearl River Delta and Economic Zone on the Western Coast of the Taiwan Straits					

INFORMATION ON DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND INSTITUTIONS

Region	Name of institutions	Business address	Number of institutions	Number of employees	Total assets (RMB million)
Midwestern China Region	Chengdu Branch	Building 1, Jinjiang Spring, No. 299, Yong'an Road, Jinjiang District, Chengdu	14	637	59,746
	Xi'an Branch	Building 3, Taihua Jinmao Guoji, No. 16, Fenghui South Road, Yanta District, Xi'an	15	688	59,972
	Chongqing Branch	Block 3, No. 67, Middle Section of Huangshan Avenue, Yubei District, Chongqing	10	601	58,191
	Wuhan Branch	Zheshang Bank Building (Pacific Finance Plaza), No. 548, 550, 552, 556, Jianshe Avenue, Jiangnan District, Wuhan, Hubei	7	433	41,085
	Zhengzhou Branch	No. 8 Middle Ring Road, Finance Island, Zhengzhou Area (Zhengdong), Henan Pilot Free Trade Zone, Zhengzhou, Henan	9	438	38,077
	Changsha Branch	18-23/F, Block C1, G/F, 1/F (Unit 141-142), 2/F (Unit 248-249), Block C2, Fudi Binjiang Yuefu, No. 751, Section 3, Xiaoxiang North Road, Guanshaling Street, Hunan Xiangjiang New Area	6	358	39,799
	Nanchang Branch	1-2/F, 14-20/F, Block 35, Alpha X, No. 1, Xuefu Road, Honggutan New District, Nanchang, Jiangxi	5	321	31,511
	Lanzhou Branch	No. 1888, Nanchang Road, Chengguan District, Lanzhou	9	372	24,446
	Hohhot Branch	No. 8, Chilechuan Street, Saihan District, Hohhot	3	249	27,848
	Guiyang Branch	No. 88, Yan'an Road Central, Yunyan District, Guiyang	2	141	15,125
	Taiyuan Branch	Part of 1/F and 2-7/F, Block A, No. 163 Jinyang Street, Xiaodian District, Taiyuan, Shanxi	1	141	21,401
	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	133	10,787
Overseas Institution	Hong Kong Branch	15/F, Three Exchange Square, No. 8 Connaught Place, Central, Hong Kong	1	101	61,360
Subsidiary	Zheyin Financial Leasing	No. 368, Yan'an Road, Gongshu District, Hangzhou, Zhejiang	1	274	86,892
	CZB Wealth Management	20-22/F, Block 2, Zhejiang Chamber of Commerce Building, No. 939, Minhe Road, Ningwei Street, Xiaoshan District, Hangzhou, Zhejiang	1	131	2,102
Offset balance and intra-group elimination					(816,118)
Total			372	25,094	3,346,485



SIGNIFICANT EVENTS

I. 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.

II. USE OF PROCEEDS

The use of the proceeds of the Company was consistent with the purposes as committed in the prospectus of the Company.

III. MATERIAL LITIGATIONS AND ARBITRATIONS

The Company was involved in certain legal litigations/arbitrations in the ordinary course of business, most of which were filed by the Company for the purpose of recovering non-performing loans, and also included those arising out of customer disputes. For information regarding the case of financial loan contract dispute between the Company and Shenzhen Sensenhai Industrial Co., Ltd. (深圳市森森海實業有限公司), Wang Bang (汪幫), Shenzhen Gaoti Tiande Technology Co., Ltd. (深圳高題天德科技有限公司), and Li Jiantang (黎建棠), please refer to the *Announcement of China Zheshang Bank Co., Ltd. on Litigation Matters* (Announcement No.: 2025-022) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

As of the end of the reporting period, there were 66 pending litigation/arbitration cases where the Company was a defendant (excluding enforcement objections and third-party cases), involving an amount of RMB899.9081 million, which are not expected to have a material adverse impact on the Company's business, financial position or operating results.

IV. MATERIAL CONNECTED TRANSACTIONS/RELATED PARTY TRANSACTIONS

(I) 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 *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited*. The connected transactions were conducted on normal commercial terms. The terms of transactions were fair and reasonable and in the benefits of the Company and the shareholders as a whole.

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

SIGNIFICANT EVENTS

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

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

During the reporting period, at the fourth meeting of the seventh session of the Board, the Company considered and passed the *Proposal on the Bank's Credit Plan to the Related Parties of Orient Securities Co., Ltd.* (《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 RMB8.0 billion to Orient Securities Co., Ltd. (東方證券股份有限公司). For details, please refer to the *Announcement on Related Party Transactions of China Zheshang Bank Co., Ltd.* (Number: 2025-014) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

During the reporting period, at the fourth meeting of the seventh session of the Board, the Company considered and passed the *Proposal on the Pre-approval Limit of Deposit-type Related Party Transactions of China Zheshang Bank Co., Ltd. for 2025* (《關於浙商銀行股份有限公司 2025 年度存款類關聯交易預審批額度的議案》), approving the pre-approval limit of non-demand deposits of the related parties for 2025 formulated by the Company. For details, please refer to the *Announcement on the Pre-approval Limit of Deposit-type Related Party Transactions of China Zheshang Bank Co., Ltd. for 2025* (Number: 2025-015) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

The above connected transactions were entered into in the ordinary and usual course of business of the Company with connected persons on normal commercial terms or on terms more favorable to the Company. According to Rule 14A.87(1) of the Hong Kong Listing Rules, such connected transactions are fully exempt.

Details of related party transactions entered into by the Company as of June 30, 2025 are set out in "Notes to Consolidated Financial Statements – Related Party Relationship and Transactions".

(II) Connected Transactions in Acquisition and Disposal of Assets or Equity

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



SIGNIFICANT EVENTS

(III) Connected Transactions in relation to Joint External Investment

During the reporting period, at the fifth extraordinary meeting of the seventh session of the Board in 2025, the Company considered and passed the *Proposal on the Connected Transaction Regarding the Capital Increase in 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增資關聯交易的議案》). The Company and Zhoushan Marine Comprehensive Development and Investment Co., Ltd. intend to jointly increase the capital of Zhejiang Zheyin Financial Leasing Co., Ltd. Zhejiang Innovation Investment Group Co., Ltd., a related party of the Company, has not participated in the subscription for this capital increase. The Company intends to contribute a maximum of RMB1.02 billion. For details, please refer to the *Announcement of China Zheshang Bank Co., Ltd. on the Proposed Capital Increase in a Controlled Subsidiary and Connected Transaction* (Number: 2025-036) published by the Company on the Shanghai Stock Exchange (www.sse.com.cn).

(IV) Connected Creditor's Rights and Liabilities

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

V. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(I) Material custody, contracting and leasing

During the reporting period, the Company did not have any material custody, contracting or leasing of assets of other companies that shall be disclosed, nor did there exist any custody, contracting or leasing of assets of the Company by other companies that shall be disclosed.

(II) Significant guarantees

Guarantee business is an ordinary business of the Company. During the reporting period, save for the financial guarantee business carried out by the Company within the business scope approved by regulatory authorities, there were no other significant guarantees that shall be disclosed.

VI. MATERIAL PURCHASE, SALE OR DISPOSAL OF ASSETS AND CORPORATE MERGERS

During the reporting period, there were no material purchase, sale or disposal of assets and corporate merger by the Company.

VII. STOCK INCENTIVE PLAN

The Company did not implement any stock incentive plan during the reporting period.

VIII. EMPLOYEE STOCK OWNERSHIP SCHEME

The Company did not implement an employee stock ownership scheme during the reporting period.

SIGNIFICANT EVENTS

IX. INTERESTS OWNED BY THE DIRECTORS, CHIEF EXECUTIVE AND SUPERVISORS IN THE COMPANY

As at June 30, 2025, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (as defined in the SFO), which are required to be notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including the interests or short positions which the Directors, Supervisors and chief executives of the Company are taken or deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise required to be notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code set out in Appendix C3 to the Hong Kong Listing Rules, were as follows:

Name	Position	Class of shares	Long/short position	Capacity	No. of Shares (shares)	Percentage of the relevant class of shares in issue (%)	Percentage of the total issued ordinary shares (%)
Chen Haiqiang	Executive Director, President	A Share	Long position	Beneficial Owner	754,000	0.0035	0.0027
Ma Hong	Executive Director	A Share	Long position	Beneficial Owner	83,070	0.0004	0.0003
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

X. 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, the Supervisory Committee, the Supervisors and Senior Management of the Company and Shareholders holding 5% or more shares during the reporting period.

XI. DISCLOSURE OF UNDERTAKINGS ON THE DESIGNATED NEWSPAPERS OR WEBSITES BY THE COMPANY OR SHAREHOLDERS HOLDING 5% OR MORE SHARES

Nil.

XII. ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

(I) Performance and Policies in relation to Environment

During the reporting period, the Bank implemented the decisions and deployments of the Central Committee of the Communist Party of China and the State Council on promoting green finance development, continued to improve the construction of the green finance system, strengthened the full-process management of clients' environmental, social and governance risks, increased financial support for green and low-carbon fields, enhanced service quality and efficiency, and contributed to sustainable social development.



SIGNIFICANT EVENTS

In terms of green finance, the Bank strengthened credit policy guidance, and relying on its industrial research institute, continued to enrich the Bank's "1+N" credit policy framework system, having formulated 11 special green finance policies for areas such as natural gas, power supply, sewage treatment, and waste disposal; improved assessment and incentive policies, prioritized support for green industrial chains, green development, and "dual carbon" financial services; innovated green finance products and services, created a "Green+" financial service model, and launched a multi-dimensional sustainable financial product system including green credit, green bonds, carbon neutral bonds, and green leasing to guide financial resources into green and low-carbon fields. As of the end of June 2025, the Bank's balance of green loans¹ was RMB262.309 billion, representing an increase of RMB24.519 billion or 10.31% from the beginning of the year, which was higher than the growth rate of all loans. The Bank issued RMB5 billion of green financial bonds with a "AAA" rating.

In terms of green operation, the Bank strengthened its own carbon emission management, and actively advocated and implemented green concepts such as low-carbon travel and green office. Through measures such as constructing green outlets, building a digital and intelligent operation management platform, and promoting the electronization of seals, the Bank promoted green and intelligent financial services; created the "Zhe e-Service" remote operation service system, allowing the vast majority of customers to "no need to visit a service center even once", reducing carbon emissions; deepened digital office and paperless quick reimbursement, encouraged green commuting of employees, and continued to improve the eco-efficiency of operations. During the reporting period, the Bank did not violate any environmental regulation.

(II) Support for Rural Revitalization

During the reporting period, the Bank actively responded to the rural revitalization strategy, continued to increase the allocation of credit resources to the "agriculture, rural areas, and farmers" sector, and constantly explored new models of financial services for rural revitalization. As of the end of June 2025, the Bank's balance of agriculture-related loans² was RMB185.651 billion, an increase of RMB15.551 billion or 9.14% from the beginning of the year; the balance of inclusive agriculture-related loans was RMB48.741 billion, an increase of RMB3.501 billion or 7.74% from the beginning of the year. We have solidly promoted the East-West collaboration and the "1,000 enterprises for 1,000 villages" partner assistance program. Through dedicated personnel and designated assistance mechanisms, we have implemented industrial projects such as photovoltaic power generation, grain and oil processing, and tea production in 5 villages of Longyou County in Quzhou, effectively driving local economic and social sustainable development; further promoted the education assistance of "one bank for one school", organized special activities such as employee teaching support and eye care actions, with a total investment of more than RMB43 million, comprehensively improving the campus environment and teaching quality, benefiting 12,000 students.

¹ Starting from 2025, the Bank's green loans have been calculated in accordance with the revised new standards specified in the "Notice of the Survey and Statistics Department of the People's Bank of China on Adjusting the Special Statistical Content of Green Loans" (Yin Diao Fa [2025] No. 7), and the relevant comparative figures are also in accordance with the new standards.

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



SIGNIFICANT EVENTS

(III) Protection of Consumer Rights

During the reporting period, the Bank attached great importance to the protection of consumer rights, practiced the concept of consumer protection for the people, and created an efficient, convenient, warm, and quality service experience. The Bank continued to optimize its consumer protection management mechanism, with the President serving as the chairman of the consumer protection work (affairs) Committee, leading the entire bank's consumer protection management work and embedding consumer protection into daily operations management and all business segments; intensified the pre-emptive risk prevention and control of consumer protection reviews, conducting reviews on over 620 items, fully covering policies and systems, notices and announcements, and marketing materials related to products and services; strengthened source governance of complaints, continued to improve the complaint management mechanism, strengthened the construction of the complaint management team, handled complaints in a timely and appropriate manner, and effectively protected the legitimate rights and interests of consumers; organized 3,912 online and offline education and publicity activities such as "3•15", "5•15", and "Financial Knowledge Popularization Month", reaching over 74.287 million consumers.

For more information about social responsibility and sustainable development of the Bank, please refer to the *2024 Sustainable Development Report of CZBank* and the Company Overview – Social Responsibility section on the official website of the Company (www.czbank.com).

XIII. REVIEW OF THE INTERIM RESULTS

The 2025 interim report of the Company prepared under the China Accounting Standards and the International Financial Reporting Standards has been reviewed by KPMG Huazhen LLP and KPMG in accordance with China Standards on Review Engagements and International Standard on Review Engagements, respectively.

The Board of Directors and the Audit Committee of the Board of Directors of the Company have reviewed and approved the results and financial report of the Company for the period ended June 30, 2025.

XIV. PUBLISHING THE INTERIM REPORT

The English and Chinese version of the interim report prepared by the Company in accordance with the International Financial Reporting Standards and Hong Kong Listing Rules will be available on the website of Hong Kong Stock Exchange and the Company's website. For any inconsistency between the two versions, the Chinese version shall prevail.

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

REVIEW REPORT



KPMG
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To the board of directors of China Zheshang Bank Co., Ltd.
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial report, which comprise the condensed consolidated statement of financial position of China Zheshang Bank Co., Ltd. ("the Bank") and its subsidiaries ("the Group") as of 30 June 2025 and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and the IAS 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial report in accordance with IAS 34, *Interim Financial Reporting*.

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

SCOPE OF REVIEW

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

CONCLUSION

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

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

28 August 2025

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2025 (Unaudited)
(In RMB millions, unless otherwise stated)

		The six months ended 30 June	
	Notes	2025 (Unaudited)	2024 (Unaudited)
Interest income		52,652	56,890
Interest expense		(29,606)	(33,248)
NET INTEREST INCOME	III.1	23,046	23,642
Fee and commission income		3,108	3,340
Fee and commission expense		(815)	(556)
NET FEE AND COMMISSION INCOME	III.2	2,293	2,784
Net trading gains	III.3	2,514	4,709
Net gains on financial investments	III.4	4,363	3,607
Other operating income	III.5	1,049	553
OPERATING INCOME		33,265	35,295
Operating expenses	III.6	(10,270)	(10,627)
Expected credit losses	III.7	(13,300)	(14,927)
PROFIT BEFORE TAXATION		9,695	9,741
Income tax expense	III.8	(1,723)	(1,498)
PROFIT FOR THE PERIOD		7,972	8,243
Attributable to:			
Shareholders of the Bank		7,667	7,999
Non-controlling interests		305	244

The notes on pages 99 to 121 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2025 (Unaudited)
(In RMB millions, unless otherwise stated)

		The six months ended 30 June	
	Notes	2025 (Unaudited)	2024 (Unaudited)
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss:			
Changes in the fair value of financial investments designated to be measured at fair value through other comprehensive income		13	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		(1,411)	962
Allowance for ECLs of financial assets measured at fair value through other comprehensive income		(306)	(173)
Exchange difference from the translation of foreign operations		(345)	246
Other comprehensive income, net of tax		(2,049)	1,058
Total comprehensive income		5,923	9,301
Total comprehensive income attributable to:			
Shareholders of the Bank		5,619	9,057
Non-controlling interests		304	244
Earnings per share attributable to ordinary shareholders of the Bank:			
	III.9		
Basic (RMB yuan)		0.28	0.29
Diluted (RMB yuan)		0.28	0.29

The notes on pages 99 to 121 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2025 (Unaudited)
(In RMB millions, unless otherwise stated)

	Notes	30 June 2025 (Unaudited)	31 December 2024 (Audited)
ASSETS			
Cash and balances with the central bank	III.10	128,044	129,691
Precious metals		42,736	16,956
Deposits with banks and other financial institutions	III.11	47,747	51,919
Placements with banks and other financial institutions	III.12	4,584	17,366
Derivative financial assets	III.13	28,076	41,692
Financial assets purchased under resale agreements	III.14	63,102	68,407
Loans and advances to customers	III.15	1,846,175	1,812,684
Financial investments	III.16		
– Financial assets measured at fair value through profit or loss		265,470	228,873
– Financial assets measured at amortised cost		447,865	469,159
– Financial assets measured at fair value through other comprehensive income		333,772	357,419
Fixed assets	III.18	35,137	31,268
Right-of-use assets	III.19	4,360	4,685
Intangible assets	III.20	845	811
Deferred tax assets	III.21	21,638	20,482
Other assets	III.22	76,934	74,127
TOTAL ASSETS		3,346,485	3,325,539
LIABILITIES			
Due to the central bank	III.24	72,412	77,821
Deposits from banks and other financial institutions	III.25	279,502	366,940
Placements from banks and other financial institutions	III.26	97,419	95,841
Financial liabilities at fair value through profit or loss	III.27	38,778	21,196
Derivative financial liabilities	III.13	22,818	36,085
Financial assets sold under repurchase agreements	III.28	25,778	35,287
Customer deposits	III.29	2,065,814	1,922,289
Employee benefits payable	III.30	5,202	6,323
Taxes payable	III.31	1,651	1,091
Provisions	III.32	1,119	1,094
Debt securities issued	III.33	510,501	541,533
Lease liabilities	III.19	2,834	3,131
Other liabilities	III.34	18,275	14,165
TOTAL LIABILITIES		3,142,103	3,122,796

The notes on pages 99 to 121 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2025 (Unaudited)
(In RMB millions, unless otherwise stated)

	Notes	30 June 2025 (Unaudited)	31 December 2024 (Audited)
EQUITY			
Share capital	III.35	27,464	27,464
Other equity instruments	III.36	24,995	24,995
– Perpetual bond		24,995	24,995
Capital reserve	III.37	38,570	38,570
Other comprehensive income	III.38	4,299	6,347
Surplus reserve	III.39	14,012	14,012
Statutory general reserve	III.40	37,461	35,119
Retained earnings	III.41	53,437	52,396
Total equity attributable to shareholders of the Bank		200,238	198,903
Non-controlling interests		4,144	3,840
TOTAL EQUITY		204,382	202,743
TOTAL LIABILITIES AND EQUITY		3,346,485	3,325,539

The interim financial report were approved by the board of directors on 28 August 2025:

Chen Haiqiang
(Perform the duties of chairman
and legal representative on behalf)
President

Hou Bo
Principal in-charge
of Finance

Zhang Jian
Director of the
Financial Department

The notes on pages 99 to 121 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2025 (Unaudited)
(In RMB millions, unless otherwise stated)

		Attributable to shareholders of the Bank									
	Notes	Share capital	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Statutory general reserve	Retained earnings	Subtotal	Non-Controlling interests	Total equity
Balance at 1 January 2025		27,464	24,995	38,570	6,347	14,012	35,119	52,396	198,903	3,840	202,743
Changes in equity for the period											
1.Total comprehensive income											
		-	-	-	-	-	-	7,667	7,667	305	7,972
		-	-	-	(2,048)	-	-	-	(2,048)	(1)	(2,049)
2.Appropriation of profits											
		-	-	-	-	-	2,342	(2,342)	-	-	-
	III.41(1)	-	-	-	-	-	-	(4,284)	(4,284)	-	(4,284)
Balance at 30 June 2025		27,464	24,995	38,570	4,299	14,012	37,461	53,437	200,238	4,144	204,382

The notes on pages 99 to 121 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024 (Unaudited)
(In RMB millions, unless otherwise stated)

	Notes	Attributable to shareholders 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	189,577
Changes in equity for the period											
1. Total comprehensive income											
– Profit for the year		–	–	–	–	–	–	7,999	7,999	244	8,243
– Other comprehensive income		–	–	–	1,058	–	–	–	1,058	–	1,058
2. Appropriation of profits											
– Appropriation to statutory general reserve		–	–	–	–	–	5,279	(5,279)	–	–	–
– Distributions to ordinary shareholders	III.41(1)	–	–	–	–	–	–	(4,504)	(4,504)	–	(4,504)
Balance at 30 June 2024		27,464	24,995	38,570	4,466	12,546	35,083	47,674	190,798	3,576	194,374

The notes on pages 99 to 121 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024 (Audited)
(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	189,577
Changes in equity for the year											
1. Total comprehensive income											
– Profit for the year		–	–	–	–	–	–	15,186	15,186	507	15,693
– Other comprehensive income		–	–	–	2,939	–	–	–	2,939	1	2,940
2. Appropriation of profits											
– Appropriation to surplus reserve	III.39	–	–	–	–	1,466	–	(1,466)	–	–	–
– Appropriation to statutory general reserve	III.40	–	–	–	–	–	5,315	(5,315)	–	–	–
– Distributions to ordinary shareholders	III.41(1)	–	–	–	–	–	–	(4,504)	(4,504)	–	(4,504)
– Distributions to perpetual bond holders	III.41(2)	–	–	–	–	–	–	(963)	(963)	–	(963)
Balance at 31 December 2024		27,464	24,995	38,570	6,347	14,012	35,119	52,396	198,903	3,840	202,743

The notes on pages 99 to 121 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2025 (Unaudited)
(In RMB millions, unless otherwise stated)

		For the six months ended 30 June	
	Note	2025 (Unaudited)	2024 (Unaudited)
Cash flows from operating activities:			
Profit before taxation		9,695	9,741
Adjustments for:			
– Expected credit losses		13,300	14,927
– Depreciation and amortisation		1,337	1,180
– Interest income from financial investments		(10,923)	(11,578)
– Net investment income		(6,031)	(4,839)
– Net losses/(gains) from changes in fair value		615	(1,898)
– Net foreign exchange (gains)/losses		(154)	115
– Interest expense on debt securities issued		6,042	5,636
– Interest expense on lease liabilities		51	65
– Deferred tax expense		(588)	(14)
Net changes in operating assets and operating liabilities:			
Net decrease in balances with the central bank		1,906	9,637
Net increase in deposits with banks and other financial institutions		(6,692)	(19,639)
Net decrease in placements with banks and other financial institutions		898	2,808
Net decrease in financial assets purchased under resale agreements		1,496	97
Net increase in loans and advances to customers		(44,498)	(108,997)
Net (increase)/decrease in financial assets held for trading		(40,763)	22,529
Net decrease in other operating assets		7,305	3,725
Net decrease in due to the central bank		(5,696)	(50,299)
Net decrease in deposits from banks and other financial institutions		(87,414)	(5,845)
Net (decrease)/increase in placements from banks and other financial institutions		(2,160)	16,154
Net decrease in financial assets sold under repurchase agreements		(9,486)	(23,264)
Net increase in customer deposits		140,834	66,137
Net decrease in other operating liabilities		(10,392)	(17,940)
Net cash flows used in operating activities before taxation		(41,318)	(91,562)
Income tax paid		(2,024)	(3,303)
Net cash used in operating activities		(43,342)	(94,865)

The notes on pages 99 to 121 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2025 (Unaudited)
(In RMB millions, unless otherwise stated)

		For the six months ended 30 June	
	Note	2025 (Unaudited)	2024 (Unaudited)
Cash flows from investing activities:			
Proceeds from disposal of fixed assets		35	517
Payment for acquisition of fixed assets, intangible assets and other long-term assets		(6,750)	(5,572)
Investment returns received		17,048	16,425
Proceeds from disposal of investments		1,266,439	2,249,514
Payment for acquisition of investments		(1,218,633)	(2,277,717)
Net cash generated from/(used in) investing activities		58,139	(16,833)
Cash flows from financing activities:			
Proceeds from issuance of debt securities		249,634	314,779
Repayments of principal on debt securities issued		(280,599)	(240,445)
Repayments of interest on debt securities issued		(6,109)	(4,889)
Payment for dividend distribution		(3,361)	(3,528)
Repayments of principal element of lease liabilities		(364)	(373)
Repayments of interest element of lease liabilities		(51)	(65)
Net cash (used in)/generated from financing activities		(40,850)	65,479
Effect of exchange rate changes on cash and cash equivalents		(217)	243
Net decrease in cash and cash equivalents		(26,270)	(45,976)
Cash and cash equivalents at the beginning of the period		133,635	170,461
Cash and cash equivalents at the end of the period	III.42	107,365	124,485
Net cash flows from operating activities include:			
Interest received		41,103	44,761
Interest paid		(20,795)	(23,213)

The notes on pages 99 to 121 form part of this interim financial report.



NOTES TO THE INTERIM FINANCIAL REPORT

(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 30 June 2025, the Bank’s registered capital is RMB27,464,635,963.

At 30 June 2025, the Bank has established 369 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 295 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 30 June 2025, the registered capital of Zheyin Financial Leasing is RMB4 billion. Since the Bank has control over Zheyin Financial Leasing, the Bank has included it in the scope of the consolidated financial statements.

Zheyin Wealth Management Co., Ltd. (“Zheyin Wealth Management”) was established on 27 January 2025. At 30 June 2025, the registered capital of Zheyin Wealth Management is RMB2 billion. Since the Bank has control over Zheyin Wealth Management, the Bank has included it in the scope of the consolidated financial statements.

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

II BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The interim financial report has been prepared on a going concern basis.

The interim financial report has been prepared in accordance with IAS 34, *Interim Financial Reporting*, and disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and do not include all information and disclosures disclosed in the annual financial statements. The interim financial report should be read in conjunction with the Group’s last annual consolidated financial statements at and for the year ended 31 December 2024.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

II BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(Continued)

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2024 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRS Accounting Standards.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the preparation of the consolidated financial statements for the year ended 31 December 2024.

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

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

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

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

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

		Effective date
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
IFRS 18	<i>Presentation and Disclosure in Financial Statements</i>	1 January 2027
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</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 INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Net Interest Income

	For the six months ended 30 June	
	2025	2024
Interest income:		
Loans and advances to customers		
– Corporate loans and advances	25,825	26,444
– Personal loans and advances	10,523	13,224
– Discounted bills	1,263	1,286
Financial investments		
– Financial assets measured at amortised cost (“AC”)	5,889	6,955
– Financial assets measured at fair value through other comprehensive income (“FVOCI”)	5,034	4,623
Deposits and placements with banks and other financial institutions and financial assets purchased under resale agreements	1,568	1,710
Balances with the central bank	876	965
Finance lease receivables	1,674	1,683
Total	52,652	56,890
Interest expense:		
Customer deposits		
– Corporate customers	(14,483)	(16,454)
– Personal customers	(3,481)	(3,482)
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	(4,641)	(6,818)
Debt securities issued	(6,042)	(5,636)
Due to the central bank	(908)	(793)
Lease liabilities	(51)	(65)
Total	(29,606)	(33,248)
Net interest income	23,046	23,642

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2 Net Fee and Commission Income

	For the six months ended 30 June	
	2025	2024
Fee and commission income:		
Agency and entrustment service	1,345	1,199
Commitment and guarantee service	485	654
Underwriting and consultation service	393	598
Settlement and clearing business	378	389
Custodian and other fiduciary service	366	348
Fees from bank cards	85	101
Others	56	51
Total	3,108	3,340
Fee and commission expense	(815)	(556)
Net fee and commission income	2,293	2,784

3 Net Trading Gains

	For the six months ended 30 June	
	2025	2024
Net gains arising from financial instruments measured at FVTPL	1,449	3,871
Exchange gains and related derivatives	979	828
Precious metals and related derivatives	359	29
Other derivatives	(273)	(19)
Total	2,514	4,709

4 Net Gains on Financial Investments

	For the six months ended 30 June	
	2025	2024
Net gains arising from financial assets measured at FVOCI	2,769	3,102
Net gains arising from financial assets measured at AC	1,637	537
Other investment losses	(43)	(32)
Total	4,363	3,607

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5 Other Operating Income

	For the six months ended 30 June	
	2025	2024
Operating lease income	880	457
Government grants	75	10
Other miscellaneous income	94	86
Total	1,049	553

6 Operating Expense

		For the six months ended 30 June	
	Notes	2025	2024
Staff costs	(1)	6,324	6,507
General and administrative expenses		2,018	2,427
Depreciation and amortisation		1,016	990
Taxes and surcharges		367	422
Operating lease expenses		364	212
Donations		31	8
Others	(2)	150	61
Total		10,270	10,627

(1) Staff costs

	For the six months ended 30 June	
	2025	2024
Salaries, bonuses and allowances	4,665	4,705
Other social insurance and benefit costs	483	743
Housing funds	329	282
Pension costs – defined contribution plans	743	668
Labor union fee and staff education fee	104	109
Total	6,324	6,507

(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 INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

7 Expected Credit Losses (“ECL”s)

	For the six months ended 30 June	
	2025	2024
Deposits with banks and other financial institutions	1	(6)
Placements with banks and other financial institutions	(3)	(1)
Financial assets purchased under resale agreements	(11)	(5)
Loans and advances to customers		
– measured at AC	10,476	14,136
– measured at FVOCI	303	131
Financial investments		
– measured at AC	1,708	(240)
– measured at FVOCI	95	17
Finance lease receivables	449	284
Other assets	249	109
Off-balance sheet items	33	502
Total	13,300	14,927

8 Income Tax Expense

	Note	For the six months ended 30 June	
		2025	2024
Current income tax expense		2,311	1,512
Deferred tax expense	III.21(2)	(588)	(14)
Total		1,723	1,498

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.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

8 Income Tax Expense *(Continued)*

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	For the six months ended 30 June	
		2025	2024
Profit before taxation		9,695	9,741
Tax calculated at statutory tax rate		2,424	2,435
Effects of non-taxable income	(1)	(1,626)	(1,507)
Effects of non-deductible expenses	(2)	925	570
Income tax expense		1,723	1,498

(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.

9 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. During reporting period, the Group possesses no share with potential dilution effect hence there's no difference between basic and diluted earnings per share.

	For the six months ended 30 June	
	2025	2024
Consolidated net profit attributable to shareholders of the Bank	7,667	7,999
Less: Net profit attributable to other equity instruments holders of the Bank	—	—
Consolidated net profit attributable to ordinary shareholders of the Bank	7,667	7,999
Weighted average number of ordinary shares (in millions of shares)	27,464	27,464
Basic and diluted earnings per share (RMB yuan/share)	0.28	0.29

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

10 Cash and Balances with the Central Bank

	Notes	30 June 2025	31 December 2024
Cash		915	996
Balances with the central bank			
– Statutory deposit reserves	(1)	105,914	108,572
– Surplus deposit reserves	(2)	15,423	15,077
– Foreign exchange risk reserves	(3)	5,742	4,946
– Fiscal deposits	(4)	1	45
Subtotal		127,080	128,640
Interest accrued		49	55
Total		128,044	129,691

- (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:

	30 June 2025	31 December 2024
Statutory deposit reserves rate for deposits denominated in RMB	5.50%	6.00%
Statutory deposit reserves rate for deposits denominated in foreign currencies	4.00%	4.00%

The statutory deposit reserves ratios of the subsidiaries of the Bank complied with the requirement of the 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 30 June 2025, the foreign exchange risk reserve ratio of the Bank is 20% (31 December 2024: 20%).
- (4) Financial deposits refer to the funds originated from financial institutions and deposited in the People's Bank of China according to regulations, which cannot be used for the daily business operation of the Group.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

11 Deposits with Banks and Other Financial Institutions

Analyzed by location and type of counterparties

	30 June 2025	31 December 2024
In Chinese Mainland		
– Banks	24,920	38,297
– Other financial institutions	17,629	8,710
Outside Chinese Mainland		
– Banks	4,544	4,740
– Other financial institutions	603	83
Interest accrued	54	91
Gross amount	47,750	51,921
Less: Allowance for ECLs (Note III.23)	(3)	(2)
Carrying amount	47,747	51,919

At 30 June 2025, the Group and the Bank deposited RMB15,719 million and RMB15,274 million respectively in margin funds with banks in the PRC with restriction in use, respectively (At 31 December 2024, amounting to RMB8,283 million and RMB7,973 million, respectively).

12 Placements with Banks and Other Financial Institutions

Analyzed by location and type of counterparties

	30 June 2025	31 December 2024
In Chinese Mainland		
– Banks	800	–
– Other financial institutions	1,855	13,795
Outside Chinese Mainland		
– Banks	1,897	3,548
Interest accrued	33	27
Gross amount	4,585	17,370
Less: Allowance for ECLs (Note III.23)	(1)	(4)
Carrying amount	4,584	17,366

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13 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 30 June 2025

	Notional amount	Fair value	
		Derivative financial assets	Derivative financial liabilities
Interest rate derivatives	1,597,814	6,284	(6,482)
Currency derivatives	2,074,133	12,985	(11,848)
Precious metal and other derivatives	467,974	8,807	(4,488)
Total	4,139,921	28,076	(22,818)
Derivatives designated as hedging Instruments:			
– Interest rate derivatives	7,950	12	–

At 31 December 2024

	Notional amount	Fair value	
		Derivative financial assets	Derivative financial liabilities
Interest rate derivatives	1,742,708	10,348	(10,634)
Currency derivatives	1,757,665	24,372	(21,962)
Precious metal and other derivatives	285,614	6,972	(3,489)
Total	3,785,987	41,692	(36,085)
Derivatives designated as hedging Instruments:			
– Interest rate derivatives	7,950	–	(10)

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in interest rate swap contracts settled in the Shanghai Clearing House, precious metals futures, precious metals (T+D) and standard bond forward were settled daily and the corresponding receipts and payments were included in the guaranteed deposits.



NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

13 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 INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

14 Financial Assets Purchased Under Resale Agreements

(1) Analyzed by location and type of counterparties

	30 June 2025	31 December 2024
In Chinese Mainland		
– Banks	1,865	23,177
– Other financial institutions	61,230	45,230
Interest accrued	18	22
Gross amount	63,113	68,429
Less: Allowance for ECLs (Note III.23)	(11)	(22)
Carrying amount	63,102	68,407

(2) Analyzed by type of collateral

	30 June 2025	31 December 2024
Bonds		
– Financial bonds	47,485	38,301
– Government bonds	15,610	30,106
Interest accrued	18	22
Gross amount	63,113	68,429
Less: Allowance for ECLs (Note III.23)	(11)	(22)
Carrying amount	63,102	68,407

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15 Loans and Advances to Customers

	30 June 2025	31 December 2024
Loans and advances to customers measured at AC	1,533,254	1,487,701
Loans and advances to customers measured at FVOCI	312,921	324,983
Total	1,846,175	1,812,684

(1) Analyzed by classification and nature

	Note	30 June 2025	31 December 2024
Loans and advances to customers measured at AC			
Corporate loans and advances		1,104,065	1,054,519
Personal loans and advances			
– Residential mortgage loans		181,456	168,136
– Personal business loans		166,476	183,641
– Personal consumer loans		114,793	117,405
Personal loans and advances		462,725	469,182
Loans and advances to customers measured at FVOCI			
Corporate loans and advances		189,118	195,047
Discounted bills	(a)	119,803	119,200
Personal loans and advances			
– Personal business loans		3,316	9,449
Subtotal		1,879,027	1,847,397
Fair value changes		661	1,224
Interest accrued		8,844	8,495
Gross amount		1,888,532	1,857,116
Less: Allowance for ECLs (Note III.23)		(42,357)	(44,432)
Carrying amount		1,846,175	1,812,684

(a) At balance sheet date, part of discounted bills are pledged for secured liabilities, please refer to Note VIII.1.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

15 Loans and Advances to Customers *(Continued)*

(2) Analyzed by type of collateral

	30 June 2025		31 December 2024	
	Amount	Proportion	Amount	Proportion
Unsecured loans	486,174	25.87%	468,309	25.35%
Guaranteed loans	406,588	21.64%	377,355	20.43%
Collateralized loans				
– Mortgage loans	805,109	42.85%	813,467	44.03%
– Pledged loans	61,353	3.26%	69,066	3.74%
Discounted bills	119,803	6.38%	119,200	6.45%
Subtotal	1,879,027	100.00%	1,847,397	100.00%
Fair value changes	661		1,224	
Interest accrued	8,844		8,495	
Gross amount	1,888,532		1,857,116	
Less: Allowance for ECLs (Note III.23)	(42,357)		(44,432)	
Carrying amount	1,846,175		1,812,684	

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

15 Loans and Advances to Customers *(Continued)*

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

	30 June 2025				Total
	Overdue within 3 months (inclusive)	Overdue between 3 months and 1 year (inclusive)	Overdue between 1 year and 3 years (inclusive)	Overdue more than 3 years	
Unsecured loans	3,414	3,006	959	301	7,680
Guaranteed loans	1,284	1,422	1,662	513	4,881
Collateralized loans					
– Mortgage loans	9,779	9,837	5,848	58	25,522
– Pledged loans	1,282	102	294	130	1,808
Total overdue loans	15,759	14,367	8,763	1,002	39,891

	31 December 2024				Total
	Overdue within 3 months (inclusive)	Overdue between 3 months and 1 year (inclusive)	Overdue between 1 year and 3 years (inclusive)	Overdue more than 3 years	
Unsecured loans	2,562	3,300	937	190	6,989
Guaranteed loans	1,696	1,287	1,125	516	4,624
Collateralized loans					
– Mortgage loans	8,121	7,613	5,404	43	21,181
– Pledged loans	20	415	88	194	717
Total overdue loans	12,399	12,615	7,554	943	33,511

Overdue loans represent loans of which the whole or part of the principal or interest has been overdue for one day or more.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

15 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)

	30 June 2025			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers measured at AC				
– Corporate loans and advances	1,031,559	53,422	19,084	1,104,065
– Personal loans and advances	443,797	10,167	8,761	462,725
Gross amount	1,475,356	63,589	27,845	1,566,790
Less: Allowance for ECLs (Note III.23)	(11,156)	(13,771)	(17,430)	(42,357)
Carrying amount	1,464,200	49,818	10,415	1,524,433

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers measured at AC				
– Corporate loans and advances	979,805	55,953	18,761	1,054,519
– Personal loans and advances	451,848	9,208	8,126	469,182
Gross amount	1,431,653	65,161	26,887	1,523,701
Less: Allowance for ECLs (Note III.23)	(12,076)	(14,972)	(17,384)	(44,432)
Carrying amount	1,419,577	50,189	9,503	1,479,269

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

15 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)

	30 June 2025			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at FVOCI				
– Corporate loans and advances	188,761	82	275	189,118
– Discounted bills	119,790	–	13	119,803
– Personal loans and advances	2,376	518	422	3,316
Total	310,927	600	710	312,237
Allowance for ECLs (Note III.23)	(581)	(116)	(316)	(1,013)

	31 December 2024			Total
	Stage 1	Stage 2	Stage 3	
Loans and advances to customers measured at FVOCI				
– Corporate loans and advances	194,602	153	292	195,047
– Discounted bills	119,187	–	13	119,200
– Personal loans and advances	8,645	431	373	9,449
Total	322,434	584	678	323,696
Allowance for ECLs (Note III.23)	(689)	(117)	(313)	(1,119)

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

15 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*

	For the six months ended 30 June 2025			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2025	12,076	14,972	17,384	44,432
Transfer				
– to Stage 1	403	(379)	(24)	–
– to Stage 2	(335)	743	(408)	–
– to Stage 3	(158)	(3,231)	3,389	–
(Reversal)/charge (Note III.7)	(818)	1,666	9,628	10,476
Write-off and transfer out	–	–	(13,548)	(13,548)
Recoveries of loans and advances previously written off	–	–	1,089	1,089
Other movements	(12)	–	(80)	(92)
Balance at 30 June 2025	11,156	13,771	17,430	42,357

	For the year ended 31 December 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	(52)	3,424	22,472	25,844
Write-off and transfer out	–	–	(26,688)	(26,688)
Recoveries of loans and advances previously written off	–	–	2,389	2,389
Other movements	13	–	(94)	(81)
Balance at 31 December 2024	12,076	14,972	17,384	44,432

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

15 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 of loans and advances to customers measured at FVOCI*

	For the six months ended 30 June 2025			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2025	689	117	313	1,119
Transfer				
– to Stage 1	5	(5)	–	–
– to Stage 2	(5)	9	(4)	–
– to Stage 3	(9)	(77)	86	–
(Reversal)/charge (Note III.7)	(99)	72	330	303
Write-off and transfer out	–	–	(437)	(437)
Recoveries of loans and advances previously written off	–	–	28	28
Balance at 30 June 2025	581	116	316	1,013

	For the year ended 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
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	(639)	8	616	(15)
Write-off and transfer out	–	–	(808)	(808)
Balance at 31 December 2024	689	117	313	1,119

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

16 Financial Investments

		30 June 2025	31 December 2024
Financial investments measured at FVTPL	Notes 16.1	265,470	228,873
Financial investments measured at AC	16.2	447,865	469,159
Financial investments measured at FVOCI	16.3	333,772	357,419
Total		1,047,107	1,055,451

16.1 Financial investments measured at FVTPL

		30 June 2025	31 December 2024
Fund investments	Note (1)	166,748	175,096
Bond and ABS investments			
– Government bonds		2,428	2,343
– Financial bonds		27,070	21,862
– Interbank certificates of deposit		25,304	2,692
– Asset-backed securities (“ABS”)	(1)	34,362	13,365
– Other bonds		4,441	8,020
Equity investments		2,988	3,559
Trust schemes and asset management plans	(1)	1,960	1,815
Wealth management products		169	121
Total		265,470	228,873

(1) Including investments that are included in the scope of consolidation in accordance with the definition of control set out in Note IV.2.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

16 Financial Investments *(Continued)*

16.1 Financial investments measured at FVTPL *(Continued)*

Analyzed by listing location:

	30 June 2025	31 December 2024
Fund investments		
– Listed outside Hong Kong	166,748	175,096
Bond and ABS investments		
– Listed in Hong Kong	1,945	2,417
– Listed outside Hong Kong	91,660	45,865
Trust schemes and asset management plans		
– Unlisted	1,960	1,815
Equity investments		
– Listed outside Hong Kong	1,515	1,976
– Unlisted	1,473	1,583
Wealth management products		
– Unlisted	169	121
Total	265,470	228,873

Bond investments traded on the Mainland interbank bond market are included in the listed outside Hong Kong category.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

16 Financial Investments *(Continued)*

16.1 Financial investments measured at FVTPL *(Continued)*

Analyzed by type of issuers:

	30 June 2025	31 December 2024
Chinese Mainland issuers		
– Government	2,428	2,343
– Banking and other financial institutions	251,855	210,460
– Corporate entities	10,497	12,754
Issuers outside Chinese Mainland		
– Banking and other financial institutions	–	2,123
– Corporate entities	690	1,193
Total	265,470	228,873

16.2 Financial investments measured at AC

	Notes	30 June 2025	31 December 2024
Bond and ABS investments	(1)		
– Government bonds		235,144	234,495
– Financial bonds		122,891	127,331
– Debt financing plans		1,303	3,080
– Asset-backed securities (“ABS”)		282	696
– Other bonds		13,955	24,457
Trust schemes and asset management plans	(2)	91,945	97,784
Interest accrued		6,998	6,713
Gross amount		472,518	494,556
Less: Allowance for ECLs (Note III.23)		(24,653)	(25,397)
Carrying amount		447,865	469,159

(1) At balance sheet date, part of bond investments measured at amortised cost are pledged for secured liabilities, please refer to Note VIII.1.

(2) Including investments that are included in the scope of consolidation in accordance with the definition of control set out in Note IV.2. Trust schemes and asset management plans, mainly invested in credit assets, ABS and equity investments under repurchase agreements, are managed and operated by third-party trustees or asset managers.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

16 Financial Investments *(Continued)*

16.2 Financial investments measured at AC *(Continued)*

Analyzed by listing location:

	30 June 2025	31 December 2024
Bond and ABS investments		
– Listed in Hong Kong	5,305	13,494
– Listed outside Hong Kong	365,064	370,815
– Unlisted	3,206	5,750
Trust schemes and asset management plans		
– Unlisted	91,945	97,784
Interest accrued	6,998	6,713
Total	472,518	494,556

Analyzed by type of issuers:

	30 June 2025	31 December 2024
Chinese Mainland issuers		
– Government	224,662	223,819
– Banking and other financial institutions	123,611	127,708
– Corporate entities	103,149	119,717
Issuers outside Chinese Mainland		
– Government	10,482	8,275
– Corporate entities	3,616	8,324
Interest accrued	6,998	6,713
Total	472,518	494,556

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

16 Financial Investments *(Continued)*

16.2 Financial investments measured at AC *(Continued)*

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

	30 June 2025			
	Stage 1	Stage 2	Stage 3	Total
Financial investments measured at AC	411,569	3,179	50,772	465,520
Less: Allowance for ECLs (Note III.23)	(548)	(462)	(23,643)	(24,653)
Carrying amount	411,021	2,717	27,129	440,867

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Financial investments measured at AC	429,470	6,171	52,202	487,843
Less: Allowance for ECLs (Note III.23)	(651)	(1,058)	(23,688)	(25,397)
Carrying amount	428,819	5,113	28,514	462,446

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

16 Financial Investments *(Continued)*

16.2 Financial investments measured at AC *(Continued)*

Movement of allowance for ECLs of financial investments measured at AC:

	For the six months ended 30 June 2025			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2025	651	1,058	23,688	25,397
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	–	243	(243)	–
– to Stage 3	–	(626)	626	–
(Reversal)/charge (Note III.7)	(102)	(213)	2,023	1,708
Write-off	–	–	(2,327)	(2,327)
Recoveries of financial investments previously written off	–	–	99	99
Other movements	(1)	–	(223)	(224)
Balance at 30 June 2025	548	462	23,643	24,653

	For the year ended 31 December 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	(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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

16 Financial Investments *(Continued)*

16.3 Financial investments measured at FVOCI

	Notes	30 June 2025	31 December 2024
Bond and ABS investments			
– Government bonds		91,703	96,352
– Financial bonds		99,915	82,495
– Interbank certificates of deposit		52,493	67,398
– Asset-backed securities (“ABS”)		12,240	44,845
– Other bonds		73,031	61,947
Other debt instruments		22	50
Interest accrued		2,931	2,912
Subtotal		332,335	355,999
Financial investments designated to be measured at FVOCI			
Equity investments	(1)	1,437	1,420
Total		333,772	357,419

(1) Certain non-trading equity investments are designated by the Group as financial investments measured at FVOCI. For the six months ended 30 June 2025, the Group has not recognized dividend income on such equity investments (For the year ended 31 December 2024: RMB6 million).

Analyzed by listing location:

	30 June 2025	31 December 2024
Bond and ABS investments and other debt instruments		
– Listed in Hong Kong	31,119	28,802
– Listed outside Hong Kong	254,311	269,879
– Unlisted	43,974	54,406
Equity investments		
– Unlisted	1,437	1,420
Interest accrued	2,931	2,912
Total	333,772	357,419

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16 Financial Investments (Continued)

16.3 Financial investments measured at FVOCI (Continued)

Analyzed by type of issuers:

	30 June 2025	31 December 2024
Chinese Mainland issuers		
– Government and Central Bank	78,405	74,724
– Banking and other financial institutions	111,572	123,187
– Corporate entities	64,963	62,115
Issuers outside Chinese Mainland		
– Government and Central Bank	13,298	21,644
– Banking and other financial institutions	43,123	54,656
– Corporate entities	18,043	16,761
Interest accrued	2,931	2,912
Subtotal	332,335	355,999
Equity investments	1,437	1,420
Total	333,772	357,419

The gross amount and allowance for ECLs of debt instruments measured at FVOCI are analyzed as follows (fair value changes and interest accrued excluded):

	For the six months ended 30 June 2025			
	Stage 1	Stage 2	Stage 3	Total
Debt instruments measured at FVOCI	326,785	–	78	326,863
Allowance for ECLs (Note III.23)	(346)	–	(31)	(377)

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Debt instruments measured at FVOCI	348,711	80	436	349,227
Allowance for ECLs (Note III.23)	(345)	(8)	(325)	(678)

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

16 Financial Investments *(Continued)*

16.3 Financial investments measured at FVOCI *(Continued)*

Movement of allowance for ECLs of debt investments measured at FVOCI:

	For the six months ended 30 June 2025			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2025	345	8	325	678
Transfer				
– to Stage 1	–	–	–	–
– to Stage 2	–	–	–	–
– to Stage 3	–	(8)	8	–
Charge (Note III.7)	5	–	90	95
Write-off	–	–	(411)	(411)
Recoveries of financial investments	–	–	19	19
Other movements	(4)	–	–	(4)
Balance at 30 June 2025	346	–	31	377

	For the year ended 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2024	224	106	187	517
Transfer				
– to Stage 1	101	(101)	–	–
– to Stage 2	–	–	–	–
– to Stage 3	–	–	–	–
Charge	17	3	138	158
Other movements	3	–	–	3
Balance at 31 December 2024	345	8	325	678

17 Investment in Subsidiaries

The Bank

	30 June 2025	31 December 2024
Zheyin Financial Leasing	2,040	2,040
Zheyin Wealth Management	2,000	–
Total	4,040	2,040

For details of the subsidiaries, please refer to Note IV.1.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

18 Fixed Assets

	Notes	30 June 2025	31 December 2024
Fixed assets	(1)	31,501	28,078
Construction in progress	(2)	3,636	3,190
Total		35,137	31,268

(1) Fixed assets

	Properties and buildings	Office and electronic equipment	Motor vehicles	Fixed assets leased out under operating leases	Total
Cost					
At 1 January 2025	18,764	2,401	198	13,191	34,554
Additions	–	46	5	4,179	4,230
Transfers from construction in progress	3	–	–	–	3
Disposals and other changes	–	(18)	(7)	(30)	(55)
At 30 June 2025	18,767	2,429	196	17,340	38,732
Less: Accumulated depreciation					
At 1 January 2025	(3,681)	(1,846)	(140)	(809)	(6,476)
Charge	(360)	(90)	(8)	(321)	(779)
Disposals and other changes	–	17	6	1	24
At 30 June 2025	(4,041)	(1,919)	(142)	(1,129)	(7,231)
Carrying amount					
Balance at 30 June 2025	14,726	510	54	16,211	31,501
Balance at 1 January 2025	15,083	555	58	12,382	28,078

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

18 Fixed Assets *(Continued)*

(1) Fixed assets (Continued)

	Properties and buildings	Office and electronic equipment	Motor vehicles	Fixed assets leased out under operating leases	Total
Cost					
At 1 January 2024	18,537	2,267	188	6,627	27,619
Additions	36	175	20	7,838	8,069
Transfers from construction in progress	202	–	–	–	202
Disposals and other changes	(11)	(41)	(10)	(1,274)	(1,336)
At 31 December 2024	18,764	2,401	198	13,191	34,554
Less: Accumulated depreciation					
At 1 January 2024	(2,980)	(1,699)	(135)	(460)	(5,274)
Charge	(707)	(185)	(15)	(449)	(1,356)
Disposals and other changes	6	38	10	100	154
At 31 December 2024	(3,681)	(1,846)	(140)	(809)	(6,476)
Carrying amount					
Balance at 31 December 2024	15,083	555	58	12,382	28,078
Balance at 1 January 2024	15,557	568	53	6,167	22,345

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

At 30 June 2025, the Group's properties and buildings with a net value of RMB484 million (31 December 2024: RMB910 million) were still in progress of obtaining the legal titles.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

18 Fixed Assets *(Continued)*

(2) Construction in progress

	Construction in progress
Balance at 1 January 2025	3,190
Additions	467
Transfers to fixed assets	(3)
Transfers to long-term prepaid expenses	(18)
	<hr/>
Balance at 30 June 2025	3,636
	<hr/>
	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)
	<hr/>
Balance at 31 December 2024	3,190

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

19 Lease

(1) Right-of-use assets

	Land use rights	Properties and buildings	Others	Total
Cost				
At 1 January 2025	1,950	6,056	65	8,071
Additions	–	116	2	118
Reductions	–	(113)	(1)	(114)
At 30 June 2025	1,950	6,059	66	8,075
Less: Accumulated depreciation				
At 1 January 2025	(370)	(2,984)	(32)	(3,386)
Charge	(25)	(363)	(4)	(392)
Reductions	–	63	–	63
At 30 June 2025	(395)	(3,284)	(36)	(3,715)
Carrying amount				
Balance at 30 June 2025	1,555	2,775	30	4,360
Balance at 1 January 2025	1,580	3,072	33	4,685

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

19 Lease *(Continued)*

(1) Right-of-use assets *(Continued)*

	Land use rights	Properties and buildings	Others	Total
Cost				
At 1 January 2024	1,950	5,910	53	7,913
Additions	–	610	16	626
Reductions	–	(464)	(4)	(468)
At 31 December 2024	1,950	6,056	65	8,071
Less: Accumulated depreciation				
At 1 January 2024	(321)	(2,663)	(25)	(3,009)
Charge	(49)	(747)	(10)	(806)
Reductions	–	426	3	429
At 31 December 2024	(370)	(2,984)	(32)	(3,386)
Carrying amount				
Balance at 31 December 2024	1,580	3,072	33	4,685
Balance at 1 January 2024	1,629	3,247	28	4,904

At 30 June 2025, there is no land use rights held by the Group for which the title certificate has not been issued. (31 December 2024: Nil).

(2) Lease liabilities

Analysis of undiscounted lease payments on the maturity date of lease liabilities:

	30 June 2025	31 December 2024
Within 1 year (inclusive)	788	837
1 – 2 years (inclusive)	614	711
2 – 3 years (inclusive)	465	534
3 – 4 years (inclusive)	398	414
4 – 5 years (inclusive)	334	343
Above 5 years	540	640
The total amount of undiscounted lease payments	3,139	3,479
Carrying amount of lease liabilities at the end of the period/year	2,834	3,131

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

20 Intangible Assets

	Computer software
Cost	
At 1 January 2025	1,451
Additions	96
	<hr/>
At 30 June 2025	1,547
	<hr style="border-top: 1px dashed;"/>
Less: Accumulated amortisation	
At 1 January 2025	(640)
Charge	(62)
	<hr/>
At 30 June 2025	(702)
	<hr style="border-top: 1px dashed;"/>
Carrying amount	
Balance at 30 June 2025	845
	<hr/>
Balance at 1 January 2025	811
	<hr/>
	Computer software
Cost	
At 1 January 2024	1,197
Additions	254
	<hr/>
At 31 December 2024	1,451
	<hr style="border-top: 1px dashed;"/>
Less: Accumulated amortisation	
At 1 January 2024	(527)
Charge	(113)
	<hr/>
At 31 December 2024	(640)
	<hr style="border-top: 1px dashed;"/>
Carrying amount	
Balance at 31 December 2024	811
	<hr/>
Balance at 1 January 2024	670
	<hr/>

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21 Deferred Tax Assets and Liabilities

(1) Deferred tax assets and liabilities before offsetting

	30 June 2025		31 December 2024	
	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary difference	Deferred tax assets/ (liabilities)
Allowance for ECLs and provisions	91,426	22,857	89,800	22,450
Employee benefits payable	2,847	712	2,280	570
Unrealized losses of financial instruments measured at FVTPL and precious metals	47	12	47	12
Others	3,789	947	3,780	945
Deferred tax assets before offsetting	98,109	24,528	95,907	23,977
Depreciation of fixed assets	(466)	(117)	(559)	(140)
Unrealized gains of financial instruments measured at FVTPL and precious metals	(95)	(24)	(1,203)	(301)
Unrealized gains of financial investments measured at FVOCI	(3,615)	(904)	(5,480)	(1,370)
Unrealized gains of derivative financial instruments	(4,558)	(1,139)	(3,611)	(903)
Others	(2,822)	(706)	(3,126)	(781)
Deferred tax liabilities before offsetting	(11,556)	(2,890)	(13,979)	(3,495)
Net amount after offsetting	86,553	21,638	81,928	20,482

(2) Changes in deferred tax

	30 June 2025	31 December 2024
Balance at the beginning of the period/year	20,482	21,184
Charge to profit or loss	588	155
Charge to other comprehensive income	568	(857)
Balance at the end of the period/year	21,638	20,482

At the balance sheet date, the Group has no significant unrecognized deferred tax assets and liabilities.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

22 Other Assets

		30 June 2025	31 December 2024
	Notes		
Finance lease receivables	(1)	63,141	61,096
Long-term prepaid expenses	(2)	2,062	1,435
Settlement and clearing accounts		1,974	1,704
Deductible input Value Added Tax ("VAT")		1,731	1,459
Guaranteed deposits		1,686	2,620
Interest receivable		1,457	1,260
Continuing involvement assets (Note III.43 (1))		1,212	1,212
Non-financial repossessed assets	(3)	710	604
Fee receivables		660	709
Prepayment		557	729
Others		1,744	1,299
Total		76,934	74,127

(1) Finance lease receivables

		30 June 2025	31 December 2024
	Note		
Finance lease receivables	(a)	7,838	6,782
Less: Unrecognized finance income		(1,351)	(1,223)
Balance of finance lease receivables		6,487	5,559
Finance leaseback receivables		58,397	57,180
Subtotal		64,884	62,739
Interest accrued		527	485
Less: Allowance for ECLs (Note III.23)		(2,270)	(2,128)
Carrying amount		63,141	61,096

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

22 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 (interest accrued excluded):

	30 June 2025		31 December 2024	
	Amount	Proportion	Amount	Proportion
Within 1 year (inclusive)	2,195	28.01%	1,742	25.69%
1 – 2 years (inclusive)	1,856	23.68%	1,778	26.22%
2 – 3 years (inclusive)	781	9.96%	691	10.18%
3 – 4 years (inclusive)	504	6.43%	447	6.59%
4 – 5 years (inclusive)	349	4.45%	272	4.01%
Above 5 years	2,153	27.47%	1,852	27.31%
Total	7,838	100.00%	6,782	100.00%

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

	30 June 2025			Total
	Stage 1	Stage 2	Stage 3	
Finance lease receivables	61,552	2,443	889	64,884
Less: Allowance for ECLs (Note III.23)	(1,127)	(596)	(547)	(2,270)
Carrying amount	60,425	1,847	342	62,614

	31 December 2024			Total
	Stage 1	Stage 2	Stage 3	
Finance lease receivables	59,320	2,622	797	62,739
Less: Allowance for ECLs (Note III.23)	(1,138)	(457)	(533)	(2,128)
Carrying amount	58,182	2,165	264	60,611

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

22 Other Assets *(Continued)*

(1) Finance lease receivables (Continued)

Movements of the allowance for ECLs of finance lease receivables

	For the six months ended 30 June 2025			
	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2025	1,138	457	533	2,128
Transfer				
– to Stage 1	4	–	(4)	–
– to Stage 2	(34)	98	(64)	–
– to Stage 3	(4)	(91)	95	–
Charge (Note III.7)	23	132	294	449
Write-off	–	–	(333)	(333)
Recoveries of finance lease receivables previously written off	–	–	26	26
Balance at 30 June 2025	1,127	596	547	2,270

	For the year ended 31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
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	(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

- (a) At the balance sheet date, part of finance lease receivables are pledged for secured liabilities, please refer to Note VIII.1.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

22 Other Assets *(Continued)*

(2) Long-term prepaid expense

	30 June 2025	31 December 2024
Balance at the beginning of the period/year	1,435	1,014
Additions	713	502
Transfers from construction in progress	18	115
Less: Accumulated amortisation for the period/year	(104)	(196)
Balance at the end of the period/year	2,062	1,435

(3) Non-financial repossessed assets

	30 June 2025	31 December 2024
Properties and buildings	922	801
Less: Impairment losses	(212)	(197)
Carrying amount	710	604

The Group plans to dispose of non-financial repossessed assets through auction, bidding and transfer in a certain coming period.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23 Allowance for ECLs

	Notes	1 January 2025	Charge/ (reversal)	Write-off and transfer out	Others (Note (1))	30 June 2025
Deposits with banks and other financial institutions	III.11	2	1	–	–	3
Placements with banks and other financial institutions	III.12	4	(3)	–	–	1
Financial assets purchased under resale agreements	III.14	22	(11)	–	–	11
Loans and advances to customers	III.15					
– measured at AC		44,432	10,476	(13,548)	997	42,357
– measured at FVOCI		1,119	303	(437)	28	1,013
Financial investments	III.16					
– measured at AC		25,397	1,708	(2,327)	(125)	24,653
– measured at FVOCI		678	95	(411)	15	377
Finance lease receivables	III.22(1)	2,128	449	(333)	26	2,270
Other assets		607	249	(61)	16	811
Off-balance sheet items	III.32	1,094	33	(10)	2	1,119
Total		75,483	13,300	(17,127)	959	72,615

	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	III.11	7	(5)	–	–	2
Placements with banks and other financial institutions	III.12	6	(2)	–	–	4
Financial assets purchased under resale agreements	III.14	26	(4)	–	–	22
Loans and advances to customers	III.15					
– measured at AC		42,968	25,844	(26,688)	2,308	44,432
– measured at FVOCI		1,942	(15)	(808)	–	1,119
Financial investments	III.16					
– measured at AC		27,718	1,746	(3,781)	(286)	25,397
– measured at FVOCI		517	158	–	3	678
Finance lease receivables	III.22(1)	1,894	697	(585)	122	2,128
Other assets		624	209	(245)	19	607
Off-balance sheet items	III.32	1,523	(433)	–	4	1,094
Total		77,225	28,195	(32,107)	2,170	75,483

(1) Others include the recoveries of financial assets previously written off and the effect of changes in exchange rates, etc.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

24 Due to the Central Bank

	30 June 2025	31 December 2024
Bonds sold under repurchase agreements with the Central Bank	64,692	63,328
Bills sold under repurchase agreements with the Central Bank	7,163	14,222
Interest accrued	557	271
Total	72,412	77,821

25 Deposits from Banks and Other Financial Institutions

Analyzed by location and type of counterparties

	30 June 2025	31 December 2024
In Chinese Mainland		
– Banks	37,992	50,864
– Other financial institutions	224,163	294,020
Outside Chinese Mainland		
– Banks	334	354
– Other financial institutions	15,034	19,699
Interest accrued	1,979	2,003
Total	279,502	366,940

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

26 Placements from Banks and Other Financial Institutions

Analyzed by accounting treatment, location and type of counterparties

	Note	30 June 2025	31 December 2024
Measured at amortised cost:			
In Chinese Mainland			
– Banks		69,382	63,648
– Other financial institutions		–	867
Outside Chinese Mainland			
– Banks		1,076	8,103
Interest accrued		444	645
Subtotal		70,902	73,263
Designated as at fair value through profit or loss:	(1)		
In Chinese Mainland			
– Banks		26,517	22,578
Subtotal		26,517	22,578
Total		97,419	95,841

- (1) There were no significant changes in the credit spread of the Group 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 INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

27 Financial Liabilities at Fair Value through Profit or Loss

	Notes	30 June 2025	31 December 2024
Financial liabilities designated as at fair value through profit or loss	(1)		
– Financial liabilities related to precious metals		18,103	4,180
– Others	(2)	20,188	17,016
Financial liabilities at fair value through profit or loss			
– Short positions of trading bonds		487	–
Total		38,778	21,196

- (1) The Group manages and evaluates the financial liability portfolio or financial assets and financial liability portfolio on the basis of fair value according to the enterprise risk management or investment strategy stated in the official written documents, and reports to key management personnel within the enterprise on this basis. There were no significant changes in the credit spread of the Group 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.

28 Financial Assets Sold Under Repurchase Agreements

Analyzed by type of collateral

	30 June 2025	31 December 2024
Bonds sold under repurchase agreements	25,767	35,253
Interest accrued	11	34
Total	25,778	35,287

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

29 Customer Deposits

	30 June 2025	31 December 2024
Demand deposits		
– Corporate customers	459,295	434,291
– Personal customers	67,995	64,951
Subtotal	527,290	499,242
Time deposits		
– Corporate customers	1,209,152	1,148,911
– Personal customers	290,283	239,681
Subtotal	1,499,435	1,388,592
Other deposits	2,315	372
Interest accrued	36,774	34,083
Total	2,065,814	1,922,289

Pledged deposits of customer deposits are listed as follows:

	30 June 2025	31 December 2024
Letters of credit and guarantee deposits	40,963	36,114
Acceptances deposits	29,823	25,562
Other pledged deposits	54,667	40,657
Total	125,453	102,333

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

30 Employee Benefits Payable

	1 January 2025	Accrual during the period	Payments during the period	30 June 2025
Salaries, bonuses and allowances	6,162	4,665	(6,099)	4,728
Staff welfare	–	264	(264)	–
Housing fund	–	329	(329)	–
Social insurance				
– Medical insurance	–	183	(183)	–
– Work-related injury insurance	–	5	(5)	–
– Maternity insurance	–	7	(7)	–
Commercial insurance	–	24	(24)	–
Labour union fee and staff education fee	161	104	(155)	110
Basic pension insurance	–	366	(366)	–
Unemployment insurance	–	13	(13)	–
Annuity	–	364	–	364
Total	6,323	6,324	(7,445)	5,202

	1 January 2024	Accrual during the year	Payments during the year	31 December 2024
Salaries, bonuses and allowances	5,824	9,674	(9,336)	6,162
Staff welfare	–	1,217	(1,217)	–
Housing fund	–	636	(636)	–
Social insurance				
– Medical insurance	–	356	(356)	–
– Work-related injury insurance	–	10	(10)	–
– Maternity insurance	–	8	(8)	–
Commercial insurance	–	192	(192)	–
Labour union fee and staff education fee	161	227	(227)	161
Basic pension insurance	–	697	(697)	–
Unemployment insurance	–	26	(26)	–
Annuity	–	694	(694)	–
Total	5,985	13,737	(13,399)	6,323

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

31 Taxes Payable

	30 June 2025	31 December 2024
Income tax payable	474	187
Value added tax ("VAT") payable	999	654
Others	178	250
Total	1,651	1,091

32 Provisions

	30 June 2025	31 December 2024
Allowance for ECLs of off-balance sheet items (Note III.23)	1,119	1,094

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33 Debt Securities Issued

	Notes	30 June 2025	31 December 2024
Fixed-rate small and micro businesses financial bonds – 2025	(1)	–	10,000
Fixed-rate small and micro businesses financial bonds – 2025	(2)	–	10,000
Fixed-rate small and micro businesses financial bonds – 2025	(3)	5,000	5,000
Fixed-rate small and micro businesses financial bonds – 2026	(4)	10,000	10,000
Fixed-rate small and micro businesses financial bonds – 2026	(5)	15,000	15,000
Fixed-rate small and micro businesses financial bonds – 2027	(6)	5,000	5,000
Fixed-rate small and micro businesses financial bonds – 2027	(7)	15,000	15,000
Fixed-rate small and micro businesses financial bonds – 2027	(8)	20,000	20,000
Fixed-rate small and micro businesses financial bonds – 2028	(9)	20,000	–
Fixed-rate small and micro businesses financial bonds – 2029	(10)	5,000	5,000
Fixed-rate financial bonds – 2026	(11)	30,000	30,000
Fixed-rate financial bonds – 2027	(12)	13,000	13,000
Fixed-rate financial bonds – 2028	(13)	15,000	–
Fixed-rate financial bonds – 2030	(14)	5,000	–
Fixed-rate green financial bonds – 2025	(15)	10,000	10,000
Fixed-rate green financial bonds – 2028	(16)	5,000	–
Fixed-rate science and technology innovation bonds-2028	(17)	5,000	–
Fixed-rate special financial bonds for “agriculture, rural areas and farmers” – 2025	(18)	5,000	5,000
Fixed-rate asset-backed securities – 2025	(19)	1,419	3,369
Fixed-rate offering – tier 2 capital bond – 2033	(20)	20,000	20,000
Fixed-rate offering – tier 2 capital bond – 2033	(21)	10,000	10,000
Fixed-rate offering – tier 2 capital bond – 2034	(22)	10,000	10,000
Fixed-rate financial bonds – 2025	(23)	–	1,400
Fixed-rate financial bonds – 2027	(24)	1,500	1,500
Interbank certificates of deposit	(25)	282,124	339,739
Subtotal		508,043	539,008
Interest accrued		2,458	2,525
Total		510,501	541,533

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

33 Debt Securities Issued *(Continued)*

- (1) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 23 February 2022, with a maturity of 3 years and a fixed coupon rate of 2.83%. The bond matured on 25 February 2025.
- (2) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 7 April 2022, with a maturity of 3 years and a fixed coupon rate of 2.93%. The bond matured on 11 April 2025.
- (3) Fixed-rate small and micro businesses financial bonds of RMB5 billion was issued on 18 October 2022, with a maturity of 3 years and a fixed coupon rate of 2.47%.
- (4) Fixed-rate small and micro businesses financial bonds of RMB10 billion was issued on 24 April 2023, with a maturity of 3 years and a fixed coupon rate of 2.80%.
- (5) Fixed-rate small and micro businesses financial bonds of RMB15 billion was issued on 3 November 2023, with a maturity of 3 years and a fixed coupon rate of 2.82%.
- (6) Fixed-rate small and micro businesses financial bonds of RMB5 billion was issued on 18 October 2022, with a maturity of 5 years and a fixed coupon rate of 2.85%.
- (7) Fixed-rate small and micro businesses financial bonds of RMB15 billion was issued on 15 March 2024, with a maturity of 3 years and a fixed coupon rate of 2.43%.
- (8) Fixed-rate small and micro businesses financial bonds of RMB20 billion was issued on 15 May 2024, with a maturity of 3 years and a fixed coupon rate of 2.23%.
- (9) Fixed-rate small and micro businesses financial bonds of RMB20 billion was issued on 3 April 2025, with a maturity of 3 years and a fixed coupon rate of 1.86%.
- (10) Fixed-rate small and micro businesses financial bonds of RMB5 billion was issued on 15 March 2024, with a maturity of 5 years and a fixed coupon rate of 2.53%.
- (11) Fixed-rate financial bonds of RMB30 billion was issued on 24 July 2023, with a maturity of 3 years and a fixed coupon rate of 2.62%.
- (12) Fixed-rate financial bonds of RMB13 billion was issued on 5 September 2024, with a maturity of 3 years and a fixed coupon rate of 2.01%.
- (13) Fixed-rate financial bonds of RMB15 billion was issued on 13 February 2025, with a maturity of 3 years and a fixed coupon rate of 1.75%.
- (14) Fixed-rate financial bonds of RMB5 billion was issued on 13 February 2025, with a maturity of 5 years and a fixed coupon rate of 1.81%.
- (15) Fixed-rate green financial bonds of RMB10 billion was issued on 13 December 2022, with a maturity of 3 years and a fixed coupon rate of 3.05%.
- (16) Fixed-rate green financial bonds of RMB5 billion was issued on 8 May 2025, with a maturity of 3 years and a fixed coupon rate of 1.69%.



NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

33 Debt Securities Issued *(Continued)*

- (17) Fixed-rate science and technology innovation bonds of RMB5 billion was issued on 19 May 2025, with a maturity of 3 years and a fixed coupon rate of 1.66%.
- (18) Fixed-rate special financial bonds for “agriculture, rural areas and farmers” of RMB5 billion was issued on 13 December 2022, with a maturity of 3 years and a fixed coupon rate of 3.05%.
- (19) Fixed-rate asset-backed securities of RMB5,554 million was issued on 15 October 2024. At 30 June 2025, 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.
- (20) Fixed-rate offering – tier 2 capital bonds of RMB20 billion were issued on 25 May 2023, with a maturity of 10 years and a fixed coupon rate of 3.47%. The Bank has an option to redeem the bond at its par value in 2028.
- (21) Fixed-rate offering – tier 2 capital bonds of RMB10 billion were issued on 23 November 2023, with a maturity of 10 years and a fixed coupon rate of 3.50%. The Bank has an option to redeem the bond at its par value in 2028.
- (22) Fixed-rate offering – tier 2 capital bonds of RMB10 billion were issued on 17 April 2024, with a maturity of 10 years and a fixed coupon rate of 2.54%. The Bank has an option to redeem the bond at its par value in 2029.
- (23) Zheyin Financial Leasing issued freight logistics thematic financial bonds of RMB1.4 billion on 2 June 2022, with a maturity of 3 years and a fixed coupon rate of 2.97%. The bond matured on 7 June 2025.
- (24) Zheyin Financial Leasing issued fixed-rate financial bonds of RMB1.5 billion on 15 August 2024, with a maturity of 3 years and a fixed coupon rate of 2.09%.
- (25) At 30 June 2025, the Bank has issued a total of 115 interbank certificates of deposit in the interbank market but not yet due, with maximum maturity of one year (At 31 December 2024, the Bank has issued a total of 106 interbank certificates of deposit in the interbank market but not yet due, with maximum maturity of one year).

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

34 Other Liabilities

	30 June 2025	31 December 2024
Settlement and clearing accounts	7,020	4,310
Deposits related to finance lease	4,104	4,194
Account payable	2,270	1,869
Continuing involvement liabilities (Note III.43 (1))	1,212	1,212
Dividends payable	972	49
Deferred income	739	728
Others	1,958	1,803
Total	18,275	14,165

35 Share Capital

	30 June 2025	31 December 2024
Ordinary shares listed in Chinese Mainland (A share)	21,544	21,544
Ordinary shares listed outside Chinese Mainland (H share)	5,920	5,920
Total	27,464	27,464

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

36 Other Equity Instruments

		30 June 2025	31 December 2024
Perpetual bonds	Note (1)	24,995	24,995

(1) Perpetual bonds

(a) List of perpetual bonds issued at the end of the period

Equity instruments in issue	Perpetual bond
Issue date	25 November 2021
Accounting treatment	Equity instrument
Initial interest rate	3.85%
Issuance price per share (RMB/share)	100
Number (In millions)	250
Amount	25,000
Issuance fee	5
Maturity date	No maturity date
Conversion condition	None
Conversion status	None

(b) Main terms of perpetual bonds

The duration of the perpetual bonds is the same as the continuing operation of the Bank. The perpetual bonds issuance sets conditional redemption rights for the issuer. The Bank shall have the right to redeem all or part of the perpetual bonds on each annual interest payment date (including the fifth interest payment date since the date of issuance) five years after the date of issuance. If, after the issuance of the perpetual bonds, unpredictable changes in regulations result in that the perpetual bonds is no longer classified in other tier-one capital, the Bank shall have the right to redeem all, but not part, of the perpetual bonds.

The Bank shall exercise the right of redemption subject to the approval of the original China Banking and Insurance Regulatory Commission ("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.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

36 Other Equity Instruments *(Continued)*

(1) Perpetual bonds (Continued)

(b) Main terms of perpetual bonds (Continued)

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 INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

36 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 period/year

There was no change in the perpetual bonds outstanding at the end of the period/year during the period/year.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

36 Other Equity Instruments *(Continued)*

(2) Information related to the holders of the equity instruments

	30 June 2025	31 December 2024
Equity attributable to shareholders of the Bank		
– Ordinary shareholders of the Bank	175,243	173,908
– Other equity instruments holders of the Bank	24,995	24,995
Non-controlling interests		
– Ordinary shareholders of non-controlling interests	4,144	3,840

(3) Changes in other equity instruments outstanding at the end of the period

	31 December 2024	Increase	Decrease	30 June 2025
Perpetual Bond				
Number of shares (In millions)	250	–	–	250
Amount	24,995	–	–	24,995

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

37 Capital Reserve

	1 January 2025	Increase	Decrease	30 June 2025
Share premium	38,570	–	–	38,570

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

38 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 six months ended 30 June 2025					
	1 January 2025	Net-of-tax amount attributable to shareholders of the Bank	30 June 2025	Before-tax amount of the period	Previously recognized amount transferred to profit or loss	Income tax expense	After-tax amount of the period	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	297	13	310	17	–	(4)	13	13	–
Items that may be reclassified to profit or loss									
– Changes in fair value of financial assets measured at FVOCI	3,814	(1,411)	2,403	710	(2,592)	471	(1,411)	(1,411)	–
– Allowance for ECLs of financial assets measured at FVOCI	1,349	(306)	1,043	(407)	–	101	(306)	(306)	–
– Exchange differences from the translation of foreign operations	887	(344)	543	(345)	–	–	(345)	(344)	(1)
Total	6,347	(2,048)	4,299	(25)	(2,592)	568	(2,049)	(2,048)	(1)

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38 Other Comprehensive Income (Continued)

	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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39 Surplus Reserve

	Statutory surplus reserve
Balance at 1 January 2024	12,546
Appropriation (Note III.41)	1,466
Balance at 31 December 2024	14,012
Appropriation (Note III.41)	–
Balance at 30 June 2025	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.

40 Statutory General Reserve

	Statutory general reserve
Balance at 1 January 2024	29,804
Appropriation (Note III.41)	5,315
Balance at 31 December 2024	35,119
Appropriation (Note III.41)	2,342
Balance at 30 June 2025	37,461

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 period-end balance of its risk assets. The Bank's subsidiaries, if required by local regulation requirements, also need to make such general reserve.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

41 Profit appropriations

	Notes	30 June 2025	31 December 2024
Balance at the beginning of the period/year		52,396	49,458
Add: Net profit attributable to shareholders of the Bank		7,667	15,186
Less: Appropriation to surplus reserve		–	(1,466)
Appropriation to statutory general reserve		(2,342)	(5,315)
Distribution to ordinary shareholders	(1)	(4,284)	(4,504)
Distribution to perpetual bonds holders	(2)	–	(963)
Balance at the end of the period/year		53,437	52,396

(1) Approved and distributed dividends of ordinary shareholders

As approved by shareholders in 2024 Annual General Meeting on 13 June 2025, based on the Bank's total ordinary shares amounting to 27,465 million shares on the record date of profit distribution, the Bank declared a cash dividend of RMB1.56 for each 10 ordinary shares, with total amount of RMB4,284 million.

As approved by shareholders in 2023 Annual General Meeting on 12 June 2024, based on the Bank's total ordinary shares amounting to 27,465 million shares on the record date of profit distribution, the Bank declared a cash dividend of RMB1.64 for each 10 ordinary shares, with total amount of RMB4,504 million.

(2) Announcement and distribution to perpetual bonds holders

On 21 November 2024, the Bank announced the interest of perpetual bonds issued amounting to RMB963 million at the initial annual interest rate of 3.85% prior to the interest rate reset date determined by the terms of the bond. The distribution date was 26 November 2024.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

42 Notes to Consolidated Cash Flow Statements

(1) Cash and cash equivalents

	30 June 2025	30 June 2024
Cash	915	987
Surplus deposit reserves with the central bank	15,423	17,470
Deposits with banks and other financial institutions with original maturities of less than three months	25,277	34,380
Placements with banks and other financial institutions with original maturities of less than three months	2,655	4,258
Financial assets purchased under resale agreements with original maturities of less than three months	63,095	67,390
Total	107,365	124,485

(2) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Debt securities issued	Lease liabilities	Dividend payable	Total
At 1 January 2025	541,533	3,131	49	544,713
Cash changes:				
Proceeds from issuance of debt securities	249,634	—	—	249,634
Repayments of principal on debt securities issued	(280,599)	—	—	(280,599)
Repayments of interest on debt securities issued	(6,109)	—	—	(6,109)
Payment for dividend distribution	—	—	(3,361)	(3,361)
Payment for principal element of lease liabilities	—	(364)	—	(364)
Payment for interest element of lease liabilities	—	(51)	—	(51)
Non-cash changes:				
Interest expense (Note III.1)	6,042	51	—	6,093
Dividends declared (Note III.41(1))	—	—	4,284	4,284
Net increase of lease liabilities	—	67	—	67
At 30 June 2025	510,501	2,834	972	514,307

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

42 Notes to Consolidated Cash Flow Statements *(Continued)*

(2) Reconciliation of liabilities arising from financing activities (Continued)

	Debt securities issued	Lease liabilities	Dividend payable	Total
At 1 January 2024	395,938	3,257	51	399,246
Cash changes:				
Proceeds from issuance of debt securities	314,779	–	–	314,779
Repayments of principal on debt securities issued	(240,445)	–	–	(240,445)
Repayments of interest on debt securities issued	(4,889)	–	–	(4,889)
Payment for dividend distribution	–	–	(3,528)	(3,528)
Payment for principal element of lease liabilities	–	(373)	–	(373)
Payment for interest element of lease liabilities	–	(65)	–	(65)
Non-cash changes:				
Interest expense (Note III.1)	5,636	65	–	5,701
Dividends declared (Note III.41(1))	–	–	4,504	4,504
Net increase of lease liabilities	–	227	–	227
Exchange difference	93	–	–	93
At 30 June 2024	471,112	3,111	1,027	475,250

43 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 INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

43 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 six months ended 30 June 2025, the Group has transferred the ownership of the loans principal amounting to RMB8,888 million (For the six months ended 30 June 2024: RMB2,696 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 six months ended 30 June 2025, there is no Group's continuing involvement (For the six months ended 30 June 2024: Nil). At 30 June 2025, 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 2024: RMB1,212 million), which are separately presented as other assets and other liabilities.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

III NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

43 Transfer of Financial Assets *(Continued)*

(2) Non-performing assets transfer

For the six months ended 30 June 2025, the Group transferred non-performing loans and restructured loans principal amounting to RMB10,060 million (for the six months ended 30 June 2024: RMB12,341 million). For the six months ended 30 June 2025, the Group has transferred the ownership of non-performing loans, the principal of which amounted to RMB3,333 million (for the six months ended 30 June 2024: RMB2,696 million) through securitization transactions. For the six months ended 30 June 2025, the Group has transferred the ownership of non-performing loans, the principal of which amounted to RMB1,869 million (for the six months ended 30 June 2024: Nil) through divestiture of beneficial interest. As the Group transferred substantially all the risks and rewards of these non-performing loans, the Group derecognized these non-performing loans.

(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 30 June 2025, there is no Group's debt securities lent to counterparties (31 December 2024: Nil).

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

IV INTERESTS IN OTHER ENTITIES

1 Interests in subsidiaries

(1) Composition of the Group

At the balance sheet date, details of the subsidiaries included in the consolidated financial statements are as follows:

Name	Place of incorporation	Registered address	Business nature	Registered capital	Proportion of equity/voting rights
Zheyin Financial Leasing	Zhejiang Province	Zhoushan	Financial institution	RMB 4 billion	51%
Zheyin Wealth Management	Zhejiang Province	Hangzhou	Financial institution	RMB 2 billion	100%

(2) Important non wholly-owned subsidiaries 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 these subsidiaries is the amount before the Group's internal transactions are offset, but it has been adjusted by the unified accounting policy:

	30 June 2025	31 December 2024
Total assets	86,892	78,327
Total liabilities	78,434	70,490

	For the six months ended 30 June 2025	2024
Operating income	1,786	1,037
Net profit	622	496
Total comprehensive income	621	497
Net cash generated from operating activities	6,794	1,264

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

IV INTERESTS IN OTHER ENTITIES *(Continued)*

2 Interests in the structured entities

The Group manages or invests in multiple structured entities, which include fund investments, trust schemes and asset management plans, asset-backed securities and wealth management products. To determine whether the Group controls such structured entities, the Group assesses the overall interests (including direct income and expected management fees) in the structured entities through its participation in the decisions on the establishment of the structured entities, the extent of its participation and related contractual arrangements, as well as its decision-making power over the structured entities.

(1) Consolidated structured entities directly held by the Group

If the Group has power over structured entities through investment contracts and other arrangements, has variable interests through its involvement in the structured entities and has the ability to affect those interests through its power over the structured entities, the Group considers that it controls the structured entities and then consolidates them in the consolidated financial statements.

(2) Unconsolidated structured entities sponsored by third-party institutions and directly held by the Group

If the Group does not have substantive rights to the primary activities of the structured entities, or the Group only has insignificant proportion of the overall interests in the structured entities over which the Group has power, the Group does not consolidate the structured entities in the consolidated financial statements.

The unconsolidated structured entities directly held by the Group include fund investments, trust schemes and asset management plans, asset-backed securities and wealth management products initiated and sponsored 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.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

IV INTERESTS IN OTHER ENTITIES *(Continued)*

2 Interests in the structured entities *(Continued)*

(2) Unconsolidated structured entities sponsored by third-party institutions and directly held by the Group *(Continued)*

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:

	30 June 2025			Total
	Financial investments measured at	Financial investments measured at	Financial investments measured at	
	FVTPL	AC	FVOCI	
Fund investments	78,464	–	–	78,464
Trust schemes and asset management plans	422	1,663	–	2,085
Asset-backed securities	32,449	283	12,337	45,069
Wealth management products	154	–	–	154
Total	111,489	1,946	12,337	125,772

	31 December 2024			Total
	Financial investments measured at	Financial investments measured at	Financial investments measured at	
	FVTPL	AC	FVOCI	
Fund investments	88,154	–	–	88,154
Trust schemes and asset management plans	1,815	75,456	–	77,271
Asset-backed securities	10,939	695	45,100	56,734
Wealth management products	121	–	–	121
Total	101,029	76,151	45,100	222,280

The maximum exposures to loss in the above unconsolidated structured entities directly held by the Group are the fair value or amortised cost of the assets held by the Group in the consolidated statement of financial position.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

IV INTERESTS IN OTHER ENTITIES *(Continued)*

2 Interests in the structured entities *(Continued)*

(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 30 June 2025, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group was RMB143,823 million (31 December 2024: RMB144,574 million). For the six months ended 30 June 2025, the commission income recognised by the Group for providing asset management services for such financial products was RMB246 million (For the six months ended 30 June 2024: RMB271 million). At the balance sheet date, the balance of service charges receivable for asset management services of the Group was not material.

V 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.



NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

V SEGMENT REPORTING *(Continued)*

1 Business segment *(Continued)*

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 subsidiaries.

The accounting policies adopted in the preparation of segment reports are consistent with those adopted in the preparation of the Group's consolidated financial statements.

Transactions between segments mainly represent the provision of funding to and from individual segments. These transactions are conducted on terms determined with reference to the average cost of funding and have been reflected in the performance of each segment. Net interest income and expense arising on internal fund transfer are referred to as internal net interest income/expense. Net interest income and expense relating to third parties are referred to as external net interest income/expense.

Segment revenues, expenses, profits, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure refers to the total cash outflow of purchasing fixed assets, intangible assets and other long-term assets in the accounting period.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

V SEGMENT REPORTING (Continued)

1 Business segment (Continued)

Other business (Continued)

	For the six months ended 30 June 2025/30 June 2025				
	Corporate banking	Retail banking	Treasury operations	Others	Total
External net interest income	10,107	5,921	6,105	913	23,046
Inter-segment net interest income/(expenses)	6,659	(1,214)	(5,445)	–	–
Net interest income	16,766	4,707	660	913	23,046
Net fee and commission income/(expenses)	1,626	434	243	(10)	2,293
Net trading gains	–	–	2,514	–	2,514
Net gains on financial investments	522	–	3,841	–	4,363
Other operating income	–	8	39	1,002	1,049
Operating income	18,914	5,149	7,297	1,905	33,265
Operating expenses	(5,005)	(2,352)	(1,954)	(959)	(10,270)
Expected credit losses	(5,355)	(5,690)	(1,806)	(449)	(13,300)
Total operating expenses	(10,360)	(8,042)	(3,760)	(1,408)	(23,570)
Profit/(losses) before taxation	8,554	(2,893)	3,537	497	9,695
Segment assets	1,507,825	483,477	1,237,629	95,916	3,324,847
Unallocated assets					21,638
Total assets					3,346,485
Segment liabilities	(1,696,750)	(366,276)	(1,064,985)	(14,092)	(3,142,103)
Other segment information:					
Credit commitments and financial guarantee	797,543	18,173	–	1,040	816,756
Depreciation and amortisation	543	256	188	350	1,337
Capital expenditure	596	191	489	5,474	6,750

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

V SEGMENT REPORTING (Continued)

1 Business segment (Continued)

Other business (Continued)

	For the six months ended 30 June 2024/31 December 2024				
	Corporate banking	Retail banking	Treasury operations	Others	Total
External net interest income	8,730	8,826	5,263	823	23,642
Inter-segment net interest income/(expenses)	7,085	(2,715)	(4,370)	–	–
Net interest income	15,815	6,111	893	823	23,642
Net fee and commission income/(expenses)	1,726	543	523	(8)	2,784
Net trading gains/(losses)	–	–	4,744	(35)	4,709
Net gains on financial investments	598	–	3,009	–	3,607
Other operating income	–	17	30	506	553
Operating income	18,139	6,671	9,199	1,286	35,295
Operating expenses	(5,122)	(2,745)	(2,192)	(568)	(10,627)
Expected credit losses (accrual)/reversal	(9,888)	(4,889)	235	(385)	(14,927)
Total operating expenses	(15,010)	(7,634)	(1,957)	(953)	(25,554)
Profit/(losses) before taxation	3,129	(963)	7,242	333	9,741
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	529	249	184	218	1,180
Capital expenditure	509	187	441	4,435	5,572



NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

V SEGMENT REPORTING *(Continued)*

2 Regional division

The Group operates principally in Chinese Mainland, and also has a branch in Hong Kong, China. Geographically, the Group mainly conducts its business in the four areas listed below in Chinese Mainland.

“Yangtze River Delta Region” refers to the head office, Zheyin Financial Leasing, Zheyin Wealth Management and the following areas serviced by the tier-one branches of the Group: Hangzhou, Ningbo, Wenzhou, Shaoxing, Zhoushan, Shanghai, Nanjing, Suzhou, Hefei, Jinhua;

“Bohai Rim Region” refers to the following areas serviced by the tier-one branches of the Group: Beijing, Tianjin, Jinan, Shenyang;

“Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits” refers to the following areas serviced by the tier-one branches of the Group: Shenzhen, Guangzhou, Hong Kong, Fuzhou; and

“Midwestern China Region” refers to the following areas serviced by the tier-one branches of the Group: Chengdu, Guiyang, Xi’an, Lanzhou, Chongqing, Wuhan, Zhengzhou, Changsha, Hohhot, Nanchang, Nanning, Taiyuan.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

V SEGMENT REPORTING (Continued)

2 Regional division (Continued)

Regional division

	For the six months ended 30 June 2025/30 June 2025					
	Yangtze River Delta Region	Bohai Rim Region	Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits	Midwestern China Region	Elimination	Total
External net interest income	14,317	2,244	1,870	4,615	–	23,046
Inter-segment net interest (expenses)/ income	(2,051)	1,425	608	18	–	–
Net interest income	12,266	3,669	2,478	4,633	–	23,046
Net fee and commission income	897	441	431	524	–	2,293
Net trading gains	2,004	167	198	145	–	2,514
Net gains on financial investments	3,827	125	111	300	–	4,363
Other operating income	952	36	8	53	–	1,049
Operating income	19,946	4,438	3,226	5,655	–	33,265
Operating expenses	(6,339)	(1,359)	(878)	(1,694)	–	(10,270)
Expected credit losses	(8,718)	(2,180)	(1,672)	(730)	–	(13,300)
Total operating expenses	(15,057)	(3,539)	(2,550)	(2,424)	–	(23,570)
Profit before taxation	4,889	899	676	3,231	–	9,695
Segment assets	3,081,632	359,035	293,948	427,988	(837,756)	3,324,847
Unallocated assets						21,638
Total assets						3,346,485
Segment liabilities	(2,907,355)	(357,898)	(290,565)	(424,041)	837,756	(3,142,103)
Other segment information:						
Credit commitments and financial guarantee	376,467	136,293	102,386	201,610	–	816,756
Depreciation and amortisation	897	161	100	179	–	1,337
Capital expenditure	6,095	132	132	391	–	6,750

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

V SEGMENT REPORTING (Continued)

2 Regional division (Continued)

Regional division (Continued)

For the six months ended 30 June 2024/31 December 2024						
	Yangtze River Delta Region	Bohai Rim Region	Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits	Midwestern China Region	Elimination	Total
External net interest income	15,734	2,369	1,537	4,002	–	23,642
Inter-segment net interest (expenses)/ income	(3,792)	2,382	700	710	–	–
Net interest income	11,942	4,751	2,237	4,712	–	23,642
Net fee and commission income	726	595	675	788	–	2,784
Net trading gains	3,629	393	301	386	–	4,709
Net gains on financial investments	3,219	141	50	197	–	3,607
Other operating income	504	15	5	29	–	553
Operating income	20,020	5,895	3,268	6,112	–	35,295
Operating expenses	(6,508)	(1,531)	(869)	(1,719)	–	(10,627)
Expected credit losses	(9,486)	(1,292)	(1,946)	(2,203)	–	(14,927)
Total operating expenses	(15,994)	(2,823)	(2,815)	(3,922)	–	(25,554)
Profit before taxation	4,026	3,072	453	2,190	–	9,741
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	736	169	91	184	–	1,180
Capital expenditure	4,829	103	22	618	–	5,572

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

VI 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.

	30 June 2025	31 December 2024
Bank acceptances issued	387,961	386,023
Letters of credit issued	270,571	276,350
Letters of guarantee issued		
– Financing letters of guarantee	27,416	35,451
– Non-financing letters of guarantee	20,544	17,575
Undrawn credit card facility	18,173	17,958
Loan commitments and finance lease commitments	4,546	2,616
Receivables confirmation and other financial guarantee contracts	87,545	100,802
Total	816,756	836,775

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

VI COMMITMENTS AND CONTINGENCIES *(Continued)*

2 Capital Expenditure Commitments

At the balance sheet date, the Group's capital expenditure commitments are as follows:

	30 June 2025	31 December 2024
Contracted but not yet incurred	4,053	4,177
Authorized but not contracted	1,213	2,003
Total	5,266	6,180

3 Bond underwriting and redemption commitments

- (1) At 30 June 2025, the Group has outstanding bond underwriting commitments with an amount of RMB1,428 million (31 December 2024: Nil).
- (2) As a member of the saving bonds underwriting syndicate of the Central Government, the Group is obliged to redeem these bonds at the discretion of the holders at any time prior to maturity. The redemption price for the bonds is based on the nominal value of the bonds deducting commissions for early redeemed, plus any interest accrued up to the redemption date. The interest accrued shall be calculated in accordance with the relevant rules of the Ministry of Finance (the "MOF") and the PBOC.

At 30 June 2025, the Group had underwritten bonds with an accumulated amount of RMB1,013 million (31 December 2024: RMB949 million) to the general public, and these government bonds have not yet matured nor been redeemed. The Group expects that the amount of redemption of these government bonds through the Group prior to maturity will not be material.

4 Outstanding litigations and arbitrations

At the balance sheet date, the Group was involved in certain legal proceedings in the ordinary course of business. Management expects that such pending litigations will not materially affect the Group's financial position.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

VII 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:

	30 June 2025	31 December 2024
Entrusted loans	15,258	15,482
Entrusted loan funds	15,258	15,482

2 Entrusted investments business

Entrusted investment refers to the fact that the Group accepts the entrustment of a single or multiple clients based on the principal-agent relationship to engage in investment services such as asset operation, investment management, investment consultancy and so on. The investment risk of entrusted investment shall be borne by the client.

At the balance sheet dates, the entrusted business assets of the Group are as follows:

	30 June 2025	31 December 2024
Entrusted investments	447	401

3 Wealth management services

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with agreements. The Group receives fee incomes, such as custodian fees, sale fees and investment management fees, in return for its services provided under the agreements and does not have any interest in the economic risks and rewards related to assets under custody. Therefore, assets under custody are not recognized in the Group's balance sheet.

At balance sheet date, please refer to Note IV.2 (3) for information about wealth management services.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

VIII COLLATERAL INFORMATION

1 Assets pledged as security

The book value of the Group's secured liabilities related to the assets as collateral on the balance sheet dates are presented as due to the central bank, placements from banks and other financial institutions, financial assets sold under repurchase agreements and customer deposits. At the balance sheet date, the secured liabilities of the Group analyzed by collateral type were as follows:

	30 June 2025	31 December 2024
Bond investments	211,538	192,616
Bills	7,163	14,222
Finance lease receivables	481	269
Bank deposit certificate	156	156
Total	219,338	207,263

In addition, the Group provides collateral for the securities borrowed through the security lending and swap business. At 30 June 2025, the assets as collateral under the security lending and swap business of the Group were RMB130 million (31 December 2024: RMB100 million).

2 Assets received as collateral

At 30 June 2025, the Group has no securities that could sell or repledge the collateral in the absence of default by the owner of the collateral (31 December 2024: RMB100 million). 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 X.1(10).

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

IX RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1 Major shareholders

At 30 June 2025, the shareholding of major shareholder units directly or indirectly holding more than 5% of the Bank's shares are as follows:

	Number of shares held (in million shares)	Shareholding Percentage
Zhejiang Provincial Innovation Investment Group Co., Ltd. (formerly known as Zhejiang Provincial Financial Holdings Co., Ltd.)	3,452	12.57%
Zhejiang Provincial Energy Group Co., Ltd. and its group members, Zheneng Capital Investment (Hong Kong) Limited and Zhejiang Energy International Co., Ltd.	1,849	6.73%
Zhejiang Hengyi Group Co., Ltd. and its group members Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Petrochemical Co., Ltd.	1,616	5.88%
Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. and its group members, Zhejiang Seaport (Hong Kong) Co., Ltd.	1,379	5.02%

At 31 December 2024, the shareholding of major shareholder units directly or indirectly holding more than 5% of the Bank's shares are as follows:

	Number of shares held (In million shares)	Shareholding Percentage
Zhejiang Provincial Innovation Investment Group Co., Ltd. (formerly known as Zhejiang Provincial Financial Holdings Co., Ltd.)	3,452	12.57%
Zhejiang Provincial Energy Group Co., Ltd. and its group members, Zheneng Capital Investment (Hong Kong) Limited and Zhejiang Energy International Co., Ltd.	1,849	6.73%
Zhejiang Hengyi Group Co., Ltd. and its group members Zhejiang Hengyi High-tech Material Co., Ltd. and Zhejiang Hengyi Petrochemical Co., Ltd.	1,616	5.88%
Hengdian Group Holdings Limited	1,616	5.88%
Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. and its group members, Zhejiang Seaport (Hong Kong) Co., Ltd.	1,379	5.02%

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

IX RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

2 Related party transactions

The amount of major transactions between the Group and related parties and the balance of major current accounts at the balance sheet date are as follows:

	Zhejiang Provincial Innovation Investment Group Co., Ltd. and its subsidiaries	Zhejiang Provincial Energy Group Co., Ltd. and its subsidiaries	Zhejiang Hengyi Group Co., Ltd. and its subsidiaries	Zhejiang Provincial Seaport Investment & Operation Group Co., Ltd. and its subsidiaries	Others	Total	Proportion in the amount/ balance of related similar transactions
The amount of significant transactions from 1 January 2025 to 30 June 2025 is as follows:							
Interest income	-	1	35	4	67	107	0.20%
Interest expense	(40)	-	-	(15)	(60)	(115)	0.39%
Fee and commission income	-	2	-	-	3	5	0.17%
Net trading gains	27	-	-	-	71	98	3.90%
Operating expenses	-	-	-	(1)	(2)	(3)	0.03%
At 30 June 2025, the balance of major current accounts is as follows:							
Financial assets purchased under resale agreements	31	-	-	-	139	170	0.27%
Loans and advances to customers	-	245	2,499	260	7,338	10,342	0.55%
Financial investments measured at FVTPL	7,322	-	-	-	8,214	15,536	5.85%
Customer deposits	(2,828)	(86)	(451)	(521)	(4,753)	(8,639)	0.43%
The major off-balance sheet items at 30 June 2025 are as follows:							
Credit commitments and financial guarantee	23	764	1,500	1	124	2,412	0.30%
Loan balance guaranteed by related parties	7,376	239	4,468	261	6,222	18,566	0.69%

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

IX RELATED PARTIES AND RELATED PARTY TRANSACTIONS (Continued)

2 Related party transactions (Continued)

	Zhejiang Provincial Investment Group Co., Ltd. and its subsidiaries	Zhejiang Provincial Energy Group Co., Ltd. and its subsidiaries	Zhejiang Provincial 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 from 1 January 2024 to 30 June 2024 is as follows:								
Interest income	2	2	15	1	7	118	145	0.25%
Interest expense	(12)	(2)	-	(6)	(6)	(38)	(64)	0.19%
Fee and commission income	-	-	1	-	-	3	4	0.12%
Net trading gains	100	-	-	92	-	26	218	4.63%
Operating expenses	-	-	-	-	(1)	(1)	(2)	0.02%
At 31 December 2024, the balance of major balance sheet items is as follows:								
Financial Assets Purchased Under Resale Agreements	210	-	-	-	-	200	410	0.60%
Loans and advances to customers	-	265	1,794	78	367	5,233	7,737	0.42%
Financial investments measured at FVTPL	6,855	-	-	3,952	-	2,321	13,128	5.74%
Financial investments measured at FVOCI	-	31	-	-	-	-	31	0.01%
Customer deposits	(3,375)	(69)	(400)	(541)	(842)	(5,601)	(10,828)	0.57%
The major off-balance sheet items at 31 December 2024 are as follows:								
Credit commitments and financial guarantee	-	218	2,500	30	1	149	2,898	0.35%
Other off-balance sheet items	-	100	-	-	-	-	100	0.13%
Loan balance guaranteed by related parties	8,235	300	4,488	30	368	4,324	17,745	0.66%

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

(In RMB millions, unless otherwise stated)

IX 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:

	For the six months ended 30 June	
	2025	2024
Fees	1	1
Salaries and allowances and benefits	5	4
Discretionary bonuses	—	1
Contribution to pension	1	1
Total	7	7

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 INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

IX RELATED PARTIES AND RELATED PARTY TRANSACTIONS *(Continued)*

4 Transactions between the Bank and the subsidiaries

The transactions between the Bank and its subsidiaries are mainly subject to general business terms and carried out in accordance with normal business procedures or in accordance with the contractual agreements of the Bank, and shall be approved by the corresponding decision-making authority depending on the nature and the amount of the transaction. The amount of major transactions between the Bank and its subsidiaries (consolidated structured entities directly held by the Group excluded) and the balance of major current accounts at the balance sheet date are as follows:

	For the six months ended 30 June	
	2025	2024
Interest income	27	36
Interest expense	(16)	(4)
Fee and commission income	3	5
Fee and commission expense	(90)	–
Other operating income	11	15
Lease payment to subsidiaries	4	14

	30 June 2025	31 December 2024
Placements with banks and other financial institutions	2,001	3,002
Other assets	11	20
Deposits from banks and other financial institutions	(4,538)	(348)
Other liabilities	(8)	(8)

5 Plan and transaction of annuity

Except for normal contributions, other related party transactions in the annuity funds established by the Group and the Bank during the reporting period are as follows:

	For the six months ended 30 June	
	2025	2024
Interest expense	5	14

	30 June 2025	31 December 2024
Customer deposits	281	447



NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X 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, compliance risk management and outsourcing 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 INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X 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.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

1 Credit Risk *(Continued)*

(1) Credit risk measurement *(Continued)*

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.

(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

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

1 Credit Risk *(Continued)*

(2) Risk limits and mitigation measures *(Continued)*

Collaterals and pledged assets (Continued)

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 and PRC treasury bonds	100%
Financial bonds	80%
Residential properties	85%
Commercial properties	50%
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.

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.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

1 Credit Risk *(Continued)*

(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 INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X 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, special mention for five-category classification, changes in probability of default and other cases that indicate a significant change in credit risk.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X 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 INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X 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 INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X 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 a 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 INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

1 Credit Risk *(Continued)*

(3) Measurement of ECLs *(Continued)*

Forward-looking information, other adjustments and sensitivity analysis (Continued)

At 30 June 2025, 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, M0 money supply growth rate on year-on-year basis, etc. Among all, the forecasts of high-weighted macro-indicators are listed as follows:

Indicators	Predictive range
GDP growth rate on year-on-year basis	From 4.14% to 5.86%
CPI growth rate on year-on-year basis	From 0.12% to 0.64%
M0 money supply growth rate on year-on-year basis	From 11.26% to 12.48%

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 0.69%. 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 0.86%.

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.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

1 Credit Risk *(Continued)*

(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:

	30 June 2025	31 December 2024
Cash and balances with the central bank	128,044	129,691
Deposits with banks and other financial institutions	47,747	51,919
Placements with banks and other financial institutions	4,584	17,366
Financial assets purchased under resale agreements	63,102	68,407
Loans and advances to customers		
– measured at AC	1,533,254	1,487,701
– measured at FVOCI	312,921	324,983
Financial investments		
– measured at AC	447,865	469,159
– measured at FVOCI	332,335	355,999
Other financial assets	71,314	67,941
Total	2,941,166	2,973,166
Credit commitments and financial guarantee	815,660	835,689

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X 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):

	30 June 2025		31 December 2024	
	Gross		Gross	
	amount	Proportion	amount	Proportion
Yangtze River Delta Region	1,038,505	55.27%	991,127	53.65%
Midwestern China Region	364,688	19.41%	367,401	19.89%
Bohai Rim Region	246,993	13.14%	257,185	13.92%
Pearl River Delta Region and Economic Zone on the Western Coast of the Taiwan Straits	228,841	12.18%	231,684	12.54%
Total	1,879,027	100.00%	1,847,397	100.00%

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X 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):

	30 June 2025		31 December 2024	
	Gross amount	Proportion	Gross amount	Proportion
Corporate loans and advances				
Leasing and commercial services	293,289	15.61%	267,267	14.47%
Manufacturing	276,999	14.74%	273,221	14.79%
Wholesale and retail trade	185,915	9.90%	191,741	10.38%
Real estate	178,170	9.48%	186,133	10.07%
Construction	78,564	4.18%	74,814	4.05%
Administration of water conservancy, environment and public facilities	75,821	4.04%	68,991	3.73%
Financing	54,175	2.88%	42,009	2.27%
Scientific research, technology services and geological exploration	26,839	1.43%	23,689	1.28%
Information transmission, computer services and software industry	24,961	1.33%	28,245	1.53%
Accommodation and catering	18,610	0.99%	18,460	1.00%
Transportation, storage and postal service	18,492	0.98%	17,314	0.94%
Production and supply of electricity, heat, gas and water	16,007	0.85%	14,403	0.78%
Agriculture, forestry, animal husbandry and fishery	15,834	0.84%	13,054	0.71%
Mining	15,429	0.82%	16,611	0.90%
Culture, sports and entertainment	6,150	0.33%	6,194	0.33%
Education	4,006	0.21%	3,503	0.19%
Health, social security and social welfare	1,978	0.11%	1,768	0.10%
Household services and other services	1,944	0.10%	2,149	0.12%
Corporate loans and advances	1,293,183	68.82%	1,249,566	67.64%
Personal loans and advances	466,041	24.80%	478,631	25.91%
Discounted bills	119,803	6.38%	119,200	6.45%
Total	1,879,027	100.00%	1,847,397	100.00%

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X 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	30 June 2025	31 December 2024
Credit-impaired		28,555	27,565
Less: Allowance for ECLs	(a)	(17,430)	(17,384)
Subtotal		11,125	10,181
Overdue but not credit-impaired		14,875	9,979
Less: Allowance for ECLs	(b)	(3,402)	(2,861)
Subtotal		11,473	7,118
Neither overdue nor credit-impaired		1,835,597	1,809,853
Less: Allowance for ECLs	(c)	(21,525)	(24,187)
Subtotal		1,814,072	1,785,666
Total		1,836,670	1,802,965

- (a) At 30 June 2025, the allowance for ECLs of the loans and advances to customers measured at FVOCI which were credit-impaired were RMB316 million (31 December 2024: RMB313 million). The allowance for ECLs are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.
- (b) At 30 June 2025, the allowance for ECLs of the loans and advances to customers measured at FVOCI which were overdue but not credit-impaired were RMB84 million (31 December 2024: RMB86 million). The allowance for ECLs are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.
- (c) At 30 June 2025, the allowance for ECLs of the loans and advances to customers measured at FVOCI which were neither overdue nor credit-impaired were RMB613 million (31 December 2024: RMB720 million). The allowance for ECLs are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X 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:

	30 June 2025	31 December 2024
Neither overdue nor credit-impaired		
– AAA1 to AAA6	34,561	55,427
– AA1 to AA6	20,077	33,593
– A1 to A3	57,633	45,331
– No rating	3,072	3,229
Less: Allowance for ECLs	(15)	(28)
Total	115,328	137,552

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X 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	30 June 2025	31 December 2024
Credit-impaired		50,850	52,638
Less: Allowance for ECLs	(a)	(23,643)	(23,688)
Subtotal		27,207	28,950
Neither overdue nor credit-impaired			
– Government and Central Bank		325,479	326,387
– Policy banks		188,331	177,672
– Commercial banks		77,467	89,384
– Other financial institutions		11,624	36,865
– Others		138,632	154,124
Less: Allowance for ECLs	(b)	(1,010)	(1,709)
Subtotal		740,523	782,723
Total		767,730	811,673

(a) At 30 June 2025, the total allowance for ECLs of the debt investments measured at FVOCI which were credit-impaired, were RMB31 million (31 December 2024: RMB325 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 30 June 2025, the total allowance for ECLs of the debt investments measured at FVOCI which were neither overdue nor credit-impaired, were RMB346 million (31 December 2024: RMB353 million). The ECL allowance are recognized in other comprehensive income, without offsetting the carrying amount of these financial assets in the balance sheet.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X 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 30 June 2025, 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 RMB12,859 million (31 December 2024: RMB12,875 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:

	30 June 2025			Exposures covered by collateral
	Gross amount	Allowance for ECLs	Subtotal	
Credit-impaired financial assets				
Loans and advances to customers				
– measured at AC	27,845	(17,430)	10,415	19,330
– measured at FVOCI	710	(316)	394	508
Financial investments				
– measured at AC	50,772	(23,643)	27,129	44,088
– measured at FVOCI	78	(31)	47	–
Total	79,405	(41,420)	37,985	63,926

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

1 Credit Risk *(Continued)*

(10) Collaterals and other credit enhancement (Continued)

	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

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, audit department, other departments, as well as branches, subbranches and the subsidiaries. Senior management is responsible for implementing and organizing the market risk management, overseeing the implementation of market risk appetite, as well as formulating 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.



NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

2 Market Risk *(Continued)*

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.

(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 INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X 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 maturity date, whichever is earlier.

	Non-interest bearing	Within 1 months	30 June 2025			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	5,809	122,235	–	–	–	–	128,044
Deposits with banks and other financial institutions	54	43,318	762	3,597	16	–	47,747
Placements with banks and other financial institutions	33	2,399	848	1,204	100	–	4,584
Derivative financial assets	28,076	–	–	–	–	–	28,076
Financial assets purchased under resale agreements	18	63,084	–	–	–	–	63,102
Loans and advances to customers	8,844	216,801	204,143	999,144	338,482	78,761	1,846,175
Financial investments							
– measured at FVTPL	171,865	20,801	2,140	24,022	28,268	18,374	265,470
– measured at AC	6,998	10,321	34,713	66,449	171,781	157,603	447,865
– measured at FVOCI	4,368	5,559	13,856	58,459	146,550	104,980	333,772
Other financial assets	8,640	5,202	5,829	28,450	21,072	2,121	71,314
Total financial assets	234,705	489,720	262,291	1,181,325	706,269	361,839	3,236,149
Financial liabilities							
Due to the central bank	(557)	(13,881)	(33,210)	(24,764)	–	–	(72,412)
Deposits from banks and other financial institutions	(1,979)	(102,702)	(52,797)	(122,024)	–	–	(279,502)
Placements from banks and other financial institutions	(444)	(10,189)	(11,093)	(74,006)	(1,585)	(102)	(97,419)
Financial liabilities at fair value through profit or loss	(20,125)	(18,653)	–	–	–	–	(38,778)
Derivative financial liabilities	(22,818)	–	–	–	–	–	(22,818)
Financial assets sold under repurchase agreements	(11)	(25,488)	–	(279)	–	–	(25,778)
Customer deposits	(37,055)	(699,167)	(228,822)	(568,836)	(531,934)	–	(2,065,814)
Debt securities issued	(2,458)	(25,081)	(79,577)	(208,885)	(164,500)	(30,000)	(510,501)
Lease liabilities	–	(54)	(109)	(607)	(1,627)	(437)	(2,834)
Other financial liabilities	(15,075)	(587)	(497)	(1,186)	–	–	(17,345)
Total financial liabilities	(100,522)	(895,802)	(406,105)	(1,000,587)	(699,646)	(30,539)	(3,133,201)
Interest rate exposure	134,183	(406,082)	(143,814)	180,738	6,623	331,300	102,948

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT (Continued)

2 Market Risk (Continued)

(1) Interest rate risk (Continued)

	Non-interest bearing	Within 1 month	31 December 2024			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	1,051	128,640	–	–	–	–	129,691
Deposits with banks and other financial institutions	91	45,010	6,374	444	–	–	51,919
Placements with banks and other financial institutions	27	14,747	930	1,562	100	–	17,366
Derivative financial assets	41,692	–	–	–	–	–	41,692
Financial assets purchased under resale agreements	22	65,039	1,948	1,398	–	–	68,407
Loans and advances to customers	8,495	430,000	195,706	703,634	368,002	106,847	1,812,684
Financial investments							
– measured at FVTPL	180,591	416	4,085	13,439	12,069	18,273	228,873
– measured at AC	6,713	9,535	17,858	84,849	185,349	164,855	469,159
– measured at FVOCI	4,332	1,812	16,042	91,886	152,833	90,514	357,419
Other financial assets	7,293	4,762	5,971	26,956	21,146	1,813	67,941
Total financial assets	250,307	699,961	248,914	924,168	739,499	382,302	3,245,151
Financial liabilities							
Due to the central bank	(271)	(6,430)	(29,533)	(41,587)	–	–	(77,821)
Deposits from banks and other financial institutions	(2,003)	(100,908)	(84,966)	(179,063)	–	–	(366,940)
Placements from banks and other financial institutions	(645)	(23,312)	(16,629)	(52,235)	(3,020)	–	(95,841)
Financial liabilities at fair value through profit or loss	(5,932)	(15,264)	–	–	–	–	(21,196)
Derivative financial liabilities	(36,085)	–	–	–	–	–	(36,085)
Financial assets sold under repurchase agreements	(34)	(33,185)	(1,667)	(401)	–	–	(35,287)
Customer deposits	(34,425)	(695,963)	(182,680)	(506,589)	(502,632)	–	(1,922,289)
Debt securities issued	(2,525)	(12,458)	(88,956)	(283,094)	(124,500)	(30,000)	(541,533)
Lease liabilities	–	(101)	(135)	(604)	(1,780)	(511)	(3,131)
Other financial liabilities	(10,169)	(49)	(782)	(1,038)	–	–	(12,038)
Total financial liabilities	(92,089)	(887,670)	(405,348)	(1,064,611)	(631,932)	(30,511)	(3,112,161)
Interest rate exposure	158,218	(187,709)	(156,434)	(140,443)	107,567	351,791	132,990

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X 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):

	30 June 2025		31 December 2024	
	Net interest income	Other comprehensive income	Net interest income	Other comprehensive income
	(Decrease)/Increase	(Decrease)/Increase	(Decrease)/Increase	(Decrease)/Increase
Change in interest rate				
Increase by 25 basis points	(827)	(2,534)	(680)	(2,651)
Decrease by 25 basis points	827	2,544	680	2,679

For the purpose of the sensitivity analysis, the Group adopts the following assumptions in determining commercial conditions and financial parameters:

- (i) the analysis is based on the static gap at the balance sheet date, regardless of subsequent changes;
- (ii) all assets and liabilities that are repriced or due within one year are assumed to be repriced or due at the beginning of the respective periods;
- (iii) same fluctuations in interest rates of different interest-bearing assets and interest-bearing liabilities are the same;
- (iv) yield curves move in parallel with change in interest rates;
- (v) there are no other changes in the assets or liabilities portfolio;
- (vi) no consideration of impact on customer behavior, market price and off-balance sheet business resulting from interest rate changes; and
- (vii) no consideration of actions taken by the Group in response to interest rate changes.

Therefore, the actual results on net interest income and other comprehensive income due to the increase or decrease in interest rates may differ from the analysis based on such assumptions.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X 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.

	30 June 2025				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Financial assets					
Cash and balances with the central bank	117,359	10,362	77	246	128,044
Deposits with banks and other financial institutions	37,902	7,117	830	1,898	47,747
Placement with banks and other financial institutions	1,887	2,157	456	84	4,584
Derivative financial assets	22,001	5,942	113	20	28,076
Financial assets purchased under resale agreements	62,557	545	–	–	63,102
Loans and advances to customers	1,796,297	19,348	13,085	17,445	1,846,175
Financial investments					
– measured at FVTPL	263,487	1,978	5	–	265,470
– measured at AC	431,374	15,232	–	1,259	447,865
– measured at FVOCI	275,091	50,488	700	7,493	333,772
Other financial assets	68,724	2,525	50	15	71,314
Total financial assets	3,076,679	115,694	15,316	28,460	3,236,149
Financial liabilities					
Due to the central bank	(72,412)	–	–	–	(72,412)
Deposits from banks and other financial institutions	(257,987)	(15,897)	(5,103)	(515)	(279,502)
Placements from banks and other financial institutions	(89,569)	(7,850)	–	–	(97,419)
Financial liabilities at fair value through profit or loss	(38,778)	–	–	–	(38,778)
Derivative financial liabilities	(18,973)	(3,507)	–	(338)	(22,818)
Financial assets sold under repurchase agreements	(25,140)	(638)	–	–	(25,778)
Customer deposits	(1,932,459)	(98,804)	(1,671)	(32,880)	(2,065,814)
Debt securities issued	(510,220)	(281)	–	–	(510,501)
Lease liabilities	(2,816)	–	(18)	–	(2,834)
Other financial liabilities	(17,131)	(155)	(8)	(51)	(17,345)
Total financial liabilities	(2,965,485)	(127,132)	(6,800)	(33,784)	(3,133,201)
Net amount	111,194	(11,438)	8,516	(5,324)	102,948
Credit commitments and financial guarantee	783,409	17,576	2,327	12,348	815,660

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT (Continued)

2 Market Risk (Continued)

(2) Foreign exchange risk (Continued)

	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 INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X 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	
	30 June 2025 (Decrease)/ Increase	31 December 2024 (Decrease)/ Increase
Change in USD exchange rate		
Appreciation against RMB by 100 bps	(86)	(68)
Depreciation against RMB by 100 bps	86	68
Change in HKD exchange rate		
Appreciation against RMB by 100 bps	20	(31)
Depreciation against RMB by 100 bps	(20)	31

The sensitivity analysis is based on the following assumptions:

- (i) the analysis is based on the static gap at the balance sheet date, regardless of subsequent changes;
- (ii) the foreign exchange rate sensitivity is the gains or losses recognized as a result of a 100-basis point fluctuation in the absolute value of foreign exchange rates against the closing price (middle price) of RMB at the balance sheet date;
- (iii) the fluctuation of exchange rates by 100 basis points at the balance sheet date is based on the assumption of exchange rates movement over the next 12 months;
- (iv) when calculating the foreign exchange exposure, spot and forward from foreign exchange exposure and swaps are included;
- (v) other variables (including interest rates) remain unchanged;



NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

2 Market Risk *(Continued)*

(2) Foreign exchange risk *(Continued)*

- (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.

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.



NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X FINANCIAL RISK MANAGEMENT *(Continued)*

3 Liquidity Risk *(Continued)*

The Group manages the liquidity risk in a centralized manner. By establishing a scientific and completed liquidity risk management system, the Group can effectively identify, measure, monitor, control and report its liquidity risk. The Group strengthens its liquidity risk management ability by continuously improving the perspectiveness and initiative of liquidity risk management. Specific measures for liquidity risk management include: paying close attention to both domestic and foreign macroeconomic situations and market liquidity changes, as well as adjusting the asset and liability management strategies in a timely manner; strengthening debt management, making flexible use of active debt instruments, broadening long-term sources of fund, and continuously increasing the proportion of stable liabilities; promoting the construction of diversified of financing channels and actively expanding financing channels while maintaining good relationships with major financing counterparties; strengthening the management of high-quality liquid assets, ensuring the fitness of the retention scale of high-quality liquid assets and the potential financing needs to enhance the liquidity risk mitigation capability; strengthening the early-warning monitoring and management of liquidity, optimizing the emergency response program for liquidity risk and conducting emergency drills on a regular basis; conducting stress tests for liquidity risk on a quarterly basis, identifying weak points in respect of the Group's liquidity risk management based on results of such tests, adjusting liquidity risk management strategies if necessary, and modifying the liquidity risk management measures in a timely manner to improve liquidity risk management mechanism. The results of stress tests indicate that under various stress scenarios, the liquidity risk of the Group is within a controllable range.

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:

	30 June 2025					
	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
Financial assets						
Cash and balances with the central bank	-	128,044	-	-	-	-
Deposits with banks and other financial institutions	-	38,181	5,162	780	3,653	17
Placements with banks and other financial institutions	-	-	2,406	859	1,240	106
Financial assets purchased under resale agreements	-	-	63,108	-	-	-
Loans and advances to customers	20,891	-	93,019	189,863	775,782	506,565
Financial investments						
- measured at FVTPL	3	171,864	20,954	2,573	26,011	30,168
- measured at AC	19,492	-	10,145	37,109	77,824	198,364
- measured at FVOCI	-	1,437	6,087	15,551	65,395	164,474
Other financial assets	2,551	6,716	2,537	4,429	18,602	38,323
Total financial assets	42,937	346,242	203,418	251,164	968,507	672,105
						3,422,390

3 Liquidity Risk (Continued)

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

		30 June 2025					
		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
	Overdue						Total
Financial liabilities							
Due to the central bank	-	-	(14,036)	(33,554)	(25,127)	-	(72,717)
Deposits from banks and other financial institutions	-	(69,068)	(34,012)	(53,994)	(123,875)	-	(280,949)
Placements from banks and other financial institutions	-	-	(10,291)	(11,340)	(75,065)	(1,604)	(98,406)
Financial liabilities at fair value through profit or loss	-	(20,125)	(18,653)	-	-	-	(38,778)
Financial assets sold under repurchase agreements	-	-	(25,491)	-	(291)	-	(25,782)
Customer deposits	-	(607,244)	(136,985)	(234,056)	(606,399)	(517,901)	(2,102,585)
Debt securities issued	-	-	(26,044)	(80,425)	(214,685)	(174,673)	(529,309)
Lease liabilities	-	-	(54)	(110)	(624)	(1,811)	(3,139)
Other financial liabilities	-	(14,945)	(589)	(502)	(1,309)	-	(17,345)
Total financial liabilities	-	(711,382)	(266,155)	(413,981)	(1,047,375)	(695,989)	(3,169,010)
Net amount	42,937	(365,140)	(62,737)	(162,817)	(78,868)	242,028	253,380

3 Liquidity Risk (Continued)

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

		31 December 2024					
		Overdue	On demand/ indefinite	Within 1 month	After 1 month but within 3 months	After 1 year but within 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	-	51,942
Placements with banks and other financial institutions		-	-	14,758	950	107	17,408
Financial assets purchased under resale agreements		-	-	65,069	1,955	-	68,429
Loans and advances to customers		15,380	-	117,138	208,974	379,201	1,947,860
Financial investments							
- measured at FVTPL	9	180,592	-	517	4,298	15,418	233,379
- measured at AC	23,098	-	-	9,662	20,803	215,294	515,706
- measured at FVOCI	12	1,420	1,420	2,739	17,566	170,577	383,049
Other financial assets	1,261	6,845	6,845	2,583	4,615	36,383	74,077
Total financial assets		39,760	355,107	220,962	265,585	643,770	3,421,541

X 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 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 liabilities					
Due to the central bank	-	-	(6,484)	(29,745)	(42,154)
Deposits from banks and other financial institutions	-	(78,054)	(23,226)	(86,134)	(182,399)
Placements from banks and other financial institutions	-	-	(23,568)	(16,957)	(53,399)
Financial liabilities at fair value through profit or loss	-	(5,932)	(15,264)	-	-
Financial assets sold under repurchase agreements	-	-	(33,221)	(1,681)	(416)
Customer deposits	-	(573,638)	(136,921)	(194,398)	(531,387)
Debt securities issued	-	-	(12,565)	(90,385)	(289,765)
Lease liabilities	-	-	(101)	(136)	(623)
Other financial liabilities	-	(10,140)	(49)	(783)	(1,066)
Total financial liabilities	-	(667,764)	(251,399)	(420,219)	(1,101,209)
				(663,650)	(34,813)
Net amount	39,760	(312,657)	(30,437)	(154,634)	(151,508)
				283,006	608,957
					282,487

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X 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.

	30 June 2025					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Cash inflow/(outflow)	364	300	3,073	(182)	–	3,555

	31 December 2024					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
Cash inflow/(outflow)	849	779	3,009	(83)	(68)	4,486

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X 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:

	30 June 2025					
	Within 1 month	After 1 month	After 3 months	After 1 year	After 5 years	Total
		but within 3 months	but within 1 year	but within 5 years		
Cash outflow	(151,977)	(143,904)	(451,010)	(18,636)	(21)	(765,548)
Cash inflow	151,861	144,519	451,974	18,651	45	767,050
Net (outflow)/inflow	(116)	615	964	15	24	1,502
	31 December 2024					
	Within 1 month	After 1 month	After 3 months	After 1 year	After 5 years	Total
		but within 3 months	but within 1 year	but within 5 years		
Cash outflow	(165,742)	(114,132)	(419,612)	(6,743)	(335)	(706,564)
Cash inflow	167,963	114,953	419,336	6,738	424	709,414
Net inflow/(outflow)	2,221	821	(276)	(5)	89	2,850

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

X 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:

	30 June 2025					Total
	Within 1 month	After 1 month but within 3 months	After 3 months but within 1 year	After 1 year but within 5 years	After 5 years	
		3 months	1 year	5 years		
Bank acceptances issued	54,570	116,826	216,431	–	–	387,827
Letters of credit issued	187,290	25,180	57,725	104	–	270,299
Letters of guarantee issued	4,326	7,884	23,504	11,856	33	47,603
Undrawn credit card facility	18,133	–	–	–	–	18,133
Loan commitments and finance lease commitments	2,427	8	375	883	852	4,545
Receivables confirmation and other financial guarantee contracts	10,634	18,304	51,090	7,225	–	87,253
Total	277,380	168,202	349,125	20,068	885	815,660

	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	
		3 months	1 year	5 years		
Bank acceptances issued	70,357	115,250	200,304	–	–	385,911
Letters of credit issued	189,249	28,471	58,314	101	–	276,135
Letters of guarantee issued	4,437	9,310	26,648	12,336	50	52,781
Undrawn credit card facility	17,912	–	–	–	–	17,912
Loan commitments and finance lease commitments	848	34	462	1,156	116	2,616
Receivables confirmation and other financial guarantee contracts	12,929	22,608	57,791	6,926	80	100,334
Total	295,732	175,673	343,519	20,519	246	835,689



NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

XI 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 30 June 2025, the Group has calculated and disclosed capital adequacy ratio in accordance with *the Administrative Measures for Capital of Commercial Banks* (Decree No.4 in the year of 2023 of the National Financial Regulatory Administration), with credit risk-weighted assets measured using the risk-weighted approach, market risk-weighted assets and operational risk-weighted assets measured using the standardized approach.

At 30 June 2025, the Group's core tier-one capital adequacy ratio, tier-one capital adequacy ratio, and capital adequacy ratio all met the requirements of *the Administrative Measures for Capital of Commercial Banks* and other relevant regulations. For more information on capital, please refer to the *2025 Interim Pillar 3 Information Disclosure Report* disclosed on the Bank's website.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

XII 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:

	30 June 2025			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Derivative financial assets	–	28,076	–	28,076
Loans and advances to customers	–	309,198	3,723	312,921
Financial investments				
– measured at FVTPL	68,445	192,223	4,802	265,470
– measured at AC designated as hedged items in fair value hedge	–	5,017	–	5,017
– measured at FVOCI	–	332,335	1,437	333,772
Total assets measured at fair value on a recurring basis	68,445	866,849	9,962	945,256
Placements from banks and other financial institutions	–	(26,517)	–	(26,517)
Financial liabilities at fair value through profit or loss	(1,729)	(37,049)	–	(38,778)
Derivative financial liabilities	–	(22,818)	–	(22,818)
Total liabilities measured at fair value on a recurring basis	(1,729)	(86,384)	–	(88,113)

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

XII FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

1 Fair values of financial assets and liabilities *(Continued)*

(1) Fair value hierarchy (Continued)

	31 December 2024			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Derivative financial assets	–	41,692	–	41,692
Loans and advances to customers	–	313,509	11,474	324,983
Financial investments				
– measured at FVTPL	71,905	151,835	5,133	228,873
– measured at AC designated as hedged items in fair value hedge	–	5,036	–	5,036
– measured at FVOCI	–	355,999	1,420	357,419
Total assets measured at fair value on a recurring basis	71,905	868,071	18,027	958,003
Placements from banks and other financial institutions	–	(22,578)	–	(22,578)
Financial liabilities at fair value through profit or loss	(572)	(20,624)	–	(21,196)
Derivative financial liabilities	–	(36,085)	–	(36,085)
Total liabilities measured at fair value on a recurring basis	(572)	(79,287)	–	(79,859)

(2) Level 1 fair value measurement

For financial instruments with unadjusted quoted prices in active markets that are observable for identical assets or liabilities, the Group takes the unadjusted quoted price as the best evidence of fair value when determining the fair value of financial instruments. So as to determine its fair value, and divide it into the first level measured by fair value. The financial instruments defined as level 1 by the Group mainly include open-end funds, open-end wealth management products and unrestricted equity investments in listed companies.



NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

XII FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

1 Fair values of financial assets and liabilities *(Continued)*

(3) Level 2 fair value measurement

If the main parameters used in the valuation are observable and available from the active open market, the relevant financial instruments are defined as level 2 fair value measurement. The Group's level 2 financial instruments mainly include bond and ABS investments, term-ended funds, discounted bills, trade finance, restricted equity investments in listed companies, lease-in of precious metals in account caption of placements from banks and other financial institutions, financial liabilities related to precious metals in account caption of financial liabilities at fair value through profit or loss, interest rate derivatives, foreign exchange derivatives, precious metal and other derivatives.

For the fair value of RMB bond and ABS investments measured at FVTPL and FVOCI, the Group adopts the valuation results issued by China Central Depository & Clearing Co., Ltd. or China Securities Depository and Clearing Co., Ltd. according to the bond market. For the fair value of foreign currency bonds, the Group adopts Bloomberg results. For the fair value of precious metal related liabilities, the Group adopts the valuation results issued by Shanghai Gold Exchange. For discounted bills, trade finance and RMB bonds designated as hedged items of fair value hedge, the Group adopts discounted cash flow model for valuation which based on SHIBOR and yield curves issued by Shanghai Commercial Paper Exchange Co., and China Central Depository & Clearing Co., the Group constructs the interest rate curve by five-category loan classification and product type. For restricted equity investments in listed companies, liquidity discounts is considered based on the closing price.

For non-derivative financial instruments and some derivative financial instruments including forwards and swaps of precious metal and foreign exchange and interest rate swaps, etc. that could not be quoted from the active market, the Group adopts discounted cash flow analysis. The main parameters used include the recent transaction price, relevant yield curve, exchange rate and counterparty risk. For the valuation of option derivatives, the Group adopts Black-Scholes model with main parameters of relevant yield curve, exchange rate, volatility, and counterparty risk.

The fair value of shares held by other parties rather than the Group and liabilities of consolidated structured entities is measured based on the net asset values of the funds, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

XII 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. The qualitative information regarding the valuation techniques and important unobservable inputs used for level 3 fair value measurement is as follows:

	Fair value at 30 June 2025	Valuation technique	Unobservable inputs
Financial investments measured at FVTPL			
– Trust schemes and asset management plans	382	Discounted cash flow method	Risk-adjusted discount rate
– Trust schemes and asset management plans	1,578	Net assets analysis	Net assets, Liquidity discount
– Bonds and assets-backed securities	1,659	Discounted cash flow method	Risk-adjusted discount rate
– Equity investments	992	Net assets analysis	Net assets
– Equity investments	191	Market multiplier method	Liquidity discount
Financial investments measured at FVOCI			
– Equity investments	1,437	Net assets analysis	Net assets, Liquidity discount
Loans and advances to customers	3,723	Discounted cash flow method	Risk-adjusted discount rate

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

XII FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

1 Fair values of financial assets and liabilities *(Continued)*

(4) Level 3 fair value measurement *(Continued)*

	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

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.

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

XII FAIR VALUE OF FINANCIAL INSTRUMENTS *(Continued)*

1 Fair values of financial assets and liabilities *(Continued)*

(4) Level 3 fair value measurement *(Continued)*

Reconciliation of the opening and closing balance for financial assets of level 3 fair value on a recurring basis is as follows:

	Financial investments measured at FVTPL	Financial investments measured at FVOCI	Loans and advances to customers	Total
At 1 January 2025	5,133	1,420	11,474	18,027
Total gains recognized in profit or loss	(254)	–	486	232
Total gains recognized in other comprehensive income	–	17	(294)	(277)
Increase	4	–	–	4
Disposals and settlements	(81)	–	(7,943)	(8,024)
At 30 June 2025	4,802	1,437	3,723	9,962
Total unrealised gains and losses included in the consolidated statement of profit or loss for assets held at the end of the reporting period	(268)	–	75	(193)
	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)

NOTES TO THE INTERIM FINANCIAL REPORT

(In RMB millions, unless otherwise stated)

XII 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:

30 June 2025					
	Level 1	Level 2	Level 3	Fair Value	Carrying amount
Financial assets					
Financial investments measured at AC (excluding hedged items)	–	381,462	72,646	454,108	442,848
Financial liabilities					
Debt securities issued	–	514,943	–	514,943	510,501
31 December 2024					
	Level 1	Level 2	Level 3	Fair Value	Carrying amount
Financial assets					
Financial investments measured at AC (excluding hedged items)	–	398,131	80,125	478,256	464,123
Financial liabilities					
Debt securities issued	–	545,231	–	545,231	541,533

For the above financial assets and liabilities not measured at fair value, the Group used the following methods to determine their fair value:

The fair value of financial investments measured at AC and debt securities issued are quoted in the valuation system of relevant registration and settlement institutions that employs observable inputs that reflect the market in the formation of quotations. For those quotations not available in relevant institutions, the fair value shall be estimated by discounted cash flow method.

XIII COMPARATIVE FIGURES

For the purpose of the presentation of these financial statements, the Group reclassified certain comparative figures.

UNREVIEWED SUPPLEMENTARY FINANCIAL INFORMATION

(In RMB millions, unless otherwise stated)

I 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 shareholders of the Bank under IFRS Accounting Standards and PRC GAAP for the six months ended 30 June 2025 (for the six months ended 30 June 2024: no differences). There are no differences between the equity attributable to shareholders of the Bank under IFRS Accounting Standards and PRC GAAP at 30 June 2025 (31 December 2024: no differences).

II LIQUIDITY COVERAGE RATIO

	30 June 2025	31 December 2024
Liquidity Coverage Ratio	224.80%	322.75%

The liquidity coverage ratio is calculated in accordance with the relevant requirements of the National Financial Regulatory Administration.

III 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.

UNREVIEWED SUPPLEMENTARY FINANCIAL INFORMATION

(In RMB millions, unless otherwise stated)

III 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.

		Official	Non-bank private	
At 30 June 2025	Bank	sector	sector	Total
Local claims in foreign currencies	4,792	13,789	80,159	98,740
Asia Pacific excluding Chinese Mainland	7,034	1,605	22,255	30,894
– of which attributed to Hong Kong	4,293	1,605	20,163	26,061
Europe	6,006	3,976	1,835	11,817
North America	3,336	20,078	19,555	42,969
Oceania	583	–	–	583
Total	21,751	39,448	123,804	185,003

		Official	Non-bank private	
At 31 December 2024	Bank	sector	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

UNREVIEWED SUPPLEMENTARY FINANCIAL INFORMATION

(In RMB millions, unless otherwise stated)

IV CURRENCY CONCENTRATIONS

	USD	RMB Equivalent		Total
		HKD	Others	
At 30 June 2025				
Spot assets	109,752	15,203	28,440	153,395
Spot liabilities	(123,625)	(6,800)	(33,446)	(163,871)
Forward purchases	775,130	–	70,634	845,764
Forward sales	(817,792)	(6,064)	(81,282)	(905,138)
Net options position	(20,228)	(114)	(393)	(20,735)
Net (short)/long position	(76,763)	2,225	(16,047)	(90,585)
	USD	RMB Equivalent		Total
		HKD	Others	
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)

V NON-BANK MAINLAND CHINA EXPOSURE

The Bank is a commercial bank incorporated in Chinese Mainland with its banking business conducted in Chinese Mainland. At 30 June 2025, the Group's non-bank exposures are substantially arising from businesses with Chinese Mainland corporates and individuals.



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